



# California Public Utilities Commission

*Division of Water and Audits*

## **ILLUSTRATIVE ACCRUAL BASIS ACCOUNTING JOURNAL ENTRIES FOR Class B, C and D WATER AND SEWER UTILITIES**

(These illustrative accounting journal entries have been prepared to assist small water and sewer utilities in the maintenance of their accounting records. Its use is not mandatory but it is made available for guidance to users.)

**July 30, 2014**



## **Acknowledgement**

**The following Commission Staff contributed to the completion of this guide:  
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**RECORDING ASSETS, LIABILITIES, REVENUES AND EXPENSES**  
**Illustrative Accrual Basis Accounting Journal Entries for Class B, C and D Water and Sewer Utilities**

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**RECORDING ASSETS, LIABILITIES, REVENUES AND EXPENSES**  
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**RECORDING ASSETS, LIABILITIES, REVENUES AND EXPENSES**  
**Illustrative Accrual Basis Accounting Journal Entries**

These are the opening accounting journal entries transferring the utility's existing assets and liabilities into this "Recording Assets, Liabilities, Revenues and Expenses."

1. A utility having assets and liabilities as listed below opened its book on January 1, 2013:

Account No.	Description	Debit	Credit
131	<u>Cash:</u>		
131.1	Cash on Hand	\$8,000	
131.2	Cash in Bank	<u>90,000</u>	\$98,000
141	Accounts Receivable - Customers		37,500
151	Materials and Supplies		60,000
174	Other Current Assets		95,000
	<u>Utility Plant:</u>		
101	Water Plant in Service (includes \$130,000 Intangible Plant)	2,000,000	
108	Accumulated Depreciation of Water Plant		\$500,000
	<u>Equity and Liabilities:</u>		
218	Proprietary Capital		1,550,200
224	Long-term Debt		103,800
231	Accounts Payable		16,500
232	Short-term Notes Payable		80,000
236	Taxes Accrued		0
271	Contributions in Aid of Construction		40,000

At the time that the above amounts were recorded in the "Record of Assets, Liabilities, Revenues and Expenses," the balances in the various plant accounts comprising total Utility Plant of \$2,000,000 were entered in "Detailed Record of Utility Plant."

If the utility is incorporated, Capital Stock and Surplus accounts will be used in lieu of the Proprietary Capital account shown in this entry.

Note that Account 131, Cash, has been subdivided into subaccounts 131.1, Cash on Hand, and 131.2, Cash in Bank, in the accompanying "Records of Assets, Liabilities, Revenues and Expenses."

Recording monthly billing of consumers.

2. Consumers were billed \$45,000 for current month's water service (\$35,000 metered rate and \$10,000 flat rate):

Account No.	Description	Debit	Credit
141	Accounts Receivable - Customers	\$45,000	
460	Unmetered Water Revenue		\$10,000
470	Metered Water Revenue		35,000

(Note that only billings for the CURRENT MONTH are recorded in this entry and that unpaid bills for service in prior months are reflected in the \$37,500 balance of Accounts Receivable - Customers already recorded on the books in Entry No. 1.)

Recording water bill payments received from consumers.

3. Utility collected \$55,000 from consumers in January:

Account No.	Description	Debit	Credit
131	Cash	\$55,000	
141	Accounts Receivable - Customers		\$55,000

After this entry has been made, the Accounts Receivable balance will be \$27,500 (i.e., \$37,500 + \$45,000 - \$55,000 = \$27,500), which should agree with the unpaid water bills in the Customers' Ledger.

(Note that this entry is the same whether the money is collected from flat rate consumers or from metered rate consumers, or whether the money is received in payment of current month's water bill or prior months' water bills.)

Recording deposit collected from customer to guarantee payment of water bill.

4. Customer deposited \$500 to water company.

Account No.	Description	Debit	Credit
131	Cash	\$500	
233	Customer Deposits		\$500

Recording REFUNDABLE sum advanced by consumer or subdivider to defray construction costs of extending water service, to be repaid out of revenues collected.

