This policy establishes accounting and financial reporting requirements for agencies that issue bonds or certificates of participation. Management is responsible for ensuring that such long-term debt is accounted for and reported in accordance with the official statements and generally accepted accounting principles (GAAP).

Types of Long-term Debt

Bonds are interest-bearing certificates sold by a government to raise money. They normally bear a stated rate or rates of interest, or state a formula for determining that rate. Generally, bonds mature on a date certain, on which date a fixed sum of money plus interest is payable to the holder or owner.

The State has issued three types of bonds: general obligation bonds, revenue bonds, and general appropriation bonds. General obligation bonds are general obligations of the State, secured by the full faith and credit of the State. Revenue bonds are secured by specific revenues that are pledged or designated for payment of the bonds. General appropriation bonds are special obligations payable solely from appropriated funds and are not general obligations of the State.

Certificates of participation (COPs) are special limited obligations of the borrower, the Department of Administrative Services (DAS), payable solely from available funds as provided in the financing agreement and are not a general obligation of the State. Under Oregon law, the authority to use financing agreements, which includes COPs, is established in a single agency, the Department of Administrative Services. However, the obligations are reported in the accounts of the agencies using the proceeds of the COPs.

A financing agreement is a lease-purchase or loan agreement to finance real or personal property or infrastructure that will be owned and operated by the State. Available funds means funds that are made available by the Legislature to pay amounts due under financing agreements.

The liability to repay the proceeds obtained from the sale of COPs is not considered debt as defined by the Oregon Constitution. However, for purposes of recording in the State’s accounting records and presentation in the financial statements, this liability appears as long-term debt.
Issuance of Bonds and Certificates of Participation

.107 Bonds and COPs are issued and sold in much the same manner. The key participants involved in the sale outside state government are the underwriters (investment bankers), bond counsel, financial advisors, trustees and insurers. The State Treasurer issues or approves the issuance of all debt. The Department of Justice provides legal advice, and the Audits Division may provide comfort letters.

.108 The underwriter purchases the bonds or COPs for resale to its customers. Generally, the amount the underwriter pays to the State will not equal the face amount of the debt. The face amount of the debt is reduced by the underwriter’s discount, bond or COP discount and costs of issuance, and increased by premiums. Each of these items must be separately recorded in the accounting records.

.109 When bonds or COPs are issued by a proprietary fund, the proceeds, debt, and repayment are all recorded within the proprietary fund.

.110 When bonds or COPs are issued by a governmental fund, the proceeds and expenditures are recorded in governmental funds, and the obligation is recorded in the government-wide reporting fund. Repayments will involve both governmental funds (where the payments are recorded) and the government-wide reporting fund (where the obligation is adjusted and any amortization is recorded).

.111 For general government debt, agencies may choose to establish debt service funds to record the accumulation of resources and payment of the debt. In addition, when debt proceeds are to be used for capital construction, agencies may establish capital projects funds to account for the construction of the assets.

Financial Reporting

.112 Annually, agencies will submit disclosure packets to Statewide Accounting and Reporting Services with all information needed to properly report and disclose debt in the Comprehensive Annual Financial Report (CAFR). Agencies that issue separate audited financial statements shall include all applicable disclosures related to bonds and certificates of participation in the notes to their financial statements.