

Accounting for Bonds 101

WASBO Accounting Conference

March 22, 2023 | 1:00-1:50 PM

Baird Public Finance

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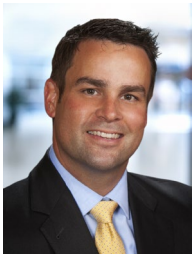
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Discover the *Baird Difference*

Meet the Baird School Finance Team



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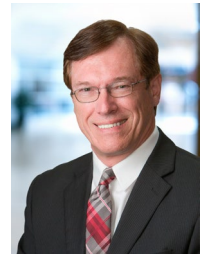
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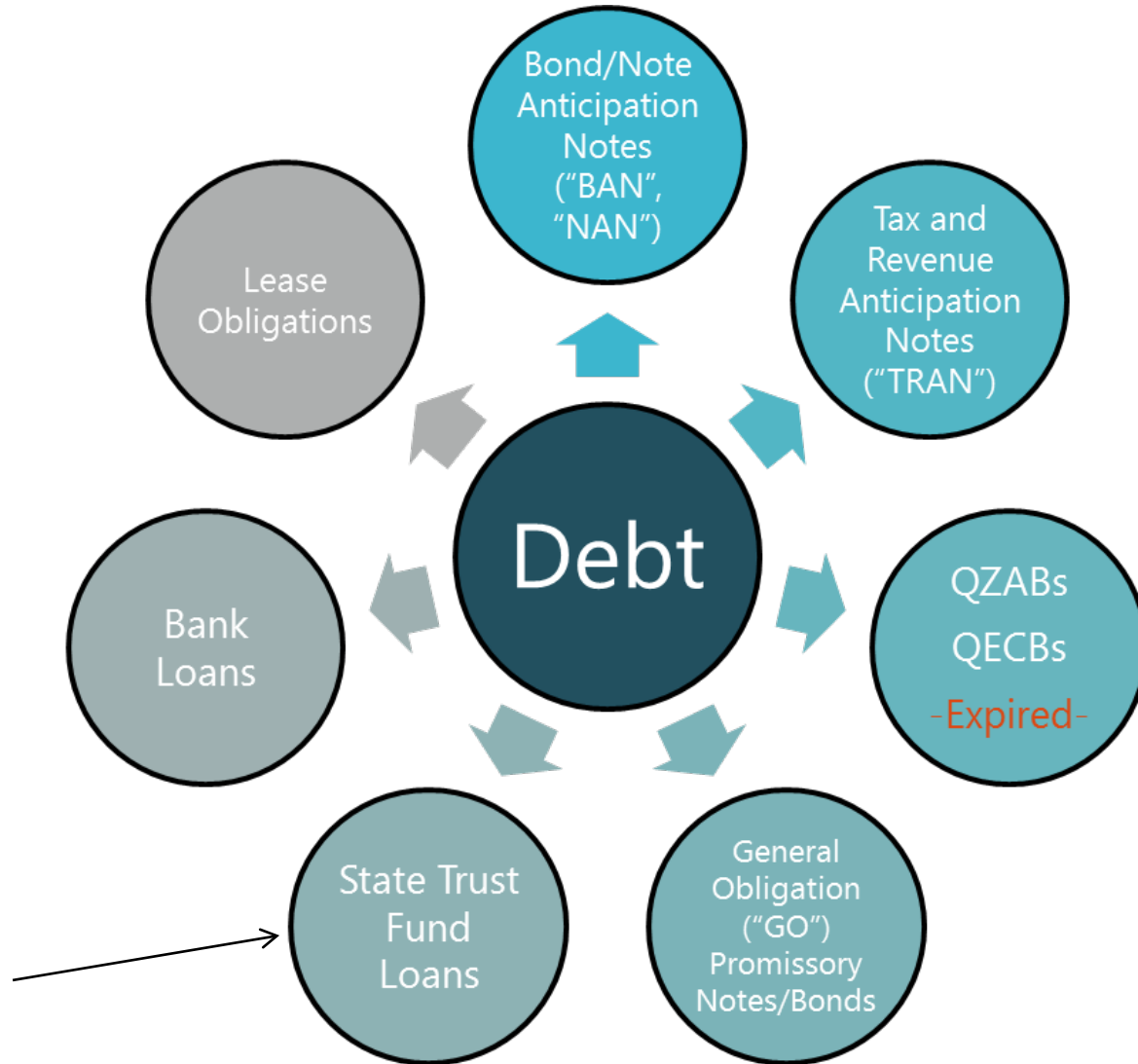
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AT THE END OF THE PRESENTATION, ATTENDEES WILL:

