



Public Schools of North Carolina

State Board of Education
Howard N. Lee, Chairman

Department of Public Instruction
Michael E. Ward, State Superintendent

<http://www.ncpublicschools.org>

May 29, 2003

MEMORANDUM

TO: Superintendents, Finance Officers, and Transportation Directors
Counties Receiving Three or More Replacement School Buses

FROM: Philip W. Price, Associate Superintendent
Financial and Business Services

Derek Graham, Section Chief
Transportation Services

SUBJECT: LEA Instructions for Financed Purchase of Replacement School Buses

Session law 2002-126 authorized the State Board of Education to arrange for the purchase of replacement school buses through financing. These instructions are a follow-up to memos dated April 24, 2003, from Philip Price and Derek Graham explaining the financed purchase of replacement school buses. Since only an LEA can enter into a financed purchase agreement and is the responsible party for payment, the LEA must make the installment payments or request that DPI make payment on their behalf. DPI Transportation Services will coordinate the issuing of installment payments directly from DPI using funds allocated to your LEA.

Following are the steps necessary to issue the purchase order for the replacement school buses and to account for the receipt and payment of the buses in subsequent years.

Current Year – FY 2002-2003:

DPI Transportation Services section has sent each LEA a report of buses they are authorized to purchase. This report includes type of bus, unit cost, payment 1, 2, & 3 amounts, total per bus, and aggregate total.

1. Based on the above report, the LEA will submit a request for DPI to make payment on their behalf at the time that each installment payment is due. DPI will notify the LEA of approval of their request. A sample request is attached to this memo.
2. This approval notice (guarantee of payment) from DPI will be the LEA's authorization to issue a Capital Outlay purchase order (PO) for the buses: coded to 4-9300-120-551.
3. The LEA will sign a Master Replacement Bus Financing Agreement with the finance company, Carlyle Capital Markets, Inc. This Agreement states that the LEA will submit its installment payments through DPI.

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The buses ordered through this process will not be delivered until sometime during the 2003-2004 fiscal year. Funds for this purpose will carry over and will be available in the next fiscal year.

Fiscal Year 2003-2004

1. Prior to the delivery of any bus with optional equipment (locally paid wheelchair lift or flat floor configuration) DPI will request payment from the LEA for the equipment, including interest expense.
2. Upon delivery of any replacement buses to the LEA, DPI will pay Installment # 1 on its behalf, as stated above.
3. DPI will notify the LEA when payment on their behalf has been made. This notice will include the total amount of the bus purchase, including interest expense and the cost of optional equipment paid by the LEA (wheelchair lift or flat floor configuration).

Each year, beginning 2003-2004:

1. The LEA gets an allotment of 1/3 of the DPI approved purchase price, including interest. This will show in PRC 120 on the Allotment Revision report (like textbooks) – no allotment amount is posted in MSA.
2. The LEA records a budget in the Capital Outlay Fund for the amount of the allotment, revenue & expenditure: 4-3490-120-000 and 4-9300-120-551.
3. Each year, DPI will notify the LEA when that year's installment payment has been made.
4. When the notice of payment is received, the LEA will record a revenue and expenditure transaction via journal entry:
Credit 4-3490-120-000 and Debit 4-9300-120-551.
5. The LEA also records a manual entry to disencumber 1/3 of the PO after each payment is made.

Questions should be directed to Steve Beachum at DPI Transportation Services (919) 807-3576.

PWP:DSG:nh:dkm

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