

**CONSOLIDATION OF A WATER AND SEWER CAPITAL
PROJECT FUND INTO THE WATER AND SEWER FUND**

This section provides guidance to CPAs on how to consolidate a water and sewer capital project subfund into the Water and Sewer Fund. During the year, a governmental unit would maintain the subfund on the modified accrual basis of accounting. At year-end the CPA must convert the subfund to the full accrual basis and include its reporting under the appropriate proprietary fund type. Also, the CPA must include the project ordinance as supplementary information in the audit report. The consolidation of the subfund into the Water and Sewer Fund is mandated by GASB Codification section 1300-104 which requires that a capital project financed by a proprietary fund be reported within that fund and not reported as a governmental capital project fund.

The following pages are for illustrative purposes only and include a sample consolidation trial balance and sample adjusting journal entries needed for consolidation. These entries are not all inclusive and additional entries may be required depending on the activities of the subfund.

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Reporting the Activities of an Enterprise Capital Projects Subfund within the Enterprise Fund Type

Units of local government must often replace or add to the fixed assets of their enterprise funds. Many of these additions are budgeted and accounted for as purchases of fixed assets within the enterprise operating fund. However, the construction of major capital fixed assets and the generation of utility system revenues are two distinctive functions which should be budgeted and accounted for in two separate funds, regardless of the source of funds used to fund a given capital project or the time period covered by the project. If these functions are commingled within one fund, budgets and accounting records will not clearly reflect either function and management's ability to control the capital project may be hindered. As a result, if a local government undertakes a long-term construction project, then the project, and all of the sources utilized to finance it, should be accounted for in a capital projects fund. Further, the Local Government Budget and Fiscal Control Act requires local governments and public authorities to account for projects financed by bond or debt proceeds within a capital projects fund [G. S. 159-26(b)(6)].

G.S. 159-13.2 allows a local government or public authority to adopt a multi-year project ordinance for a capital project. It is appropriate to budget and account for a capital project in a multi-year capital projects fund if the project does not begin and end within a single fiscal year. A multi-year budget that matches the sources of the project's funding with the total costs of construction clearly documents the total costs of the project using the government's accounting system and enhances management's control of the project.

The use of a multi-year capital projects subfund within the enterprise fund type complicates financial reporting. Enterprise funds are reported using the full accrual basis of accounting. In order to present the annual financial statements in accordance with GAAP, the enterprise capital projects subfund, which is accounted for using the modified accrual basis of accounting, must be converted to the full accrual basis and then reported with the enterprise operating fund. This process involves reclassifying most of the revenues, expenditures and other financing sources and uses of the capital projects subfund as balance sheet transactions. Furthermore, because the enterprise fund's operations and its cash flows are presented on an annual basis, only the current year's transactions of the capital projects subfund should be presented in the operating statement and the statement of cash flows. Under the full accrual basis of accounting, any debt issued to finance a capital project is reclassified as a liability of the enterprise fund. Also, the fixed assets constructed with the debt proceeds are recorded as construction in progress until completion. Upon completion, the assets will be capitalized and depreciated over their appropriate useful life.

Characteristics of Our Example

The guidance presented in this example illustrates this consolidation process by including a worksheet which combines the activities of the operating fund and the enterprise capital projects subfund. From that initial worksheet, a single journal entry is prepared which may be posted to the operating fund to record the annual activities of the capital projects subfund on the full accrual basis. We assume that the entity's records will need to be adjusted from the modified accrual basis of accounting used for recordkeeping to the full accrual basis of accounting required for financial reporting purposes. This illustrative example covers a two-year construction period as the proceeds of the debt are used to construct and complete a multi-year water and sewer capital improvement project. For clarity, this project is the only one in progress within the illustrative capital projects subfund. However, local governments can, and often do, undertake more than one capital project within the enterprise fund. The illustrative project begins during the fiscal year ending 6/30/X0 and is completed during the fiscal year ended 6/30/X1. The project is budgeted and accounted for in a multi-year capital projects subfund. The project will be financed with bond proceeds from a general obligation bond issue, federal and state grants, transfers from the operating fund, residual equity transfers from the general fund, and investment earnings. The bond issue will not be subject to arbitrage rebate since it meets the requirements for the two year exception to rebate for

subject to rebate, the unit would reduce the annual investment earnings for any rebate liability. Because the debt issued in the example is assumed to be general obligation bonds, there are no bond covenants associated with the debt that would require the local government to restrict certain assets or reserve any portion of its retained earnings (as could be the case with revenue bond rate covenants).