- Understand debt issue concepts for Wisconsin school districts
- Recognize debt transactions and coding guides
- Identify where and when to update DPI debt schedules

Debt Issue Basics

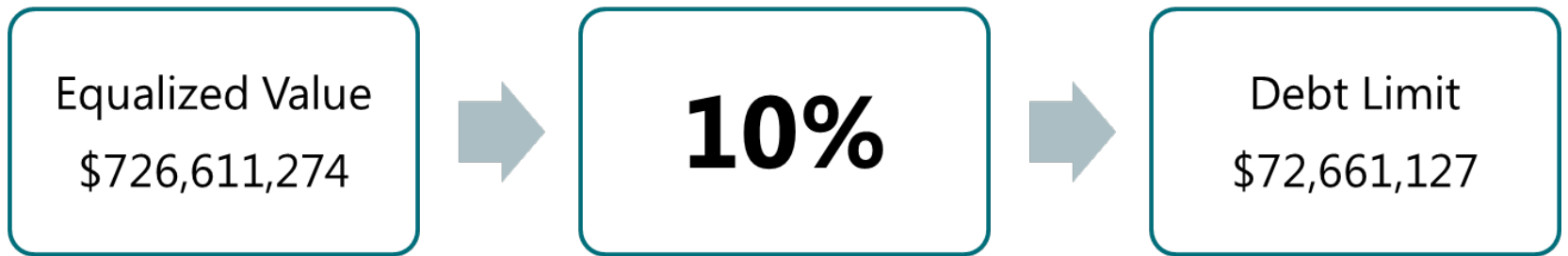
Basic Types of Debt



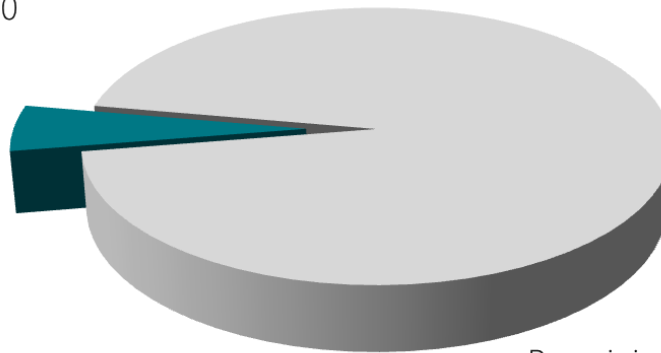
Term	Interest Rates*
2 years	5.50%
3-5 years	5.50%
6-10 years	5.50%
11-20 years	5.50%

*Source: Wisconsin Board of Commissioners of Public Lands as of March 2023

- A K-12 school district's total debt limit is based on **10%** of the equalized valuation (TID IN)
- K-8 and UHS districts' debt limits are based on **5%** of the equalized valuation



Outstanding Debt as of 12/31/18:
\$4,100,000



Remaining Debt Capacity:
\$68,561,127

What Do You Need to Know about your debt?

Fund 38?

Non-Referendum Debt

When is your debt being paid in full?

When is your debt callable?

What is your bond rating?

Are there future borrowing or restructuring opportunities?

Fund 39?

