

# Bedford falls: general fund operating budget for 2011



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### **3–9 Recording General Fund Operating Budget and Operating Transactions**

The Town of Bedford Falls approved a General Fund operating budget for the fiscal year ending June 30, 2011.

The budget provides for estimated revenues of \$2, 700, 000

as follows:

property taxes, \$1, 900, 000;

licenses and permits, \$350, 000;

finest and forfeits, \$250, 000;

and intergovernmental (state grants), \$200, 000.

The budget approved appropriations of \$2, 650, 000

as follows: General Government, \$500, 000;

Public Safety, \$1, 600, 000;

Public Works, \$350, 000;

Parks and Recreation, \$150, 000;

and Miscellaneous, \$50, 000.

Summary

General Fund operating budget: fiscal year ending June 30, 2011

Budget:

revenues of \$2, 700, 000

property taxes: \$1, 900, 000

licenses and permits: \$350, 000

finances and forfeits: \$250, 000

intergovernmental (state grants):\$200, 000

The budget approved appropriations of \$2, 650, 000

as follows:

General Government: \$500, 000

Public Safety: \$1, 600, 000

Public Works: \$350, 000

Parks and Recreation: \$150, 000

Miscellaneous:\$50, 000

Required:

a. Prepare the journal entry (or entries), including subsidiary ledger entries, to record the Town of Bedford Falls's General Fund operating budget on July 1, 2010, the beginning of the Town's 2011 fiscal year.

Answer: General Ledger

<https://assignbuster.com/bedford-falls-general-fund-operating-budget-for-2011/>

Subsidiary ledger

Estimated RevDR: \$2, 700, 000

Budgetary fund Bal. CR: \$2, 700, 000

TaxesDR: \$1, 900, 000

Intergovernmental Rev. DR: \$200, 000

Licenses & Permits DR: \$350, 000

b. Prepare journal entries to record the following transactions that occurred during July 2010.

1. Revenues were collected in cash amounting to \$31, 000 for licenses and permits and \$12, 000 for fines and forfeits.

Answer: licenses and permits (Subsidiary Ledger)

DR: Licenses & Permits \$31, 000

CR: Cash \$31, 000

fines and forfeits (general ledger)

DR: Estimated Rev \$12, 000

CR: Budgetary fund bal. \$12, 000

2. Supplies were ordered by the following functions in early July 2010 at the estimated costs shown:

Answer: Appropriations Ledger

Subsidiary ledger

General Government CR: \$7, 400

Public Safety CR: \$11, 300

Public Works CR: \$6, 100

Parks & Recreation CR: \$4, 200

Misc. CR: \$900

Encumbrances subsidiary Ledger

Subsidiary ledger

General Government DR: \$7, 400

Public Safety DR: \$11, 300

Public Works DR: \$6, 100

Parks & Recreation DR: \$4, 200

Misc. DR: \$900

3. During July 2010, supplies were received at the actual costs shown below and were paid in cash. General Government, Parks and Recreation, and Miscellaneous received all supplies ordered.

Public Safety and Public Works received part of the supplies ordered earlier in the month at estimated costs of \$10, 700 and \$5, 900, respectively.

c. Calculate and show in good form the amount of budgeted but unrealized revenues in total and from each source as of July 31, 2010.

Answer: Budgeted but unrealized revenues:

General Govn - \$100

Public Safety - (\$100)

Public Works - (\$200)

Park & Rec - \$100

Misc. - \$0

d. Calculate and show in good form the amount of available appropriation in total and for each function as of July 31, 2010.

Answer: Available appropriation:

General Govn. - \$100

Public Safety - \$0

Public Works - \$0

Park & Rec - \$100

Misc. - \$0

## 4–4 Property Tax Calculations and Journal Entries

The Village of Darby's budget calls for property tax revenues for the fiscal year ending December 31, 2011, of \$2, 660, 000. Village records indicate that, on average, 2 percent of taxes levied are not collected. The county tax assessor has assessed the value of taxable property located in the village at \$135, 714, 300.

Required:

a. Calculate to the nearest penny what tax rate per \$100 of assessed valuation is required to generate a tax levy that will produce the required amount of revenue for the year.

