Accounting Entries for Unexpended Capital Projects
Interest Earned, Premiums and Accrued Interest

Earnings on investments, premiums on securities issued, and accrued interest on securities issued must be used for debt service and can go directly to the Debt Service Fund or indirectly through the Capital Projects Fund.

A. Entries directly to the Debt Service would by-pass the Capital Fund. The entries in the Debt Service Fund for earned interest on proceeds of borrowings, premiums and accrued interest of obligations issued are as follows:

Debt Service Fund

V230 Cash, Special Reserves DR
V980 Revenue CR
  V2701 Premium on Obligations SUB
V651 Accrued Interest Payable CR
V230 Cash Special Reserves DR
V980 Revenues CR
  V2401 Interest and Earnings SUB

B. If the cash is to pass through the Capital Fund, the following entries are made:

Capital Fund

H200 Cash DR
H630 Due to Other Funds CR

Debt Service Fund

V391 Due from Other Funds DR
V980 Revenues CR
  2710 Premium on Obligations SUB
V651 Accrued Interest Payable CR

C. When cash is actually transferred to the Debt Service Fund the following entries are made:

Capital Fund

H630 Due from Other Funds DR
H200 Cash CR

Debt Service Fund

V230 Cash, Special Reserves DR
V391 Due from Other Funds CR

D. To record the payment of principal and interest from the Debt Service Fund the following entry is made:
Debt Service Fund

V522 Expenditures          DR
  9701.6 Principal          SUB
  9701.7 Interest          SUB

V651 Accrued Interest Payable DR
  V230 Cash, Special Reserve CR

E. When a capital project has been completed to the board's satisfaction and there remain unspent funds, the board must use this money to reduce debt, if the project was financed through borrowings or the combination of borrowings and current funds. Entries to transfer the unexpended balance to the Debt Service Fund are as follows:

Capital Fund

H909 Fund Balance DR
H200 Cash CR

Debt Service Fund

V230 Cash, Special Reserves DR
V884 Reserve for Debt CR

F. The Debt Service Fund's revenues and expenditures will be closed into the V884 Reserve for Debt at the end of the fiscal year. The V884 Reserve for Debt will act as the Debt Service Fund's Fund Balance.

G. If it were decided to pay debt service from the General Fund, the following entries would be made in Debt Service and General Fund:

Debt Service Fund

V522 Expenditure DR
  9901.9 Interfund Transfer SUB
  V230 Cash, Special Reserves CR

General Fund

A200 Cash DR
A980 Revenues CR
A5050 Interfund Transfer for Debt Service SUB

General Fund

A522 Expenditures DR
  9701.6 Principal SUB
  9701.7 Interest SUB
A200 Cash CR