Referendum Debt

Bond Debt Service Example

General Obligation Promissory Notes - FINAL BQ; Callable 3/1/29 or any Date Thereafter

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
04/11/2022					
03/01/2023	320,000	4.000%	97,866.67	417,866.67	
09/01/2023			48,650.00	48,650.00	466,516.67
03/01/2024	255,000	4.000%	48,650.00	303,650.00	
09/01/2024			43,550.00	43,550.00	347,200.00
03/01/2025	265,000	4.000%	43,550.00	308,550.00	
09/01/2025			38,250.00	38,250.00	346,800.00
03/01/2026	275,000	4.000%	38,250.00	313,250.00	
09/01/2026			32,750.00	32,750.00	346,000.00
03/01/2027	285,000	4.000%	32,750.00	317,750.00	
09/01/2027			27,050.00	27,050.00	344,800.00
03/01/2028	300,000	4.000%	27,050.00	327,050.00	
09/01/2028			21,050.00	21,050.00	348,100.00
03/01/2029	310,000	4.000%	21,050.00	331,050.00	
09/01/2029			14,850.00	14,850.00	345,900.00
03/01/2030	320,000	3.000%	14,850.00	334,850.00	
09/01/2030			10,050.00	10,050.00	344,900.00
03/01/2031	330,000	3.000%	10,050.00	340,050.00	
09/01/2031			5,100.00	5,100.00	345,150.00
03/01/2032	340,000	3.000%	5,100.00	345,100.00	
09/01/2032					345,100.00
	3,000,000		580,466.67	3,580,466.67	3,580,466.67

Note: Numbers represented above are for illustration purposes only.

Callable Debt

Amount: \$15,000,000
 Type: G.O. Promissory Notes
 Dated: April 12, 2021

Callable: '29-'30 Callable 3/1/28 or on any date thereafter @ Par

PAYMENT PERIOD	PRINCIPAL (3/1)	RATE	INTEREST (3/1 & 9/1)	TOTAL
Jan-June 2021				
July-Dec 2021				
Jan-June 2022	\$4,300,000	1.500%	\$240,978	\$4,540,978
July-Dec 2022			\$103,725	\$103,725
Jan-June 2023	\$1,310,000	1.500%	\$103,725	\$1,413,725
July-Dec 2023			\$93,900	\$93,900
Jan-June 2024	\$1,325,000	2.000%	\$93,900	\$1,418,900
July-Dec 2024			\$80,650	\$80,650
Jan-June 2025	\$1,345,000	2.000%	\$80,650	\$1,425,650
July-Dec 2025			\$67,200	\$67,200
Jan-June 2026	\$1,360,000	2.000%	\$67,200	\$1,427,200
July-Dec 2026			\$53,600	\$53,600
Jan-June 2027	\$1,375,000	2.000%	\$53,600	\$1,428,600
July-Dec 2027			\$39,850	\$39,850
Jan-June 2028	\$1,395,000	2.000%	\$39,850	\$1,434,850
July-Dec 2028			\$25,900	\$25,900
Jan-June 2029	\$1,415,000	2.000%	\$25,900	\$1,440,900
July-Dec 2029			\$11,750	\$11,750
Jan-June 2030	\$1,175,000	2.000%	\$11,750	\$1,186,750
TOTAL	\$15,000,000		\$1,194,128	\$16,194,128

