



Instructions City of Smithville Full Version

Computerized Cumulative Problem

For use with McGraw-Hill Education

Accounting for Governmental & Nonprofit Entities

17th Edition

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CHAPTER 1

INTRODUCING THE CITY OF SMITHVILLE CUMULATIVE PROBLEM

Welcome

Thank you for purchasing the Cities of Smithville and Bingham Governmental Accounting Software. This software is designed to be used with the McGraw-Hill Education textbook *Accounting for Governmental & Nonprofit Entities, 17th Edition*.

System Requirements

To use the Cities of Smithville and Bingham accounting software application, you must have the following:

Windows

- 2.33GHz or faster x86-compatible processor, or Intel Atom™ 1.6GHz or faster processor for netbook class devices
- Microsoft® Windows Server 2008, Windows 7, or Windows 8 Classic
- 512MB of RAM (1GB recommended)

Mac OS

- Intel® Core™ Duo 1.83GHz or faster processor
- Mac OS X v10.7, and above
- 512MB of RAM (1GB recommended)
- Adobe AIR 15 or latest version
- Recommended screen resolution of 1024 x 768 minimum
- Spreadsheet program (in order to easily view the exported CSV files)
- Excel 2003 or later (in order to view the exported Excel files)
- Adobe Reader 9 or later to read saved report files

Licensing

This manual for the **full version** project was written for use with the Cities of Smithville and Bingham software. The manual and the software described in it are copyrighted, with all rights reserved. This manual and the Cities of Smithville and 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 Cities of Smithville and 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.

[Note: Read the following instructions before beginning your first assignment in Chapter 2. Refer back to this information as needed.]

RUNNING OR REMOVING THE CITIES OF SMITHVILLE AND BINGHAM

Running the Cities of Smithville and Bingham

The software application can be run by clicking on the “**Cities of Smithville and Bingham**” icon/program as indicated in the “Opening the Cities of Smithville and Bingham” instructions below. Click “Install” and follow the installation prompts. It is recommended to save this file in your Programs/Applications or Desktop.



You may exit the program by clicking the "X" button at the top right corner on a PC or top left corner on a MAC.

Removing the Cities of Smithville and Bingham

You can remove the software application by uninstalling the “**Cities of Smithville and Bingham**” program.

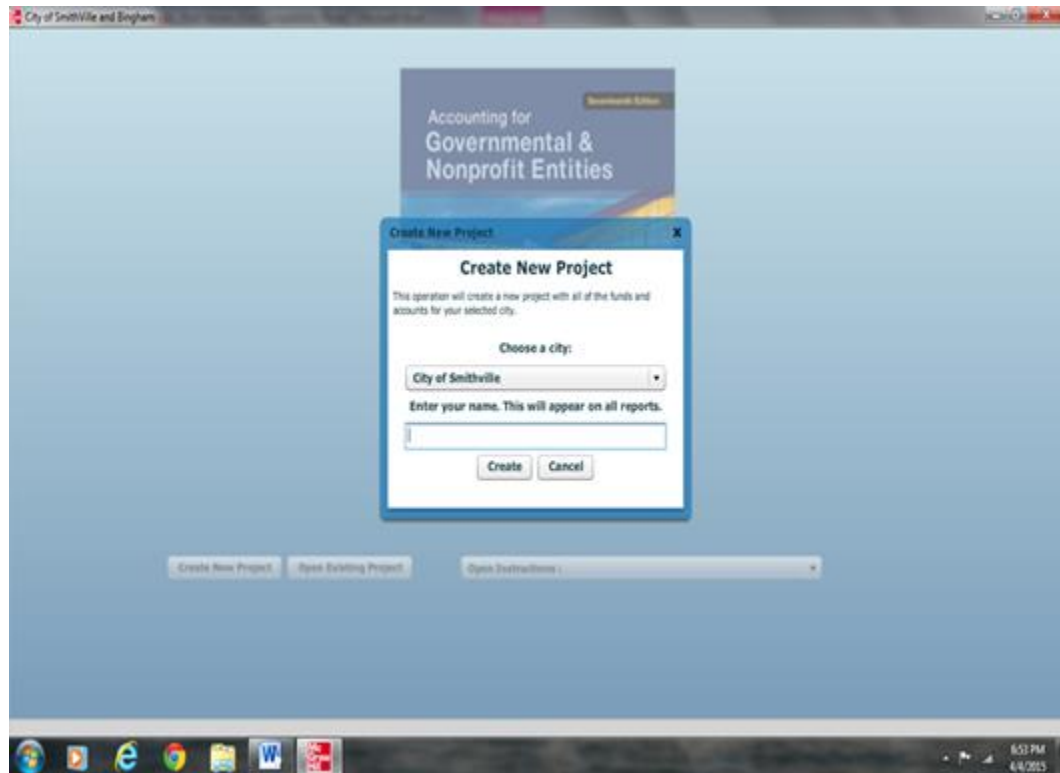
GENERAL OPERATING INSTRUCTIONS

Opening the Cities of Smithville and Bingham

You can open the Cities of Smithville and Bingham at any time by clicking on the “**Cities of Smithville and Bingham**” icon/program.

Creating a New Project

To access the instructions for the Smithville Full Version project click on **Open Instructions** in the opening window and select and print the **full version** project instructions. To create a new project, click on “**Create New Project.**” The Create New Project window will appear, as shown below.



Enter your first and last name, then select City of Smithville as your project and click [**Create**]. The main project window will pop-up once the project is created and you will be ready to begin entering journal entry data for your first assignment. This step creates the accounts and funds that you will need to complete the **full version** “City of Smithville” project. After you have completed the journal entries for each assignment, you should save your project data file in a folder that you have created on your computer. For your own protection against hard-drive failure or file corruption, we recommend that you create a dated backup file on a removable device (e.g., flash drive) or cloud storage at the end of each session. This will permit you to reopen your project to the previous stage of completion should a computer problem occur during your current session.

Opening an Existing Project

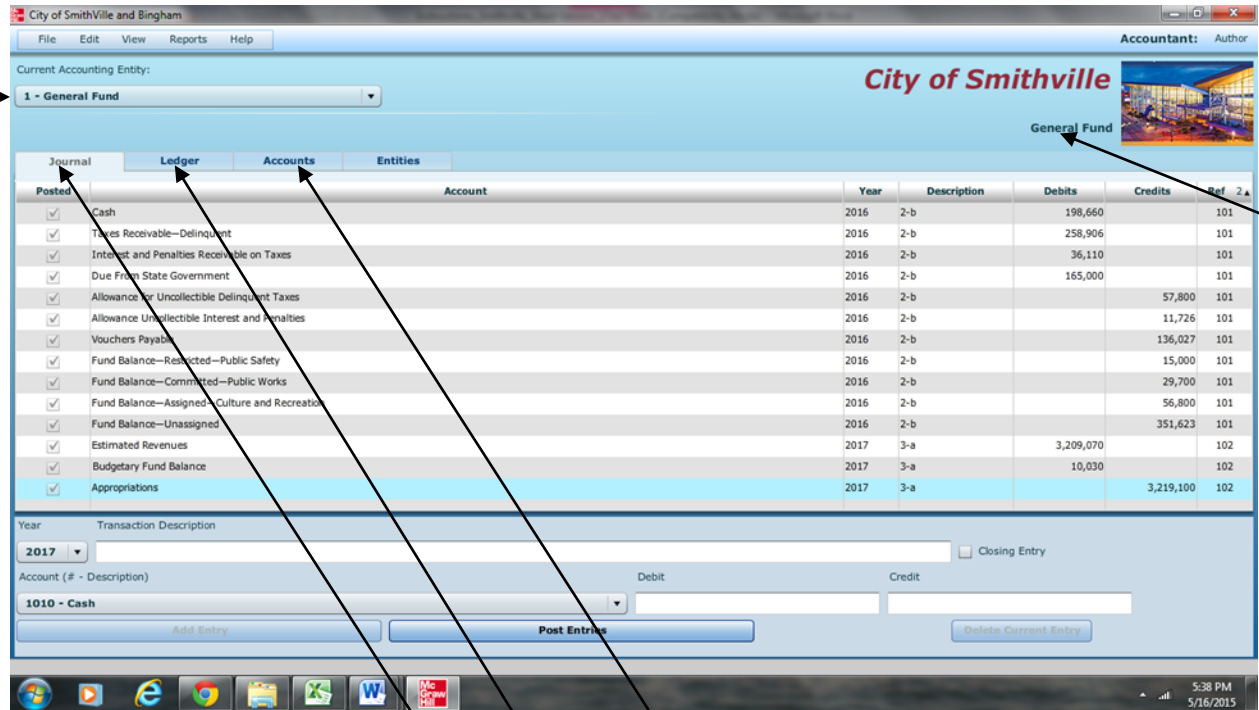
After your initial data entry session, click on “**Open Existing Project,**” and then select and open the data file you saved at the end of your previous session.

Saving the Current Project

During or at the end of each assignment, click on <File> and <Save/Save As>. If a filename has already been specified, the current filename should be displayed in the file name box but may be changed if desired.

City Of Smithville Main Window

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



To navigate between the Journal, Ledgers, and Accounts 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/entity that is open.

The main window has the same standard window controls as most other applications. To close down your project, simply click on the [X] box. If you click on the [X] box you will be asked whether you want to close the program without saving changes. **Remember the folder location where you save your file so it will be easier to retrieve it when you want to reopen the file.**

Adding and Posting Journal Entries

You need to be in the Journal view before you can add any journal entries. Once you are in the Journal view, you will see the journal entry panel on the lower portion of the window.

