

BOARD OF WATER AND SOIL RESOURCES
SWCD OPERATIONAL HANDBOOK

ACCOUNTING

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OVERVIEW OF ACCOUNTING SYSTEM

This manual was developed to provide a uniform system of budgeting, accounting, and financial reporting for the soil and water conservation districts (SWCDs) in Minnesota that will aid them in preparing financial reports in accordance with generally accepted accounting principles (GAAP).

The system developed in this manual uses a double entry, self-balancing set of accounts. To simplify the system, the accounting is done on a cash basis during the year, with a year-end conversion to the modified accrual basis for the annual reports.

The district board of supervisors should assist in the preparation of the annual budget and oversee the receipt and disbursement of district funds.

ACCOUNTING METHODS

Simply stated, the differences between cash and accrual accounting are:

Cash basis: transactions are recognized only when cash is received or paid

Accrual basis: transactions are recognized when they occur, regardless of the timing of related cash flow

As noted earlier, transactions in this manual are recorded on the cash basis during the year. However, in order to meet the requirement to report on the accrual basis at year-end, it is necessary to make certain adjustments.

In order to accomplish the conversion from cash to accrual, we must prepare adjusting entries to eliminate receivables and payables that were reported as revenues or expenditures in the prior period.

In addition, we must prepare adjusting entries to include as revenue in the current year monies that are due the district at year-end but have not been received and to include as expenditures monies that are due to others but have not been paid by the district.

GRANTS

Accounting for grants requires that grants received before the revenue criteria have been met should be reported as "Deferred Revenue." With respect to grants, revenue should be recognized when the expenditure is made.

Cost-share monies are grants. Therefore, under the rules stated above, entries must be made at year-end to recognize as revenue that part of the grant money received that was spent during the year. The balance, or unexpended portion, is reported as "Deferred Revenue."

BUDGETS

A budget is a plan of financial operation, which embodies an estimate of proposed expenditures for a given period of time and the proposed means of financing them. A budget is essential because it sets the constraints within which the district must operate.

Budget - Expenditures

The functional categories of spending, District Operations and Project Expenses—State and District, make up the basis for the budgeting the expenditures.

District Operations include: Personal Services
Other Services and Charges
Supplies
Capital Outlay

Project expenses are divided into district and state projects. District projects may include fair booths, education in the schools, tree programs, etc. State projects are mainly cost-share payments to cooperators.

The extent of detail under each category is left to the discretion of the district. Budgetary detail should coincide with detail in the Disbursement Journal. For example, Personal Services can be divided into accounts for supervisor compensation, employee salary, medical insurance, etc.

Budget - Revenue

Revenues are grouped by source: Intergovernmental Revenues, Charges for Services, and Miscellaneous. As with expenditures, the level of detail should be determined by the district and should coincide with the detail shown in the Receipt Journal.

Intergovernmental Revenues include: Local
County
State
Federal

Charges for Services can include: Tree Sales
Planter Rental
Plat Book Sales

Miscellaneous Revenues include: Interest Earnings
Miscellaneous

FINANCIAL RECORDS

The accounting system in this manual requires four basic financial records:

Receipt Journal: A record of any and all receipts classified by source.

Disbursement Journal: A record of all checks classified by account name or number.

General Journal: A record used to record all other entries not recorded in the Receipt or Disbursement Journals.

General Ledger: A record containing accounts for all assets, liabilities, fund balance, revenues, and expenditures.

Other important financial records include:

- Budgets
- Inventory List
- Payroll

RECEIPTS

Treasurer

The treasurer is the collector of money payable to the district. In this capacity, the treasurer, or an authorized secretary or clerk, issues receipts to payers.

Receipt Forms

Receipt forms should be prenumbered by the printer. Receipt forms in duplicate are adequate for district purposes and are available from your local office supply store.

Preparation

A receipt form should be prepared immediately for all money received—whether received in the form of cash or check. Issuing the receipt is the first step in the recording process for receipts.

Voided Receipts

When an error is made on a receipt form, the word "void" should be written across the face of it, and all copies should be retained in the receipt book. Do not destroy voided receipts.

Distribution

The original is for the person making the payment and the other remains in the receipt book for the treasurer's records. The original receipt for mail payments need not be mailed to the payer but should be attached to the supporting papers accompanying the payment and filed.