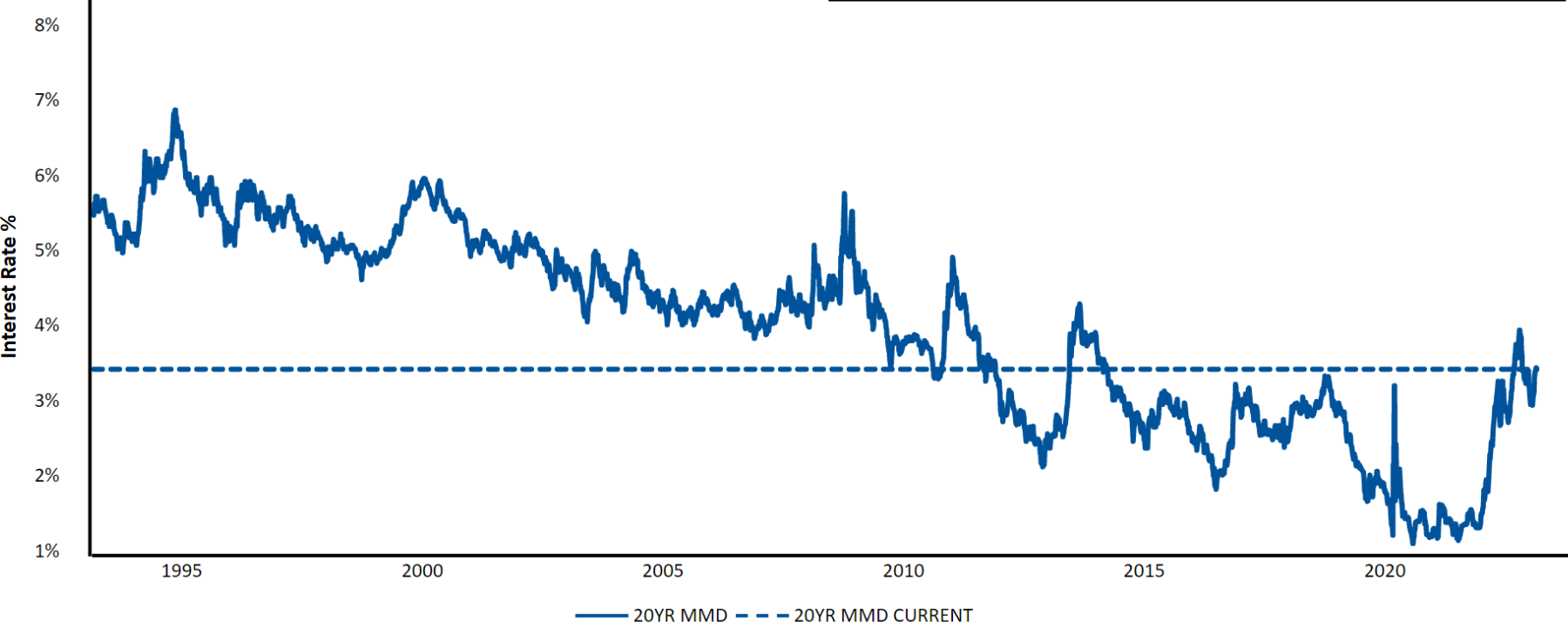
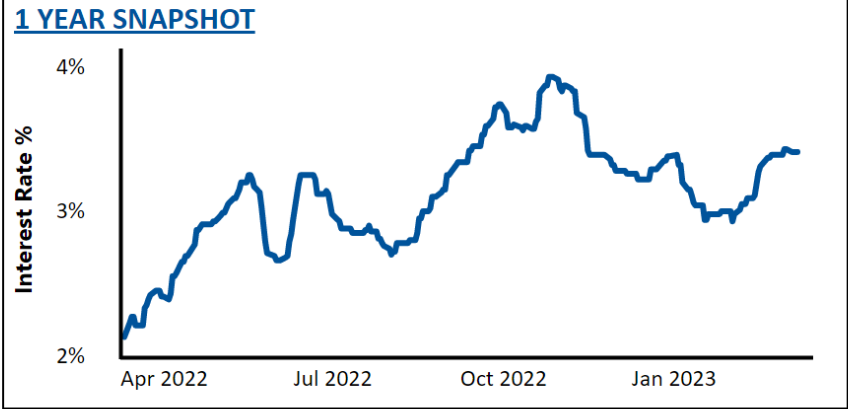
Callable Maturities

Credit: Aaa
 Paying Agent: District
 Notes: Bid Premium \$438,466.11
 NBQ

- Call date = prepayment date
- Call date is determined on the day you sell bonds
- Know the call dates of *all* of your debt issues
- Opportunity to refinance or use additional debt levy make a prepayment