The screenshot shows a journal entry form with the following elements:

- Year:** A dropdown menu set to 2014.
- Transaction Description:** A text input field.
- Closing Entry:** A checkbox.
- Account (# - Description):** A dropdown menu set to 1010 - Cash.
- Debit:** A text input field.
- Credit:** A text input field.
- Buttons:** Add Entry, Post Entries, and Delete Current Entry.

Before ANY entry can be added to the Journal, a transaction description, account #-description, and debit or credit amount 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 the account selected from the drop-down **[Account (# - Account Description)]** menu is a control account, the detail journal will automatically open for entering the transaction detail. When entering data in the detail journal, you must first select an item from the drop-down **[Transaction Description]** or type your own description in the box before selecting the account. When you have completed your entries the detail total for the transaction will be entered into the control account.

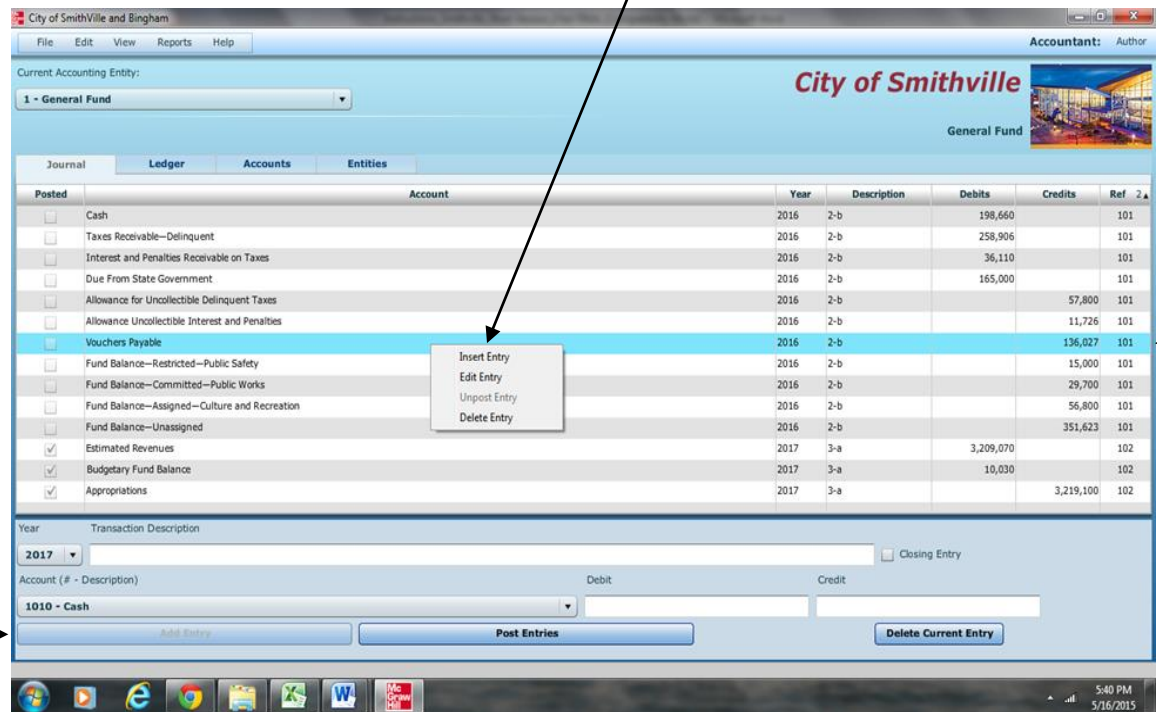
Once you have entered a batch of entries into the system, you can post them to the general ledger at any time by clicking the **[Post Entries]** button. In the case of the General Fund, posting transactions also posts entries from the detail journal to the Revenue ledger and Appropriations, Encumbrances, Expenditures ledgers. The **[Post Entries]** button only posts entries for the fund/entity that is currently open.

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 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]**.

As in real-world systems, the software does not allow you to edit entries that have already been posted. So, it is recommended that you verify the accuracy of entries before clicking **[Post Entries]**. However, for your convenience we have added the capability to “unpost” individual batches of posted transactions. Note that prior to unposting a batch, all batches must be posted. To unpost 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. Make all necessary editing changes, and then click **[Post Entries]** and your corrections will be made to the appropriate accounts. If you need to add a missing entry to a previously posted journal entry, then unpost as described above, highlight the line below which a new entry is to be added, and right click and select “Insert Entry.” Note that the “Insert Entry” function will work if you are inserting an entry prior to a balance sheet account. However, it will not work when inserting an entry prior to any account that has an associated subsidiary ledger (e.g., estimated revenues, expenditures).

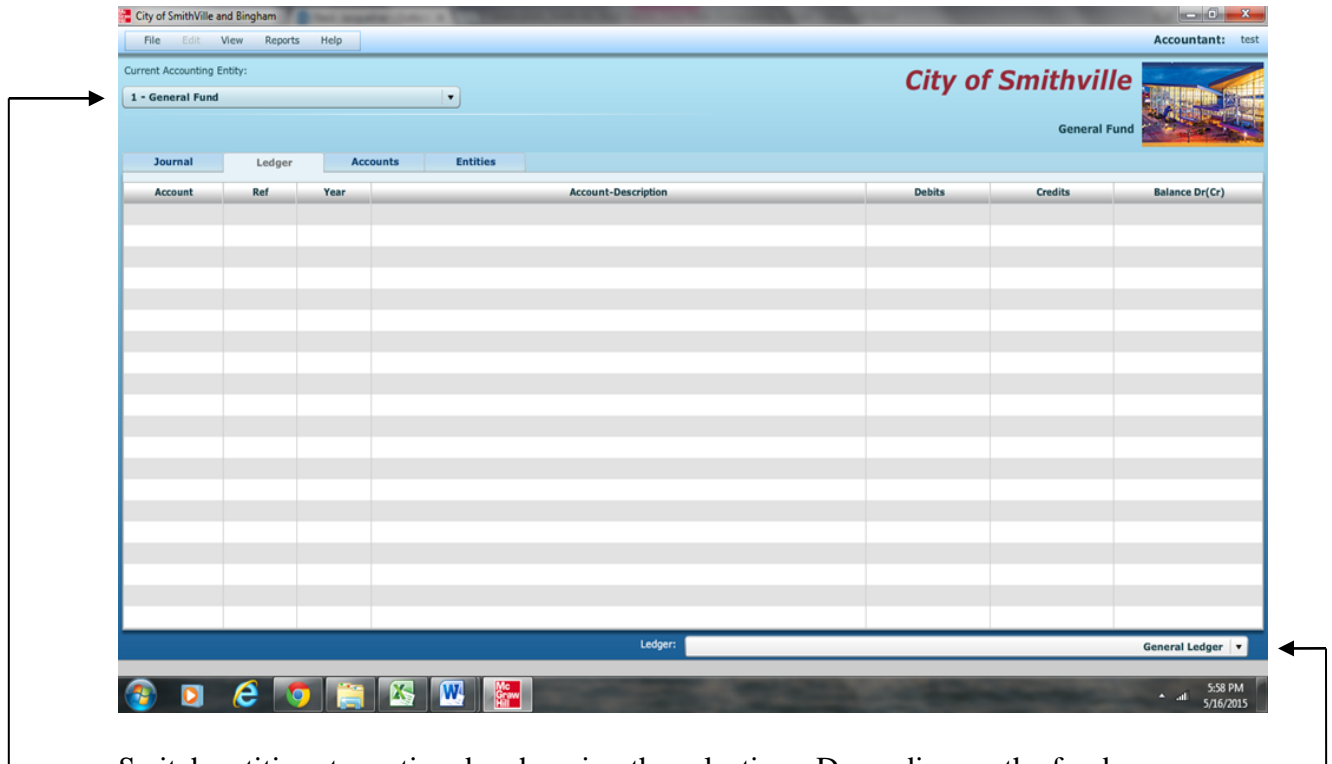
Screen shot of “right clicking” on a journal entry.



Enter the data for the new entry and click “Add Entry” to insert the new entry. 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 data for current fund or governmental activities]**. The wipe out function should be used as a last resort since making changes by editing is quite easy. 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.



Switch entities at any time by changing the selection. Depending on the fund or entity with which you are working, 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 a ledger, you should open the **[Reports]** menu, and select the report to print.

Working with the Detail Journal Screen

The General Fund of the City of Smithville uses a Detail Journal to avoid recording operating or budget detail in the general journal/ledgers.

If you choose a control 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 shown on the following page.

City of Smithville

Detail Journal

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 boxes 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 entered into the control account amount in the General Journal. Please note that 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 for the City of Smithville are available through the Reports menu. Simply go to the menu and click on the report you want. To print, click on the **“Print”** icon and print in the normal manner. If you need to create a **“Save as Printable .pdf File,”** accept the default file name and save location, or change the name and/or location if you prefer.

Exporting Trial Balances

To make it easier to prepare financial statements/schedules, 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 Excel or CVS for non-Microsoft applications. To export an item, select it from the **[File], [Export]** menu, accept the default file name and folder location, and save it. You can change the file name and/or location if you prefer.

Completing Chapters 2 through 11 of the City of Smithville Full Version

Foreword

This **full version** of a cumulative problem written for the computer presents a series of transactions covering activities for the City of Smithville, assuming the city utilizes the dual-track accounting approach to the GASB reporting model described in Reck and Lowensohn, *Accounting for Governmental & Nonprofit Entities, 17th edition*. The transactions presented relate to the city's General Fund, 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 Reck and Lowensohn, *Accounting for Governmental & Nonprofit Entities, 17th edition*.

You should 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 or other documents. 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 that you electronically submit your project data file and either Excel or .pdf files containing your trial balances, financial statements, and other documents, rather than submitting printed copies.

