

PUPIL TRANSPORTATION REIMBURSEMENT CLAIM

DEPRECIATION SCHEDULE INSTRUCTIONS

**2024-25 SCHOOL YEAR
(PAYABLE IN FISCAL YEAR 2026)**
(Revised April 2025)



This is a compilation of procedures and instructions,
supported by rules and regulations, to assist Local
Education Agencies in documenting eligible items for depreciation
and inclusion on reimbursement claims for pupil transportation

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The Use of ESSER and GEER Funds for Transportation

The U.S. Department of Education has posted [FAQs – Transportation](#) about allowable uses of Elementary and Secondary School Emergency Relief (ESSER) and Governor’s Emergency Education Relief (GEER) funds by State Education Agencies and Local Education Agencies (LEAs) for transportation. The document includes information that addresses the current regional and national challenges pertaining to hiring and retaining a sufficient number of school bus drivers. These FAQs are intended to supplement the transportation-related questions in the [ESSER and GEER Use of Funds Guidance](#) published in May 2021, specifically FAQs C-4, C-7, C-9, and C-25.

As a reminder, if any federal funds are used for transportation expenditures, they must be reported as offsetting revenue on your State Transportation Claim. The miles and expenditures will be placed in the Non-Reimbursable (N/R) categories to which they apply. The federal funds used will be reported in 19(c) Other Revenue on the claim. For example, if federal funds are utilized for summer school transportation, the miles should be reported as Non-Reimbursable and expenditures will be allocated to the Non-Reimbursable category through the allocation of expenditures based on the ratio of miles driven. The revenue would be reported on 19(c) in the Non-Reimbursable category. If transportation vehicles and equipment are purchased with \$2,500 or more (per invoice) with federal funds, it must be reported on the depreciation schedule as type code “N” Non-Reimbursable. The offsetting revenue will be placed on Line 19(c) Other Revenue under Column D, Non-Reimbursable on the claim.

Transportation debt items (e.g., vehicles, equipment, buildings, property, etc.) that are paid off with federal funds must be adjusted on the depreciation schedule. No more depreciation can be claimed on the State Transportation Claim for these items. The offsetting revenue will be placed on Line 19(c) Other Revenue under Column D, Non-Reimbursable on the claim. The district will change the type code to a “N” Non-Reimbursable. If debt is reduced, please call Funding and Disbursements for further direction.

If you have questions regarding the State Transportation Claim, contact Reid Slayback at **217-782-5256** or rslaybac@isbe.net.

INSTRUCTIONS FOR COMPLETING THE ELECTRONIC TRANSPORTATION DEPRECIATION SCHEDULE

PLEASE NOTE: VEHICLES (WHETHER THEY ARE PURCHASED, LEASED, OR LEASED/PURCHASED) SHOULD BE CLAIMED ON THE DEPRECIATION SCHEDULE ONLY. THEY SHOULD NEVER BE LISTED AS A DIRECT EXPENSE IN PURCHASE SERVICES (14C) OR OTHER (14H).

Clarification: Vehicles can only be depreciated for a **total of five years**. Example: A school district leases a bus for three years. The district can claim 20 percent of the purchase price or the lease payment minus interest and finance charges (whichever is less) on the Depreciation Schedule for three years. At the end of the three-year lease, the district decides to purchase that same bus. The district would only be entitled to claim that bus for two more years on the Depreciation Schedule. The five-year timeframe does not reset based on the district's decision to purchase that bus. The Depreciation Schedule allows for a Vehicle Identification Number (VIN) to only be used once.

Electric Buses: A school bus that is listed on the depreciation schedule that is retrofitted/repowered to an electric bus will not receive additional depreciation after the five years for that VIN. Any bus that is purchased with a grant will be a type code "N" Non-depreciable. The depreciation amount and useful life will default to zero.

The grant funds will be recorded on Line 19C, Other Revenue under Column D, Non-Reimbursable on the Pupil Transportation Claim.

A district that purchases a bus partially with Fund 40 dollars can use only those funds for depreciation. The grant money will again be recorded on Line 19C, Other Revenue under Column D, Non-Reimbursable on the Pupil Transportation Claim.

