

# City of Bingham

## Computerized Cumulative Problem

Version 1.0

For use with McGraw-Hill/Irwin

*Accounting for Governmental and Nonprofit Entities*

15th Edition

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# CHAPTER 1

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## INTRODUCTION TO THE CITY OF BINGHAM SOFTWARE

### Welcome

Thank you for selecting Version 1.0 of the City of Bingham Governmental Accounting Software. This software is designed to be used with the McGraw-Hill/Irwin textbook *Accounting for Governmental and Nonprofit Entities, 15<sup>th</sup> Edition*, ISBN 0073100951.

### System Requirements

To use the City of Bingham accounting software application, you must have the following:

- Operating System:
  - Microsoft® Windows 2000 or later
  - Mac OS X v10.4 or 10.5
  - Linux Red Hat® Enterprise Linux (RHEL) 5
- Hardware:
  - Windows ®: Intel® Pentium® II 450MHz or faster processor (or equivalent)
  - Macintosh: PowerPC® G3 500MHz or faster processor;  
Intel Core™ Duo 1.33GHz or faster processor
- Recommended screen resolution of 1024 x 768 minimum
- 128MB of RAM minimum
- Spreadsheet program (in order to easily view the exported CSV files)
- Excel 2003 or later (in order to view the exported Excel files)
- Internet Explorer 7 or later, Mozilla Firefox 3.x or later, Safari 3.x or later
- Adobe Flash Player version 10 or above

### Licensing

This manual was written for use with the City of Bingham software, Version 1.0. This manual and the software described in it are copyrighted, with all rights reserved. This manual and the City of Bingham software may not be copied, except as otherwise provided in your software license or as expressly permitted in writing by McGraw-Hill Higher Education, Inc.

Use of the City of Bingham governmental accounting software (the “Software”) and its documentation are governed by the terms set forth in your license. Such use is at your sole risk. The software and its documentation (including this manual) are provided “AS-IS” and without warranty of any kind.

## RUNNING OR REMOVING THE CITY OF BINGHAM

### Running the City of Bingham

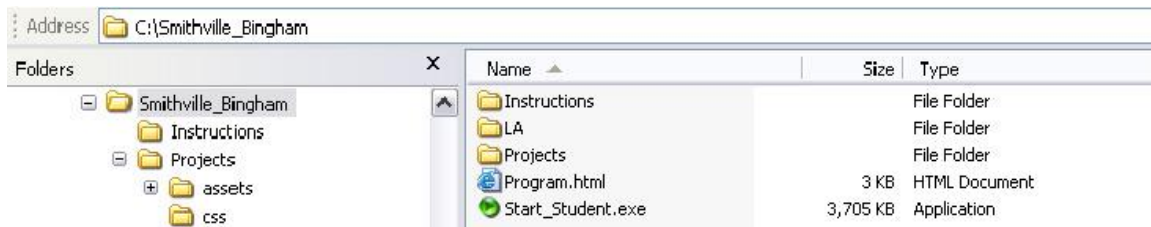
The City of Bingham can be started by clicking on the Start.html file as indicated in the “Opening the City of Bingham” instructions below. As the City of Bingham is a web-based application, it need not be installed onto your local computer. However, the web-based software is downloaded, copied to your computer, and run locally.

As computers are often configured differently, you may need to change your Adobe Flash Player Security settings in order to run the City of Bingham. For more information and detailed instructions, please see Appendix A.

## GENERAL OPERATING INSTRUCTIONS

### Opening the City of Bingham

You can open the City of Bingham at any time by clicking on the **Smithville\_Bingham** folder and then clicking on **Start\_Student.exe**. The application requires the Web Browser pop-up blocker be turned off in order to run the application properly.



## Creating a New Project

To create a new project, click on “**Create New Project**” in the opening window. The Create New Project dialog window will appear, as shown below.



**Create New Fund** [X]

### Create New Project

This operation will create a new project with all of the funds and accounts for your selected city.

**Choose a city:**

City of Bingham [v]

**Enter your name. This will appear on all reports.**

[Create] [Cancel]

Enter your first and last name, then click [**Create**]. You should save your project folder in the Projects folder located in the Smithville\_Bingham folder created when the downloaded files were unzipped. For your own protection against hard-drive failure, you should create a dated backup file at the end of each session on a removable disk (CD/DVD/USB Flash Drive). This step creates the accounts and funds that you will need to complete the “City of Bingham” cumulative problem.

The main project window will pop-up once the project is created.

## Opening an existing Project

Click on “**Open Existing Project**”, and then select the file you wish to open.

## **Saving the current Project**

Click on [**File**] and [**Save/Save As**]. If a filename has already been specified, the current filename will be pre-populated in the Save dialog but may be changed if desired. Unlike previous versions of Bingham, this version does NOT automatically save your work. **Be sure NOT to exit your browser before saving your project file.**

## City Of Bingham Main Window

If you have opened a project file, the main project window should appear:

Posted	Account	Year	Description	Debits	Credits	Ref	2 ▲
<input checked="" type="checkbox"/>	Budgetary Fund Balance	2011	4-a-18	159,000		103	
<input checked="" type="checkbox"/>	Est. Revenues	2011	4-a-18		40,000	103	
<input checked="" type="checkbox"/>	Appropriations	2011	4-a-18		119,000	103	
<input checked="" type="checkbox"/>	Appropriations	2011	Closing Entry	8,269,000		104	
<input checked="" type="checkbox"/>	Budgetary Fund Balance	2011	Closing Entry	125,000		104	
<input checked="" type="checkbox"/>	Est. Revenues	2011	Closing Entry		8,394,000	104	
<input checked="" type="checkbox"/>	Revenues	2011	Closing Entry	8,427,510		105	
<input checked="" type="checkbox"/>	Expenditures	2011	Closing Entry		8,150,488	105	
<input checked="" type="checkbox"/>	Fund Balance	2011	Closing Entry		277,022	105	
<input checked="" type="checkbox"/>	Fund Balance	2011	Closing Entry	78,020		105	
<input checked="" type="checkbox"/>	Encumbrances	2011	Closing Entry		78,020	105	

To navigate between the Journal, Account, and Ledgers screens, simply click on the [TAB] for that particular screen.

To switch between different funds and governmental activities, government-wide, choose the desired entity from the drop-down menu.

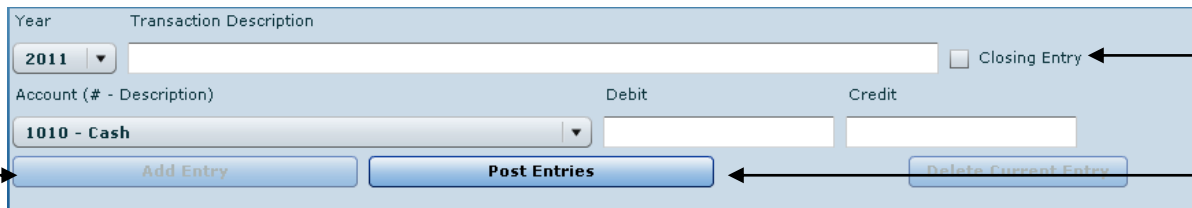
You can verify which entity you are working on by the caption on the upper right corner of the window. It will show the title of your project, and the current fund you are in.

The main window has the same standard window controls as most other applications. To close down your project, simply click on the [X] box. **Warning: It is very important that you always save your project file and remember where you saved it before closing your browser.**

## Adding and Posting Journal Entries

If you are looking at the main window, you need to switch to the journal screen before you can add any journal entries.

Once you have switched to the journal screen, you will see the entry form on the lower portion of the window.

The screenshot shows a software interface for adding journal entries. At the top, there is a 'Year' dropdown menu set to '2011' and a 'Transaction Description' text input field. To the right of the description field is a checkbox labeled 'Closing Entry'. Below this, there is an 'Account (# - Description)' dropdown menu showing '1010 - Cash'. To the right of the account menu are two text input fields labeled 'Debit' and 'Credit'. At the bottom of the form are three buttons: 'Add Entry', 'Post Entries', and 'Delete Current Entry'. Arrows from the text below point to the 'Add Entry' button, the 'Closing Entry' checkbox, and the 'Post Entries' button.

Before ANY entry can be added to the journal, a description and debit or credit must be specified.

Once you have filled in the necessary fields, simply click on [**Add Entry**] to add the entry to the journal. If the entry being made is a closing entry, you must click on the check mark for [**Closing Entry**].

If one of the fields is missing a value or contains an illegal character, the [**Add Entry**] button will remain disabled.

If you are adding an entry that also affects a detail journal, the detail journal screen will automatically open, as described on page 11, when you select the corresponding control account from the drop-down Account #/ Description menu.