Initial Project Year - Fiscal Year Ended June 30, XXX0

Page 35-A-5 is a worksheet for adjusting the trial balance of the capital projects subfund and the operating fund. Columns A and B of the worksheet present the trial balance for the operating fund which has already been restated from the modified accrual to the full accrual basis of accounting. The format utilized in the example is illustrative and the actual trial balance of an enterprise operating fund used by a local government may look very different. However, the trial balance, which is used to determine the consolidating entries necessary for the financial statement preparation, should reflect all of the fund's assets and liabilities. The trial balance used for the operating fund should include the adjusting entries needed to properly reflect depreciation expense, debt service, equipment purchases, and changes in compensated absences. Since this is the first year for the capital projects fund, no activities or balances for that fund are posted in the Columns A and B during the initial year.

Columns C and D of the worksheet on page 35-A-5 present the account balances of the multi-year capital projects subfund on a modified accrual basis. These figures are obtained from the fund's trial balance, which is presented on page 35-A-13. The amounts of the current year's revenues, expenditures, and other financing sources are presented on page 35-A-6. For the balance sheet accounts, the balances as of the end of the fiscal year may be posted; however, the cash flow statement is easier to prepare if gross debits and credits for cash accounts are posted.

In Columns E and F, the adjusting and eliminating journal entries needed to restate the capital projects subfund's current year's transactions to the full accrual and eliminate interfund transactions are posted. The required journal entries, detailed on pages 35-A-7 and 35-A-8, include entries to accomplish the following:

- Eliminate interfund transfers,
- Reclassify long-term debt as a liability,
- Record capital grants as capital contributions, a revenue, after the implementation of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*,
- Record residual equity transfers from the general fund as contributed capital,
- Record interest income and offset income against interest expense,
- Reclassify capital expenditures as fixed assets,
- Reclassify bond proceeds to restricted assets, and
- Reclassify revenues as appropriate.

For consolidation purposes, all accounts of the capital projects subfund are reclassified to a balance sheet account. As long as the multi-year capital project is in progress, **these elimination and reclassification entries are worksheet entries and should not be posted to the subfund's general ledger accounts. These adjusting entries are for annual financial statement presentation only, such that the account balances for the multi-year capital projects subfund are not adjusted or closed at the end of the fiscal year.** The capital projects fund's account balances, resulting from the cumulative transactions that have occurred from inception to the current date, are left as is until the multi-year project is completed and formally closed.

In order to record the transactions of the capital projects subfund in the operating fund, an adjusting journal entry must be posted to the operating fund. In the Column labeled "Account Titles" of the worksheet on page 35-A-5, the line labeled "Adjusting Journal Entry Totals" represents the total amount of all elimination and reclassification entries required to complete the restatement and consolidation process. These adjusting entry totals and their components are in bold print. These specific entries, which are presented as journal entry (A1), should then be journalized so that the transactions of the capital projects subfund can be properly reported in the enterprise fund type on the unit's annual financial statements. Columns G and H present the adjusted trial balance after all the adjusting entries are all posted. Note that all of the accounts of the capital projects subfund have a zero balance after the adjusting entries are posted.

If the local government prepares an interim balance sheet on a full accrual basis for reporting purposes for its water and sewer fund, the procedures outlined below for the fiscal year ended 6/30/X1 will need to be completed on that interim basis so that those statements will be correct. Local units of government should maintain modified accrual basis trial balances for their enterprise operating fund; therefore, they will not record fixed assets and long-term debt in the fund on their general ledger. Governments would not post this entry to the general ledger accounts of the operating fund. The effects of this journal entry would have to be posted as a workpaper reporting entry to the trial balance of the operating fund to adjust the modified accrual balance sheet accounts to a full accrual basis of accounting.

In order to demonstrate legal compliance, separate budget to actual comparisons must be presented in the supplemental schedules for both the capital projects subfund as well as for the operating fund. Because the budgetary basis for both funds is the modified accrual basis of accounting, those statements will be presented on that basis. The entries in Columns E and F on page 35-A-5 should have no effect on those statements. Examples of the statement format to include are presented on page 35-A-6 of this section of the Audit Manual.