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 Smithville chapter as the corresponding chapter of the textbook is covered. Conversely, students who procrastinate often find that the project takes 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 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 Smithville just implemented a dual-track computerized accounting system, which provides files for general journal entries and posting to appropriate general ledger/subsidiary ledger accounts. Budgetary, operating statement, and balance sheet accounts are provided for the General Fund and the other governmental fund types. Operating statement accounts and balance sheet accounts are also provided for governmental activities at the government-wide level and the proprietary and fiduciary funds of the City of Smithville that you will use in Chapters 5-9 of the problem. As the city's new accountant (lucky you!), it is your job to enter the city's initial accounting information as of December 31, 2016, in preparation for placing the new accounting system in full operation effective January 1, 2017.

Required

Open the City of Smithville software by clicking on the **Cities of Smithville and Bingham** program. If creating a new project, click **[Create New Project]**, when the **[Create New Project]** window appears choose City of Smithville from the **[Choose a City]** drop down menu. In addition, in the **[Enter your name]** box type your name so that it will appear on all printable reports, and click **[Create]**. This will create the project and provide access to all of the funds and accounts that you will need to complete the Full Version City of Smithville cumulative problem.

To protect yourself from possible hard drive failure or corruption of your project data file, we recommended that you save your file to not only your hard drive but also another location (e.g., flash drive or the cloud), creating a backup file for your project at the end of each session.

To open an existing project, click on **[Open Existing Project]** in the opening window.

- a. If it is not already displayed, select **[General Fund]** in the **[Current Accounting Entity]** window and the **[Accounts]** tab. Clicking on the **[Accounts]** tab allows you to see the chart of accounts that will be used for the **[General Fund]**. A different chart of accounts is provided for each of the accounting entities. Next, select the **[Journal]** tab and click the drop down menu for **[Account (# - Description)]**. You will see the same general ledger accounts that were listed when you clicked on the **[Accounts]** tab. (Note: For purposes of this exercise, date suffixes are omitted from the Expenditures and Encumbrances accounts as expenditures occur only from a single year's appropriations.) You will not use all of the accounts listed for this project.
- b. The trial balance for the General Fund of the City of Smithville as of December 31, 2016, follows. Select the **[Journal]** tab 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 **2016** from the drop-down **[Year]** menu and enter the paragraph number from

these instructions in the [Transaction Description] box of the [Journal]. For this entry you should enter 2-b. Select the appropriate accounts individually and insert the appropriate amounts. (Note: Enter all dollar amounts without dollar signs, without commas, and without decimal points. All amounts in this project should be rounded to the nearest whole dollar unless instructed otherwise. 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 will remain selected for the rest of the accounts. When you have completed entering all account data and amounts, verify 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.

CITY OF SMITHVILLE
General Fund Post-Closing Trial Balance
As of December 31, 2016
General Ledger

<u>Account Title</u>	<u>Debits</u>	<u>Credits</u>
Cash	\$ 376,290	
Taxes Receivable—Delinquent	391,756	
Allowance for Uncollectible Delinquent Taxes		\$ 70,650
Interest and Penalties Receivable on Taxes	40,126	
Allowance for Uncollectible Interest and Penalties		13,190
Due from Other Funds	12,000	
Due from State Government	165,000	
Inventory of Supplies	66,000	
Vouchers Payable		272,187
Due to Other Funds		6,400
Due to Federal Government		135,720
Due to State Government		32,600
Fund Balance—Nonspendable—Inventory of Supplies		66,000
Fund Balance—Restricted—Public Safety		15,000
Fund Balance—Committed—Public Works		29,700
Fund Balance—Assigned—Culture and Recreation		56,800
Fund Balance—Unassigned		<u>352,925</u>
Totals	<u>\$1,051,172</u>	<u>\$1,051,172</u>

Unpost capability. As discussed in Chapter 1 of these instructions, the City of Smithville software program permits students to “unpost” a particular batch of posted transactions. Unposted entries then can be edited and re-posted. In addition, any omitted entries can be inserted above a selected journal line in any unposted batch of entries. Recall from Chapter 1 that the insert function will not work when you try to

insert above an account that has a related subsidiary ledger. Prior to unposting a batch, all batches must be posted.

Select [**Reports, Trial Balances, Post-Closing Trial Balance**] and print or save as a .pdf file the post-closing trial balance for year 2016. Retain the printed trial balance in your personal cumulative folder until the due date assigned by your instructor for the project, or submit a saved version of the trial balance electronically if directed to do so by your instructor.

- c. Select [**Governmental Activities, Government-wide Level**] in the [**Current Accounting Entity**] drop-down box and the [**Accounts**] tab. You will see most 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 Smithville project.
- d. Select the [**Journal**] tab and create a journal entry to enter the statement of net position (i.e., balance sheet) accounts and amounts shown in the following trial balance. 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 **2016** from the drop-down date menu and enter **2-d** in the [**Transaction Description**] box. Select each account individually and insert the appropriate debit or credit amount for each account. When you have completed entering the initial data, verify the accuracy and click [**Post Entries**] to post the entry to the governmental activities, government-wide general ledger.

CITY OF SMITHVILLE
Governmental Activities Government-wide Level
Post-Closing Trial Balance
As of December 31, 2016
General Ledger

<u>Account Title</u>	<u>Debits</u>	<u>Credits</u>
Cash	\$ 376,290	
Taxes Receivable—Delinquent	391,756	
Allowance for Uncollectible Delinquent Taxes		\$ 70,650
Interest and Penalties Receivable on Taxes	40,126	
Allowance for Uncollectible Interest and Penalties		13,190
Due from State Government	165,000	
Internal Receivables from Business-type Activities	12,000	
Inventory of Supplies	66,000	
Land	4,180,000	
Infrastructure	9,862,000	
Accumulated Depreciation—Infrastructure		2,713,944
Buildings	6,296,000	
Accumulated Depreciation—Buildings		1,731,000
Equipment	3,556,800	
Accumulated Depreciation—Equipment		1,765,480

Vouchers Payable		272,187
Due to Federal Government		135,720
Due to State Government		32,600
Internal Payables to Business-type Activities		6,400
Net Position—Net Investment in Capital Assets		17,684,376
Net Position—Restricted for Public Safety		15,000
Net Position—Unrestricted		<u>505,425</u>
Totals	<u>\$24,945,972</u>	<u>\$24,945,972</u>

- e. Select [**Reports, Trial Balances, Post-Closing Trial Balance**] and print the trial balance for 2016, or submit a saved .pdf version of the trial balance electronically if directed to do so by your instructor. Retain in your cumulative file until the due date for your project or the time specified by your instructor.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

Chapter 3 Recording the Annual Budget

The following budget for the General Fund of the City of Smithville was legally adopted for the fiscal year ending December 31, 2017.

Estimated Revenues:

Taxes:	
Real Property	\$1,679,070
Sales	1,960,000
Interest and Penalties on Taxes	9,000
Licenses and Permits	600,000
Fines and Forfeits	410,000
Intergovernmental Revenue	275,000
Charges for Services	236,000
Miscellaneous Revenues	<u>91,300</u>
Total Estimated Revenues	<u>\$5,260,370</u>

Appropriations:

General Government	\$ 667,200
Public Safety	2,565,500
Public Works	905,000
Health and Welfare	604,300
Culture and Recreation	460,800
Miscellaneous	<u>47,100</u>
Total Appropriations	<u>\$5,249,900</u>

Estimated Other Financing Sources and Uses:

Interfund Transfer Out	<u>\$ 20,000</u>
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Required

- After opening the file you created for Chapter 2 of this project, record the budget in the general journal, providing entries in the Detail Journal when directed. Begin by selecting **[General Fund]** in the **[Current Accounting Entity]** drop-down box and the **[Journal]** tab. In the **[Year]** box, be sure to select the year **2017**. Enter **3-a** in the **[Transaction Description]** box. Select “Estimated Revenues” in the drop down **[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 total amount 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. To complete this entry debit or credit Budgetary Fund Balance as appropriate to balance the budgetary entry.

To finish recording the budget debit Budgetary Fund Balance and credit Estimated Other Financing Uses—Interfund Transfer Out for \$20,000. Note that budgetary entries have no effect on governmental activities at the government-wide level and thus 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 Entries]**. Before posting, or after unposting as described previously, you can edit, delete or insert entries in the journal by placing the cursor in the line you want to adjust and then right-clicking. Note that the “Insert Entry” function will work if you are inserting an entry prior to a balance sheet account. However, it will not work when inserting an entry prior to any account that has an associated subsidiary ledger (e.g., estimated revenues, expenditures). If you make too many errors and want to start over, you can select **[Student Assistance]** from the **[File]** menu and completely wipe out all data from the current fund or governmental activities entity on which you are working. Generally, such radical action should be unnecessary given the **[Unpost]** and **[Insert]** capabilities of the program, as described previously.

- b. Go to **[Reports]**, print the pre-closing subsidiary ledgers and pre-closing trial balance for year 2017 from the “Reports” window for retention in your cumulative file until directed by your instructor to submit them, or submit saved versions of these documents electronically if directed to do so by your instructor. As of this time, only the budget has been recorded. **This is your last opportunity to print or export these documents with budget 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.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the **[X]** box you will be asked if you want to save your changes before closing.

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

Presented below are a number of transactions for the City of Smithville that occurred during fiscal year 2017, the year for which the budget given in Chapter 3 was recorded. Read **all** instructions carefully.

- a. After opening the data file containing your data from Chapters 2 and 3 of this project, 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 **2017**. 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. Regardless of the method you choose, we recommend that you refer to the illustrative journal entries in Chapter 4 of the Reck and Lowensohn textbook (17th edition) for guidance in making all entries.