Once you have entered a batch of entries into the system, you can post them to the general ledger at any time by clicking the [**Post Entries**] button. In the case of the General Fund, posting transactions also posts entries from the detail journal to the revenue ledger and appropriations, encumbrances, expenditures ledgers as well. The [**Post Entries**] button only posts entries for the current fund/entity.

## Editing/Deleting/Unposting Journal Entries

To edit entries that have already been entered, double click or right click on the entry, and select edit. You will know you are in edit mode when the entry form turns red and the blanks will fill in with the data from the journal. If you wish to delete an entry, right click on the item and select [**Delete**] or choose [**Edit**]-[**Delete**].

The City of Bingham software provides the capability to “unpost” individual batches of posted transactions. Simply highlight any entry within the batch you want to unpost and either right click and select [**Unpost**] or select [**Unpost**] from

the Edit menu. Editing is then done in the same manner as for unposted journal entries. When editing is completed, click **[Post Entries]** and your corrections will be made to the appropriate accounts. If you need to add an entry to a previously posted journal entry, then unpost as described above and make the new entry at the bottom of the journal. You can then right click

Journal	Ledger	Accounts	Entities	
Posted	Account		Year	Description
<input type="checkbox"/>	Cash		2011	Sample Transaction
<input type="checkbox"/>	Taxes Receivable		2011	Sample Transaction

- Edit Entry
- Unpost Entry
- Delete Entry
- Move Entry Up
- Move Entry Down

Screen shot of **“Right Clicking”** on a journal entry.

and use the **[Move Up]** option to move the entry one step at a time up the journal until it appears in the desired location. As in prior versions, a provision also allows you to clear all of the transactions from the current fund or entity. Under **[File]-[Student Assistance]** you will find the option **[Wipe out Current Fund or Entity]**. The wipe out function should be used as a last resort. Once you select this option, there is no going back. It will remove ALL of the transactions for the current fund or entity.

## Working with the Ledgers Screen

Switch to the ledgers screen by clicking on the ledgers tab. The screen shown on the following page

File Edit View Reports Help Accountant: Test Solution

Current Accounting Entity: **1 - General Fund** *City of Bingham* General Fund

Journal Ledger Accounts Entities

Account	Ref	Year	Account-Description	Debits	Credits	Balance Dr(Cr)
<b>1010</b>			<b>Cash</b>			
	101	2010	2-b	70,000		70,000
	103	2011	4-a-1	475,000		545,000
	103	2011	4-a-4	2,811,660		3,356,660
	103	2011	4-a-5		13,000	3,343,660
	103	2011	4-a-7		3,201,600	142,060
	103	2011	4-a-10	5,964,000		6,106,060
	103	2011	4-a-11		1,268,500	4,837,560
	103	2011	4-a-12	996		4,838,556
	103	2011	4-a-13		484,500	4,354,056
	103	2011	4-a-15		3,910,000	444,056
<b>1020</b>			<b>Taxes Receivable – Current</b>			
	103	2011	4-a-2			0
	103	2011	4-a-10		5,964,000	(5,964,000)

Ledger: General Ledger

Switch entities at any time by changing the selection.

If your screen is not wide enough to display all of the columns, use the vertical and horizontal scrollbars to navigate the data.

Depending on the fund or entity you are working on, there may be different ledgers for you to view. Choose the ledger you want to view from the drop-down list.

If you want to print out a ledger, you need to select the **[Reports]** menu, and choose the report.

## Working with the Detail Journal Screen

The General Fund of the City of Bingham uses a Detail Journal to avoid excessive detail in the general journal/ledgers.

If you choose an account that has subsidiary detail associated with it, you will be taken directly to the Detail Journal. If you attempt to edit a journal entry that has associated subsidiary detail, you will automatically be prompted to also open the Detail Journal for editing, if desired.

The Detail Journal screen for the General Fund appears as follows:

**Detail Journal** City of Bingham

City of Bingham **Detail Journal**

General Fund

Account	Year	Description	Debits	Credits	Closing

Balance: 0

Account (# - Description) Debit Credit

3020 - Est. Taxes-Real Property

Transaction Description

Budget Authorization

Add Entry Edit Entry Delete Return To General Journal

The Detail Journal operates very similar to the entry screen on the General Journal. Fill in the blanks or, in the case of the [**Transaction Description**] box, select a description from the drop-down menu, and click [**Add Entry**]. The balance of the entries for this transaction is automatically updated. When you exit the Detail Journal the balance will be copied into a single line item in the General Journal. Please note, the year and reference numbers of these transactions are based on the originating entry (the line in the General Journal).

## **Printing Reports**

All of the reports required for the City of Bingham are available through the Reports menu. Simply go to the menu and click on the report you want. To print, click on “Save as Printable PDF File,” specify the file name and location where you want to save it, and print the saved report from the Adobe Reader software. **(Note: You should manually add the .pdf extension to your report file name.)**

## **Exporting Trial Balances**

Spreadsheet files for all trial balances for each entity and each year of transactions, as well as detail subsidiary account balances (General Fund only), can be exported to either CVS or Excel. To export an item, select it from the <File><Export> menu, specify a file name and folder location, and save it. **(Note: If exporting to Excel, you should manually add the .xls file extension to your export file name.)**

## **Instructions and Information for Completing Chapters 2 through 10 and 12 of the City of Bingham**

This initial version of a cumulative problem written for the computer presents a series of transactions, covering activities of the City of Bingham, assuming the city utilizes the dual-track accounting approach to the GASB governmental reporting model described in Wilson, Reck, and Kattelus, *Accounting for Governmental and Nonprofit Entities, 15<sup>th</sup> edition*. The transactions presented relate to the city's General, capital projects, debt service, enterprise, and fiduciary funds, as well as to an additional accounting entity, Governmental Activities at the Government-wide level. The transactions and instructions in this series are designated Chapter 2, Chapter 3, etc., corresponding to the chapters of Wilson, Reck, and Kattelus, *Accounting for Governmental and Nonprofit Entities, 15<sup>th</sup> Edition*.

If you have not yet read the Chapter 1 instructions for using the City of Bingham software program, you should do so before beginning the project. When finished reading those instructions, begin the project with Chapter 2 of the instructions as you complete Chapter 2 of the textbook. Some problems require you to print trial balances or other documents. Other problems require the preparation of financial statements. The specified documents can either be turned in chapter by chapter or retained in a cumulative folder until the end of the project, depending on your instructor's preference and instructions. Some instructors may prefer for you to attach your project data file and a spreadsheet file containing your trial balances, financial statements, and other required documents to an e-mail for submission.

To minimize errors, you should read and follow all instructions carefully. Students find that this computerized cumulative problem significantly enhances their learning if they complete each City of Bingham chapter as the corresponding chapter of the textbook is covered. Conversely, students who procrastinate often find that the project takes much more time than they expected and that it is harder to recall how to make the journal entries covered in the earlier chapters. Thus, delaying until the deadline for your project is nearly due may increase the total time it takes you to do the project and leave you little time for anything else that week. So, our advice is to stay current with the project.

## Chapter 2 Opening the Books

The City of Bingham has installed a new computerized accounting system, which provides files for general journal entries and posting to appropriate general ledger/subsidiary ledger accounts. Accounts are provided for both budgetary and operating statement accounts and balance sheet accounts for the General Fund, as well as accounts needed for governmental activities at the government-wide level. Accounts are also provided as appropriate for all other funds used by the City of Bingham, which you will use in Chapters 5-9 of the problem. To begin this case, you must enter the City's initial accounting information as of December 31, 2010, so that all transactions can be recorded for the next fiscal year beginning January 1, 2011.

### Required

Open the City of Bingham software by accessing the **Smithville\_Bingham\Projects** folder and clicking on the **Start** icon. As this is your first access to the software, you should select **[Create New Project]**. In the window that appears select the "City of Bingham" option from the **[Choose a City]** drop-down menu. In addition, please type in your first and last name so that your name will appear on all printable reports and click on **[Create]**. This will create the project and provide all of the funds and accounts that you will need to complete the "City of Bingham" cumulative problem.

As mentioned in Chapter 1 of these instructions, it is highly recommended that you save a dated back-up copy of your file to a removable disk (e.g., CD, DVD, Flash, etc.) at the end of each session to protect yourself from possible hard drive failure or corruption of your project data file.

- a. If it is not already displayed, select **[General Fund]** in the "Current Accounting Entity" window and the **[Accounts]** view. Verify that the following accounts are listed. [Note: In addition to the accounts listed below you will see detail accounts that will be used in subsequent chapters for achieving budgetary control and recording revenues and expenditures detail, as well as other accounts that will be used in chapters 3 and 4.]