5. Subdivider advances \$30,000 to extend water mains which will be refunded by payments of 22.5% of gross revenues from subdivision:

Account No.	Description	Debit	Credit
131.2	Cash in Bank	\$30,000	
252	Advances for Construction		\$30,000

Note: If subdivider installed the mains himself rather than advancing funds to the utility, the \$30,000 would be charged to Account 101, Water Plant in Service, in the "Record of Assets, Liabilities, Revenues and Expenses," and to Account 331, Water Mains in the "Detailed Record of Utility Plant," rather than to Account 131.2, Cash in Bank, as shown in this entry.

Recording NONREFUNDABLE contribution by consumer or subdivider to defray cost of extending water service.

6. Subdivider makes nonrefundable contribution of \$50,000:

Account No.	Description	Debit	Credit
131.2	Cash in Bank	\$50,000	
271	Contributions in Aid of Construction		\$50,000

Recording payment of utility bills or invoices by check (Entries 7, 8, 9, 10, 11, 12).

7. When a power billing statement is received from energy utility:

Account No.	Description	Debit	Credit
615	Power	\$480	
231	Accounts Payable		\$480

8. December power bill is paid by check to energy utility:

Account No.	Description	Debit	Credit
231	Account Payable	\$480	
131.2	Cash in Bank		\$480

9. Bill for pump repair is paid by check to Peerless Pump Co. - \$2,750:

Account No.	Description	Debit	Credit
650	Contract Work	\$2,750	
131.2	Cash in Bank		\$2,750

10. Water company makes payment by check to Bank of America of \$5,600 on short-term notes payable, of which \$5,000 is repayment of principal and \$600 is interest:

Account No.	Description	Debit	Credit
232	Short-term Notes Payable	\$5,000	
427	Interest Expense	600	
131.2	Cash in Bank		\$5,600

11. Water company makes payment by check to Wells Fargo Bank of \$8,000 on long-term notes payable, of which \$7,300 is repayment of principal and \$700 is interest:

Account No.	Description	Debit	Credit
224	Long-term Debt	\$7,300	
427	Interest Expense	700	
131.2	Cash in Bank		\$8,000

12. Water company pays \$11,000 property taxes to county by check:

Account No.	Description	Debit	Credit
408.1	Property Taxes	\$11,000	
131.2	Cash in Bank		\$11,000

Recording checking account service charge.

13. Bank statement shows service charge of 15 for the month:

Account No.	Description	Debit	Credit
689	General Expense	\$15	
131.2	Cash in Bank		\$15



Recording proprietor's withdrawal of funds by check.

14. Proprietor withdraws capital from water company:

Account No.	Description	Debit	Credit
218	Proprietary Capital	\$1,200	
131.2	Cash in Bank		\$1,200

Recording cash withdrawal by proprietor.

15. Proprietor withdraws cash from petty cash on hand:

Account No.	Description	Debit	Credit
218	Proprietary Capital	\$100	
131.1	Cash on Hand		\$100

Note: This entry has been included for illustrative purpose, but it is recommended that all withdrawals of funds be made by check rather than in cash. A receipt should be prepared for any money taken out of the petty cash.

Recording payment of utility expenses in cash.

16. Postcards to be used for mailing bills are paid for in cash:

Account No.	Description	Debit	Credit
681	Office Supplies and Expenses	\$20	
131.1	Cash on Hand		\$20

Note: This entry has been included for illustrative purposes, but it is recommended that bills be paid by check whenever possible. A receipt should be prepared for any money taken out of the petty cash.

Recording refund of customer's deposit.

17. \$380 of customer's deposit shown in Entry No. 4 is applied to overdue bill and balance of \$120 is refunded to customers:

Account No.	Description	Debit	Credit
233	Customer Deposits	\$500	
141	Accounts Receivable - Customers		\$380
131.2	Cash in Bank		120

Recording the writing off of an uncollectible account.