Subsequent Year - Fiscal Year Ended June 30, XXX1

The worksheet for the second and final fiscal year of the illustrative project is presented on page 35-A-9. In columns A and B of that worksheet, the journal entries necessary to convert the operating fund's trial balance from the modified accrual basis of accounting to the full accrual basis, as well as the final adjusting entry from the prior year's worksheet, are assumed to be included. Because the trial balance in Columns A and B is assumed to reflect the prior year's activities in the capital projects subfund, the current fiscal year's transactions within the capital projects subfund are all that will need to be posted to Columns C and D of the worksheet. As in the prior year, the current year's revenues, expenditures and other financing sources transactions should be posted to the worksheet from the "Actual Current Year" column of the multi-year budget to actual schedule on page 35-A-10. The current year's transactions for all accounts can be determined by comparing the trial balance as of the fiscal year ended June 30 XXX0 to that as of June 30, XXX1 as on page 35-A-13. Since the capital project was completed during the fiscal year ended June 30, XXX1 and the capital project was closed, all of the balance sheet account balances shown on page 35-A-13 are zero. The accounts payable account at June 30, XXX0 reported a credit balance of \$85,000. By June 30, XXX1, the accounts payable was zero. Therefore, the current year's transactions for that account

should be reflected as an \$85,000 debit. To help with the preparation of the cash flow statement, gross debits and credits are presented for the cash accounts.

The remaining columns of the worksheet on page 35-A-13 and the entries presented on pages 35-A-11 and 35-A-12 are similar to those already discussed for the prior fiscal year. The journal entries to eliminate the interfund transactions and reclassification to the full accrual basis of accounting should be prepared in the same manner as in the prior fiscal year. In the year that the project was closed out, an additional journal entry was needed to reclassify construction in progress as fixed assets. Since the capital projects subfund would have no equity after completion of the project, closing entries are not needed for that fund. No worksheet would be needed for the fiscal year ended June 30, XXX2 because the illustrative project was complete at June 30, XXX1.

This section has been revised assuming that GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*, was implemented in the second year of the project. Funds received for the construction of assets are now recognized as revenue in the year received. The revenue appears on the statements and schedule as “capital contributions.” The only adjustment necessary to the balance of the contributed capital account is for local contribution. GASB Statement 33 does not apply to internal transfers, such as the residual equity transfer from the general fund.