Charging Stations: Charging stations listed on the depreciation schedule will be coded as a type code "S" and depreciated at 5 percent for 20 years, unless they are purchased with state federal funds they will be coded as a type code "N."

The grant funds will be recorded on Line 19C, Other Revenue under Column D, Non-Reimbursable on the Pupil Transportation Claim.

ESSER Stimulus Funds: Districts may choose to utilize their ESSER stimulus funds to purchase buses or other vehicles for pupil transportation purposes due to the COVID-19 pandemic. All vehicles that are approved to use this type of funds must report the vehicle on the depreciation schedule as a type code "N" Non-depreciable. The depreciation amount and useful life will default to zero. The federal dollars will be recorded on Line 19C, Other Revenue under Column D, Non-Reimbursable on the Pupil Transportation Claim.

The Transportation Depreciation Schedule is located on the homepage of the LEA in the Pupil Transportation Claim Reimbursement System (PTCRS).

All entities must use the electronic Depreciation Schedule (if applicable) in PTCRS to claim a depreciation allowance on the annual claim.

- All pupil transportation expenditures for items having a principal cost of \$2,500 or more and a useful life of more than one year are required to be depreciated for claiming purposes with the following exception:

When an item is damaged and the cost of the repair is covered by insurance proceeds, the repair costs should not be included on the depreciation schedule. The repair costs should be claimed on the pupil transportation claim on Line 14c, Purchased Services and the insurance proceeds should be claimed on Line 19c, as offsetting revenue.

- When a vehicle and/or equipment costing \$2,500 or more is purchased/leased for 30 days or more or leased/purchased anytime during the fiscal year, depreciation shall be prorated based upon the percentage of the fiscal year for which the item was held.
- When a vehicle and/or equipment acquired prior to July 1 of the current fiscal year is sold, destroyed, or traded in and not replaced at any time during the current fiscal year, no depreciation may be claimed for that year.
- Assets with a principal cost of less than \$2,500 are claimed as a direct cost on the Student Transportation Reimbursement Claim. If the asset has a principal cost of \$2,500 or more and a useful life of more than one year but is non-reimbursable, the asset should be entered in the Depreciation Schedule with a code of “N.”
- All items must be **directly** related to student transportation services and currently usable. If the item is leased/rented for less than 30 days, claim the expenditure as a **direct cost** on Line 14(c) - Purchased Services (Other than Lines 14(d), 14(e), and 14(f)) on the electronic Student Transportation Reimbursement Claim.
- When an item is disposed of and the proceeds exceed the un-depreciated balance, subtract the excess from the principal cost of the replacement item if it is purchased within the same fiscal year.
- When a student transportation item is acquired prior to the fiscal year being claimed and has not been previously listed on the Transportation Depreciation Schedule, only one year's depreciation can be entered in the current year depreciation allowance. The claimable depreciation for the prior year(s) must be entered in Accumulated Prior Year(s) Depreciation. **If there is a need to enter prior year's depreciation on this line, please contact Funding and Disbursements at 217-782-5256.**

- When an item is deleted from the Transportation Depreciation Schedule, all items that are associated with the asset that is being deleted must also be deleted. Example: Bus #2 was sold. A transmission for Bus #2 is also listed on the Depreciation Schedule. Both must be deleted.
- When an item is leased, the principal cost is the lesser of the fair market value of the vehicle, equipment, land and/or building at the time of acquisition or the lease payment minus interest & finance charges.

When entering into a lease agreement, the lessor shall supply the lessee with an amortization schedule documenting the fair market value of the vehicle, breaking out principal and interest throughout the life of the lease.

Fully depreciated items remain listed on the electronic Transportation Depreciation Schedule until the item is sold, destroyed, or traded in. (The district no longer has possession of the item.)

TYPE CODES/RATE OF DEPRECIATION/ALLOWABLE ITEMS

The length of time over which an item may be depreciated depends upon the code of the item.