18. \$1,800 of operating revenue previously recorded on books is determined to be uncollectible:

Account No.	Description	Debit	Credit
676	Uncollectible Accounts Expense	\$1,800	
141	Accounts Receivable - Customers		\$1,800

Recording the purchase of materials and supplies.

19. Water company purchased by check the following items:

Items	Cost
100' Pipe for services	\$2,000
390' Pipe for new distribution mains	39,000
Valves & fittings (to be used both in making repairs and in laying new pipe)	1,500

Account No.	Description	Debit	Credit
151	Materials and Supplies	\$42,500	
131.2	Cash in Bank		\$42,500

Recording payment to trenching contractor for work on new main extension.

20. Utility makes payment for contract labor:

Account No.	Description	Debit	Credit
331	Water Mains	\$3,600	
131.2	Cash in Bank		\$3,600

Recording payment of wages to employee and taxes accruals.

21. Employee receives net pay check of \$7,035 (Gross earnings \$10,000, payroll tax deductions \$2,965):

Account No.	Description	Debit	Credit
630	Employee Labor <sup>1</sup>	\$10,000	
	<u>Payroll taxes deducted from earnings:</u>		
236	Taxes Accrued - Federal Insurance Contribution Act (FICA) - Social Security @ 6.2%		\$620
236	Taxes Accrued - FICA - Medicare @ 1.45%		145
236	Taxes Accrued - Federal Income Tax Withheld @ 15%		1,500
236	Taxes Accrued - California Income Tax Withheld @ 6%		600
236	Taxes Accrued - California Disability Insurance @ 1%		100
131.2	Cash in Bank		7,035

22. Water company accrues employee salaries and employer's portion of payroll taxes:

Account No.	Description	Debit	Credit
670	Office Salaries	\$10,000	
408.2	Payroll Taxes - FICA - Social Security @ 6.2%	620	
408.2	Payroll Taxes - FICA - Medicare @ 1.45%	145	
408.2	Payroll Taxes - Federal Unemployment Tax Act (FUTA) @ 0.6%	60	
408.2	Payroll Taxes - State Unemployment Insurance (SUI) @ 1.5%	150	
231	Accounts Payable		\$10,000
236	Taxes Accrued		975

<sup>1</sup>A water utility has the option to use Account 900.1, Payroll Clearing, to charge the labor cost to appropriate work orders if Account 630, Employee Labor, is not used.

Recording totals of monthly work orders in "Recording Assets, Liabilities, Revenues and Expenses," and "Detailed Record of Utility Plant Accounts."

23. Work orders for month of January are transferred from Work Order Journal to "Recording Assets, Liabilities, Revenues and Expenses," and to "Detailed Record of Utility Plant Accounts" at month end. (See Work Order Journal on Pages 12 and 13 for details of Work Order summarized in this entry.)

**(a) Construction and Repair Work Orders**

Recording Assets, Liabilities, Revenues and Expenses Entry:

Account No.	Description	Debit	Credit
101	Water Plant in Service (W.O. #'s 1, 2 & 3)	\$43,650	
151	Materials and Supplies (W.O. #'s 1, 2 & 3)		\$30,050
900.1	Payroll Clearing (W.O. #'s 1, 2 & 3)		10,600
218	Proprietary Capital (W.O. # 1)		3,000

Detail Record of Utility Plant Accounts Entry:

Account No.	Description	Debit	Credit
101	Water Plant in Service	\$43,650	
331	Water Mains	38,700	
333	Services and Meter Installations	2,500	
334	Meters	2,450	

**(b) Retirement Work Orders**

Recording Assets, Liabilities, Revenues and Expenses Entry:

Account No.	Description	Debit	Credit
108	Accumulated Depreciation of Water Plant (W.O. # 2)	\$14,400	
101	Water Plant in Service (W.O. # 2)		\$14,400

Detail Record of Utility Plant Accounts Entry:

Account No.	Description	Debit	Credit
331	Water Mains		\$14,400

(See Work Order Journal for details of individual work orders that are summarized in entry 23.)