For each entry affecting budgetary accounts or operating statement accounts, the Detail Journal will automatically open to allow you to record the appropriate amounts in the detail budgetary or actual accounts, as was the case in Chapter 3.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

1. **[Para. 4-a-1]** On January 2, 2017, real property taxes were levied for the year in the amount of \$1,731,000. It was estimated that 3 percent of the levy would be uncollectible.

Required: Record this transaction in both the General Fund and governmental activities journal. (Note: Type 4-a-1 as the paragraph number in the **[Transaction Description]** box for this entry; 4-a-2 for the next transaction, etc. Careful referencing by paragraph number is very helpful should you need to determine where you may have omitted a required journal entry or made an error.) Select “Accrued Revenue” in the drop down **[Transaction Description]** menu in the Detail Journal related to the General Fund entry.

2. **[Para. 4-a-2]** Encumbrances were recorded in the following amounts for purchase orders issued against the appropriations indicated:

General Government	\$ 98,453
Public Safety	183,259
Public Works	217,675
Health and Welfare	174,469
Culture and Recreation	108,927
Miscellaneous	<u>41,563</u>
Total	<u>\$824,346</u>

Required: Record the encumbrances in the General Fund general journal and Detail Journal as appropriate. In the Detail Journal, select “Purchase Orders” from the drop down [**Transaction Description**] menu. You can also type in an alternative description, if desired.

3. [**Para. 4-a-3**] Cash was received during the year in the total amount of \$5,584,052 for collections from the following receivables and cash revenues, as indicated:

Current Property Taxes	\$1,561,535
Delinquent Property Taxes	335,000
Interest and Penalties Receivable on Taxes	34,270
Due from Other Funds/Internal Receivables	12,000
Due from State Government	165,000
Revenues: (total: \$3,476,247)	
Sales Taxes	1,981,203
Licenses and Permits	601,314
Fines and Forfeits	410,660
Intergovernmental	160,000
Charges for Services	231,820
Miscellaneous	<u>91,250</u>
Total	<u>\$5,584,052</u>

Required: Record the receipt of cash and the related credits to receivables and revenues accounts, as applicable, in both the General Fund and governmental activities journals. (Select “Received in Cash” in the drop down [**Transaction Description**] menu in the Detail Journal related to the General Fund revenue entries.)

For purposes of the governmental activities entries at the government-wide level assume the following revenue classifications:

<u>General Fund</u>	<u>Governmental Activities</u>
Sales Taxes	General Revenues—Taxes—Sales
Licenses and Permits	Program Revenues—General Government— Charges for Services
Fines and Forfeits	Program Revenues—General Government— Charges for Services

Intergovernmental	Program Revenues—Public Safety—Operating Grants and Contributions
Charges for Services	Program Revenues—General Government— Charges for Services, \$143,850
	Program Revenues—Culture and Recreation— Charges for Services, \$87,970
Miscellaneous	General Revenues—Miscellaneous

4. **[Para. 4-a-4]** Additional interest and penalties were accrued on delinquent property taxes in the amount of \$2,840, of which 10 percent was estimated to be uncollectible.

Required: Record this accrual in both the General Fund and governmental activities general journals.

5. **[Para. 4-a-5]** General Fund payrolls for the year totaled \$4,403,038. Of that amount, \$572,395 was withheld for employees' federal income taxes; \$660,456 for federal payroll taxes; \$190,798 for employees' state income taxes; \$220,152 for retirement funds administered by the state government; and the remaining \$2,759,237 was paid to employees in cash. The City of Smithville does not record encumbrances for payrolls. The payrolls were chargeable against the following functions' appropriations:

General Government	\$ 550,376
Public Safety	2,381,644
Public Works	690,481
Health and Welfare	431,673
Culture and Recreation	<u>348,864</u>
Total	<u>\$4,403,038</u>

Required: Make summary journal entries for payroll in both the General Fund and governmental activities general journals for the year.

6. **[Para. 4-a-6]** Invoices for *some* of the goods recorded as encumbrances in transaction 4-a-2 were received and vouchered for later payment, as listed below. Related encumbrances were canceled in the amounts shown (Select "Elimination" in the drop down **[Transaction Description]** menu in the Detail Journal):

	<u>Expenditures</u>	<u>Encumbrances</u>
General Government	\$ 94,776	\$ 94,752
Public Safety	175,406	175,620
Public Works	194,408	194,512
Health and Welfare	172,872	173,002
Culture and Recreation	108,187	108,150
Miscellaneous	<u>41,160</u>	<u>41,563</u>
	<u>\$786,809</u>	<u>\$787,599</u>

Required: Record the receipt of these goods and the related vouchers payable in both the General Fund and governmental activities journals. At the government-wide level, you should assume the city uses the periodic inventory method. Thus, the invoiced amounts above should be recorded as expenses of the appropriate functions, except that \$32,340 of the amount charged to the Public Works function was for a vehicle (debit Equipment for this item at the government-wide level). Expenditures charged to the miscellaneous appropriation should be recorded in this case as General Government expenses at the government-wide level.

7. **[Para. 4-a-7]** During FY 2017, the City of Smithville received notification that the state government would send \$115,000 to it at the beginning of the next fiscal year. Based on the city’s definition of “available for use,” the city considers the funds available to use for Public Safety’s operating activities in the current reporting period. The budget for the current year included this amount as “Intergovernmental Revenue.”

Required: Record this transaction as a receivable and revenue in the General Fund and governmental activities journals. (Note: Select “Accrued Revenue” in the **[Transaction Description]** box in the Detail Journal). At the government-wide level, assume that this item is an operating grant to the Public Safety function.

8. **[Para. 4-a-8]** Checks were written in the total amount of \$2,622,090 during 2017. These checks were in payment of the following items:

Vouchers Payable	\$995,600
Due to Other Funds/Internal Payables	6,400
Due to Federal Government	1,218,400
Due to State Government	<u>401,690</u>
Total amount paid	<u>\$2,622,090</u>

Required: Record the payment of these items in both the General Fund and governmental activities general journals.

9. **[Para. 4-a-9]** Current taxes receivable uncollected at year-end, and the related Allowance for Uncollectible Current Taxes account, were both reclassified as delinquent.

Required: Record these reclassifications in the General Fund and governmental activities journals.

10. **[Para. 4-a-10]** The city’s budget for 2017 was legally amended as follows:

Estimated Revenues:

	<u>Decreases</u>	<u>Increases</u>
Taxes—Sales		\$ 20,000
Charges for Services	<u>\$ 5,000</u>	<u> </u>
Total	<u>\$ 5,000</u>	<u>\$ 20,000</u>

Appropriations:

Public Works		\$ 3,200
Health and Welfare		1,750
Culture and Recreation	\$ 2,000	
Miscellaneous	<u>5,000</u>	<u> </u>
	<u>\$7,000</u>	<u>\$ 4,950</u>

Estimated Other Financing Uses:

Interfund Transfer Out	<u>\$ 10,000</u>
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Required: Record the budget amendments in the General Fund general journal only. Budgetary items do not affect the government-wide accounting records.(Note: Select “Budget Amendment” in the [Transaction Description] box in the Detail Journal.)

11. [Para. 4-a-11] Interest and penalties receivable on delinquent taxes was increased by \$11,000; \$1,000 of this was estimated as uncollectible.

Required: Record this transaction in the General Fund and governmental activities journals.

12. [Para. 4-a-12] Services received by the General Government function of the General Fund from the Solid Waste Disposal Fund amounted to \$18,200 during the year. Of this amount, \$15,400 was paid in cash and \$2,800 remained unpaid at year-end.

Required: Record the receipt of these services, amounts paid during the year, and remaining liability in the General Fund and governmental activities journals. At the government-wide level the liability should be credited to Internal Payables to Business-type Activities. **Do not record these items in the Solid Waste Disposal Fund** until instructed to do so in Chapter 7 of this case.

13. [Para. 4-a-13] Delinquent taxes receivable in the amount of \$17,150 were written off as uncollectible. Interest and penalties already recorded as receivable on these taxes, amounting to \$8,820, were also written off. Additional interest on these taxes that had legally accrued was not recorded since it was deemed uncollectible in its entirety.

Required: Record this transaction in the General Fund and governmental activities journals.

14. **[4-a-14]** In December 2017, the General Fund transferred \$10,000 to the Street Improvement Bond Debt Service Fund to assist with an interest payment due on January 1, 2018.

Required: Record this transaction in the General Fund only. The transaction has no effect at the government-wide level since it occurs between two governmental activities. **Do not record this transaction in the Street Improvement Bond Debt Service Fund** until instructed to do so in Chapter 6 of this case.

15. **[4-a-15] Adjusting Entry.** A physical count of consumable supplies at year-end showed an ending balance of \$67,420, an increase of \$1,420 during the year. The city uses the purchases method of accounting for its inventory in the General Fund and the consumption method at the government-wide level. Since the city uses a periodic inventory system, both at the fund and governmental levels, it records all purchases of inventory as expenditures in the General Fund and as expenses at the government-wide level. These were included as part of the amounts recorded in paragraph 4-a-6. Adjustments to the expenses accounts should be made to the Public Works function, where most supplies are used.

Required: Prepare the adjusting journal entries in the General Fund journal to adjust the Inventory of Supplies and Fund Balance—Nonspendable—Inventory of Supplies accounts to the correct balances and the governmental activities journal to adjust the Expenses—Public Works and Inventory of Supplies accounts.

Post all journal entries to the general and subsidiary ledgers: 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.

16. **Closing Entry.** Following the instructions in the next paragraph, prepare and post the necessary entries to close the Estimated Revenues, Appropriations, and Estimated Other Financing Uses accounts to Budgetary Fund Balance, and Revenues, Expenditures, and Other Financing Uses to Fund Balance—Unassigned. Because the City of Smithville honors all outstanding encumbrances at year-end, it is not necessary to close Encumbrances to Encumbrances Outstanding at year-end since encumbrances do not affect the General Fund balance sheet or statement of revenues, expenditures, and changes in fund balances. If, however, you would like to avoid having these accounts appear in the post-closing trial balance, you can opt to close Encumbrances to Encumbrances Outstanding. If the accounts are closed, they would need to be reestablished at the beginning of the next year.