Water and Sewer Fund Consolidation Worksheet - Fiscal Year June 30, XXX0

Account Titles	A		B		C		D		E		F		G		H	
	Water and Sewer Operating Fund Trial Balance (Full Accrual)		Water and Sewer Multi year Capital Projects Subfund (Current Year Transactions Modified Accrual Basis)		Elimination and Reclassification Entries (Adjusting Journal Entry For Operating Fund)		Adjusted Trial Balance Water and Sewer Fund (Full Accrual)									
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Assets:																
Cash and cash equivalents	\$ 914,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,569	\$ -			
Accounts receivable - net	95,896	-	-	-	-	-	-	-	-	-	-	95,896	-			
Inventories	102,573	-	-	-	-	-	-	-	-	-	-	102,573	-			
Prepaid items	4,579	-	-	-	-	-	-	-	-	-	-	4,579	-			
Restricted assets:																
Cash and cash equivalents	-	-	-	-	(6)	350,000	-	-	-	-	-	350,000	-			
Fixed assets:																
Gross fixed assets	6,854,618	-	-	-	(5)	500,000	-	-	-	-	-	7,354,618	-			
Accumulated depreciation	-	2,756,123	-	-	-	-	-	-	-	-	-	-	2,756,123			
Construction in progress	-	-	-	-	(5)	900,000	(4)	500	-	-	-	899,500	-			
Liabilities:																
Accounts payable and accrued liabilities:																
liabilities	-	61,589	-	-	-	-	-	-	-	-	-	-	61,589			
Customer deposits	-	16,930	-	-	-	-	-	-	-	-	-	-	16,930			
Bonds payable	-	-	-	-	-	(2)	1,000,000	-	-	-	-	-	1,000,000			
Compensated absences payable	-	50,900	-	-	-	-	-	-	-	-	-	-	50,900			
Liabilities payable from restricted assets-accounts payable	-	-	-	-	-	(7)	85,000	-	-	-	-	-	85,000			
Equities:																
Contributed capital:																
Local	-	2,243,261	-	-	-	(8)	202,000	-	-	-	-	-	2,445,261			
Developers	-	254,400	-	-	-	-	-	-	-	-	-	-	254,400			
Intergovernmental	-	2,389,856	-	-	-	(3)	150,000	-	-	-	-	-	2,539,856			
Retained earnings	-	412,563	-	-	-	-	-	-	-	-	-	-	412,563			
Operating revenues-summary	-	1,068,092	-	-	-	-	-	-	-	-	-	-	1,068,092			
Operating expenses-summary	974,235	-	-	-	-	-	-	-	-	-	-	974,235	-			
Investment earnings	-	10,256	-	-	-	-	-	-	-	-	-	-	10,256			
Interest and fees	12,500	-	-	-	-	(4)	12,500	-	-	-	-	-	-			
Bond issuance costs	5,000	-	-	-	-	-	-	-	-	-	-	5,000	-			
Transfer to capital projects fund	300,000	-	-	-	-	(1)	300,000	-	-	-	-	-	-			
Adjusting Journal Entry Totals																
Cash and cash equivalents	-	-	665,000	665,000	-	-	-	-	-	-	-	-	-			
Cash and cash equivalents-Bond proceeds	-	-	1,000,000	650,000	(7)	85,000	(6)	350,000	-	-	-	-	-			
Accounts payable	-	-	-	85,000	-	-	-	-	-	-	-	-	-			
Restricted intergovernmental:																
Federal grant	-	-	-	100,000	(3)	100,000	-	-	-	-	-	-	-			
State grant	-	-	-	50,000	(3)	50,000	-	-	-	-	-	-	-			
Investment earnings:																
Residual Equity Transfer	-	-	-	2,000	(8)	2,000	-	-	-	-	-	-	-			
Bond proceeds	-	-	-	13,000	(4)	13,000	-	-	-	-	-	-	-			
Engineering																
Engineering	-	-	100,000	-	-	(5)	100,000	-	-	-	-	-	-			
Land	-	-	500,000	-	-	(5)	500,000	-	-	-	-	-	-			
Construction	-	-	800,000	-	-	(5)	800,000	-	-	-	-	-	-			
Proceeds of long-term debt	-	-	-	1,000,000	(2)	1,000,000	-	-	-	-	-	-	-			
Transfers from operating fund	-	-	-	300,000	(1)	300,000	-	-	-	-	-	-	-			
Residual equity transfer from General Fd	-	-	-	200,000	(8)	200,000	-	-	-	-	-	-	-			
Totals	\$ 9,263,970	\$ 9,263,970	\$ 3,065,000	\$ 3,065,000		\$ 3,500,000	\$ 3,500,000	\$ 10,700,970	\$ 10,700,970							

**Statement of Revenues, Expenditures, and Other
Financing Sources and Uses - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, XXX0**

	Project Authorization	Prior Years	Actual - Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted intergovernmental:					
Federal grant	\$ 500,000	\$ -	\$ 100,000	\$ 100,000	\$ (400,000)
State grant	400,000	-	50,000	50,000	(350,000)
Investment earnings:					
Residual Equity Transfer	10,000	-	2,000	2,000	(8,000)
Bond proceeds	40,000	-	13,000	13,000	(27,000)
Total revenues	<u>950,000</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>	<u>(785,000)</u>
Expenditures:					
Engineering	250,000	-	100,000	100,000	150,000
Land	500,000	-	500,000	500,000	-
Construction	2,000,000	-	800,000	800,000	1,200,000
Total expenditures	<u>2,750,000</u>	<u>-</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,350,000</u>
Revenues under expenditures	<u>(1,800,000)</u>	<u>-</u>	<u>(1,235,000)</u>	<u>(1,235,000)</u>	<u>565,000</u>
Other financing sources:					
Proceeds of long-term debt	1,000,000	-	1,000,000	1,000,000	-
Transfer from operating fund	400,000	-	300,000	300,000	(100,000)
Residual equity transfer from General Fd	400,000	-	200,000	200,000	(200,000)
Total other financing sources	<u>1,800,000</u>	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>(300,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 265,000</u>	<u>\$ 265,000</u>