Answer:  $2,700,000\% \div 0.96 = \$2,812,500$

b. Record the tax levy for 2011 in the General Fund. (Ignore subsidiary detail and entries at the government-wide level. )

Answer: DR: General Revenue-Property Taxes CR: Property Taxes c. By December 31, 2011, \$2, 540, 000 of the current property tax levy had been collected. Record the amounts collected and reclassify the uncollected amount as delinquent. Interest and penalties of 6 percent were immediately due on the delinquent taxes, but the finance director estimates that 10 percent will not be collectible.

Record the interest and penalties receivable. (Round all amounts to the nearest dollar. )

## **4–6 Special Revenue Fund, Voluntary Nonexchange Transactions**

The City of Eldon applied for a competitive grant from the state government for park improvements such as upgrading hiking trails and bike paths. On May 1, 2011, the City was notified that it had been awarded a grant of \$200, 000 for the program, to be received in two installments on July 1, 2011, and July 1, 2012. The grant stipulates that \$100, 000 is for use in each of the city's fiscal years ending June 30, 2012, and June 30, 2013.

Any amounts not expended during FY 2012 can be carried over for use in FY 2013. During FY 2012, the city expended \$90, 000 for park improvements from grant resources. Required For the special revenue fund, provide the appropriate journal entries, if any, that would be made for the following:

1. May 1, 2011, notification of grant approval.

Answer: No Entry

2. July 1, 2011, receipt of the first installment of the grant.

Answer: CR: Grant \$1, 000, 000 DR: Cash \$1, 000, 000

3. During FY 2011 to record expenditures under the grant.

Answer: No Entry 4. July 1, 2012.

CR: Grant- park improvements, \$90, 000

DR: Cash- grant resources, \$90, 000



## **4–10 Operating Transactions, Special Topics, and Financial Statements**

The City of Ashland's General Fund had the following post-closing trial balance at April 30, 2010, the end of its fiscal year:

During the year ended April 30, 2011, the following transactions, in summary, form, with subsidiary ledger detail omitted, occurred:

1. The budget for FY 2011 provided for General Fund estimated revenues totaling \$3, 140, 000 and appropriations totaling \$3, 100, 000.
2. The city council authorized temporary borrowing of \$300, 000 in the form of a 120-day tax anticipation note. The loan was obtained from a local bank at a discount of 6 percent per annum (debit Expenditures for discount).
3. The property tax levy for FY 2011 was recorded. The net assessed valuation of taxable property for the year was \$43, 000, 000, and the tax rate was \$5 per \$100. It was estimated that 4 percent of the levy would be uncollectible.
4. Purchase orders and contracts were issued to vendors and others in the amount of \$2, 059, 000.
5. The County Board of Review discovered unassessed properties with a total taxable value of \$500, 000. The owners of these properties were charged with taxes at the city's General Fund rate of \$5 per \$100 assessed value. (You need not adjust the Estimated Uncollectible Current Taxes account. )
6. \$1, 961, 000 of current taxes, \$383, 270 of delinquent taxes, and \$20, 570 of interest and penalties were collected.

7. Additional interest and penalties on delinquent taxes were accrued in the amount of \$38, 430, of which 30 percent was estimated to be uncollectible.
8. Because of a change in state law, the city was notified that it will receive \$80, 000 less in intergovernmental revenues than was budgeted.
9. The total payroll during the year was \$819, 490. Of that amount, \$62, 690 was withheld for employees' FICA tax liability, \$103, 710 for employees' federal income tax liability, and \$34, 400 for state taxes; the balance was paid to employees in cash.
10. The employer's FICA tax liability was recorded for \$62, 690.
11. Revenues from sources other than taxes were collected in the amount of \$946, 700.
12. Amounts due to to the federal government as of April 30, 2011, and amounts due for FICA taxes, and state and federal withholding taxes during the year were vouchered.
13. Purchase orders and contracts encumbered in the amount of \$1, 988, 040 were filled at a net cost of \$1, 987, 570, which was vouchered.
14. Vouchers payable totaling \$2, 301, 660 were paid after deducting credit for purchase discount of \$8, 030 (credit Expenditures).
15. The tax anticipation note of \$300, 000 was repaid.
16. All unpaid current year's property taxes became delinquent. The balances of the current tax receivables and related uncollectibles were transferred to delinquent accounts.