To close the temporary accounts, you must click on the check mark for **[Closing Entry]**, “Closing Entry” will appear in the **[Transaction Description]** box. Be

sure the check mark in the box for **[Closing Entry]** is showing before closing each individual account. Also, you will be sent to the Detail Journal where you must close each individual budgetary or operating statement account. To determine the closing amounts for both General Ledger and subsidiary ledger accounts, you will need to first save and print the pre-closing version of these ledgers for year 2017 from the **[Reports]** menu.

At year-end, an analysis by the city’s finance department determined the following constraints on resources in the General Fund. Prepare the appropriate journal entry in the General Fund to reclassify amounts between Fund Balance—Unassigned and the fund balance accounts corresponding to the constraints shown below. (Note: You should consider the beginning of year balances in fund balance accounts in calculating the amounts to be reclassified. Be sure the check mark in the box for **[Closing Entry]** is showing before closing each individual account.)

<u>Account</u>	<u>Ending Balance</u>
Fund Balance—Restricted—Public Safety	\$36,000
Fund Balance—Committed—Health and Welfare	43,000
Fund Balance—Committed—Public Works	12,700
Fund Balance—Assigned—Culture and Recreation	0

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 create an Excel worksheet of the General Fund post-closing trial balance as of December 31, 2017. Use Excel to prepare in good form a balance sheet for the General Fund as of December 31, 2017. Follow the format shown in Illustration 4-3 of Reck and Lowensohn, *Accounting for Governmental & Nonprofit Entities, 17th edition* 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 to create an Excel worksheet of the General Fund pre-closing subsidiary ledger account balances for the year 2017. Use Excel 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, 2017. (See Illustration 4-4 in the textbook for an example format.)
- d. Use the Excel worksheet of the General Fund pre-closing subsidiary ledger account balances created in part c above to prepare in good form a schedule of revenues, expenditures, and changes in fund balance—budget and actual for the General Fund

for the year ended December 31, 2017. (See Illustration 4-5 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. (In Chapter 4 below Illustration 4-5, see discussion and example which compares Illustrations 4-4 and 4-5.)

[Note: File the printouts of all your worksheets and your completed financial statements in your cumulative problem folder until directed by your instructor to submit them, unless your instructor specifies submission of files electronically, in which case you will need to save a .pdf version of your trial balances.]

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

Chapter 5 Recording Capital Asset Transactions

Street Improvement Capital Projects Fund and Governmental Activities at the Government-wide Level

During late 2016, the voters of the City of Smithville authorized tax-supported bond issues totaling \$8,000,000 as partial financing for a series of projects to construct streets, curbs, culverts, and storm sewers in various parts of the city. The estimated total cost of the series of projects, which are expected to extend over the next three years, was \$10,200,000. In addition to the bond financing, voters also approved a special ½ cent sales tax to assist in financing the projects. The sales tax begins January 1, 2017 and will continue for five years. The sales tax is projected to generate \$500,000 each year.

Required

- a. Prepare general journal entries as necessary to record the transactions described below in the Street Improvement Fund general journal and, if applicable, in the governmental activities general journal. Do not record entries at this time in other affected funds; those entries will be made in the later chapters of this cumulative problem that cover the affected funds. Use account titles listed under the drop down [Account (# - Description)] menu. Be sure the year **2017** is selected from the drop-down [Year] menu and the appropriate paragraph number shown in bold-face font below is in the [Transaction Description] box.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

1. **[Para. 5-a-1]** In early 2017, design plans and specifications for the first project, the Elm Street Project, were submitted by a construction engineering firm. The firm billed the Street Improvement Fund for \$125,000.

Required: Record this billing and the related Vouchers Payable liability in the Street Improvement Fund and governmental activities journals. (Note: this transaction was not encumbered.)

2. **[Para. 5-a-2]** On March 1, 2017, the city signed a \$40,000, 90-day tax anticipation note bearing interest of 2.5 percent per annum.

Required: Record this transaction in the Street Improvement Fund and governmental activities journals.

3. **[Para. 5-a-3]** A \$335 purchase order for advertisements soliciting bids for the Elm Street Project was issued during April 2017. The bill for advertising in the amount of \$330 was received and a voucher for payment was issued.

Required: Record the encumbrance, billing, and the Vouchers Payable liability in the Street Improvement Fund and governmental activities journals, as appropriate.

4. **[Para. 5-a-4]** On April 15, 2017, construction bids were opened and analyzed. A bid of \$2,100,000 was accepted, and the contract was awarded for the Elm Street Project. The contract provided for a retained percentage of 5 percent from each progress payment, and from the final payment, until final inspection and acceptance by the city's public works inspectors.

Required: Record the signing of the contract in the Street Improvement Fund general journal. This transaction has no effect at the government-wide level.

5. **[Para. 5-a-5]** Sales tax revenue of \$190,000 was received.

Required: Record this transaction in both the Street Improvement Fund and governmental activities general journals.

6. **[Para. 5-a-6]** Vouchers payable accumulated to date were paid in April 20, 2017.

Required: Record this transaction in both the Street Improvement Fund and governmental activities general journals.

7. **[Para. 5-a-7]** On May 6, 2017, 4% deferred serial bonds with a face value of \$2,000,000 were sold for a total amount of \$2,070,000, of which \$28,000 was for accrued interest from the January 1, 2017 date of the bonds and \$42,000 was a premium on the bonds sold. Cash in the amount of the accrued interest and premium was deposited directly in the Street Improvement Bond Debt Service Fund. Cash in the amount of \$2,000,000 was deposited and recorded in the Street Improvement Fund.

Required: Record these transactions in the Street Improvement Fund and governmental activities journals. (Hint: In addition to recording the liability for bonds payable in the governmental activities journal, you should record the premium on the bonds payable [credit Premium on Deferred Serial Bonds] and accrued interest on bonds sold [we recommend that you credit Expense—Interest on Long-term Debt] in the governmental activities general journal for the \$28,000 of accrued interest.) For now you should not make the entries in the Street Improvement Bond Debt Service Fund to record the accrued interest and premium. Those entries will be made in Chapter 6 of this cumulative problem.

8. **[Para. 5-a-8]** The city repaid the \$40,000 tax anticipation note plus interest of \$250 ($\$40,000 \times .025 \times 90/360$) (See transaction 2).

Required: Record this transaction in both the Street Improvement Fund and governmental activities general journals. The \$250 of interest should be debited to Interest Expenditures in the Street Improvement Fund journal and to Expenses—General Government in the governmental activities journal.

9. **[Para. 5-a-9]** In July 2017, the contractor for the Elm Street Project reported that the project was one-half completed and requested a progress payment of \$1,050,000. This amount was paid in late July, less the contractual retention of 5 percent.

Required: Record this transaction in both the Street Improvement Fund and governmental activities general journals.

10. **[Para. 5-a-10]** Construction engineers engaged by the city submitted design plans and specifications for the second street improvement project, the “Spruce Street Project.” Vouchers were approved in the amount of \$90,000 in payment for the engineering services.

Required: Record this transaction in both the Street Improvement Fund and governmental activities journals. (Note: This transaction was not encumbered.)

11. **[Para. 5-a-11]** In late November 2017 the Elm Street project was completed and the contractor for the project requested a final payment of \$1,070,000. This amount was recorded as a liability. Payment was made, less the retained percentage, on December 1, 2017.

Required: Record this transaction in both the Street Improvement Fund and governmental activities journals.

12. **[Para. 5-a-12]** Additional sales taxes were collected in the amount of \$320,000 on December 15, 2017.

Required: Record this transaction in both the Street Improvement Fund and governmental activities journals.

13. **[Para. 5-a-13]** Outstanding vouchers for engineering services were paid.

Required: Record this transaction in both the Street Improvement Fund and governmental activities journals.

14. **[Para. 5-a-14]** The city engineer approved the final construction on the Elm Street Project, and the city paid the retained percentage (Transactions 9 and 11) to the contractor.

Required: Record this transaction in both the Street Improvement Fund and governmental activities journals. Total construction costs for the Elm Street

Project should be capitalized in the Infrastructure account in governmental activities.

15. Verify the accuracy of all your preceding entries in the Street Improvement Fund and governmental activities general journals, then click **[Post Entries]** of each entity to post the entries to the respective general ledgers. For the Street Improvement Fund only, prepare year-end closing entries for 2017 and post them to the fund's general ledger, Fund Balance—Restricted. (Note: You must click on the box for **[Closing Entry]** to check mark it; “Closing Entry” will appear in the **[Transaction Description]** box for the account being closed. Be sure the check mark is present for each account being closed.) Click **[Post Entries]** to post the closing entry. Under current GASB standards encumbrances and encumbrances outstanding are not reported in any financial statements. Consequently, there is no need to close these accounts since the Spruce Street Project is still underway at year-end. 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 post-closing trial balance for year 2017 to an Excel worksheet and use Excel to prepare a balance sheet for the Street Improvement Fund as of December 31, 2017. (See Illustration 4-3 in the textbook for an example of an appropriate format of a governmental fund balance sheet.). In addition, print the post-closing trial balance from the **[Reports]** drop-down menu.
- d. Export the pre-closing trial balance for year 2017 to an Excel worksheet and use Excel to prepare a statement of revenues, expenditures, and changes in fund balance for the Street Improvement Fund for the year ended December 31, 2017. (See Illustration 5-3 in textbook for an example of the format of a capital projects fund statement of revenues, expenditures and changes in fund balance.). Print the pre-closing trial balance from the **[Reports]** drop-down menu.