Monthly Entry distributing balance of Employee Labor Clearing Account among Operating Expenses Accounts.

24. If Payroll Clearing account is used in Journal Entry 21 and the balance in the Payroll Clearing Account which has not been transferred to plant accounts through the Work Order Journal, the remaining balance should be distributed to the Employee Labor account on an estimated basis:

Account No.	Description	Debit	Credit
-------------	-------------	-------	--------

630	Employee Labor	\$3,000	
900.1	Payroll Clearing		\$3,000

**Computation:**

Amount charged to Payroll Clearing account (Entry 21)	10,000
Less amount transferred to Utility Plant Accounts through Work Order Journal (Entry 23)	<u>(7,000)</u>
Balance to be charged to Employee Labor account on an estimated basis.	<u>\$3,000</u>

Recording depreciation expense for the month.

25. Depreciation expense accrued on Utility Plant for the month of January is recorded:

Account No.	Description	Debit	Credit
-------------	-------------	-------	--------

403	Depreciation Expense	\$5,338	
108	Accumulated Depreciation of Water Plant		\$5,338

(Note: This entry is usually made by small utilities only once a year, in December. It is computed here on a monthly basis for illustration.)

**Depreciation expense computation:**

Total Water Plant in Service		\$2,000,000
Less: Intangible Plant and Land	\$130,000	
Contributions in Aid of Construction	<u>40,000</u>	<u>(170,000)</u>
Balance		<u>\$1,830,000</u>

Annual depreciation rate: 3.5%

\$1,830,000 X 3.5% ÷ 12 = monthly depreciation of \$5,338 (rounded).

Recording amortization of depreciable Contributions in Aid of Construction.

26. Amortization of contributed plant (\$40,000) shown in opening Entry No. 1 is computed for month of January.

Account No.	Description	Debit	Credit
272	Accumulated Amortization of Contributions	\$100	
108	Accumulated Depreciation of Water Plant		\$100

(Note: This entry usually is made only once a year, in December. It is computed here on a monthly basis for illustration.)

**Contributions amortization computation:**

Total depreciable contributions: \$40,000  
 Annual amortization rate: 3%

$\$40,000 \times 3\% \div 12 =$  monthly amortization of \$100.

Recording Payment of payroll taxes to governments.

27. Water company pays amounts deducted from employee's wages during calendar quarter (shown in Entry No. 21), plus its own share of payroll taxes to Federal and State governments (shown in Entry No. 22):

Account No.	Description	Debit	Credit
<u>Amounts deducted from employee's wages:</u>			
	FICA - Social Security @ 6.2%	\$620	
	FICA - Medicare @ 1.45%	145	
	Federal Income Tax Withheld @ 15%	1,500	
	California Income Tax Withheld @ 6%	600	
	California Disability Insurance @ 1%	100	
236	Taxes Accrued		\$2,965
<u>Operating Taxes (employer's portion of payroll taxes):</u>			
	Payroll Taxes - FICA - Social Security @ 6.2%	\$620	
	Payroll Taxes - FICA - Medicare @ 1.45%	145	
	Payroll Taxes - FUTA @ 0.6%	60	
	Payroll Taxes - SUI @ 1.5%	150	
236	Taxes Accrued		\$975
<u>Payroll taxes were paid to Federal government:</u>			
131.2	Cash in Bank		\$3,090
<u>Payroll taxes were paid to State government:</u>			
131.2	Cash in Bank		\$850

Note: Payroll taxes normally are paid to the government agencies in the month following the calendar quarter in which the wages were earned. This entry which normally would be made in April for wages earned in January is shown here for illustration.