Cash  
Taxes Receivable—Current  
Estimated Uncollectible Current Taxes  
Taxes Receivable—Delinquent  
Estimated Uncollectible Delinquent Taxes  
Interest and Penalties Receivable on Taxes  
Estimated Uncollectible Interest and Penalties  
Vouchers Payable  
Tax Anticipation Notes Payable  
Due to Other Funds  
Due to Federal Government  
Due to State Government

Reserve for Encumbrances  
Fund Balance  
Budgetary Fund Balance  
Estimated Revenues  
Revenues  
Appropriations  
Expenditures  
Encumbrances

- b. The post-closing trial balance for the General Fund of the City of Bingham as of December 31, 2010, is shown on the following page. Select the **[Journal]** view and create a journal entry to enter the balance sheet accounts and amounts shown in the trial balance [Review software operating procedures in Chapter 1 of these instructions if necessary]. Be sure to enter **2010** from the drop-down **[Year]** menu and enter the paragraph number from these instructions in the **[Transaction Description]** box of the **[Journal]** view. For this entry you should enter **2-b (be sure to include the hyphen)**. Select the appropriate accounts individually and insert the appropriate amounts. **[Note: Enter all dollar amounts without dollar signs and without commas. For all entries, it is vitally important that the correct year be selected.]**

You must enter each account and amount one line at a time by clicking **[Add Entry]**.

The year and transaction description need only be entered for the first line of the journal entry; it should remain in the boxes for the rest of the accounts. When you have completed entering all account data and amounts, verify the accuracy of all your entries, including date and paragraph numbers. When you are sure that your entries are correct, click **Post Entries** to post the items to the General Ledger of the General Fund. Should you need to edit any posted entries, you can use the **Unpost and edit capability**, as discussed in Chapter 1 of these instructions. This capability permits students to “unpost” any particular batch of posted transactions, so that any entry in that batch can be edited in the same manner as pre-posted entries.

Select **[Reports, Trial Balances, Post-Closing Trial Balance]**, save the report as a PDF file, and print the post-closing trial balance for year 2010 using the Adobe Reader **(Note: You should add .pdf to the end of your file name)**. Retain the printed trial balance in your personal cumulative folder until the due date assigned by your instructor for the project, or submit the trial balance by e-mail if directed to do so by your instructor by using the **[EXPORT]** function of the **[FILE]** menu. **(Note: When exporting to Excel, you should add .xls to the end of your file name.)**

**CITY OF BINGHAM**  
**General Fund Post-Closing Trial Balance**  
**As of December 31, 2010**  
**General Ledger**

<u>Account Title</u>	<u>Debits</u>	<u>Credits</u>
Cash	\$ 70,000	
Taxes Receivable--Delinquent Estimated Uncollectible	470,000	
Delinquent Taxes		\$ 42,500
Interest and Penalties Receivable on Taxes Estimated Uncollectible	23,690	
Interest and Penalties		1,304
Vouchers Payable		354,000
Due to Other Funds		13,000
Fund Balance		<u>152,886</u>
Totals	<u>\$ 563,690</u>	<u>\$ 563,690</u>

- c. Select [**Governmental Activities—Government-Wide**] in the “Current Accounting Entity” drop-down menu and the [**Accounts**] view tab. You will see all of the accounts included in the preceding trial balance, plus many other accounts that will be used in the various chapters of the City of Bingham project.
  
- d. Select the [**Journal**] view and create a journal entry to enter the statement of net assets (i.e., balance sheet) accounts and amounts shown in the governmental activities, government-wide post-closing trial balance presented on the next page. It is necessary to enter these items in the accounts of the governmental activities category at the government-wide level as the general journal and general ledger for governmental activities comprise a separate “set of books” from those for the General Fund. Be sure to enter **2010** from the drop-down date menu and enter **2-d** (including the hyphen) in the Transaction Description box. Select each account individually and insert the appropriate debit or credit amount for each account.

**CITY OF BINGHAM**  
**Governmental Activities, Government-Wide Level**  
**Post-Closing Trial Balance**  
**As of December 31, 2010**

<u>Account Title</u>	<u>Debits</u>	<u>Credits</u>
Cash	\$ 1,050,000	
Taxes Receivable--Delinquent Estimated Uncollectible	554,000	
Delinquent Taxes		\$ 98,500
Interest and Penalties Receivable on Taxes	31,290	
Estimated Uncollectible Interest and Penalties		2,064
Land	1,100,000	
Improvements Other Than Buildings	9,000,000	
Accumulated Depreciation—Improvements Other Than Buildings		2,100,000
Infrastructure	29,190,000	
Accumulated Depreciation—Infrastructure		11,280,000
Buildings	9,300,000	
Accumulated Depreciation—Buildings		2,100,000
Equipment	7,600,000	
Accumulated Depreciation—Equipment		3,664,000
Vouchers Payable		354,000
Accrued Interest Payable on Long-Term Debt		360,000
Internal Payables to Business-Type Activities		13,000
Current Portion of Long-Term Debt		600,000
6% Serial Bonds Payable		11,400,000
Net Assets—Invested in Capital Assets, Net of Related Debt		25,046,000
Net Assets—Restricted for Debt Service		1,014,840
Net Assets--Unrestricted	<u>207,114</u>	
Totals	<u>\$58,032,404</u>	<u>\$58,032,404</u>

- e. When you have completed entering the initial data, verify the accuracy of all entries and click **[Post Entries]** to post the entries to the Governmental Activities, Government-wide General Ledger.
- f. Select **[Reports, Trial Balances, Post-Closing Trial Balance]**, save the report as a PDF file (add .pdf to your file name manually), and print the trial balance for 2010 using the Adobe Reader, or submit the trial balance by e-mail from the **[FILE/EXPORT]** menu, if directed to do so by your instructor. Retain the trial balance in your cumulative file until the due date for your project or the time specified by your instructor. Before exiting the browser, be sure to **SAVE YOUR FILE** to the

“Projects” folder using a filename you will remember. Also, we recommend that you save a dated backup file on a removable medium, as discussed previously.

### Chapter 3. Recording the Annual Budget

The following budget for the General Fund of the City of Bingham was legally adopted for the fiscal year ending December 31, 2011.

**Estimated Revenues:**

Property Taxes	\$6,000,000
Sales Taxes	250,000
Interest and Penalties on Taxes	44,000
Licenses and Permits	577,000
Fines and Forfeits	703,000
Intergovernmental Revenue	500,000
Charges for Services	210,000
Miscellaneous Revenues	<u>150,000</u>
Total Estimated Revenues	<u>\$8,434,000</u>

**Appropriations:**

General Government	\$1,510,000
Public Safety	3,325,000
Public Works	1,450,000
Health and Welfare	965,000
Parks and Recreation	770,000
Miscellaneous Appropriations	<u>130,000</u>
Total Appropriations	<u>\$8,150,000</u>

**Required**

- a. Launch the program and select **[Open Existing Project]** and then select the file you saved at the end of your Chapter 2 session. Select **[General Fund]** in the “Current Accounting Entity” drop-down menu, if it is not already displayed. Select the **[Journal]** tab. In the **[Year]** menu, be sure to select the year **2011**. Enter **3-a** in the **[Transaction Description]** box and record the budget adopted for fiscal year 2011. Begin by selecting “Estimated Revenues” in the drop down **[Account #/Account Description]** window. This will take you automatically to the Detail Journal where you will enter the detail for each estimated revenue source. In the Detail Journal, select “Budget Authorization” from the drop-down menu for **[Transaction Description]**.

When you have finished entering the estimated revenue detail information, verify that the correct balance is shown in the Detail Journal, then click on **[Return to General Journal]** and the total estimated revenues will be entered in the general journal Estimated Revenues control account. Follow the same procedure to record the budget detail for Appropriations. Complete the General Journal entry by debiting or crediting

Budgetary Fund Balance as appropriate to make the journal entry balance. Note that budgetary entries have no effect on governmental activities at the government-wide level, so the budget information is only recorded in the General Fund.

When you are satisfied you have made the entries correctly, post them to the General Ledger by clicking on **[Post Entry]**. Before posting, or after unposting as described previously, you can edit any of your journal entries by placing the cursor in the line you want to edit, then right-clicking and selecting “Edit.” If you make too many errors and want to start over from scratch, you can select “Student Assistance” from the **[FILE]** menu and completely wipe out all data from the current fund or entity (i.e., Governmental Activities, Government-Wide) you are working on. Generally, such radical action should be unnecessary given the **[Unpost]**, **[Edit]**, and **[Move Up]/[Move Down]** capabilities of the program, as described previously. After unposting, any entry can be edited or deleted, and any omitted entry can be added at the bottom of the journal and moved to the correct location in the journal. To add an entry at the bottom, be sure to first unpost the batch of entries in which the added entry should be included. That will permit reposting that batch with its original reference number, including the added entry.