[Note: Retain all required printouts and your financial statements in your cumulative folder until directed by your instructor to submit them, unless your instructor prefers to have files submitted electronically, in which case you will need to save a .pdf version of your trial balance.]

Chapter 6 Transactions Affecting General Long-term Liabilities and Debt Service

The City of Smithville created a Street Improvement Bond Debt Service Fund to be used to retire the bonds issued for the purposes described in Chapter 5 of this cumulative problem, and to pay the interest on the bonds. The \$2,000,000 face value of bonds issued during 2017 are dated January 1, 2017, but were not issued until May 6, 2017. Because bondholders will receive six months of interest on July 1, 2017 in the total amount of \$40,000, they were required to pay \$28,000 on the date of issue to pay the city for unearned interest from January 1 to May 6. The bonds bear interest of 4 percent per annum. The first interest payment of \$40,000 is due July 1, 2017. Subsequent semiannual interest payments will be made January 1 and July 1 of each following year until the maturity of the bonds. Bonds in the amount of \$500,000 are to mature five years after the date of the bonds (January 1, 2022), and \$100,000 is to mature January 1 of each year thereafter until all the bonds issued in 2017 have been retired. Thus, these bonds are deferred serial bonds as discussed in Chapter 6 of the textbook. Make entries as instructed in the following paragraphs.

Bond covenants related to this bond issue require the city to levy property taxes sufficient to make principal and interest payments until the bonds have been retired. The city council has approved a resolution to enable the property tax levy, beginning in fiscal year 2018. As the bond issue did not occur until May 2017, the city will not levy debt service property taxes until next year.

- a. Prepare general journal entries, as necessary to record the transactions described below in the Street Improvement Bond Debt Service Fund general journal and, if applicable, in the governmental activities general journal. Use account titles listed under the drop down [**Account (# - Description)**] menu. Be sure the year **2017** is selected from the drop-down [**Year**] menu and the appropriate paragraph number shown in bold-face font below is in the [**Transaction Description**] box.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

1. [**Para. 6-a-1**] In early May 2017, an amendment to the annual budget for 2017 was approved by the city council for inflows and outflows in the Street Improvement Bond Debt Service Fund related to the bond issue. The debt service fund budget amendment provides for estimated other financing sources of \$42,000 for the premium on bonds sold, estimated other financing sources of \$10,000 for a transfer from the General Fund that will be used to help pay interest due on January 1, 2018, estimated revenues of \$28,000 for accrued interest on bonds sold, and appropriations in the amount of the one interest payment of \$40,000 to be made during 2017. (The payment that is due on July 1, 2017.)

Required: Record the budget for the Street Improvement Bond Debt Service Fund for year 2017. Budgetary entries have no effect on the government-wide accounting records.

2. **[Para. 6-a-2]** On May 6, 2017, the premium and accrued interest on bonds sold were received by the Street Improvement Bond Debt Service Fund. (See Transaction 5-a-7 in the Street Improvement Fund.)

Required: Record this transaction in the debt service fund. No entry is required at this time in the governmental activities general journal since the bond issue, including the related premium and accrued interest, was recorded in the governmental activities general journal in transaction 5-a-7.

3. **[Para. 6-a-3]** The July 1, 2017, interest payment was made in the amount of \$40,000. (Note: Since you credited Expense—Interest on Long-Term Debt for \$28,000 in 5-a-7 in the governmental activities general journal you can record the full July 1, 2017, interest payment as a debit to Interest Expense, less amortization of the premium.)

Required: Record this transaction in both the debt service fund and the governmental activities general journals. For the entry in the governmental activities journal, assume that the appropriate amount of amortization of the Premium on Deferred Serial Bonds Payable for the period the bonds have been outstanding (May 6 to July 1) is \$585. (Note: Although premiums and discounts on bonds issued are not amortized in a debt service fund, they should be amortized at the government-wide level since the accrual basis of accounting is used at that level.)

4. **[Para. 6-a-4]** Make the required journal entry in the governmental activities general journal to accrue six months of interest payable on the 4% deferred serial bonds from the July 1 interest payment until the end of the fiscal year, December 31, 2017. For this entry, assume that the appropriate amount of amortization of the Premium on Deferred Serial Bonds Payable is \$1,750. (Recall that interest is not accrued for the period July 1 to December 31, 2017 in the debt service fund as no appropriation exists for this expenditure and the interest is not due this fiscal year.)
5. **[Para. 6-a-5]** To permit payment of the \$40,000 interest payment due on January 1, 2018, the Street Improvement Bond Debt Service Fund received \$10,000 from the General Fund. That amount together with available cash balance in the debt service fund will be sufficient to cover the January 1, 2018, interest payment.

Required: Record the interfund transfer in the debt service fund journal only. This transaction was previously recorded in the General Fund in Chapter 4 of this problem. The transaction has no effect at the government-wide level since it occurs between two governmental funds.

6. 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 Street Improvement Bond 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 2017. Operating statement accounts should be closed to Fund Balance—Restricted. Make this entry only in the Street Improvement Bond Debt Service Fund journal. Be sure that 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.)

- b. Go to **[File/Export]** and export Excel files of the pre-closing and post-closing trial balances for the Street Improvement Bond Debt Service Fund as of December 31, 2017, and use them to prepare a balance sheet; statement of revenues, expenditures, and changes in fund balances; schedule of revenues, expenditures, and changes in fund balances—budget and actual for the Street Improvement Bond Debt Service Fund.

[Note: Retain all required printouts in your cumulative folder until directed by your instructor to submit them, unless your instructor specifies submission of files electronically, in which case you will need to save a .pdf version of your trial balance.]

- c. As given later in Chapter 8 of this project, the assessed valuation of property within the City of Smithville is \$314,727,270. Assuming the legal general obligation debt limit is 8 percent of assessed valuation, prepare in good form a schedule showing the legal debt limit, debt outstanding subject to the limit, and the legal debt margin of the city as of December 31, 2017, rounding the debt limit to the nearest whole dollar (see Illustration 6-3 for an example). A note at the bottom of the schedule should disclose that \$40,000 of restricted fund balance in the debt service fund is restricted for payment of interest rather than principal repayment and therefore should be excluded from your schedule. In addition, the note should disclose the bonds authorized but unissued, as described in the introductory paragraph of Chapter 5 of the City of Smithville cumulative problem. This will inform the reader that additional debt issuances are pending.

Fiscal year 2018 Transactions:

- d. On January 2, 2018, the City of Smithville approved the issuance of additional street improvement bonds in the total amount of \$3,000,000. The new bonds will be serial bonds and will bear interest at the nominal annual rate of 3.5 percent. These bonds are dated January 1, 2018, and will be issued during the next few months when the city’s bond underwriters believe market conditions are most favorable.

The first interest payment on the new bonds will be due on July 1, 2018; interest will be payable January 1 and July 1 of each following year until maturity. Bonds in the amount of \$250,000 will mature on January 1, 2019, and in the same amount at each interest payment date thereafter until all bonds of the 2018 issue have been retired. To give you some additional practice on accounting for a debt service fund, record the following events and transactions that are presumed to occur in fiscal year 2018 **in the Street Improvement Bond Debt Service Fund only.**

You should ignore entries that would be required in the General Fund and in the governmental activities general journal related to these transactions for fiscal year 2018. Keep in mind that these transactions will not affect the 2017 financial statements that will be prepared in Chapter 9. Be sure to select 2018 in the [Year] menu.

1. **[Para. 6-d-1]** On January 2, 2018, the Street Improvement Bond Debt Service Fund budget for 2018 is legally adopted. The budget should provide for estimated property tax revenue of \$640,000, of which \$120,000 will be invested to accumulate resources over the next four years for the \$500,000 principal that will be due for payment on January 1, 2022 for the 4% deferred serial bonds. The budget should include estimated investment earnings of \$3,000 during 2018. Property tax revenues are intended to help pay \$80,000 interest due during 2018 on the 4% deferred serial bonds (due January 1 and July 1), as well as the \$52,500 interest payment that will be due on the 3.5% serial bonds on July 1, 2018. The property tax levy will also provide resources to help pay interest of \$92,500 due on January 1, 2019 (\$40,000 interest on the 4% deferred serial bonds and \$52,500 on the 3.5% serial bonds). No premium or accrued interest on bonds sold is included in the 2018 estimated other financing sources or estimated revenues. If the Street Improvement Debt Service Fund does receive such items, they will be invested and used for eventual bond redemption or interest payments, and the budget will be amended accordingly to reflect such items.

Required: Record the budget for FY 2018 in the general journals for the Street Improvement Bond Debt Service Fund. **[As a reminder, you should make journal entries for FY 2018 only in the debt service fund, ignoring any entries for governmental activities at the government-wide level or any other funds.]**

2. **[Para. 6-d-2]** Property taxes were levied in the amount of \$660,000, of which \$20,000 was estimated to be uncollectible.
3. **[Para. 6-d-3]** Bond interest due on January 1, 2018 in the amount of \$40,000 was paid for the 4% deferred serial bonds.
4. **[Para. 6-d-4]** On March 1, 2018, the Street Improvement Debt Service Fund received \$30,000 of premium from the sale of the additional \$3,000,000 street improvement bonds (see first paragraph of section **d.**), plus \$17,500 for two months of accrued interest (\$47,500 in total). The \$47,500 of premium and

accrued interest was invested in temporary investments earning 3 percent per annum.

Required: Prepare journal entries to record the receipt of \$47,500 in cash and the subsequent investment. Also, prepare a journal entry to amend the FY 2018 budget to reflect the amounts of the premium and accrued interest on bonds sold, including an additional amount for estimated revenues for investment earnings in the amount of \$1,187. (Note: You should credit Budgetary Fund Balance for the full \$48,687, since the appropriation for the interest payment due on July 1, 2018, was recorded in Paragraph 6-d-1).