Comment on Recording Proprietor's Labor.

28. Provision has been made in the foregoing entries for charging plant accounts with the value of proprietor's labor expended on new construction work, and for charging the Proprietary Capital account with funds withdrawn from the business for his personal use. No provision has been made in these illustrative accounting journal entries, however, for including in Operating Expenses the value of Proprietor's services in managing and operating the utility. For further information, reference is made to the Uniform System of Accounts for Class B, C and D Water Utilities, Account 218 (Proprietary Capital), Item E, page 24.

## WORK ORDER JOURNAL

Work orders are used for all additions to Utility Plant Account. Work Order are used to accumulate the total cost of each addition and retirement of Utility Plant. Work orders are NOT used for repairs (such as the pump repair, Entry 9) for which no materials were withdrawn from the Materials and Supplies inventory.

Each "Construction" work order should contain:

- 1) An itemized list of all materials used, together with their cost.
- 2) A record of the number of hours, hourly rate, and total cost of employee labor used.
- 3) A record of the number of hours of proprietor's labor used, to which a reasonable hourly rate should be assigned.

Any plant abandoned or retired should be noted on work orders, together with such information relating to its description, age, estimated installation cost, cost of removal, and salvage value, if any. This information about the plant abandoned or retired will be accumulated in the Retirement Work Order Journal (See W.O. #2) and transferred monthly to the "Recording Assets, Liabilities, Revenues and Disbursements," and to the "Detailed Record of Utility Plant Accounts."

Work  
Order  
No.

- |   |   |
|---|---|
| 1 | Water utility installs 90 feet of the new distribution main purchased in Entry 19 from Edna Avenue and Kearney Drive to the fire house. In addition to this pipe, the company used \$2,500 worth of fittings, \$2,000 employee labor, and proprietor's labor having a value of \$3,000. No old pipe is retired. |
|---|---|

Work Order Journal:

Account No.	Description	Debit	Credit
331	Water Mains	\$16,500	
900.1	Payroll Clearing		\$2,000
218	Proprietary Capital		3,000
151	Materials and Supplies		11,500



Work  
Order  
No.

- 2 Water utility replaces 180 feet of distribution mains that originally had been laid at an estimated installed cost of \$80 per foot. Pipe for the new main cost \$70 per foot, and the following installation costs were incurred. Trenching: \$3,600; Fittings: \$2,500; Hired labor: \$3,500. No proprietor's labor used. Materials used were withdrawn from stock on hand.

Work Order Journal:

(a) To record installation of new main:

Account No.	Description	Debit	Credit
331	Water Mains (\$70 x 180 + \$3,600 + \$2,500 + \$3,500)	\$22,200	
900.1	Payroll Clearing (\$3,600 + \$3,500)		\$7,100
151	Material and Supplies (\$70 x 180 + \$2,500)		15,100

Retirement Work Order Journal:

(b) To record retirement of old main:

Account No.	Description	Debit	Credit
108	Accumulated Depreciation of Water Plant (\$80 x 180)	\$14,400	
331	Water Mains		\$14,400

- 3 Install new meter and service at Judge Allen's house (meter-\$2,450, other material-\$1,000, employee labor-\$1,500). No retirements.

Work Order Journal:

Account No.	Description	Debit	Credit
333	Services and Meter Installations	\$2,500	
334	Meters	2,450	
900.1	Payroll Clearing		\$1,500
151	Materials and Supplies (\$2,450 + \$1,000)		3,450

**APPENDIX A**

**Illustrative Accrual Basis Accounting Journal Entries for Recording Transactions Related to Proposition  
(Prop) 50 Grant**

(For Classes B, C, and D Water Utilities)

(Per D.06-03-015, dated March 2, 2006)

**Scenario:** A utility receives \$1,000,000 of Proposition 50 grant funds to pay for the construction of a new treatment plant. The total cost of the plant is \$2,000,000 funded by \$1,000,000 of Proposition 50 funds and \$1,000,000 of utility funds.