Elimination and Reclassification Entries
Fiscal Year Ended June 30, XXX0

<u>Entry No.</u>	<u>Account /Explanation</u>	<u>Debit</u>	<u>Credit</u>
(1)	Transfers from operating fund Transfers to capital projects fund To eliminate operating transfers between subfunds which are not financing sources or uses of the consolidated fund type.	\$ 300,000	\$ 300,000
(2)	Proceeds of long-term debt Bonds Payable To reclassify the proceeds of long-term debt to a liability from an other financing source.	1,000,000	1,000,000
(3)	Restricted intergovernmental - Federal grant Restricted intergovernmental - State grant Contributed capital: Intergovernmental To reclassify capital restricted grants from revenue to contributed capital (GASB Cod. G60.110).	100,000 50,000	150,000
(4)	Investment earnings: Bond proceeds Construction in progress Interest and fees To offset the interest income from a tax-exempt borrowing against the interest expense and reduce the cost of the asset with remaining interest expense (FASB Statement No. 62). [Note: Capitalized interest = interest expense less interest earnings on the invested proceeds.]	13,000	500 12,500
(5)	Fixed assets Construction in progress Engineering Expenditures Land Expenditures Construction Expenditures To reclassify capital expenditures as fixed assets.	500,000 900,000	100,000 500,000 800,000
(6)	Restricted assets: Cash and cash equivalents Cash and cash equivalents To reclassify unexpended bond proceeds as a restricted asset.	350,000	350,000
(7)	Accounts payable Liabilities payable from restricted assets-accounts payable To reclassify liabilities to be paid from bond proceeds.	85,000	85,000

Elimination and Reclassification Entries
Fiscal Year Ended June 30, XXX0

<u>Entry No.</u>	<u>Account /Explanation</u>	<u>Debit</u>	<u>Credit</u>
(8)	Residual Equity Transfer from General Fund	\$ 200,000	
	Investment earnings:		
	Residual Equity Transfer	2,000	
	Contributed Capital:		
	Local		\$ 202,000
	To reclassify residual equity transfer from the GF and its respective interest earnings as contributed capital in the operating fund.		
	Totals	\$ 3,500,000	\$ 3,500,000

Adjusting Journal Entry
June 30, XXX0

(A1)	Restricted assets:		
	Cash and cash equivalents	350,000	
	Fixed assets	500,000	
	Construction in progress	900,000	
	Construction in progress		500
	Bonds Payable		1,000,000
	Liabilities payable from restricted assets-accounts payable		85,000
	Contributed capital:		
	Local		202,000
	Intergovernmental		150,000
	Interest and fees		12,500
	Transfers to capital projects fund		300,000
	To record full accrual amounts for capital projects fund onto operating fund balance sheet and eliminate interfund transactions.		
	Totals	\$ 1,750,000	\$ 1,750,000