5. **[Para. 6-d-5]** By June 30, 2018, property taxes had been collected in the amount of \$325,000; \$200,000 was invested in temporary investments that earn 3 percent per annum.
6. **[Para. 6-d-6]** Bond interest of \$40,000 due July 1, 2018 on the deferred serialbonds issued in 2017 and \$52,500on the 3.5% serial bonds issued in 2018 was paid on that date.
7. **[Para. 6-d-7]**During the second half of 2018, property taxes were collected in the amount of \$290,000. At year-end, the uncollected amount of current property taxes receivable and related estimated uncollectible amount were reclassified as delinquent. Interest and penalties of \$3,600 were also levied, of which \$180 was estimated as uncollectible.

Required: Prepare the journal entries to record the receipt of current property taxes, to reclassify the uncollected amount as delinquent, and to accrue the related interest and penalties.

8. **[Para. 6-d-8]** Investment earnings received in cash during the year amounted to \$4,187.
9. After verifying the accuracy of the preceding entries, post the amounts to the general ledger accounts by clicking **[Post Entries]**. Prepare closing entries for the Street Improvement Bond Debt Service Fund as of December 31, 2018. For each account closed, be sure and click on the check mark for**[Closing Entry]** and that “Closing Entry” appears in the **[Transaction Description]** box. Post the closing entries to the general ledger by clicking **[Post Entries]**.
- e. Export the post-closing trial balance (click on **[File]-[Export]**) for year 2018 to Excel to prepare a balance sheet for the Street Improvement Bond Debt Service Fund as of December 31, 2018.
- f. Export a pre-closing trial balance for year 2018 to Excel to prepare a statement of revenues, expenditures, and changes in fund balance for the Street Improvement Bond Debt Service Fund for the year ended December 31, 2018.

- g.** Use the same trial balance exported in item **f** above to prepare a schedule of revenues, expenditures, and changes in fund balance—budget and actual for the Street Improvement Bond Debt Service Fund for the year ended December 31, 2018.

[Note: Retain a printout of all worksheets and your financial statements in your cumulative file until directed by your instructor to submit them, unless your instructor specifies that you should submit files electronically, in which case you will need to save a .pdf version of your trial balance.]

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

The City of Smithville accounts for its solid waste collection and disposal activities in an enterprise fund. The balance sheet for the Solid Waste Disposal Fund as of December 31, 2016, appears below.

CITY OF SMITHVILLE Solid Waste Disposal Fund Post-closing Trial Balance As of December 31, 2016

<u>Account Title</u>	<u>Debits</u>	<u>Credits</u>
Cash	\$ 315,000	
Customer Accounts Receivable	117,100	
Allowance for Doubtful Accounts		\$ 6,140
Due from Other Funds	6,400	
Inventories	4,060	
Land	600,000	
Buildings	1,650,000	
Accumulated Depreciation—Buildings		791,250
Equipment	1,340,400	
Accumulated Depreciation—Equipment		755,640
Vouchers Payable		45,180
Due to Other Funds		12,000
Accrued Payroll and Fringe Benefits		66,720
Net Position—Net Investment in Capital Assets		2,043,510
Net Position—Unrestricted		<u>312,520</u>
Totals	<u>\$4,032,960</u>	<u>\$4,032,960</u>

Required

- a. Open a general journal as of December 31, 2016, for the Solid Waste Disposal Fund by entering each of the accounts and amounts shown in the above post-closing trial balance. Enter **2016** from the drop-down [**Year**] menu. Each of the account titles will be found in the drop down menu [**Account (# - Description)**] in the [**Journal**] view of the program. 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 the accuracy of your journal entry and post it to the general ledger by clicking [**Post Entries**]. Unless your instructor specifies electronic submission, print a post-closing trial balance as of December 31, 2016, and retain it in your cumulative file until directed by your instructor to submit it.

Entries in this enterprise fund are not recorded at the government-wide level since enterprise funds and business-type activities at the government-wide level both use 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.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

- b. Record the following events and transactions, which occurred during the year ended December 31, 2017. Be sure that **2017** appears in the [Year] menu.
1. **[Para. 7-b-1]** Billings to customers of the Solid Waste Disposal Fund totaled \$2,247,532 for the year, including \$18,200 billed to City of Smithville departments accounted for in the General Fund. For the amount billed to City of Smithville departments you should debit Due from Other Funds.
 2. **[Para. 7-b-2]** Equipment costing \$335,000 was purchased on July 1, 2017. Cash in the amount of \$135,000 was paid at the time of purchase; the vendor accepted revenue anticipation notes in the amount of \$200,000 to finance the remainder of the equipment. Of this amount, \$100,000 of the notes will be payable on July 1, 2018; the other \$100,000 will be payable on July 1, 2019. All notes bear interest at the rate of 4 percent per year. (Record only the purchase and the related payment of cash and issuance of notes at this time; interest will be recorded in a later transaction.)
 3. **[Para. 7-b-3]** Vouchers for materials and supplies to be used in the operations of the fund were issued in the total amount of \$773,500 (debit Inventories).
 4. **[Para. 7-b-4]** Collections from customers totaled \$2,234,545 during 2017. This amount included \$21,800 collected from the General Fund (see 7-a balance and 7-b-1 above).
 5. **[Para. 7-b-5]** Payrolls and fringe benefits paid in cash during the year totaled \$1,221,724 including the amount accrued at December 31, 2016.
 6. **[Para. 7-b-6]** Accrued salaries and fringe benefits at year-end amounted to \$66,053. Inventories of materials and supplies used in operations during the year amounted to \$773,480, at cost.
 7. **[Para. 7-b-7]** Vouchers in the amount of \$778,600 and the amount Due to Other Funds were paid during the year.
 8. **[Para. 7-b-8]** The city uses the following annual straight-line depreciation rates: Buildings, 2.5 percent; Equipment, 10 percent (equipment purchased during the year need not be depreciated because it was not held for more than 6 months of

- the year). Apply these rates to the original cost of buildings and equipment as of December 31, 2016, assuming no residual or salvage value.
9. **[Para. 7-b-9]** Interest of \$4,000 had accrued on the notes payable as of year-end (see transaction 7-b-2).
 10. **[Para. 7-b-10]** Management decided to increase the allowance for doubtful accounts by \$960 at year-end.
 11. 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 2017 and to reclassify the two net position accounts, as appropriate. Be sure that the check mark for **[Closing Entry]** is on for each account being closed and that “Closing Entries” appears in the **[Transaction Description]** box. When completed, 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 2017, and use Excel to prepare a statement of net position for the Solid Waste Disposal Fund as of December 31, 2017.
 - e. Click on **[File]-[Export]** to export a pre-closing trial balance for year 2017, and use Excel to prepare a statement of revenues, expenses, and changes in net position for the Solid Waste Disposal Fund for the year ended December 31, 2017. Interest expense should be considered a nonoperating item.
 - f. Use the post-closing trial balance for year 2016 from Part **a** of this chapter and the trial balances from parts **d** and **e** above to prepare and save an Excel version statement of cash flows for the Solid Waste Disposal Fund for the year ended December 31, 2017.

[Note: Retain a printout of all worksheets and your financial statements in your cumulative file until directed by your instructor to submit them, unless your instructor specifies that you should submit computer files electronically, in which case you will need to save a .pdf version of you trial balances.]

Chapter 8 Recording Transactions Affecting a Fiduciary Fund—a Tax Agency Fund

The City of Smithville administers a tax agency fund that bills and collects property taxes levied by the governing bodies of the Smithville Consolidated School District (CSD), Smith County, and the Smith County Fire Protection District (FPD), in addition to those levied by the City of Smithville for its General Fund. (Note: Beginning in FY 2018, the tax agency fund will also account for property tax billing and collection for the City of Smithville’s debt service fund. That fund will not levy property taxes for FY 2017.) As permitted by state law, the City of Smithville charges a collection fee of one percent of all taxes collected for the other governments.

CITY OF SMITHVILLE Tax Agency Fund Post-closing Trial Balance As of December 31, 2016

<u>Account Title</u>	<u>Debits</u>	<u>Credits</u>
Taxes Receivable for Other Funds and Governments—Delinquent (including related interest and penalties)	\$1,977,075	
Due to Other Funds and Governments		\$1,977,075
Totals	<u>\$1,977,075</u>	<u>\$1,977,075</u>

Required

- a. Open a general journal as of December 31, 2016, for the Tax Agency Fund by entering the two accounts and amounts shown in the above post-closing trial balance. Enter **2016** from the drop-down [Year] menu. Each of the account titles will be found in the drop down menu [**Account (# - Description)**] in the [**Journal**] view of the program. Be sure to enter **8-a** as your paragraph number in the [**Transaction Description**] box. Verify the accuracy of your journal entry and post it to the general ledger by clicking [**Post Entries**]. Unless your instructor specifies electronic submission, print a post-closing trial balance as of December 31, 2016 and retain it in your cumulative file until directed by your instructor to submit it.

[Note: Entries in this fund are not recorded at the government-wide level. Fiduciary activity information is reported only in the fiduciary fund statements and not at the government-wide level.]

- b. The following schedule shows the tax rates that have been established by the various taxing authorities for fiscal year 2017.

