

The Board of Trustees
of the
School and Institutional Trust Lands Administration

☒ *New Policy* *Amends Policy No. 97-05*

Policy Statement No. 2001-01

*Subject: Revenue Accounting
For Installment Sales*

The Board of Trustees of the School and Institutional Trust Lands Administration met in open, public session on March 9, 2001, and by majority vote declares the following to be an official policy of the Board.

Based upon the facts that:

- * The Administration regularly sells real property as part of its normal business activity
- * Such real property purchases are financed by the Administration at a variable interest rate of prime plus 2.5 percent
- * The Administration requires down payments between 10 percent and 50 percent of the sale price
- * The financed portion of the sale price is secured by a first mortgage lien against the real property and described by a certificate of sale issued by the Administration
- * The certificate of sale is a note receivable carried by the Administration as an asset of the respective Permanent Fund
- * The historic rate of foreclosure for rural land sales, financed by the Administration with a 10 percent down payment, is estimated to be less than one percent of all sales
- * The Administration incurs no tax liability upon the sale of real property

- * The rate of foreclosure by the Administration at Leigh Hills Phase I (a negotiated development real estate sale) on sales financed with only a 10 percent down payment was greater than 10 percent of such sales.

It is, therefore, the policy of the Board of Trustees to direct the Trust Lands Administration to:

- * Require down payments of at least 25 percent of the sales price for negotiated development real estate sales.
- * On auction sales, the Administration shall report 100 percent of the sales revenue in the fiscal year during which such sale occurs, regardless of the method of financing
- * On other negotiated sales, the Administration will present the proposed accounting structure, based on generally accepted accounting principles, for the transaction at the time the negotiated sale is approved, and the Board and Administration will review any transaction, other than those listed above, on a transaction-by-transaction basis for reporting of the sales revenue.