1. To record the receipt of the first funding of \$1,000,000 of Prop 50 grant:

Account No.	Description	Debit	Credit
131.3	Cash - Miscellaneous Special Deposit	\$1,000,000	
266	Contributions - Publicly Grant-Funded Plant (Prop 50)		\$1,000,000

2. To record payment of \$200,000 made to a contractor for plant construction using Prop 50 grant during construction:

Account No.	Description	Debit	Credit
105.2	Construction Work in Process (CWIP) - Prop 50	\$20,000	
131.3	Cash - Miscellaneous Special Deposits		\$20,000

3. To record completion of constructing the treatment plant:

Account No.	Description	Debit	Credit
101	Utility Plant in Service	\$1,000,000	
101.2	Utility Plant in Service - Prop 50	1,000,000	
105	Construction Work in Progress		\$1,000,000
105.2	Construction Work in Progress - Prop 50		1,000,000

4. To amortize Prop 50 grant (assuming the estimated service life of the plant is 40 years):

Account No.	Description	Debit	Credit
266.1	Accumulated Amortization of Contributions - Prop 50	\$40,000	
108.2	Reserve for Depreciation of Utility Plant - Prop 50		\$40,000

**APPENDIX B**  
**Illustrative Accrual Basis Accounting Journal Entries to Record Income Taxes**

The following example shows entries to record Federal Corporate Income Taxes and Federal Investment Tax Credits in the books of account.

Assumptions:

- (a) A water utility purchases depreciable plant at a cost of \$10,000. The plant has a 10-year life with no salvage. (5-year ACRS property.)
- (b) The utility's federal taxable income computed on a straight-line depreciation basis both in its books of accounts and for ratemaking is \$30,000. The utility actually utilizes ACRS depreciation in preparing its federal income tax return. The ACRS life of the plant is five-years.
- (c) The investment tax credit is \$800 ( $\$10,000 \times 8\%$ ) in order to use 100% of \$10,000 cost for ACRS depreciation.

1.

Account No.	Description	Debit	Credit
410	Federal Corporation Income Tax Expense <sup>1</sup>	\$13,800	
236	Taxes Accrued		\$13,800
	To record federal income tax expense ( $\$30,000 \times 46\%$ )		

2.

Account No.	Description	Debit	Credit
236	Taxes Accrued	\$230	
282	Accumulated. Deferred Income Taxes - ACRS Depreciation		\$230
	To reduce taxes accrued by the amount of deferred income taxes based on the difference between straight-line book depreciation and ACRS depreciation. ( $\$1,500$ ACRS depreciation - $\$1,000$ book depreciation $\times 46\% = \$230$ ). <sup>2</sup>		

The following example shows how the various transactions are recorded:

3.

Account No.	Description	Debit	Credit
236	Taxes Accrued	\$800	
255	Accumulated Deferred Investment Tax Credits		\$800
	To record deferral of investment tax credits arising out of plant installed in current year.		

<sup>1</sup>A utility may, at its option, subdivide account 410 to identify the deferred components of income tax expense, e.g., Account 410.1 - Deferred Federal - Corporate Income Tax Expense - Accelerated Cost Recovery System; and Account 410.2 - Deferred Federal Corporate Income Expense - Investment Tax Credit.

<sup>2</sup>At a point in time when the book depreciation exceeds tax depreciation, Account 236 will be credited and Account 282 will be debited.

**APPENDIX B (Continued)**  
**Illustrative Accrual Basis Accounting Journal Entries to Record Income Taxes**

4.

