

## 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