17. A physical inventory of materials and supplies on April 30, 2011, showed a total of \$19, 100. Inventory is recorded using the purchase method in the General Fund; the consumption method is used at the government-wide level.

Required

- a. Record in general journal forms the effect of the above transactions on the General Fund and governmental activities for the year ended April 30, 2011. Do not record subsidiary ledger debits and credits.

Answer: General Fund

Debit/Credit

revenues \$3, 140, 000

appropriations \$3, 100, 000

borrowing of \$300, 000

principle and interest\$300, 000

property tax levy

tax levy

Cash

- b. Record in general journal form entries to close the budgetary and operating statement accounts.

c. Prepare a General Fund balance sheet as of April 30, 2011.

Answer: General Fund Cash \$3, 140, 000 Borrowing/Lending 300, 000

Total Liabilities Vouchers payable totaling \$2, 301, 660

materials and supplies \$19, 100 tax liability \$62, 690

d. Prepare a statement of revenues, expenditures, and changes in fund balance for the year ended April 30, 2011.

Do not prepare the government-wide financial statements.

## **4–11 Permanent Fund and Related Special Revenue Fund Transactions**

Annabelle Benton, great-granddaughter of the founder of the Town of Benton, made a cash contribution in the amount of \$500, 000 to be held as an endowment. To account for this endowment, the town has created the Alex Benton Park Endowment Fund. Under terms of the agreement, the town must invest and conserve the principal amount of the contribution in perpetuity. Earnings, measured on the accrual basis, must be used to maintain Alex Benton Park in an “attractive manner. All changes in fair value are treated as adjustments of the fund balance of the permanent fund and do not affect earnings. Earnings are transferred periodically to the Alex Benton Park Maintenance Fund, a special revenue fund.

Information pertaining to transactions of the endowment and special revenue funds for the fiscal year ended June 30, 2011, follows:

1. The contribution of \$500, 000 was received and recorded on December 31, 2010.
2. On December 31, 2010, bonds having a face value of \$400, 000 were purchased for \$406, 300, plus three months of accrued interest of \$6, 000. A certificate of deposit with a face and fair value of \$70, 000 was also purchased on this date. The bonds mature on October 1, 2019 (105 months from date of purchase), and pay interest of 6 percent per annum semiannually on April 1 and October 1. The certificate of deposit pays interest of 4 percent per annum payable on March 31, June 30, September 30, and December 31.
3. On January 2, 2011, the town council approved a budget for the Alex Benton Park Maintenance Fund, which included estimated revenues of \$13, 400 and appropriations of \$13, 000.
4. On March 31, 2011, interest on the certificate of deposit was received by the endowment fund and transferred to the Alex Benton Park Maintenance Fund.
5. April 1, 2011, bond interest was received by the endowment fund and transferred to the Alex Benton Park Maintenance Fund.
6. On June 30, 2011, interest on the certificate of deposit was received and transferred to the Alex Benton Park Maintenance Fund.
7. For the year ended June 30, 2011, maintenance expenditures from the Alex Benton Park Maintenance Fund amounted to \$2, 700 for materials and contractual services and \$10, 150 for wages and salaries. All expenditures were paid in cash except for \$430 of vouchers payable as of June 30, 2011. Inventories of materials and supplies are deemed immaterial in amount.

8. On June 30, 2011, bonds with a face value of \$100, 000 were sold for \$102, 000 plus accrued interest of \$1, 500. On the same date, 2, 000 shares of ABC Corporation's stock were purchased at \$52 per share.

Required:

a. Prepare in general journal form the entries required in the Alex Benton Park Endowment Fund to record the transactions occurring during the fiscal year ending June 30, 2011, including all appropriate adjusting and closing entries. Note: Ignore related entries in the governmental activities journal at the government-wide level. )

b. Prepare in general journal form the entries required in the Alex Benton Park Maintenance Fund to record Transactions 1-8.

c. Prepare the following financial statements:

(1) A balance sheet for both the Alex Benton Park Endowment Fund and the Alex Benton Park Maintenance Fund as of June 30, 2011.

(2) A statement of revenues, expenditures, and changes in fund balance for both the Alex Benton Park Endowment Fund and the Alex Benton Park Maintenance Fund for the year ended June 30, 2011.