CAPITAL OUTLAY (Continued)

On January 1st of each year, the amount of lease principal to be paid during the current year would be recorded as follows:

	Debit	Credit
County Road Fund		
Account #991 - Principal	XXXXX	
Account #208 - Lease Payable (Current)		XXXXX
General Long-Term Debt Account Group		
Account #304 - Lease Payable (Non-Current)	XXXXX	
Account #186 - Amount to be Provided for Payment of Debt Principal		XXXXX

The monthly entry to record the payment in the County Road Fund would be:

	Debit	Credit
Account #208 - Lease Payable (Current)	XXXXX	
Account #995 - Interest	XXXXX	
Account #001 - Cash		XXXXX

Rented Equipment (Operating Leases)

When a piece of equipment is rented for use on a specific maintenance or construction project or for an extended period of time for general use, the size of the equipment and the duration of the rental agreement should determine the accounting procedure most appropriate. Small items such as chain saws may be expensed directly from the invoice to the job. Larger equipment such as loaders may be set up in the equipment master and given a state code and rental rate so that it may be charged as if it was an owned piece of equipment. The invoice for rental would be charged to Activity #510 - Direct Equipment Expense as an expense to that equipment number or may be charged directly to the project.

New Buildings

Preliminary new building costs such as architectural plans, site preparation, financing cost, etc., should be included in the entire cost of the new building. If these costs occur during one fiscal year and construction of the new building occurs over the course of two fiscal years, you can record these costs in the following manner:

CAPITAL OUTLAY (Continued)

Assume a road commission decides to build a new truck garage. Architectural costs are $10,000 and the road commission crew will prepare the site by removing trees and other obstacles in the way at a cost of $10,000. Construction of the new truck garage has started and the fiscal year ends. The building contractor invoices the road commission for $40,000. In the next fiscal year, after the building is complete, the contractor invoices the road commission $60,000. The new truck garage is put into service three months into the new fiscal year.

The following entries should be made:

Cash Disbursements Journal

		Debit	Credit
900-975	Capital Outlay - Truck Garage	$60,000	
001	Cash		$60,000

(To record current year new truck garage building costs.)

At year end, the normal entries described in the General Fixed Asset Account Group section are made.

It is recommended that no depreciation be calculated on this new building until it has been completed and placed in use. Therefore, in the individual building records, the in-service date should be the last day of the year with the date changed to the actual in-service date in the next fiscal year. This will ensure that no depreciation is calculated until the building is complete.

In the next fiscal year, once you have paid for the final contractors' invoice, the following entries should be made:

Cash Disbursement Journal

		Debit	Credit
900-975	Capital Outlay - Truck Garage	$60,000	
001	Cash		$60,000

(To record current year new truck garage building costs, use the same building number used in the previous year.)