Historical Long Term Tax-Exempt Interest Rate Trend

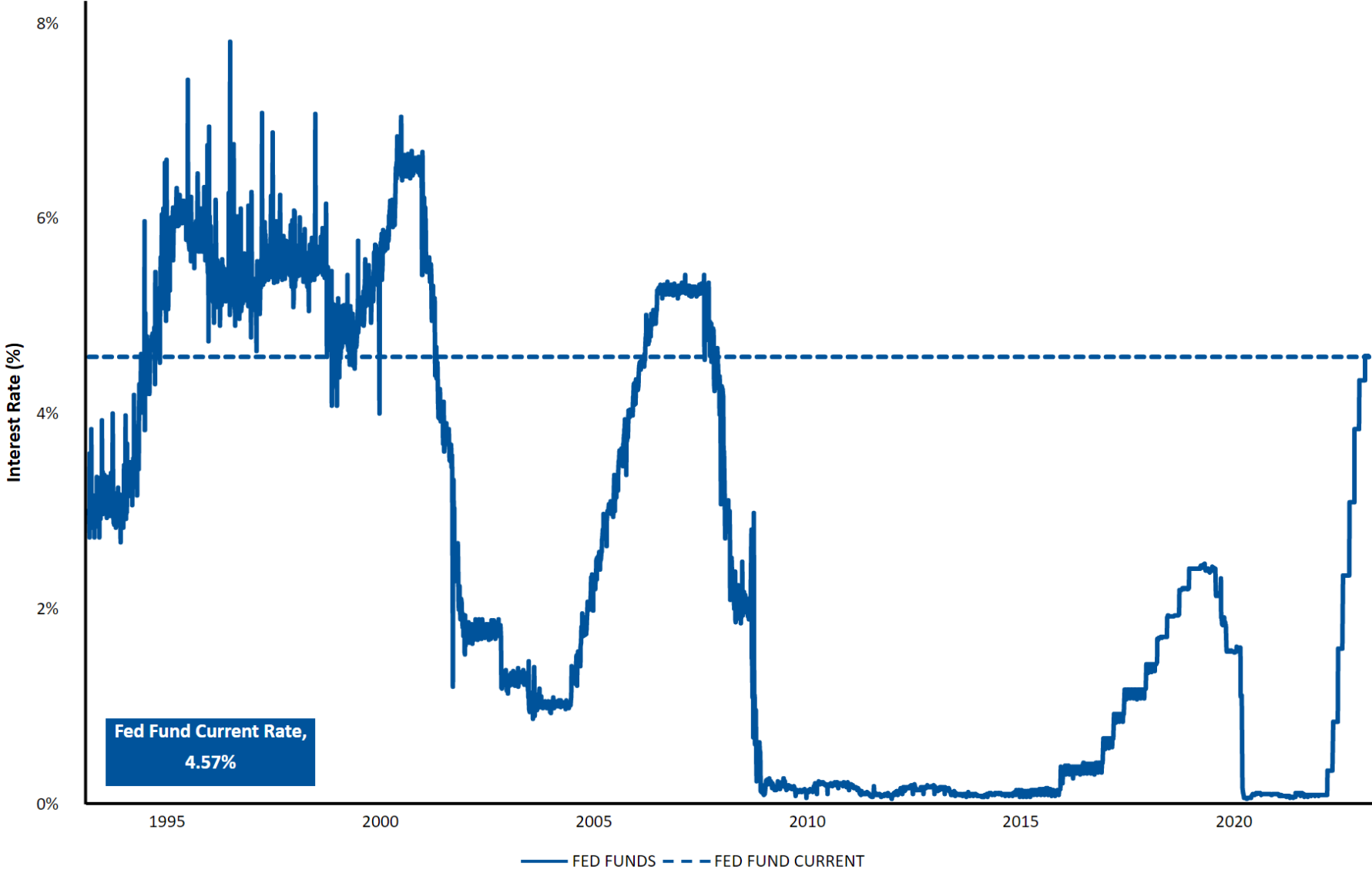
Past 30 years of the MMD 20-year bond index



