

**Illinois-American Water Company
Recommended Changes to Company Proposed Accounting Entries
to Record the Purchase of the City of Grafton Water Distribution System at Closing**

Line No.	Account Number	Account Description	Entry Per Company (A)		Staff Proposed Adjustments (B)		Proposed Entry Per Staff	
			Debit (c)	Credit (d)	Debit (e)	Credit (f)	Debit (g)	Credit (h)
Journal Entry #1 - To record the initial purchase price to Account 104.								
1	104	Utility Plant Purchased or Sold			1,800,000		1,800,000	
2	131	Cash		1,800,000				1,800,000
Journal Entry #2 - To transfer at closing the initial purchase price from Account 104 to the appropriate utility plant related accounts.								
3	304	Structures & Improvements - TD	540,000				540,000	
4	331	Transmission & Distribution Mains	3,455,893				3,455,893	
5	334	Meters	128,000				128,000	
6	104	Utility Plant Purchased or Sold				1,800,000		1,800,000
7	108	Accumulated Depreciation		155,477				155,477
8	271	Contributions in Aid of Construction		2,168,416				2,168,416
9		Totals	4,123,893	4,123,893	1,800,000	1,800,000	5,923,893	5,923,893
Journal Entry #3 - To record the annual amortization of the contributions in aid of construction.								
10	272	Accum. Amort. of CIAC			48,753		48,753	
11	403	Depreciation Expense				48,753		48,753

Sources:

(A) IAWC Exhibit 1.04

(B) Journal Entries #1 and #2 - To utilize Account 104 Utility Plant Purchased or Sold to record the purchase of the Grafton water distribution system per Accounting Instruction 21 of the Uniform System of Accounts.

(B) Journal Entry #3 - IAWC Exhibit 1.03

Note:

Accounting Instruction 21 requires the difference between the purchase price and net book value of assets purchase be recorded in Account 114 - Utility Plant Acquisition Adjustments. Since the Grafton system purchase price is equal to the net book value of assets purchased, there is no utility plant acquisition adjustment.