- b.** Go to **[Reports]**, open the pre-closing subsidiary ledgers and pre-closing trial balance for year 2011, save a PDF version of each report, and print each report from the Adobe Reader (as of this time, of course, only the budget has been recorded) for retention in your cumulative file until directed by your instructor to turn it in, or submit these documents by e-mail by using the **[FILE/EXPORT]** function, if directed to do so by your instructor. (Again, if saving a file to Excel, you should manually add .xls to the end of your file name.) **This is your last opportunity to print or export these documents with budgetary information only.** After operating transactions have been journalized and posted in Chapter 4, subsidiary ledgers and trial balances will contain both budgetary and operating accounts and balances. **Be sure to save your project data file and create a dated back-up file prior to exiting the software.**

## Chapter 4 Recording Operating Transactions Affecting the General Fund and Governmental Activities at the Government-wide Level

Presented below are a number of transactions that the City of Bingham made during the 2011 fiscal year, the fiscal year for which the budget given in Chapter 3 was recorded. Launch the software program and select **[Open Existing Project]** and open the project data file you saved at the end of your Chapter 3 session. Read and follow these instructions carefully.

- a. Record the following transactions in the general journal for the General Fund and, if applicable, in the general journal for governmental activities at the government-wide level. For all entries, the date selected should be year **2011**. For each of the paragraphs that requires entries in both the General Fund and governmental activities journals, you can either record them in both journals on a paragraph-by-paragraph basis or, alternatively, record all the General Fund journal entries first for all paragraphs, then complete the governmental activities journal entries for all paragraphs last. If you choose the latter method, it might be useful to print the General Fund General Journal entries to assist in making the entries in the governmental activities journal. Regardless of the method you choose, we highly recommend that you refer to the illustrative journal entries in Chapter 4 of the Wilson, Reck, and Kattelus textbook (15<sup>th</sup> Edition) for guidance in making all entries.

You should round all computations and dollar amounts used in journal entries to the nearest dollar, if applicable. For each entry affecting budgetary accounts or operating statement accounts, you will be sent to the Detail Journal, as was the case in Chapter 3, to record the appropriate amounts in the detail budgetary or actual accounts. Be sure to record the paragraph number (e.g., 4-a-1) in the Transaction Description window for each entry.

1. **[Para. 4-a-1]** Tax anticipation notes were issued in the amount of \$475,000.
2. **[Para. 4-a-2]** Property taxes were levied in the amount of \$6,200,000. It is estimated that 3 percent of the tax will be uncollectible.
3. **[Para. 4-a-3]** Purchase orders, contracts, and other commitment documents were issued against appropriations in the following amounts:

General Government	\$ 394,900
Public Safety	1,143,000
Public Works	915,420
Health and Welfare	663,600
Parks and Recreation	461,080
Miscellaneous Appropriations	<u>86,000</u>
Total	<u>\$3,664,000</u>

4. **[Para. 4-a-4]** The General Fund collected the following amounts in cash: Delinquent Taxes, \$418,000; Interest and Penalties Receivable on Taxes, \$20,860; Sales Taxes, \$251,000; Licenses and Permits, \$578,200; Fines and Forfeits, \$710,700; Intergovernmental Revenues, \$500,000; Charges for Services, \$222,400; and Miscellaneous Revenues, \$110,500. [Note: For the General Fund detail revenue accounts, select “Received in Cash” from the drop-down **[Transaction Description]** menu. For governmental activities at the government-wide level, all Licenses and Permits and Charges for Services were attributable to the General Government function. Fines and forfeits were collected by General Government departments in the amount of \$285,000 and by Public Safety departments in the amount of \$425,700. Intergovernmental Revenues should be credited to “Program Revenues—General Government—Operating Grants and Contributions.”]
  
5. **[Para. 4-a-5]** The General Fund paid the \$13,000 reported as Due to Other Funds at the end of FY 2010. This amount was reported as Internal Payables to Business-Type Activities at the government-wide level. (Note: Do not record this transaction in the Water Utility Fund until instructed to do so in Chapter 7 of this case.)
  
6. **[Para. 4-a-6]** Delinquent taxes receivable in the amount of \$26,000 were written off as uncollectible. Interest and penalties accrued on these taxes in the amount of \$1,300 were also written off.
  
7. **[Para. 4-a-7]** General Fund payrolls totaled \$4,154,100. Of that amount, \$553,400 was withheld for employees’ federal income taxes, \$316,000 for employees’ FICA tax liability, and \$83,100 for state income taxes; the balance of was paid its annual contribution to the Employees’ Retirement Fund (\$363,000)(see Chapter 8) and to employees (\$2,838,600). You should credit cash in the total amount of \$3,201,600 for the retirement fund contribution and the amount paid to employees. The city does not use the encumbrance system for its payrolls. The payrolls were for departments of the following functions:

General Government	\$ 1,135,066
Public Safety	2,002,942
Public Works	497,464
Health and Welfare	263,538
Parks and Recreation	<u>255,090</u>
Total	<u>\$4,154,100</u>

8. **[Para. 4-a-8]** The liability was recorded in the amount of \$316,000 for the City’s share of FICA taxes, applicable to functions in the amounts shown below.

General Government	\$ 86,343
Public Safety	152,363
Public Works	37,842
Health and Welfare	20,047

Parks and Recreation	<u>19,405</u>
Total	<u>\$316,000</u>

9. **[Para. 4-a-9]** Invoices for goods and services ordered in transaction **4-a-3** were received and vouchers were recorded for the following actual amounts: (Note: At the government-wide level, expenditures charged to miscellaneous appropriations are reported as Expenses—General Government.)

	<i>Actual</i>	<i>Estimated</i>
General Government	\$ 399,940	\$ 392,060
Public Safety	1,123,650	1,118,600
Public Works	893,800	887,620
Health and Welfare	673,900	650,700
Parks and Recreation	438,750	452,000
Miscellaneous Appropriations	<u>83,600</u>	<u>85,000</u>
Totals	<u>\$3,613,640</u>	<u>\$3,585,980</u>

10. **[Para. 4-a-10]** Collections of current year property taxes totaled \$5,964,000.
11. **[Para. 4-a-11]** The General Fund vouchered and paid its liability for employees' federal and state income taxes withheld and the total liability for FICA taxes.
12. **[Para. 4-a-12]** Delinquent taxes of \$896 and related interest and penalties of \$70 that had been written off in a prior year were unexpectedly collected in cash. Additional interest since the date of write-off accrued in the amount of \$30 (this is considered revenue of fiscal year 2011). All interest and penalties were collected at the time delinquent taxes were collected.
13. **[Para. 4-a-13]** Tax anticipation notes issued by the General Fund were paid at maturity at face amount plus interest of \$9,500. (For the General Fund charge Miscellaneous Appropriations for the interest expenditure. At the government-wide level, debit Expenses—Interest on Tax Anticipation Notes)
14. **[Para. 4-a-14]** A taxpayer who the city had shown was delinquent on her property taxes proved she had paid her property taxes of \$15,680 when due. Further investigation disclosed that a former employee had embezzled the \$15,680 the taxpayer had paid and covered the theft by recording the taxpayer's account as delinquent. In addition, interest and penalties in the amount of \$1,568 had been recorded as receivable on the \$1,568 "delinquent" tax bill at the end of the prior year. Since neither the \$15,680 taxes nor the \$1,568 of interest and penalties were actually receivable, the city council authorized that the delinquent amounts, totaling \$17,248, be written off against the 2011 Miscellaneous Appropriations account. (At the government-wide level, the write off should be charged to Expenses—General Government.) The city's investigation also disclosed that current year tax bills totaling \$4,800 on several pieces of property had been sent in

error to both the present and the prior owner, and no current year tax bills at all had been prepared for several other pieces of property for which a levy of \$3,500 should have been made. (Correct all accounts affected; do not adjust the Estimated Uncollectible Taxes account as the amount is considered immaterial.)