Following is a list of codes, the rate of depreciation, and a description of the allowable items:

CODE	DEPRECIATION RATE	DESCRIPTION
R	33.33%	<p>Each item of equipment having a principal cost of \$2,500 or more and a useful life of more than one year that is attached to the pupil transportation vehicle to maintain the mechanical operation (per invoice for repairs), improve vehicle safety, modify the vehicle for handicapped transportation, and/or renovate district-owned pupil transportation vehicles.</p> <p>Retrofit/Repowered equipment.</p> <p>Include pupil-monitoring equipment (video cameras, etc.) costing \$2,500 or more per item installed on school buses.</p> <p>Hardware and software related to transportation services.</p>
V	20%	<p>Yellow school buses, White Multifunction School Activity Buses (MFSABs), or other vehicles used for transporting pupils (e.g., cars, minivans, sport utility vehicles, etc.) on a regular route that are purchased, leased, or leased/purchased for 30 days or more. School buses must meet Vehicle Code standards (Article VIII).</p> <p>Also include MFSABs per Public Act 96-0410.</p>
E	10%	<p>All other vehicles used to support the Student Transportation Program, excluding those used to transport students.</p> <p>Student transportation equipment not installed in the vehicle that is purchased, leased, or leased/purchased for more than 30 days.</p> <p>Two-way transportation vehicle communication systems costing \$2,500 or more per item.</p>
S	5%	<p>Initial cost for fuel storage tanks and pumps (site improvements) charged to the Operations and Maintenance (O&M) Fund 20. Fuel storage tank removal costs can also be charged as long as the tank is replaced.</p> <p>Charging stations for electric pupil transportation vehicles only.</p> <p>Building and site improvements costing \$2,500 or more applied to the building or property used solely for pupil transportation. Must be charged to the O&M Fund 20.</p> <p>Expenses related to the initial cost of transportation-related buildings may be charged to Fund 60 (Capital Projects Fund). If the LEA incurs any of these costs, they should be reported on Line 16c of the Pupil Transportation Claim.</p>

CODE	DEPRECIATION RATE	DESCRIPTION
B	2%	Initial cost for bus garage(s) or pupil transportation-related buildings that are purchased, leased, or leased/purchased. Must be charged to the O&M Fund 20 or Capital Projects Fund 60. New additions to an existing bus garage or pupil transportation related buildings. Must be charged to the O&M Fund 20 or Capital Projects Fund 60. Land/property used solely for parking or maintaining pupil transportation vehicles. Must be charged to the O&M Fund 20 or Capital Projects Fund 60.
N	0%	Non-reimbursable items. Items purchased with state or federal money.

SEQUENCE NUMBER

First-time users of the electronic Depreciation Schedule should enter the same sequence number for the asset that was assigned when the asset was acquired. This number will be used to track the asset being depreciated until it is disposed of. **Do not reuse sequence numbers when an asset has been deleted.** Always continue to assign new assets the next sequential number. You should never add a new or additional asset's cost to an existing or deleted item.

DESCRIPTION OF ASSETS

Enter a detailed description of each item purchased, leased, or leased/purchased for pupil transportation services. Only one item per line is acceptable. (Example: If you purchase 10 radios costing \$2,500 or more each, list each radio on a separate line.)

DETAILS

This field is required. (Example: The asset entered is a transmission for Bus 40. When Bus 40 is deleted from the schedule, the transmission would also need to be deleted.) Maximum of 450 characters. Use bus number here and any corresponding parts that are purchased and depreciated for said bus.

DATE ACQUIRED

PTCRS defaults the current date in this field. The user must enter the date the asset is acquired (month, date, and year -- XX/XX/XXXX) for each student transportation item that is purchased, leased, or leased/purchased. The date acquired is the latter of the date the initial expenditure occurred or the date the district took possession of the item.

OWNERSHIP

Select whether the asset was Purchased, One Year Lease, or Multiple Year Lease/Leased Purchased. If you started out leasing an asset but then change to purchase, be sure to change the ownership of that asset to purchase.

PRINCIPAL COST/MARKET VALUE

Enter the principal cost (see Appendix C of Claim Instructions) for any new item costing \$2,500 or more and having a useful life of more than one year that was purchased, leased, or leased/purchased for pupil transportation services during the fiscal year claimed. If the vehicle is leased, the district must have in its possession a document from the leasing company with a verifiable principal cost/market value for audit review purposes.

USEFUL LIFE/LEASE PERIOD

If the “Ownership” selected is Purchased, PTCRS will automatically populate the useful life based on the “Type” of asset selected.