Source: Refinitiv as of March 9, 2023

Historical Short Term Interest Rate Trend

Past 30 years of the Federal Reserve "Fed Funds" target rate



Source: Refinitiv and Federal Reserve Bank of New York as of March 8, 2023

Business Office Nuts and Bolts

Coding Debt Transactions – Initial Borrowing

DPI Coding Guide



**Debt Proceeds
Fund 49**



**Debt Repayment
Fund 38 or 39**

Journal Entries for Debt Issuance and Subsequent Interest and Principal Payments
 Below are the anticipated journal entries to record the various debt issuance by a school district.
 Also included below are the debt anticipated journal entries to record the debt interest and principal payments.
 Debt is recorded in Fund 38 if non-referendum related or in Fund 39 if referendum related.

General Obligation Bonds			
To Record Bond Issuance			
Dr. 49 B 000 000 711000 000	Cash	-	
Cr. 49 R 000 875 500000 000	Long-Term Bond Proceeds	-	JE IN BALANCE
To Record Bond Premium, if applicable			
Dr. 38/39 B 000 000 711000 000	Cash	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Closing Costs	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Discount	-	
Cr. 38/39 R 000 968 500000 000	Debt Premium-Non-Refinancing Debt	-	JE IN BALANCE
Debt Service Interest and Principal Payments			
Dr. 38/39 E 000 675 281000 000	Long-Term Bond Principal	-	
Dr. 38/39 E 000 685 281000 000	Long-Term Bond Interest	-	
Cr. 38/39 B 000 000 711000 000	Cash	-	JE IN BALANCE
General Obligation Notes			
To Record Note Issuance			
Dr. 49 B 000 000 711000 000	Cash	-	
Cr. 49 R 000 873 500000 000	Long-Term Notes Proceeds	-	JE IN BALANCE
To Record Note Premium, if applicable			
Dr. 38/39 B 000 000 711000 000	Cash	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Closing Costs	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Payment-Discount	-	
Cr. 38/39 R 000 968 500000 000	Debt Premium-Non-Refinancing Debt	-	JE IN BALANCE
Debt Service Payments			
Dr. 38/39 E 000 673 281000 000	Long-Term Notes Principal	-	



Coding Debt Transactions – Defeasance / Prepayment

DPI Coding Guide

Journal Entries for Debt Issuance and Subsequent Interest and Principal Payments			
Below is the anticipated journal entry to record the defeasance of debt by a school district. Defeasance uses levied cash on hand to make prepayment of debt principal and interest. It removes a portion of the remaining debt as a legal liability of the District once the escrow closes.			
Debt is recorded in Fund 38 if non-referendum related or in Fund 39 if referendum related.			
Bond Defeasance			
Dr. 38/39 E 000 675 281000 000	Long-Term Bond Principal	-	
Dr. 38/39 E 000 685 281000 000	Long-Term Bond Interest	-	
Dr. 38/39 E 000 690 281000 000	Other Debt Retirement-Closing Costs	-	
Cr. 38/39 R 000 968 500000 000	Debt Premium-Non-Refinancing Debt		-
Cr. 38/39 B 000 000 711000 000	Cash		-
		-	-
			JE IN BALANCE
Debt Schedule Adjustments			
The principal payment defeased should be included in the "Principal Payments Scheduled" column in SAFR debt schedule.			
The interest payment defeased should be included in the "Interest Payments Scheduled" column in SAFR debt schedule.			
Remember to adjust future payments per the new debt schedule provided during defeasance.			
Debt schedule should equal 0 at end.			



Coding Debt Transactions – Refinancing

DPI Coding Guide

Journal Entries for Refinancing of Debt and Subsequent Principal and Interest Payments

Below are the anticipated journal entries to record various debt refinancing transactions by a school district and subsequent debt service payments. Debt is recorded in Fund 38 if non-referendum related or in Fund 39 if referendum related.