15. **[Para. 4-a-15]** The General Fund paid vouchers during the year in the amount of \$3,910,000.
16. **[Para. 4-a-16]** The General Fund recorded liabilities of \$40,000 to other funds for services received during the year. (Of this amount, \$31,000 should be charged to the Public Safety appropriation and \$9,000 to the General Government appropriation. At the government-wide level, you should credit Internal Payables to Business-Type Activities.) (Note: Do not record this transaction in the Water Utility Fund until instructed to do so in Chapter 7 of this case.)
17. **[Para. 4-a-17]** Current taxes receivable and related estimated uncollectibles were reclassified as delinquent. Interest and penalties of \$52,480 were recorded on the delinquent taxes, of which \$10,500 was estimated to be uncollectible.
18. **[Para. 4-a-18]** In view of unexpected revenue and expenditure developments the city council revised the budgets for the current year as shown below:

	Budget Adjustments Inc. (Dec.)
<i>Estimated Revenues:</i>	
Miscellaneous Revenue	(40,000)
 <i>Appropriations:</i>	
General Government	130,000
Public Safety	20,000
Public Works	12,000
Health and Welfare	10,000
Parks and Recreation	(35,000)
Miscellaneous Appropriations	(18,000)

19. **[Review and Post all Entries]** After reviewing all entries for accuracy, including year and paragraph numbers, post all entries to the general ledger accounts and to all subsidiary ledger accounts, by clicking on **[Post Entries]**. Also post all entries in the governmental activities journal.
20. **[Closing Entry]** Print the pre-closing trial balance, and the Revenue and Appropriation/Expenditures/Encumbrances subsidiary ledgers from the **[Reports]** menu or export these items from the **[File][Export]** menu, as explained in paragraph 5-c on the next page. Use the budgetary and operating statement account balances from these documents to make the closing entries. Prepare the necessary entries in the General Fund journal to close Estimated Revenues and Appropriations to Budgetary Fund Balance, and Revenues, Expenditures, and Encumbrances accounts to

Fund Balance. Be sure to click on the check mark for [**Closing Entry**] and that “Closing Entry” appears in the [**Transaction Description**] box. It should not be necessary to re-click [**Closing Entry**] before closing each individual account. Review the closing entries for accuracy and click on [**Post Entries**]. (Note: **DO NOT PREPARE CLOSING ENTRIES FOR GOVERNMENTAL ACTIVITIES AT THIS TIME** since governmental activities will not be closed until Chapter 9, after the capital projects fund (Chapter 5) and debt service fund (Chapter 6) transactions affecting governmental activities at the government-wide level have been recorded.)

- b. Select “Export” from the drop down [**File**] menu to save a spreadsheet file of the General Fund post-closing trial balance as of December 31, 2011. (Note: **Save the spreadsheet file in the same folder that contains your project data file, so the software will default to this folder for your next session. Also, you should manually add the .xls extension to your export file name**) Use Excel or other spreadsheet software to prepare in good form a Balance Sheet for the General Fund as of December 31, 2011. Follow the format shown in Illustration 4-5 of Wilson, Reck, and Kattelus, *Accounting for Governmental and Nonprofit Entities, 15th Ed.* textbook (hereafter referred to as “the textbook.”) Alternatively, you can click on [**Reports**] to print the Post-Closing Trial Balance and use the printed copy to manually prepare a Balance Sheet.
- c. Select “Export” from the drop down [**File**] menu, manually adding the .xls extension to your file name, to create a spreadsheet file of the General Fund Pre-Closing Operating Statement Account Balances for the year 2011. Use Excel or other spreadsheet software to prepare in good form a Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund for the year ended December 31, 2011. (See Illustration 4-6 in the textbook for an example format.)
- d. Use the spreadsheet of the General Fund Pre-Closing Operating Statement Account Balances created in part c above to prepare in good form a Statement of Revenues, Expenditures, and Changes in Fund Balance--Budget and Actual for the General Fund for the year ended December 31, 2011. (See Illustration 4-7 in the textbook for an example format.)
- e. Prepare a reconciliation of total Expenditures reported in your solution to part c of this problem with the total Expenditures and Encumbrances reported in your solution to part d of this problem. (See example in Chapter 4 of the textbook following Illustration 4-7 which compares Illustrations 4-6 and 4-7 and related discussion.)

[Note: File the printouts of all your spreadsheets and your completed financial statements in your cumulative problem folder until directed by your instructor to turn them in, unless your instructor specifies submission of computer files via e-mail. **Be sure to save your project data file and create a dated backup file before exiting the browser.**]

## Chapter 5 Recording Capital Asset and Capital Project Transactions

### City Hall Annex Construction Fund and Governmental Activities at the Government-Wide Level

During fiscal year 2010, the voters of the City of Bingham approved the issuance of 5 percent tax supported bonds in the face amount of \$5,000,000 to construct and equip an annex to the City Hall. The bonds are to mature in blocks of \$250,000 each year over a 20-year period commencing January 1, 2012.

#### Required

- a. Record the following transactions in the general journals of the City Hall Annex Construction Fund and governmental activities at the government-wide level. Do *not* record entries at this time in any other affected funds; those entries will be made in later chapters of this cumulative problem that cover those funds. Use account titles listed under the drop-down [Account #/Account Description] menu. Select 2011 for each transaction in the [year] menu of the [Journal] view. Enter the paragraph reference, i.e. 5-a-[1, 2, 3, etc], corresponding to each transaction in the [Transaction Description] box.
  1. [Para. 5-a-1] On the first day of the 2011 fiscal year (January 1, 2011), the bond issue was sold at 102. Cash in the face amount of the bonds, \$5,000,000, was deposited in the City Hall Annex Construction Fund; the premium was deposited in the Debt Service Fund, as required by state law. Make the appropriate entries in the general journals of the General Fund and governmental activities at the government-wide level. Wait until instructed in Chapter 6 to make the corresponding entry in the Debt Service Fund.
  2. [Para. 5-a-2] The City Hall Annex Construction Fund purchased land for the annex for \$250,000. This amount was vouchered. In the governmental activities general journal at the government-wide level, this purchase should be debited to Land.
  3. [Para. 5-a-3] A contract for architectural services was signed at an estimated amount of \$280,000 for the design of the City Hall Annex.
  4. [Para. 5-a-4] Legal and other costs of the bond issue were vouchered in the amount of \$50,000.
  5. [Para. 5-a-5] Preliminary plans were received (related to the contract signed in paragraph 5-a-3) for which architectural fees of \$30,000 were vouchered.
  6. [Para. 5-a-6] Advertisements soliciting construction bids were vouchered at a cost of \$2,000.

7. **[Para. 5-a-7]** Vouchers payable were recorded in the amount of \$250,000 for architectural plans and specifications for the construction project (see para. 5-a-3)
8. **[Para. 5-a-8]** Construction bids were opened and analyzed. A contract was signed with the firm that submitted the winning bid of \$3,900,000. A provision of the contract permits the city to withhold 5 percent of payment pending final acceptance of the completed project.
9. **[Para. 5-a-9]** The contractor submitted a billing for \$1,900,000. This amount was recorded as a contract payable.
10. **[Para. 5-a-10]** The contractor's billing (see Para. 5-a-9) was paid, less a 5 percent retained percentage).
11. **[Para. 5-a-11]** All pending vouchers were approved and paid.
12. **[Para. 5-a-12]** Furniture and equipment for the annex were ordered at an estimated total cost of \$494,000.
13. **[Para. 5-a-13]** The contractor completed construction and requested payment of the balance due on the contract. A liability was recorded in the amount of \$2,000,000.
14. **[Para. 5-a-14]** After final inspection, a final payment was made to the contractor, including the amount retained in Para. 5-a-10.
15. **[Para. 5-a-15]** Furniture and equipment were received (see para. 5-a-12) at a total cost of \$498,200. Invoices were vouchered for payment. In the governmental activities general journal, you should debit Equipment.
16. **[Para. 5-a-16]** The City Hall Annex Construction Fund paid all outstanding liabilities on December 31, 2011. The completed building was recorded in the governmental activities general journal. Remaining cash in the City Hall Annex Construction Fund was transferred to the Debt Service Fund. (Note: Record the transfer of cash in the City Hall Annex Construction Fund general journal. Do not record the transfer in the Debt Service Fund until you are instructed to do so in Chapter 6.)
17. Verify the accuracy of all your preceding entries in the general journals of the City Hall Annex Construction Fund and governmental activities at the government-wide level, then click **[Post Entries]** of each entity to post the entries to the respective general ledgers. For the City Hall Annex Construction Fund only, prepare year-end closing entries for 2011 and post them to the fund's general ledger. [Note: Be sure to click on the check mark for **[Closing Entry]** and that "Closing Entry" appears in the **[Transaction Description]** box for the accounts being closed.]. Click **[Post Entries]** to post the closing entry. Closing entries will be made in the

governmental activities general journal in Chapter 9 of this cumulative problem. Ignore those entries for now.

- c. Export the *pre-closing* trial balance for year 2011 to a spreadsheet file and use Excel or other spreadsheet software to prepare a statement of revenues, expenditures, and changes in fund balance for the City Hall Annex Construction Fund for the year ended December 31, 2011. (See Illustration 5-3 in the textbook for an example of the format of a capital projects fund statement of revenues, expenditures and changes in fund balance.). **[Note: Save the exported trial balance in the same “Projects” folder that contains your project data file.]** Print the pre-closing trial balance from the **[Reports]** menu. (Note: A balance sheet is not required since the capital project fund was closed prior to end of FY 2011.)