Account No.	Description	Debit	Credit
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255	Accumulated Deferred Investment Tax Credits	\$80	
426	Miscellaneous Non-Utility Expense		\$80
	To record the annual amortization, over the life of the related property, of a pro rata portion of the amount of Investment Tax Credit (ITC) deferred in Entry 3. [This entry (in lieu of Entry 4) would be used <u>only by Option 1</u> companies. See Accounting Instruction 7 of Uniform System of Accounts for Class B, C, and D Water Utilities.]		

5.

Account No.	Description	Debit	Credit
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255	Accumulated Deferred Investment Tax Credits	\$80	
410	Federal Corporate Income Tax Expense		\$80
	To reduce cost of service and the annual amortization, over the life of the related property, of a pro rata portion of the amount of ITC deferred in Entry 3. [This entry (in lieu of Entry 4) would be made <u>only by Option 2</u> companies. See Accounting Instruction 7 of Uniform System of Accounts for Class B, C, and D Water Utilities.]		

6.

Account No.	Description	Debit	Credit
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236	Taxes Accrued (\$13,800 - \$230 - \$800 = \$12,770)	\$12,770	
131.2	Cash in Bank		\$12,770
	To record payment of federal corporate income taxes.		

**APPENDIX C**

**Illustrative Accrual Basis Accounting Journal Entries to Record SDWBA Loans Transactions**

(Note: SDWBA = Safe Drinking Water Bond Act)

For a 30-Year, 6% SDWBA Loan of \$100,000

Assume 490 Single-family Metered Residential Customers

1.

Account No.	Description	Debit	Credit
-------------	-------------	-------	--------

131.2	Cash in Bank	\$100,000	
224.1	Long-term Debt - SDWBA Loan		\$100,000
	Utility receives progress payments of \$100,00 from DWR. Payments are deposited in separate bank account.		

2.

Account No.	Description	Debit	Credit
-------------	-------------	-------	--------

101.1	Water Plant in Service - SDWBA	\$100,000	
131.2	Cash in Bank		\$100,000
	Payment is made to contractors for plant constructed with SDWBA loan proceeds.		

3.

Account No.	Description	Debit	Credit
-------------	-------------	-------	--------

141	Accounts Receivable - Customers	\$1,637	
470.1	Metered Revenue - Single-family Residential		\$1,000
470.5	SDWBA Surcharge		637
	Monthly billings of customers for ordinary revenue of \$1,000 plus SDWBA surcharge of \$637. (\$1.30 surcharge x 490 customers = \$637.)		

4.

Account No.	Description	Debit	Credit
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131.2	Cash in Bank	\$1,550	
141	Accounts Receivable - Customers		\$1,550
	Monthly collections of customer receivables. Consists of \$975 regular revenue and \$575 SDWBA surcharge revenue.		

5.

Account No.	Description	Debit	Credit
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132	Special Deposits - Fiscal Agent	\$575	
131.2	Cash in Bank		\$575
	Surcharge collections are transferred monthly to account with fiscal agent.		

**APPENDIX C (Continued)**

**Illustrative Accrual Basis Accounting Journal Entries to Record SDWBA Loans Transactions**

(Note: SDWBA = Safe Drinking Water Bond Act)

For a 30-Year, 6% SDWBA Loan of \$100,000

Assume 490 Single-family Metered Residential Customers

6.

Account No.	Description	Debit	Credit
427	Interest Expense - SDWBA Loan	\$3,000	
224.1	Long-term Debt - SDWBA Loan	822	
132	Special Deposit - Fiscal Agent		\$3,822
	Semi-annual payment of principle and interest to DWR by fiscal agent.		

7.

Account No.	Description	Debit	Credit
132	Special Deposit - Fiscal Agent	\$50	
421.1	Non-Utility Income - Interest		\$50
	Credit of interest earned on surcharge collections deposited with fiscal agent.		

8.

Account No.	Description	Debit	Credit
407	SDWBA Loan Amortization Expense	\$1,667	
108.1	Accumulated Amortization of SDWBA Loan		\$1,667
	Semi-annual amortization of 30-year SDWBA loan.		