If the “Ownership” selected is One Year Lease, PTCRS will automatically populate the useful life as “1.”

If the “Ownership” selected is Multiple Year Lease/Leased Purchased, the user will need to enter the number of years for the lease period accompanied by a verifiable principal cost/market value for audit review purposes.

ANNUAL RATE OF DEPRECIATION

PTCRS will automatically default the “Annual Rate of Depreciation” based upon the “Type” of asset selected.

TOTAL LEASE AMOUNT

Enter the total principal payments, excluding finance charges and fees, to be paid for the lease period. (i.e., amount of lease payment per year X number of years of lease). Depreciation is allowed at the rate of 20 percent per year or the lease payment (excluding finance charges), whichever is less. **THE DISTRICT MUST BE ABLE TO PROVIDE A DOCUMENT FROM THE LEASING COMPANY WITH A VERIFIABLE FAIR MARKET VALUE FOR A LEASED ASSET.**

VEHICLE TYPE

Select vehicle type (Y – Yellow School Bus, W – White Activity Bus [MFSAB], C – Other Vehicles Used for Transporting Pupils [e.g., car, sport utility vehicle, van]).

NOTE: Vehicle type C only includes first division vehicles designed to carry not more than 10 persons total including the driver.

REGISTRATION NUMBER (Vehicle Identification Number)

If the asset is a vehicle, enter the VIN and check it carefully for accuracy. The VIN must contain 17 characters and may not be duplicated. Anything entered that is less than 17 characters or is duplicated will result in an error message and denial of claim transmission.

SEATING CAPACITY

If the asset is used to transport students, enter the maximum number of occupants, including the driver. If you are uncertain what the capacity is, check the plate on the driver's door of the vehicle for the official capacity based upon vehicle design.

ACCUMULATED PRIOR YEAR(S) DEPRECIATION

First-time users of the electronic Depreciation Schedule must enter the accumulated prior year(s) depreciation amount. All assets on the Depreciation Schedule must be updated annually, even if the asset is fully depreciated, in order for PTCRS to carry the data forward each year until the asset is disposed.

NOTE: An asset that needs to be updated will be indicated by an asterisk after the sequence number on the Depreciation Schedule.

To update an asset and to calculate the current-year depreciation allowance (if applicable), click on each Sequence Number, then make any changes applicable on the next page, and click the Update button.

If an item was acquired prior to July 1 and is still on hand but has never been claimed for reimbursement, please contact Funding and Disbursements at 217-782-5256.

CURRENT YEAR DEPRECIATION ALLOWANCE

Enter the annual allowable depreciation amount for each new item and each item with an undepreciated balance.

ACCUMULATED DEPRECIATION THROUGH THE FISCAL YEAR BEING CLAIMED

PTCRS will automatically calculate this field.

UNDEPRECIATED BALANCE

PTCRS will automatically calculate this field.

DELETE ASSET

In PTCRS, click on the “Modify/Delete Assets” link on the district’s homepage. Click on the “Sequence Number” of the asset to be deleted. Click on the “Delete Asset” button at the bottom of the Asset Details Screen. PTCRS will default the current date in the prompt box. Enter the actual date the asset was sold, traded in or disposed of.

Do not delete an asset until it is no longer in the district’s possession.

23 Illinois Administrative Code 120

(Subtitle A, Subchapter C)