Water and Sewer Fund Consolidation Worksheet - Fiscal Year June 30, XXX1

Account Titles	A Water and Sewer Operating Fund		B Water and Sewer Multi-year Capital Projects Subfund		C Elimination and Reclassification Entries		D Adjusted Trial Balance	
	Trial Balance (Full Accrual)		(Current Year Transactions - Modified Accrual Basis)		(Adjusting Journal Entry For Operating Fund)		Water and Sewer Fund (Full Accrual)	
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Assets:								
Cash and cash equivalents	\$ 1,145,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,145,862	\$ -
Accounts receivable - net	96,128	-	-	-	-	-	96,128	-
Inventories	105,489	-	-	-	-	-	105,489	-
Prepaid items	4,872	-	-	-	-	-	4,872	-
Restricted assets:								
Cash and cash equivalents	350,000	-	-	-	-	(6) 350,000	-	-
Fixed assets:								
Gross fixed assets	7,356,489	-	-	-	(5) 2,249,500	-	9,605,989	-
Accumulated depreciation	-	2,867,088	-	-	-	-	-	2,867,088
Construction in progress	899,500	-	-	-	(4) 1,350,000	(5) 2,249,500	-	-
Liabilities:								
Accounts payable and accrued liabilities								
liabilities	-	62,541	-	-	-	-	-	62,541
Customer deposits	-	17,250	-	-	-	-	-	17,250
Bonds payable	-	900,000	-	-	-	-	-	900,000
Compensated absences payable	-	51,800	-	-	-	-	-	51,800
Liabilities payable from restricted assets-accounts payable								
	-	85,000	-	-	(7) 85,000	-	-	-
Equities:								
Contributed capital:								
Local	-	2,243,261	-	-	-	(8) 204,000	-	2,447,261
Developers	-	254,400	-	-	-	-	-	254,400
Intergovernmental	-	2,539,856	-	-	-	-	-	2,539,856
Retained earnings	-	713,676	-	-	-	-	-	713,676
Operating revenues-summary	-	1,270,751	-	-	-	-	-	1,270,751
Operating expenses-summary	895,870	-	-	-	-	-	895,870	-
Investment earnings	-	9,587	-	-	-	-	-	9,587
Interest and fees	50,000	-	-	-	-	(3) 20,000	30,000	-
Transfer to capital projects fund	111,000	-	-	-	-	(1) 111,000	-	-
Capital contributions	-	-	-	-	-	(2) 750,000	-	750,000
Adjusting Journal Entry Totals					3,684,500	3,684,500		
Cash and cash equivalents	-	-	1,085,000	1,085,000	-	-	-	-
Cash and cash equivalents -Bond proceeds	-	-	-	350,000	(6) 350,000	-	-	-
Accounts payable	-	-	85,000	-	-	(7) 85,000	-	-
Restricted intergovernmental:								
Federal grant	-	-	-	400,000	(2) 400,000	-	-	-
State grant	-	-	-	350,000	(2) 350,000	-	-	-
Investment earnings:								
Residual equity Transfer	-	-	-	4,000	(8) 4,000	-	-	-
Bond proceeds	-	-	-	20,000	(3) 20,000	-	-	-
Engineering Expenditures	-	-	150,000	-	-	(4) 150,000	-	-
Land Expenditures	-	-	-	-	-	-	-	-
Construction Expenditures	-	-	1,200,000	-	-	(4) 1,200,000	-	-
Proceeds of long-term debt	-	-	-	-	-	-	-	-
Transfers from operating fund	-	-	-	111,000	(1) 111,000	-	-	-
Residual equity transfer from General Fd	-	-	-	200,000	(8) 200,000	-	-	-
Totals	\$ 11,015,210	\$ 11,015,210	\$ 2,520,000	\$ 2,520,000	\$ 5,119,500	\$ 5,119,500	\$ 11,884,210	\$ 11,884,210

**Statement of Revenues, Expenditures, and Other
Financing Sources and Uses - Budget and Actual (Non-GAAP)
For the Fiscal Year Ended June 30, XXX1**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual - Current Year</u>	<u>Total to Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Restricted intergovernmental:					
Federal grant	\$ 500,000	\$ 100,000	\$ 400,000	\$ 500,000	\$ -
State grant	400,000	50,000	350,000	400,000	-
Investment earnings:					
Residual Equity Transfer	10,000	2,000	4,000	6,000	(4,000)
Bond proceeds	40,000	13,000	20,000	33,000	(7,000)
Total revenues	<u>950,000</u>	<u>165,000</u>	<u>774,000</u>	<u>939,000</u>	<u>(11,000)</u>
Expenditures:					
Engineering expenditures	250,000	100,000	150,000	250,000	-
Land expenditures	500,000	500,000	-	500,000	-
Construction expenditures	2,000,000	800,000	1,200,000	2,000,000	-
Total expenditures	<u>2,750,000</u>	<u>1,400,000</u>	<u>1,350,000</u>	<u>2,750,000</u>	<u>-</u>
Revenues under expenditures	<u>(1,800,000)</u>	<u>(1,235,000)</u>	<u>(576,000)</u>	<u>(1,811,000)</u>	<u>(11,000)</u>
Other financing sources:					
Proceeds of long-term debt	1,000,000	1,000,000	-	1,000,000	-
Transfer from operating fund	400,000	300,000	111,000	411,000	11,000
Residual equity transfer from General Fd	400,000	200,000	200,000	400,000	-
Total other financing sources	<u>1,800,000</u>	<u>1,500,000</u>	<u>311,000</u>	<u>1,811,000</u>	<u>11,000</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ (265,000)</u>	<u>\$ -</u>	<u>\$ -</u>