**[Note: Retain all required printouts and your financial statements in your cumulative folder until directed by your instructor to turn it in, unless your instructor prefers to have computer files submitted via e-mail.]**

## Chapter 6 Transactions Affecting General Long-Term Liabilities and Debt Service

- a. The City of Bingham utilizes a single debt service fund to account for the service of all issues of tax-supported and special assessment long-term debt. As of December 31, 2010, one issue of tax-supported serial bonds was outstanding.

The post-closing trial balance of the debt service fund as of December 31, 2010, is shown below. The issue of tax-supported serial bonds outstanding on December 31, 2010, amounted to \$12,000,000. Bonds of this issue in the amount of \$600,000 mature on January 1, 2011, and on each January 1 thereafter. This bond issue bears interest at the annual rate of 6 percent, payable on January 1 and July 1 of each year. The cash balance of the debt service fund on December 31, 2010, is to be used for the repayment of tax-supported bonds maturing on January 1, 2011, and for the interest on those bonds due on January 1, 2011.

### Required:

Record the following accounts and balances in the debt service fund general journal, selecting **2010** from the **[Year]** menu and using **para. 6-a** for the **[Transaction Description]**. When completed select **[Post Entries]** to post the entries in the general ledgers. [Note: These opening balances were previously recorded in the governmental activities general journal in Chapter 2 of this project.]

**CITY OF BINGHAM  
Debt Service Fund  
Trial Balance  
As of December 31, 2010**

	<i>Debits</i>	<i>Credits</i>
Cash	\$ 980,000	
Taxes Receivable—Delinquent	84,000	
Estimated Uncollectible Delinquent Taxes		\$ 56,000
Interest and Penalties Receivable on Taxes	7,600	
Estimated Uncollectible Interest and Penalties		760
Fund Balance		1,014,840
Totals	\$1,071,600	\$1,071,600

### *Additional Information:*

On January 1, 2011, the City of Bingham sold a 20-year issue of tax-supported serial bonds to finance the construction and equipping of an annex to City Hall. As described in Chapter 5 of this cumulative problem, the total amount of bonds issued on that date

was \$5,000,000, sold at 102. The issue bears interest at the annual rate of 5 percent, payable on January 1 and July 1 of each year; bonds in the amount of \$250,000 will mature on January 1, 2012, and January 1 of each following year until maturity. The premium on these bonds will be amortized using a straight-line amortization rate of 2.5 percent every six months.

**Required:**

b. Prepare general journal entries, as necessary to record the following transactions in the debt service fund general journal and, if applicable, in the governmental activities general journal. Use account titles listed in the drop down **Account #/Account Description** menu for each of these accounting entities. Be sure to select year “**2011**” from the drop-down **[Year]** menu and the appropriate paragraph number shown in bold-face font below in the **[Transaction Description]** box.

1. **[Para. 6-b-1]** From the data given about the bond issue already outstanding on January 1, 2011, and the City Hall Annex Construction Fund bond issue sold on that date, record the adoption of the legal budget for the fiscal year ended December 31, 2011. (The budget provides for estimated revenues of \$1,800,000 from property taxes, \$7,000 of interest and penalties on taxes, and \$32,000 of earnings on investments. It also provides for estimated other financing sources for premiums on bonds of \$100,000. Appropriations of \$1,427,000 were provided for the payment of bond principal of \$600,000 maturing on January 1, 2011 and \$827,000 for bond interest payments due on January 1, 2011, and July 1, 2011 (.03 X \$12,000,000 + .03 X \$11,400,000 + .025 X \$5,000,000).
2. **[Para. 6-b-2]** Taxes were levied by the debt service fund in the amount of \$1,850,000. Of this amount, \$50,000 was expected to be uncollectible.
3. **[Para. 6-b-3]** Cash in the amount of the \$100,000 premium on the bonds sold on January 1, 2011 was received and recorded in the debt service fund. The premium will be amortized in governmental activities at the government-wide level but not in the debt service fund. In the debt service fund journal entry, you should credit Other Financing Sources—Premium on Bonds for the entire \$100,000. The credits for this entry in the governmental activities general journal were made as part of the requirements for Chapter 5.
4. **[Para. 6-b-4]** Temporary investments were purchased in the amount of \$50,000.
5. **[Para. 6-b-5]** Checks were written and mailed to bondholders for bonds maturing on January 1, 2011, and to pay all bond interest due that day. In the governmental activities general journal, debit Accrued Interest Payable as these amounts were expensed on December 31, 2010, the end of the preceding fiscal year.
6. **[Para. 6-b-6]** Current taxes receivable were collected in the amount of \$1,030,000. Also, delinquent taxes receivable were collected in the amount of \$8,000, along

with Interest and Penalties Receivable on Taxes of \$700.

7. **[Para. 6-b-7]** Temporary investments were purchased in the amount of \$900,000.
  8. **[Para. 6-b-8]** Interest on temporary investments was received in cash in the amount of \$12,000.
  9. **[Para. 6-b-9]** Temporary investments amounting to \$520,000 were sold at par and checks were written and mailed to bondholders for the interest payments due July 1, 2011. At the government-wide level, \$2,500 was debited for amortization of the premium on bonds sold for the 5% serial bonds.
  10. **[Para. 6-b-10]** Current taxes of \$720,000, delinquent taxes of \$9,000, and interest and penalties on taxes of \$815 were collected.
  11. **[Para. 6-b-11]** The uncollected balance of current taxes receivable and the related estimated uncollectible account were reclassified as delinquent. Interest and penalties of \$1,200 were accrued, of which \$120 was estimated to be uncollectible.
  12. **[Para. 6-b-12]** Interest on temporary investments was received in cash in the amount of \$9,000.
  13. **[Para. 6-b-13]** Cash to close the City Hall Annex Construction Fund was received in the amount of \$19,800. (See Chapter 5, Para. 5-a-16). The city council authorized a budget amendment for this unexpected transfer.
  14. **[Para. 6-b-14]** At December 31, 2011, accrued interest expense on the two outstanding bond issues was recorded in the governmental activities general journal. Amortization of the premium on the 5% bonds sold was also recorded in the amount of \$2,500.
  15. Verify the accuracy of journal entries, including dates and paragraph numbers, and, if you have not already done so, post all entries to the general ledger of both the debt service fund and governmental activities by clicking on **[Post Entries]**. Make the entries needed to close the budgetary and operating statement accounts at the end of fiscal year 2011. Make this entry only in the journal for the debt service fund. Be sure for each account being closed that the check mark for **[Closing Entry]** is on and that "Closing Entry" appears in the **[Transaction Description]** box. [Note: Closing entries for governmental activities at the government-wide level will be made in Chapter 9 of this cumulative problem.]
- c. Go to **[Reports]** and print the pre-closing and post-closing trial balances for the debt service fund as of December 31, 2011. Retain in your cumulative folder until directed by your instructor to turn it in, unless your instructor specifies submission of computer files via e-mail.

- d. Export the post-closing trial balance (click on **[File]-[Export]**) for year 2011 to a spreadsheet file to prepare a balance sheet for the debt service fund as of December 31, 2011. **[Note: Save the exported trial balance in the same “Projects” folder that contains your project data file.]**
- e. Export a pre-closing trial balance for year 2011 to a spreadsheet file to prepare a statement of revenues, expenditures, and changes in fund balance for the debt service fund for the year ended December 31, 2011. **[Note: Save the exported trial balance in the same “Projects” folder that contains your project data file.]**
- f. Use the same trial balance exported in item e above to prepare a statement of revenues, expenditures, and changes in fund balance--budget and actual for the debt service fund for the year ended December 31, 2011.
- g. Assuming that the assessed valuation of property within the City of Bingham is \$400,000,000, and the legal general obligation debt limit is 10 percent of assessed valuation, compute the legal debt margin of the city as of December 31, 2011. Prepare a schedule in good form showing calculation of the legal debt limit, debt subject to the limit, and debt margin (see Illustration 6-3 for an example).