Section 120.60 Reimbursable Annual Depreciation Allowances

- a) Annual depreciation allowances shall be based on the principal cost of pupil transportation vehicles or equipment for items costing \$2,500 or more and with a useful life in excess of one year.
 - 1) When a vehicle and/or equipment costing \$2,500 or more is purchased, leased for 30 days or more, or leased/purchased any time during the fiscal year, depreciation shall be prorated based upon the percentage of the fiscal year for which the item was held, as set forth in subsection (a)(2) of this Section.
 - 2) The depreciation allowance shall be calculated by dividing the number of months the item to be depreciated is retained by the LEA by 12 and multiplying the allowable depreciation rate by the resulting percentage. This prorated depreciation rate shall then be applied to the principal cost.
- b) The depreciation of pupil transportation vehicles that are purchased, leased/purchased, or leased for 30 days or more by the district shall be based on an annual rate of 20 percent of the principal cost.
- c) The depreciation of pupil transportation equipment not installed in the vehicle that is purchased or leased/purchased or leased for more than 30 days by the district shall be based on an annual rate of ten percent of the principal cost.
- d) The depreciation of buildings (including new additions to existing buildings) shall be based on an annual rate of two percent of the principal cost.
- e) A repair or modification to a pupil transportation vehicle costing \$2,500 or more per item and extending the useful life of the vehicle by more than one year must be capitalized and shall be depreciated at an annual rate of 33 1/3 percent. The cost of a repair or modification includes parts, supplies, and labor associated with the completion of the repair or modification.
- f) The depreciation of site improvement(s) costing \$2,500 or more and having a useful life of more than one year, made to the building(s) or land used for pupil transportation purposes, shall be based on an annual rate of five percent of the principal cost, including installation fees.
- g) The depreciation of two-way transportation vehicle communication systems costing \$2,500 or more per office or bus shall be based on an annual rate of ten percent of the principal cost.

- h) The depreciation of pupil monitoring equipment installed on school buses, including video cameras costing \$2,500 or more per bus, shall be based on an annual rate of $33 \frac{1}{3}$ percent of the principal cost.
- i) The depreciation of a service vehicle (such as a tow truck) costing \$2,500 or more that is used to service pupil transportation vehicles shall be based on an annual rate of ten percent of the principal cost.

(Source: Amended at 26 Ill. Reg. 1169, effective January 16, 2002)

CLAIMING LEASED OR LEASED/PURCHASED ITEMS EXAMPLES

The following case scenarios are included to assist those districts who lease or lease/purchase items for the pupil transportation program.

1. How to claim the allowable depreciation for transportation vehicles when the annual lease payment is less than 20 percent of the fair market value:

Example: Bus #1 with a market value of \$40,000 is leased in July 2018 by the district and returned to the lessor on July 1, 2019. The lump-sum lease payment, excluding finance charges and interest, is \$6,000. Transportation vehicles are depreciated at a rate of 20 percent for five years ($\$40,000 \times 20\% = \$8,000$). However, since the lump sum lease payment paid by the district is only \$6,000 (and less than the allowable depreciation), the amount that can be claimed as current year depreciation is \$6,000. When the lease payment is more than 20 percent of the fair market value, the amount that can be claimed as current year depreciation is the 20 percent figure.

2. How to calculate the depreciation allowance when an asset is LEASED but is acquired after July 1 of the fiscal year.

Example: Bus #1 with a fair market value of \$54,500 is leased for five years by the district beginning on August 1, 2019.

Pymt No.	Pymt Date	Principal Cost	Interest	Principal Payment	End Balance	Allow. Dep.
1	08/01/19	\$54,500	0	\$10,277.35	\$44,222.65	\$9,992.00
2	08/01/20	\$44,222.65	\$2309.73	\$7,967.62	\$36,255.03	\$7,968.00
3	08/01/21	\$36,255.03	\$1893.58	\$8,383.77	\$27,871.26	\$8,384.00
4	08/01/22	\$27,871.26	\$1,455.70	\$8,821.65	\$19,049.61	\$8,822.00
5	08/01/23	\$19,049.61	\$994.95	\$9,282.40	\$9,767.21	\$9,282.00
6	08/01/24	\$9,767.21			0	\$908.00

Claim the remaining Year 6 depreciation amount on line 14(h) - (Other). It should be spread across transportation categories based on mileage.

3. How to calculate the depreciation allowance when an asset is PURCHASED but is acquired after July 1 of the fiscal year.

Example: Bus #1 with a fair market value of \$50,750 is purchased by the district on December 1, 2019.

	# Months	Allowable Depreciation
Year 1	7 (Dec – June)	\$5,921.00 (\$50,750 X 20% = \$10,150.00 \$10,150.00/12 = \$845.84 \$845.84 x 7 = \$5921.00)
Year 2	12 (July – June)	\$10,150.00 (20% of principal cost)
Year 3	12 (July – June)	\$10,150.00 (20% of principal cost)
Year 4	12 (July – June)	\$10,150.00 (20% of principal cost)
Year 5	12 (July – June)	\$10,150.00 (20% of principal cost)
Year 6	5 (July – Nov)	\$4,229.00 (remaining 5 months depreciation from 1 st year) (\$845.84 x 5 = \$4,229.20)

4. How to calculate the prorated principal cost when an item is acquired and disposed of within the same fiscal year.

Vehicles and/or equipment leased for 30 days or more, leased/purchased or purchased, and sold or destroyed within the same fiscal year must use a prorated principal cost based on the following formula:

- (Principal cost /12 months) x number of months in possession of the district
= prorated principal cost.