SEE EXAMPLES OF REFINANCING TRANSACTIONS AND CORRESPONDING CLOSING MEMOS AT <https://dpi.wi.gov/sfs/finances/wufar/accounting-issues-examples>

General Obligation Bond Refinancing Transaction			
New Bond Issuance			
	Cash	-	
Dr. 38/39 E 000 690 282000 000	Other Debt Retirement-Closing Costs	-	
Dr. 38/39 E 000 690 282000 000	Other Debt Retirement-Discount	-	
Cr. 38/39 R 000 875 500000 000	Long-Term Bond Proceeds		-
Cr. 38/39 R 000 879 500000 000	Premium on Debt Refinancing		-
		-	- JE IN BALANCE
Payoff of Refinanced Bond			
Dr. 38/39 E 000 675 282000 000	Long-Term Bond Principal	-	
Dr. 38/39 E 000 685 282000 000	Long-Term Bond Interest	-	
Cr. 38/39 B 000 000 711000 000	Cash		-
Totals		-	- JE IN BALANCE
Function 282000 Test:			
Proceeds		-	
Plus Premium		-	
Less Principal Paid Off		-	
Less Interest Paid Off		-	
Less Discount		-	
Less Fees		-	
Must Equal Zero or Cash Received		-	TEST WORKS

If principal and interest payments occur in the same fiscal year as the refinancing, the cash received as calculated above must be applied to principal or interest payments for this issue using Function 282000. See "Debt Service Payments on New GO Bond Issuance" with cash received from refinancing included in example. If no principal and interest payments occur in the same fiscal year as the refinancing, the cash received as calculated above must be coded to Fund Balance Restricted for Refinancing – 936310 at year end.

In the subsequent fiscal year, the balance in 936310 must be applied to principal or interest payments as a 282000 function. For example, if the total interest payments are \$50,000 but a balance of \$5,000 was remaining in 936310, \$45,000 would be coded to Function 281000 and \$5,000 would be coded to Function 282000.



Coding Debt Transactions – Refinancing

DPI Coding Guide

Debt Service Payments on New GO Bond Issuance					
Dr. 38/39 E 000 675 281000 000	Long-Term Bond Principal	-			
Dr. 38/39 E 000 685 281000 000	Long-Term Bond Interest	-			
Dr. 38/39 E 000 685 282000 000	Long-Term Bond Interest	-			
Cr. 38/39 B 000 000 711000 000	Cash	-			
		-	-	JE IN BALANCE	

The district needs to enter a new debt schedule for the new debt issued. See "Enter LT Debt in SAFR Tab".
 Below is an example of the first line including the coding for cash received during refinancing.

Period	Last Principal Balance	Principal Payments Scheduled	Interest Payments Scheduled	Refinanced Principal Adjustment	Refinanced Interest Adjustment	New Principal Balance
PERIOD IN WHICH REFINANCING OCCURS	0.00	0.00	0.00	0.00	0.00	0.00

The Bond debt schedule you are refinancing should be adjusted to look like the below:

Period	Last Principal Balance	Principal Payments Scheduled	Interest Payments Scheduled	Refinanced Principal Adjustment	Refinanced Interest Adjustment	New Principal Balance
PERIOD IN WHICH REFINANCING OCCURS	0.00	0.00	0.00	0.00	0.00	0.00



Entering Debt into the Debt Portal

Old Way



Within 10 days,
enter in the DPI
SAFR Debt Portal

Long-Term Debt Issues - All Debt								
Name	Debt Type [▲] ↓	Fund	Function	Issue Date	Maturity Date	Original Amount	Current Balance	Payment Schedule
	Bond Issue	39	281	03/01/1998	09/01/2012	\$1,340,000.00	\$0.00	View
WRS REFINANCING	Bond Issue	38	281	08/01/2003	03/01/2017	\$460,000.00	\$0.00	View
9,950,000 GO SCHOOL BUILDING BONDS	Bond Issue	39	281	03/04/2008	09/01/2028	\$9,950,000.00	\$0.00	View
\$5,650,000 General Obligation Refunding Bonds, Series 2016	Bond Issue	39	281	04/13/2016	09/01/2026	\$5,650,000.00	\$2,670,000.00	View
POOL RENOVATION	Note	38	281	03/03/2021	12/01/2030	\$585,325.15	\$555,418.99	View
PHASE II 2008	State Trust Fund Loan	39	281	08/26/2009	03/15/2024	\$1,050,000.00	\$0.00	View