**[Note: Retain a printout of all worksheets and your financial statements in your cumulative file until directed by your instructor to turn it in, unless your instructor specifies that you should submit computer files via e-mail.]**

## Chapter 7 Recording Transactions Affecting the Enterprise Fund and Business-Type Activities

The city water utility is owned and operated by the City of Bingham. The water utility was originally constructed and operated by a private corporation, but it was sold to the city 30 years before the year for which transactions are given. The post-closing trial balance of the Water Utility Fund, as of December 31, 2010, follows:

### CITY OF BINGHAM Water Utility Fund Trial Balance As of December 31, 2010

	Debits	Credits
Cash	\$ 284,904	
Restricted Cash—Customer Deposits	57,200	
Customer Accounts Receivable	160,440	
Accumulated Provision for Uncollectible Accounts		\$ 4,720
Inventory of Supplies	94,146	
Due from Other Funds	13,000	
Utility Plant in Service	19,000,390	
Accumulated Depreciation— Utility Plant		4,011,278
Construction Work in Progress	1,189,400	
Vouchers Payable		72,420
Customer Deposits		57,200
Accrued Interest Payable		434,100
Revenue Bonds Payable, 6%		14,470,000
Unamortized Bond Discount on Revenue Bonds Payable	65,200	
Net Assets, Invested in Plant Net of Related Debt		1,773,712
Net Assets, Unrestricted		41,250
Totals	\$20,864,680	\$20,864,680

The following additional information is provided about accounts shown on the December 31, 2010, trial balance:

Accrued Interest Payable represents six months' accrual of interest on the 6 % revenue bonds payable. Interest is payable semiannually on January 1 and July 1 of each year. Unamortized Bond Discount is credited once a year on December 31 for the amortization applicable to the year. Amortization is computed by the straight-line method. The balance of \$65,200 is to be amortized over 20 years commencing in 2011.

## Required

- a. Prepare general journal entries to record the December 31, 2010, accounts and balances for the Water Utility Fund, selecting the corresponding accounts from drop-down **[Account #/Account Description]** menu. Be sure to enter **7-a** as your paragraph number in the **[Transaction Description]** box and enter the appropriate paragraph number for all subsequent journal entries. Verify accuracy of your journal entry and post to general ledger by clicking **[Post Entries]**. Unless your instructor specifies e-mail submission, print a post-closing trial balance as of December 31, 2010 and retain in your cumulative file until directed by your instructor to turn it in. Note that entries in this enterprise fund do not have to be recorded at the government-wide level since enterprise funds and business-type activities at the government-wide level are both accounted for using the same (accrual) basis of accounting and same (economic resources) measurement focus. Thus, the same information recorded in the accounts of the enterprise fund can also, with only slight modification, be reported as business-type activities at the government-wide level.
- b. Record the following events and transactions, which occurred during the year ended December 31, 2011. Be sure to enter the paragraph number shown for each transaction in the **[Transaction Description]** box.
  1. **[Para. 7-b-1]** Bond interest due on January 1, 2011 was paid to holders of the 6% revenue bonds.
  2. **[Para. 7-b-2]** Billings to customers for water service for the year totaled \$3,026,700. Billings to the City of Bingham General Fund for water service totaled \$40,000.
  3. **[Para. 7-b-3]** Collections from customers totaled \$2,981,100; \$13,000 was received from the city's General Fund.
  4. **[Para. 7-b-4]** Construction work authorized amounted to \$470,000. As a part of this, a contract for \$225,000 was signed with a private firm; the remainder of the work was to be done by water utility employees.
  5. **[Para. 7-b-5]** Materials and supplies were ordered and received during the period in the amount of \$520,400. The invoices agreed with the purchase orders and receiving reports and were recorded as vouchers payable. A perpetual inventory system is used for all materials and supplies.
  6. **[Para. 7-b-6]** Payrolls were paid totaling \$580,530 for operations; \$166,400 for maintenance; and \$70,500 for construction.
  7. **[Para. 7-b-7]** Materials and supplies issued during the period amounted to \$245,000 for operations; \$102,000 for maintenance; and \$166,000 for construction.
  8. **[Para. 7-b-8]** Bond interest due on July 1, 2011 was paid.

9. **[Para. 7-b-9]** Interest of \$29,000 was determined to be incurred during construction and was charged to Construction Work in Progress. (Note: Credit Interest on Long-Term Debt.)
  10. **[Para. 7-b-10]** A progress billing for \$112,000 was received from the construction contractor and paid.
  11. **[Para. 7-b-11]** Some assets under construction at the start of the year and some started during the year were completed and placed in service. The costs incurred on this construction totaled \$902,600.
  12. **[Para. 7-b-12]** Collection efforts were discontinued on bills amounting to \$4,050; the customers owing the bills had paid deposits and interest to the water utility in the amount of \$1,350.
  13. **[Para. 7-b-13]** Customer deposits and interest thereon amounting to \$2,500 were applied to the final bills of customers discontinuing service. Additional deposits and interest amounting to \$3,050 were refunded by check to customers discontinuing service. Deposits totaling \$6,904 were received from new customers.
  14. **[Para. 7-b-14]** Vouchers Payable paid during the year amounted to \$332,800 for operating supplies and \$166,000 for materials used in construction, or \$498,800 in total.
  15. **[Para. 7-b-15]** Interest paid on customer deposits amounted to \$1,256 (charge Operation Expense). This interest was added to the customer deposit accounts. Depreciation on utility plant was calculated using a straight-line rate of 2 percent of the beginning gross balance (round charge to the nearest dollar). The Accumulated Provision for Uncollectible Accounts should equal \$5,820 at year-end. Make these and all other adjusting entries necessary at year-end, including the entry for accrual of six months' interest on bonds payable and amortization of 1/20 of the debt discount using the straight-line basis.
  16. After verifying the accuracy of all entries for the preceding transactions, post amounts to the general ledger accounts by clicking **[Post Entries]**.
- c. Prepare entries to close all operating statement accounts at the end of 2011 and to reclassify the two net asset accounts, as appropriate. Be sure that the check mark for **[Closing Entry]** is on for each account being closed and that "Closing Entry" appears in the **[Transaction Description]** box. Post the closing entries to the general ledger by clicking **[Post Entries]**.
  - d. Click on **[File]-[Export]** to export a post-closing trial balance for year 2011, and use Excel or other spreadsheet software to prepare a statement of net assets for the Water Utility Fund as of December 31, 2011.

- e. Click on **[File]-[Export]** to export a pre-closing trial balance for year 2011, and use Excel or other spreadsheet software to prepare a statement of revenues, expenses, and changes in net assets for the Water Utility Fund for the year ended December 31, 2011. Interest Expense should be considered a nonoperating item.
  
- f. Use the the post-closing trial balance for year 2010 printed in paragraph **7-a** and the trial balances from parts **d** and **e** above and use Excel or other spreadsheet software to prepare a statement of cash flows for the Water Utility Fund for the year ended December 31, 2011. Save your project data file and create a dated backup file on a removable disk before exiting the browser.

**[Note: Retain a printout of all worksheets and your financial statements in your cumulative file until directed by your instructor to turn it in, unless your instructor specifies computer files via e-mail.]**

## Chapter 8 Recording Transactions Affecting a Fiduciary Fund—A Pension Trust Fund

The City of Bingham’s defined benefit Employees’ Retirement Fund is financed by actuarially determined contributions from the city’s General Fund; the employees make no contributions. Administration of the Employees’ Retirement Fund is handled by General Fund employees, and the Employees’ Retirement Fund does not bear the cost of any administrative expenses.

The statement of plan net assets for the Employees’ Retirement Fund (a pension trust fund) as of the end of the 2010 fiscal year is shown below.

### CITY OF BINGHAM Employees’ Retirement Fund Statement of Plan Net Assets As of June 30, 2010

<b>Assets</b>	
Cash	\$ 33,440
Interest receivable on investments	60,000
Investments, at fair value	<u>3,003,360</u>
Total Assets	3,096,800
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>24,000</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$3,072,800</u>

### Required

- a. Select the [**Journal**] view and enter each of the accounts and amounts shown in the trial balance above, using the corresponding account titles from the drop-down [**Account #/Account Description**] menu. Be sure to enter **8-a** as your paragraph number in the [**Transaction Description**] box and enter the appropriate paragraph number for all subsequent journal entries. Verify accuracy of your journal entry and post to general ledger by clicking [**Post Entries**]. Unless your instructor specifies e-mail submission, print a post-closing trial balance as of December 31, 2010 and retain in your cumulative file until directed by your instructor to turn it in. Note that entries in this fund do not have to be recorded at the government-wide level since information for fiduciary funds is not reported at the government-wide level.
- b. Record in the general journal for the Employees’ Retirement Fund the following events and transactions, which occurred during the year ended December 31, 2011. Be sure to enter the paragraph number shown for each transaction in the [**Transaction Description**] box.