Bus #1 with a market value of \$40,000 is purchased and sold in four months.
[\$40,000 / 12 = \$3,333] X 4 = \$13,332 is reported as the prorated principal cost.

Report the deletion on the next successive year's Transportation Depreciation Schedule.

5. How to calculate the prorated principal cost of a building or land that is partially used for student transportation.

- Divide the square footage of the portion of the building or land that is being used by the district for pupil transportation services by the total square footage of the entire building or land.

When the insurance or sales revenue is greater than the un-depreciated balance, the difference is reported on the Annual Claim for Student Transportation Reimbursement on Line 19b - **(Other Revenue)** unless a replacement vehicle or equipment is purchased in the same fiscal year. (See 23 Ill. Admin. Code, Section 120.70(e).)

When the insurance or sales revenue is used to purchase a replacement vehicle or equipment, the excess revenue should be treated similar to a trade-in value. If the vehicle or equipment is sold during the fiscal year for less than the un-depreciated balance, the difference cannot be claimed when the vehicle or equipment is not replaced within the same fiscal year. The vehicle that was sold should be deleted off the Transportation Depreciation Schedule.

The following examples were developed to show different scenarios that may occur when leasing vehicles:

SAMPLE LEASE AGREEMENT

Lease Total	\$39,563.55
APR	3.95%
Principal	\$34,745.00
Interest	\$4,818.55
Number of Payments	5
Payment Amount	\$7,912.71
Number of Units	1
Start Date	6/30/19

Pymt No.	Pymt. Date	Beg. Balance	Interest	Principal	End. Balance
1	6/30/19	\$34,745.00	\$0.00	\$7,912.71	\$26,832.29
2	6/30/20	\$26,832.29	\$1,864.84	\$6,047.87	\$20,784.42
3	6/30/21	\$20,784.42	\$1,444.52	\$6,468.19	\$14,316.23
4	6/30/22	\$14,316.23	\$994.98	\$6,917.73	\$7,398.50
5	6/30/23	\$7,398.50	\$514.21	\$7,398.50	\$0.00
Total			\$4,818.55	\$34,745.00	

Lease/Purchase Agreement – Example 1

A school district entered into an agreement to **purchase** a 2018 school bus. This bus would replace the district's old 2013 school bus. The district sold the 2013 bus for \$1,500. The 2013 bus was fully depreciated. The agreement stipulates that the district will be obligated to make five annual payments of \$7,912.71 for a total of \$39,563.55 for principal and interest.

Following is the calculation of the cost of the 2018 bus that should be entered on the school district's Depreciation Schedule:

Total Payments	\$39,563.55
Less Interest	<u>(\$4,818.55)</u>
Net Principal Payments	\$34,745.00
Less Sale of Old Vehicle	<u>(\$1,500.00)</u>
Plus Un-depreciated Balance of Old Bus	<u>\$ 0.00</u>
Allowable Cost of Bus to be entered On the Transportation Depreciation Schedule	<u>\$33,245.00</u>

Lease Agreement – Example 2

A school district entered into an agreement to **lease** a 2018 school bus. This bus will replace the district's old 2013 school bus. The district sold the 2013 bus for \$1,500. The 2013 bus was fully depreciated. The lease agreement stipulates that the district will make annual payments of \$7,912.71 as long as the district uses the bus.