**Tax Rates Applicable to Governments
Served by the Tax Agency Fund
Fiscal Year 2017
(All amounts rounded to next higher dollar)**

Governments/Funds	Tax Rate (Per \$100 of Assessed Valuation)	Assessed Valuation	Tax Levy
City of Smithville:			
General Fund	\$0.55	\$314,727,270	\$1,731,000
Total city rate and levy	\$0.55		\$1,731,000
Smithville CSD:			
General Fund	\$2.40	\$370,931,790	\$8,902,363
Debt service fund	0.12		445,119
Total CSD rate and levy	\$2.52		\$9,347,482
Smith County:			
General Fund	\$0.30	\$370,931,790	\$1,112,796
County Road and Bridge Fund	0.32		1,186,982
Total county rate and levy	\$0.62		\$2,299,778
Smith County FPD:			
General Fund	\$0.95	\$155,336,546	\$1,475,698
Fire Station Construction Fund	0.30		466,010
Total county FPD rate and levy	\$1.25		\$1,941,708
Grand Total tax rates and levies *	\$4.94		\$15,319,968

* Note: Each property owner will receive a tax bill equal to the tax rates of all taxing authorities that have jurisdiction over his/her property times the assessed valuation of his/her property. Shown above are the *aggregate* taxes levied by each government, which are also the total amounts billed by the Tax Agency Fund to all taxpayers in each jurisdiction.

Record the following transactions that occurred during 2017 in the general journal of the Tax Agency Fund.

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [X] box you will be asked if you want to save your changes before closing.

1. **[Para. 8-b-1]** On January 2, 2017, the city's tax administrator mailed annual tax bills to all property owners in the total amount of \$15,319,968 (see preceding table). The tax administrator maintains a detailed tax ledger to track amounts billed to and collected from each taxpayer and total amounts applicable to each fund and government. You need only record the grand total amount shown in the schedule above in the general journal, as illustrated in Chapter 8 of Reck and Lowensohn.

2. **[Para. 8-b-2]** Delinquent taxes and related interest and penalties were collected during the year for the taxing authorities shown below:

<u>Governments/Funds:</u>	<u>Delinquent Taxes</u>	<u>Interest and Penalties</u>	<u>Total</u>
City of Smithville General Fund	\$ 335,000	\$ 34,270	\$ 369,270
Smithville CSD	722,650	57,810	780,460
Smith County	459,980	41,400	501,380
Smith County FPD	<u>162,560</u>	<u>13,050</u>	<u>175,610</u>
Total collected	<u>\$1,680,190</u>	<u>\$146,530</u>	<u>\$1,826,720</u>

Required: Record the collections of delinquent taxes and interest and penalties by recognizing specific liabilities to each fund or government. The 1 percent collection fee should be deducted from the amounts due to other governments; the total amount deducted from other governments should be added to the amount due to the City of Smithville General Fund. (Note: Round all amounts to the nearest whole dollar.) Make these entries only in the Tax Agency Fund general journal. The Tax Agency Fund records the total amount of delinquent taxes and related interest and penalties in the Taxes Receivable for Other Funds and Governments—Delinquent account. (Note: All cash receipts and collection fees were recorded in earlier chapters in the journals for the General Fund and governmental activities at the government-wide level. The collection fees, though not separately identified, were included in Revenues—Charges for Services in the General Fund and in Program Revenues—General Government—Charges for Services in governmental activities.)

3. **[Para. 8-b-3]** All cash collected in paragraph 8-b-2 was transferred to the other funds and governments in the amounts calculated, adjusted for collection fees deducted or added (see Para. 8-b-2).
4. **[Para. 8-b-4]** Current taxes were collected during the year for the funds and governments shown below:

<u>Funds/Governments:</u>	<u>Current Taxes Collected</u>
City of Smithville General Fund	\$1,561,535
Smithville CSD	8,412,730
Smith County	2,069,800
Smith County FPD	<u>1,747,540</u>
Total collected	<u>\$13,791,605</u>

Required: Record the collections of current taxes and recognize specific liabilities to each fund or government, after deducting the 1 percent collection fee from other governments and adding the total collection fee to the amount due the City of Smithville General Fund. Make these entries only in the Tax Agency Fund general journal.

5. **[Para. 8-b-5]** All cash collected in paragraph 8-b-4 was transferred to the other funds and governments, adjusted for collection fees deducted or added. (Note: For simplicity, Chapter 4 of Smithville did not address this collection of fees by the agency fund.)
 6. **[Para. 8-b-6]** Make the year-end journal entry to reclassify all uncollected current taxes as delinquent. Add to the receivable amount interest and penalties of 4 percent on the reclassified amount (round amount to nearest whole dollar). The interest and penalties portion of the total amount should be debited to Taxes Receivable for Other Funds and Governments—Delinquent and credited to Due to Other Funds and Governments. You need only record the aggregate amounts reclassified in the general journal; the tax administrator will update the detailed tax ledger records for these reclassifications.
- c. Post the journal entries for all the preceding transactions, and then export a post-closing trial balance for 2017 to Excel. Use the trial balance to prepare a statement of fiduciary net position for the Tax Agency Fund (for an example of an agency fund, see the last column of Illustration A2-10 in Appendix A of Chapter 2 of the text). You should deduct \$176,373 of delinquent taxes receivable and related interest and penalties receivable from the amounts recorded as Taxes Receivable for Other Funds and Governments—Delinquent. The same amount should be deducted from the liability account Due to Other Funds and Governments. The city's General Fund portion of these account balances must be deducted as only the amounts applicable to other governments can be reported in a fiduciary fund statement. Taxes receivable and interest and penalties receivable that are applicable to the city itself were reported in the General Fund balance sheet that you prepared in Chapter 4 of this project.

[Note: Retain the post-closing trial balance as of December 31, 2017, and the statement of fiduciary net position in your cumulative folder, unless your instructor requests electronic submission of your documents, in which case you will need to save a .pdf version of your trial balances.]

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

- a. Prior to preparing financial statements at the end of FY 2017, it is necessary to record depreciation expense for the year for governmental activities at the government-wide level.

Based on general capital assets assigned to specific functions, depreciation expense related to equipment and infrastructure is allocated to functions as shown below:

	<u>Equipment</u>	<u>Infrastructure</u>
General Government	\$ 44,460	
Public Safety	177,840	
Public Works	115,596	\$ 98,620
Health and Welfare	44,460	
Culture and Recreation	<u>62,244</u>	
Totals	<u>\$444,600</u>	<u>\$ 98,620</u>

In addition, depreciation expense for buildings in the amount of \$209,000 is allocated to functions according to the percentage of total floor space of buildings used by each function. The Public Works director has provided the following information for the current year:

	<u>Percentage of Building Floor Space Used</u>
General Government	20%
Public Safety	35
Public Works	22
Health and Welfare	10
Culture and Recreation	<u>13</u>
Total	100%

Required:[Para. 9-a] Record depreciation expense for the year 2017 in the governmental activities general journal at the government-wide level. Verify accuracy of the adjusting entries and post to the general ledger by clicking **[Post Entries]**.

- b. **Closing Entries.** Although closing entries were made in each fund in Chapters 4 through 6 of this cumulative problem, they have not yet been recorded at the government-wide level.

Required: Record the journal entries required on December 31, 2017, to close all temporary accounts for governmental activities at the government-wide level. These entries should also recognize changes in the accounts Net Position—Net Investment in Capital Assets, Net Position—Restricted for Public Safety (see General Fund), Net

Position—Restricted for Capital Projects (see Capital Projects Fund to calculate net position), and Net Position—Restricted for Debt Service (see Debt Service Fund to calculate net position). (**Note: Be sure to deduct accrued interest on long-term debt in calculating the December 31, 2017 balance of Net Position—Restricted for Debt Service.**) For each account to be closed or reclassified, be sure and click on the check mark for [**Closing Entry**] and that “Closing Entries” appears in the [**Transaction Description**] box. Post the closing entries to the general ledger by clicking on [**Post Entries**].

Before closing the *City of Smithville*, click on [File], and [Save/Save As] to save your work. If you close the file by clicking on the [**X**] box you will be asked if you want to save your changes before closing.

- c. Use the exportable trial balances used in Chapters 2 through 7 of this problem and export the pre-closing trial balance and post-closing trial balance for governmental activities to prepare all government-wide and fund financial statements that the City of Smithville must present for its basic financial statements to be in conformity with generally accepted accounting principles. (See Illustrations 9-3 through 9-8 and A2-1 through A2-9 of the Reck and Lowensohn textbook for examples of these statements.) We recommend that you use Excel to prepare these financial statements; however, your instructor may want you to do these manually. Since the Solid Waste Disposal 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 Solid Waste Disposal Fund as the required statements for the proprietary fund basic financial statements, with appropriate changes to the titles of the statements. The information for the Solid Waste Disposal Fund can also be used to complete the Business-type Activities columns of the government-wide financial statements.

[Notes: The City of Smithville is a primary government and has no other organizations for which it is accountable as component units. Also, the FY 2018 financial information for the Street Improvement Debt Service Fund is not included in any of the basic financial statements you are preparing, as the statements you are preparing pertain only to FY 2017.]

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, 2017. Begin by calculating *some of* the following ratios found in Chapter 10 of the textbook:

From Illustration 10-3

Revenue Measures:

Intergovernmental revenues

Operating Position Measures:

Revenues over expenditures

Operating surplus/deficit

Fund balances

Liquidity

Debt Indicators:

Long-term debt

Current liabilities

Debt service

From Illustration 10-4

Financial Position:

Unrestricted net position

Debt to assets

Current ratio

Financial Performance:

Interperiod equity

Financial Capability:

Bonded debt per capita

Available legal debt limit

These ratios provide some benchmark information either in the illustrations or in exercise 10-15, part *f*. For purposes of calculating per capita ratios, assume the population of the City of Smithville is 25,000.

Retain a print-out of your evaluation in your cumulative project folder, unless your instructor specifies submission by e-mail.

Chapter 11 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 Smithville, assuming that only generally accepted auditing standards (GAAS) promulgated by the AICPA apply to the City of Smithville. 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--