1. **[8-b-1]** The interest receivable on investments as of the beginning of the year was collected in cash.
  2. **[8-b-2]** A liability for annuities payable to retired employees was recorded in the amount of \$300,000.
  3. **[8-b-3]** Contributions from the General Fund in the amount of \$363,000 were received in cash.
  4. **[8-b-4]** Interest earnings received in cash amounted to \$120,000; additional interest earnings were accrued in the amount of \$64,000.
  5. **[8-b-5]** Accounts Payable and Accrued Expensed was paid in the amount of \$312,000.
  6. **[8-b-6]** Investments held at December 31, 2010, increased in fair value during the year by \$130,400.
  7. **[8-b-7]** Additional investments were purchased at a cost of \$225,000.
  8. Post the journal entries for all the preceding transactions, then prepare and post closing entries to close the temporary accounts. Be sure the **[Closing Entries]** check box is checked for each entry being closed and that “Closing Entry” appears in the **[Transaction Description]** box.
- c.** Export the post-closing trial balance to a spreadsheet file and prepare a statement of net assets for the Employees’ Retirement Fund as of December 31, 2011. (Follow the format of Illustration 8-9).
- d.** Export the pre-closing trial balance to a spreadsheet file and prepare a statement of changes in net assets for the Employees’ Retirement Fund for the year ended December 31, 2011. (Follow the format of Illustration 8-10). Print and retain the documents generated in paragraphs c and d in your cumulative file until told to submit this assignment by your instructor, unless submission by e-mail is specified.

## Chapter 9. Adjusting and Closing Entries for Governmental Activities, Government-Wide Level; Preparation of Government-Wide and Major Fund Financial Statements

Before the 2011 basic financial statements, both government-wide and fund, can be prepared for the City of Bingham, you must first record and post adjusting and closing entries for governmental activities as described below.

- a. **[Para. 9-a]** Record depreciation expense for the year 2011 in the governmental activities general journal at the government-wide level using the following information. Verify accuracy of the adjusting entries and post to the general ledger by clicking **[Post Entries]**.

*Depreciation Expense Applied to Functions:*

General Government	\$ 640,000
Public Safety	1,280,000
Public Works	480,000
Health and Welfare	320,000
Parks and Recreation	<u>320,000</u>
Total depreciation expense	<u>\$3,040,000</u>

*Depreciation Applicable to Asset Categories (Increases in accumulated depreciation):*

Improvements Other Than	
Buildings	\$ 180,000
Infrastructure	580,000
Buildings	460,000
Equipment	<u>1,820,000</u>
Total depreciation expense	<u>\$3,040,000</u>

- b. **[Para. 9-b]** Provide the journal entries to reclassify the current portion of long-term debt related to the 5% and 6% serial bonds payable.
- c. Although closing entries were made in each governmental fund of this cumulative problem, they have not yet been recorded at the government-wide level.

**Required: [Closing Entries]** Provide the journal entries required on December 31, 2011, to close all temporary accounts for governmental activities at the government-wide level. These entries should also recognize changes in Net Assets Invested in Capital Assets, Net of Related Debt and Net Assets-Restricted for Debt Service. For each account to be closed or reclassified, be sure the check mark for **[Closing Entry]** is on and that “Closing Entry” appears in the **[Transaction Description]** box. Post the closing entries to the general ledger by clicking on **[Post Entries]**.

- d. Use the exportable trial balances used in Chapters 2 through 7 of this problem, and the exportable pre-closing trial balance and post-closing trial balance for governmental activities, to prepare all government-wide and fund financial statements that must be presented by the City of Bingham in order for its basic financial statements to be in conformity with generally accepted accounting principles. (See the list that follows this paragraph and Illustrations A1-1 through A1-11 of the Wilson, Reck, and Kattelus textbook for examples of these statements.) We recommend that you use Excel or other spreadsheet software to prepare these financial statements; however, your instructor may require that they be prepared manually. (Since the Water Utility Fund is the only fund in the proprietary funds category, you may reprint the statement of net assets, statement of revenues, expenses, and changes in net assets and the statement of cash flows prepared for the Water Utility Fund as the required statements for the proprietary fund basic financial statements, with suitable change in the titles of the statements, to meet the requirement of all proprietary Type funds and Business-Type Activities in the Government-Wide financial statements. Similarly, the statement of plan net assets and statement of changes in plan net assets prepared for the Employees' Retirement Fund in Chapter 8 of this cumulative problem can be used, again with suitable changes in statement titles and captions for fiduciary fund financial statements illustrated in Illustrations A1-10 and A1-11. Finally, The City of Bingham is a primary government and has no other organizations for which it is accountable as component units.

#### **Government-Wide Financial Statements**

1. Statement of net assets
2. Statement of activities

#### **Fund Financial Statements**

1. Balance sheet—governmental funds (with reconciliation of this statement to the government-wide statement of activities)
2. Statement of revenues, expenditures, and changes in fund balances—governmental funds (with reconciliation of this statement to the government-wide statement of activities)
3. Statement of net assets—proprietary funds
4. Statement of revenues, expenses, and changes in fund net assets—proprietary funds
5. Statement of cash flows—proprietary funds
6. Statement of fiduciary net assets
7. Statement of changes in fiduciary net assets

**Chapter 10 Analysis of Financial Condition** (Optional, unless assigned by your instructor)

Prepare a written evaluation of the City of Bingham's financial position and condition as of December 31, 2011, using appropriate ratios such as the Crawford and Associates ratios illustrated in Chapter 10 of the textbook. For purposes of calculating per capita ratios, assume the population of the City of Bingham is 50,000.

Your written analysis should be addressed to the Honorable Mayor, City Council, and City Manager of the City of Bingham and should summarize the financial condition of the city overall and its funds. Be sure also to note significant changes since the end of the prior year.

**Chapter 12 Preparation of Audit Report** (Optional, unless assigned)

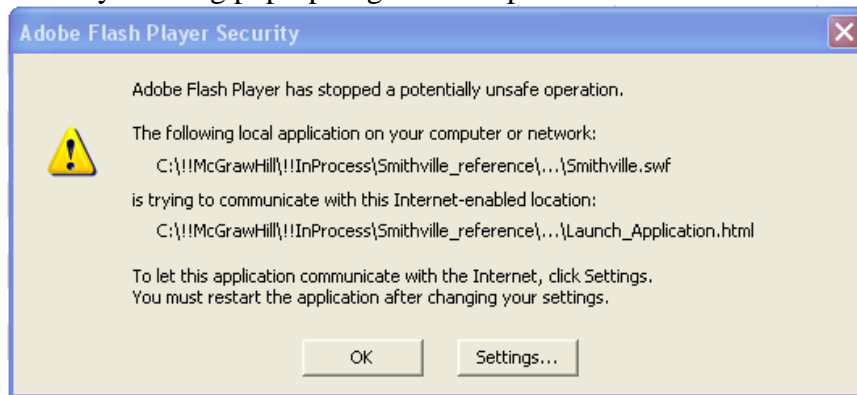
Prepare the audit report you believe would be appropriate for a certified public accountant to express on the financial statements of the City of Bingham. Explain the rationale for the nature of the audit report (qualified or unqualified) rendered.

If you have been maintaining a cumulative file, assemble all required printed reports and financial statements in the proper sequence and turn them in to your instructor.

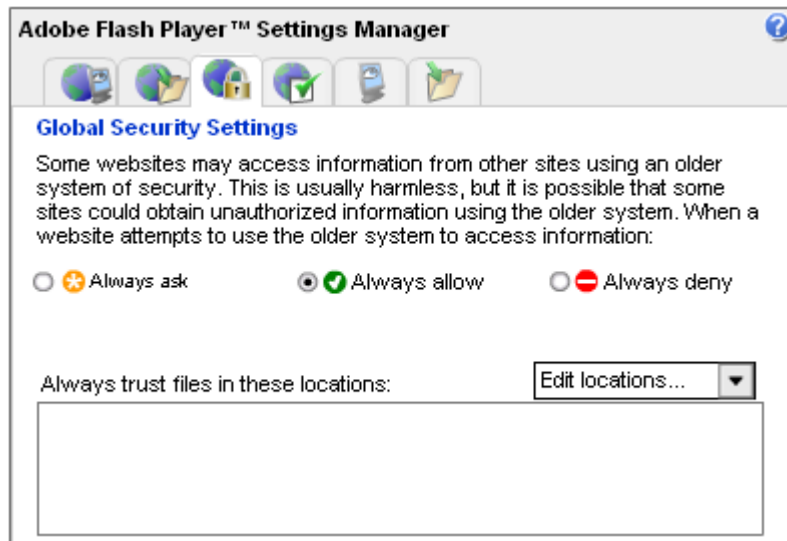
**--The End--**

## Appendix A - Adobe Flash Player Security Settings

When first starting the Smithville program in a browser, an Adobe Flash Player Security warning pop-up might show up:



Click on "Settings..." button to be directed to the Adobe Flash Player™ Settings Manager and select "Always allow" radio button to allow the player working properly:



--The End--