Following is the calculation of the cost of the 2018 bus that should be entered on the school district's Depreciation Schedule:

Fair Market Value for the Bus (excluding interest)	\$34,745
Allowable Cost of Bus to Be Entered on the Transportation Depreciation Schedule	\$34,745
Revenue to be Deducted as Other Revenue:	
Revenue Received from the Sale of the 2013 Vehicle	\$ 1,500
Less Un-depreciated Balance	<u>\$ 0</u>
Other Revenue to Be Entered on Line 19(b) of the Annual Claim for Pupil Transportation Reimbursement	<u>\$ 1,500</u>

Notice the difference how the revenue received from the sale of the 2013 vehicle is claimed when purchasing (Example 1) or leasing (Example 2) a new vehicle. When the vehicle is **purchased**, the revenue is deducted from the principal cost of the new vehicle before adding the vehicle to the Transportation Depreciation.

Lease/Purchase/Buy-Back Agreement – Example 3

A school district entered into an agreement to **purchase** a 2018 school bus. This bus will replace the district's old 2013 school bus. The district sold the 2013 bus for \$1,500. The 2013 bus was fully depreciated. The agreement stipulates that the district will make an initial payment of \$7,912.71. The second year of the lease/purchase agreement, a final payment of \$31,650.84 will be made for total payments of \$39,563.55 for principal and interest. At the end of the second year, the vendor agrees to **"buy back"** the vehicle for \$27,796.00 (80 percent of the purchase price of the vehicle).

Following is the calculation of the cost of the 2018 bus that should be entered on the school district's Transportation Depreciation Schedule:

Total Payments	\$39,563.55
Less Interest	<u>(\$4,818.55)</u>
Net Principal Payments	\$34,745.00
Less Sale of Old Vehicle	<u>(\$1,500.00)</u>
Plus Un-depreciated Balance of Old Bus	<u>\$ 0.00</u>
Allowable Cost of Bus to Be Entered on the Transportation Depreciation Schedule	<u>\$33,245.00</u>

When the district purchases a new bus and sells the 2018 bus back to the vendor, the un-depreciated balance is added to the purchase price of the vehicle and the revenue received for the “buy back” of the bus sold back to the vendor must be deducted.

Assuming the purchase price of the new 2019 vehicle is \$36,250.00; the cost of the 2019 vehicle to be entered on the Transportation Depreciation Schedules is as follows:

The un-depreciated balance of the 2018 bus is:	
Cost of Vehicle on the Depreciation Schedule	\$33,245
Less Depreciation Allowed (\$33,245.00 x 20%)	<u>(\$6,649)</u>
Un-depreciated Balance of 2018 Bus	<u>\$26,596</u>
Purchase Price of 2019 Bus	\$36,250
Less Revenue Received for “Buy Back” of 2018 Bus	<u>(\$27,796)</u>
Net Purchase Price of 2019 Bus	\$ 8,454
Plus Un-depreciated Balance of 2018 Bus	<u>\$26,596</u>
Cost of 2019 Bus to be Entered on the Transportation Depreciation Schedule	<u>\$35,050</u>

Lease Agreement – Example 4

A school district entered into an agreement to **lease** a 2018 school bus. This bus will replace the district’s old 2013 school bus. The district sold the 2013 bus for \$1,500. The 2013 bus was fully depreciated. The agreement stipulates that the district will make annual payments of \$7,912.71 as long as the district uses the bus. The district made the first payment in June 2018 and began using the bus during the 2018-19 school year. No additional payment was made during the 2018- 19 school year. The district returned the bus to the vendor in July 2019.

Following is the calculation of the cost of the 2018 bus that should be entered on the school district’s Transportation Depreciation Schedule:

Fair Market Value of the Bus	\$ 34,745
Allowable Cost of Bus to be Entered on the Transportation Depreciation Schedule	\$ 34,745
Revenue to be Deducted as Other Revenue	\$ 0
Revenue Received from the Sale of the 2013 Bus	\$ 1,500
Less Undepreciated Balance	\$ 0
Other Revenue to be Entered on Line 19(b) of the Annual Claim for Pupil Transportation Reimbursement	\$ 1,500

Bus Trust Lease Agreements/Zero Interest Lease Agreement

In the past, some companies have issued what are known as “bus trust” agreements with Local Education Agencies that were advertised as agreements to lease buses without interest or finance charges. These agreements did not disclose inherent interest or finance charges, which are not claimable on the Regular/Vocational Transportation Reimbursement claim. LEAs should ensure that invoices clearly establish the sales prices of the buses leased and the yearly lease payments will be structured to avoid any ambiguity with interest components and rates clearly noted.