Add New Issue

New

Edit

Edit

File Path: [SFS Homepage](https://dpi.wi.gov/sfs) (dpi.wi.gov/sfs) / SAFR Reporting Portals / Log In to View or Submit Data / <log in> / Financial Data Home / Debt Schedules (PI-1505-DEBT)



[Baird Video Library Video – Entering Debt into the Debt Portal](#)

Entering Debt into the Debt Portal

New Way



Within 10 days,
enter in the DPI
WiSFiP Debt
Portal

+ Add New Record Export to Excel Export to PDF Debt Type: All Types

Debt Schedules

Debt Schedule Name ↑	Debt Schedule Type	WUFAR Fund	WUFAR Function	Issue Date	Maturity Date	Start Date	Principal Before Start	Original Amount	Current Balance [RO]	
▶	Bonds	Fund 39	Function 281	03/01/1998	09/01/2012	01/01/1900	\$0	\$1,340,000	\$0	<input type="button" value="Edit"/> <input type="button" value="Delete"/>
▶ \$1,500,000 General Obligation Promissory Note, Series 2022	Bonds	Fund 39	Function 281	06/06/2022	09/01/2026	01/01/1900	\$0	\$1,500,000	\$0	<input type="button" value="Edit"/> <input type="button" value="Delete"/>
▶ \$5,650,000 General Obligation Refunding Bonds, Series 2016	Bonds	Fund 39	Function 281	04/13/2016	09/01/2026	01/01/2016	\$0	\$5,650,000	\$0	<input type="button" value="Edit"/> <input type="button" value="Delete"/>
▶ 9,950,000 GO SCHOOL BUILDING BONDS	Bonds	Fund 39	Function 281	03/04/2008	09/01/2028	01/01/2008	\$0	\$9,950,000	\$0	<input type="button" value="Edit"/> <input type="button" value="Delete"/>
▶ PHASE II 2008	State Trust Fund	Fund 39	Function 281	08/26/2009	03/15/2024	01/01/2010	\$25,000	\$1,050,000	\$0	<input type="button" value="Edit"/> <input type="button" value="Delete"/>



WiSFiP Portal

Entering Debt into the Debt Portal



The portal detail determines how to code annual expenditures

Name	Debt Type <small>A Z ↓</small>	Fund	Function	I
General Obligation Refunding Bonds	Bond Issue	39	281	
Taxable Gene Obligation Refunding Bo				

- 670 Principal
 - 673 Long-Term Note Principal
 - 674 State Trust Fund Loan Principal
 - 675 Long-Term Bond Principal
 - 676 TEACH Loan Principal
 - 677 Land Contract Principal
 - 678 Capital Lease Principal

- 680 Interest
 - 682 Temporary Note Interest
 - 683 Long-Term Note Interest
 - 684 State Trust Fund Loan Interest
 - 685 Long-Term Bond Interest
 - 686 TEACH Loan interest
 - 687 Land Contract Interest
 - 688 Capital Lease Interest

Correctly Coded:

39 E 800 675 281000 000
39 E 800 685 281000 000

DPI and Baird Resources to support transaction entry



Debt Proceeds
Fund 49

Revenue = Debt Proceeds (+ others)
Expenditures = Project Costs



Debt Repayment
Fund 38 or 39

Revenue = Tax Levy (+ others)
Expenditures = Debt Payments

Questions?



Important Disclosures

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