Elimination and Consolidation Entries
June 30, XXX1

<u>Entry No.</u>	<u>Account /Explanation</u>	<u>Debit</u>	<u>Credit</u>
(1)	Transfers from operating fund Transfers to capital projects fund To eliminate operating transfers between subfunds which are not financing sources or uses of the consolidated fund.	\$ 111,000	\$ 111,000
(2)	Restricted intergovernmental - Federal grant Restricted intergovernmental - State grant Capital contributions To reclassify capital grants from revenue to capital contributions (GASB Statement No. 33 implemented).	400,000 350,000	750,000
(3)	Investment earnings: Bond proceeds Interest and fees To offset the interest income from a tax-exempt borrowing against interest expense (FASB Statement No. 62).	20,000	20,000
(4)	Construction in progress Engineering expenditures Construction expenditures To reclassify capital expenditures as construction in progress.	1,350,000	150,000 1,200,000
(5)	Fixed assets Construction in progress To reclassify construction as fixed assets upon completion.	2,249,500	2,249,500
(6)	Cash and cash equivalents Restricted assets: Cash and cash equivalents To reflect bond proceed expenditures as a reduction of restricted assets.	350,000	350,000
(7)	Liabilities payable from restricted assets- accounts payable Accounts payable To reflect reclassification of liabilities from bond proceeds as a reduction of restricted liabilities payable from restricted assets.	85,000	85,000

Elimination and Consolidation Entries
June 30, XXX1

<u>Entry No.</u>	<u>Account /Explanation</u>	<u>Debit</u>	<u>Credit</u>
(8)	Residual Equity Transfer from General Fund	\$ 200,000	
	Investment earnings:		
	Residual Equity Transfer	4,000	
	Contributed Capital:		
	Local		\$ 204,000
	To reclassify residual equity transfer from the GF and its respective interest earnings as contributed capital in the operating fund.		
	Totals	\$ 5,119,500	\$ 5,119,500

Adjusting Journal Entry
June 30, XXX1

(A2)	Fixed assets	2,249,500	
	Construction in progress	1,350,000	
	Liabilities payable from restricted assets- accounts payable	85,000	
	Restricted assets:		
	Cash and cash equivalents		350,000
	Construction in progress		2,249,500
	Capital contributions		750,000
	Contributed Capital: Local		204,000
	Interest and fees		20,000
	Transfers to capital projects fund		111,000
	To record full accrual amounts for capital projects fund onto the operating fund balance sheet.		
	Totals	\$ 3,684,500	\$ 3,684,500

Comparative Trial Balances
Water and Sewer Multi-Year Capital Project Subfund

<u>Accounts :</u>	<u>Trial Balance</u>		<u>Trial Balance</u>		<u>Differences - XXX1 Transactions</u>	
	June 30, XXX0		June 30, XXX1		<u>Debit</u>	<u>Credit</u>
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>		
Cash and cash equivalents	\$ 665,000	\$ 665,000	\$ 1,750,000	\$ 1,750,000	\$ 1,085,000	\$ 1,085,000
Cash and cash equivalents-Bond proceeds	1,000,000	650,000	1,000,000	1,000,000		350,000
Accounts payable		85,000	85,000	85,000	85,000	
Restricted intergovernmental:						
Federal grant		100,000		500,000		400,000
State grant		50,000		400,000		350,000
Investment earnings:						
Residual Equity Transfer		2,000		6,000		4,000
Bond proceeds		13,000		33,000		20,000
Engineering expenditures	100,000		250,000		150,000	
Land expenditures	500,000		500,000			
Construction expenditures	800,000		2,000,000		1,200,000	
Proceeds of long-term debt		1,000,000		1,000,000		
Transfers from operating fund		300,000		411,000		111,000
Residual Equity Transfer from General Fd		200,000		400,000		200,000
Totals	<u>\$ 3,065,000</u>	<u>\$ 3,065,000</u>	<u>\$ 5,585,000</u>	<u>\$ 5,585,000</u>	<u>\$ 2,520,000</u>	<u>\$ 2,520,000</u>