



Sample Capital Project #3

Purchase of a Highway Truck (Village)

The Village Board (Board) passed a resolution to authorize the purchase of a new highway truck. After receiving bids, the Board selected a dealer offering to sell the required truck for \$225,000. The Board authorized a bond resolution for the issuance of a \$225,000 statutory installment bond as the financing source. Because debt is being issued, the use of the capital projects fund is required.

Year One of the Capital Project

1. The entry to establish the budget in the capital projects fund.

Account	Subsidiary Account	Debit	Credit
H510 Estimated Revenues		\$225,000	
H5720 Statutory Installment Bonds	\$225,000		
H960 Appropriations			\$225,000
H5130.2 Machinery	\$225,000		

2. The Board authorized a resolution for the issuance of a \$225,000 BAN.¹ To record the issuance of the BAN in the amount of \$225,000.

Account	Debit	Credit
H200 Cash	\$225,000	
H626 Bond Anticipation Notes Payable		\$225,000

3. To record the payment for the highway truck.

Account	Subsidiary Account	Debit	Credit
H522 Expenditures		\$225,000	
H5130.2 Machinery	\$225,000		
H200 Cash			\$225,000

¹ BANs are issued in anticipation of issuing permanent financing. However, BANs for this purpose may be renewed annually and for a period not greater than five years.

4. To record the cost of the highway truck in the Schedule of Non-Current Governmental Assets.

Account	Debit	Credit
K104 Machinery and Equipment	\$225,000	
K159 Total Non-Current Governmental Assets		\$225,000

5. To close project expenditures at fiscal year-end. There are no project revenues to close this year.

Account	Subsidiary Account	Debit	Credit
H912 Unrestricted Fund Balance		\$225,000	
H522 Expenditures			\$225,000
H5130.2 Machinery	\$225,000		

Year Two of the Capital Project

The Board has decided to renew the BAN for another year instead of issuing a statutory installment bond.

6. To record the payment from the general fund for the first payment on the maturing BAN.

Account	Subsidiary Account	Debit	Credit
A522 Expenditures		\$48,375	
A9730.6 BAN Principal	\$45,000		
A9730.7 BAN Interest	\$3,375		
A200 Cash			\$48,375

Note: The Board must budget for the principal and interest payments due each year or make a budget amendment. The Board should only account for the current portion due.

6a. Collateral entry in the capital projects fund recording the reduction of the BAN principal for the amount paid from the operating fund.

Account	Subsidiary Account	Debit	Credit
H626 Bond Anticipation Notes Payable		\$45,000	
H980 Revenues			\$45,000
H5731 BANs Redeemed from Appropriations	\$45,000		

Note: A similar entry will be made in subsequent years if BANs are paid off each year and permanent financing is not issued.

7. To close revenues at fiscal year-end, if the BANs are not paid off by issuing bonds. There are no expenditures to close in the capital projects fund in year 2.

Account	Subsidiary Account	Debit	Credit
H980 Revenues		\$45,000	
H5731 BANs Redeemed from Appropriations	\$45,000		
H912 Unrestricted Fund Balance			\$45,000

8. To close the capital project at the project's conclusion once all BAN debt is paid in full.

Account	Subsidiary Account	Debit	Credit
H960 Appropriations		\$225,000	
H5130.2 Machinery	\$225,000		
H510 Estimated Revenues			\$225,000
H5720 Statutory Installment Bonds	\$225,000		

Contact

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