CLAIM FORMS (GENERAL VOUCHERS)

Purpose

To provide written documentation for amounts authorized to be paid by the district for goods or services. General voucher forms are available from your local office supply store.

Preparation

Enter the check number which pays the claim in the box marked "Claim Number," the name, address, items, and amount.

Where required, signature of claimant must be obtained (see Declaration Form below).

The treasurer enters the date of the meeting at which the claim was approved by the district and signs the form.

The invoice received from the vendor may be used instead of preparing a new claim form. Merely enter the information required above on the invoice.

Declaration Form

Each claim form or other payment document (for example, an invoice) should include a declaration substantially in the following form, "I declare under the penalties of law that this account, claim, or demand is just and correct and that no part of it has been paid".

The requirement for this declaration is met if the following printing appears on the reverse of the check in payment of the claim:

The undersigned payee, in endorsing this check, declares that the same is received in payment of a just and correct claim against the district and that no part of it has heretofore been paid.

Requirement


A claim form is not needed in addition to an invoice, which documents a purchase.

Employees salaries or wages which have been fixed at an hourly or other periodic rate by the board of supervisors or amounts required by law to be paid (for example, PERA, FICA) need not be supported by a claim form.

WR-00910-01(5/88)

ORIGINAL TO PERSON MAKING PAYMENT

SOIL AND WATER CONSERVATION DISTRICT No. 278501
 GENERAL RECEIPT



_____, 19____

Received of _____ \$ _____
 _____ DOLLARS

For _____

Received by: _____
 (Name)

 (Title)

WR-00911-01 (5/88)

GENERAL VOUCHER

Claim Number _____

SOIL AND WATER CONSERVATION DISTRICT COUNTY, MINNESOTA

TO: _____ Address _____

I declare under the penalties of law, that I am the person making the within claim; that said account is just and true; that the money therein charged was actually paid for the purposes therein stated; that the property therein charged for was actually delivered or used for the purposes therein stated, and was of the value therein charged; that the services therein charged were actually rendered, and of value therein charged and the fees or amounts charged therefor are such as are allowed by law, and no part of said account has been paid.

Signature of Claimant or Agent _____ Date _____

Approved for payment by _____ day of _____, 19____ Soil and Water Conservation District at a meeting held on _____

Signature of District Treasurer _____ Date _____

CHECKS

Check Forms

Check forms should be pre-numbered so that all checks drawn on the bank can readily be accounted for. It is important that blank forms be physically protected by storing them in a secure place to prevent unauthorized use. Pre-signing of checks is NOT recommended.

Use

All invoices and expenses should be paid by check, with the exception of negligible items purchased with monies from the imprest fund (petty cash). Checks need to be signed by the treasurer or any other authorized person(s). Signatures of the authorized signers should be on record at the bank. More than one signature is recommended.

Voided Checks

When an error is made on a check, the word "VOID" should be written across the face of the check and the signature area—or the signature area can be removed. These checks should be kept along with the cancelled checks, in check number order.

INVOICES

Purpose

This is a district bill sent or given to a customer, which lists sales of materials or services rendered by the district when not paid upon delivery. These forms are available from your local office supply store.

Use

1. The charge slip is prepared by the supervisor or district employee at the time of delivery of goods or completion of services.
2. Enter the name and address of the customer.
3. List the service performed or material sold showing date, amount of each item, and total due.
4. The original is handed to or mailed to the customer. The copy is retained by the district.

WR-00812-01(5/88)



GENERAL INVOICE 70701

SOIL & WATER CONSERVATION DISTRICT

CHARGE:

Name
Address

For services rendered or material ordered as follows:

DATE	SERVICE PERFORMED OR MATERIAL ORDERED			AMOUNT
				\$
AMOUNT DUE				\$

MAKE CHECKS PAYABLE TO _____ SWCD

NOTE: These charges are NOT for services or other assistance supplied by a Federal Agency.

WHITE: Land Occupier

YELLOW: District

ACCOUNTS RECEIVABLE RECORD

Purpose

This is a record of an individual's purchases of materials or services rendered by the district when made on a credit basis. It also shows when payments are made and the balance remaining unpaid. These forms are available from your local office supply store.

Use

1. Prepare an accounts receivable card for each customer with a balance unpaid.
2. Enter the name and address of the customer.
3. Enter the charge from the invoice showing date, item, invoice number, and amount. Charges are shown in the **Debit** column and extended over to the **Balance** column.
4. As payments are made, a receipt is issued and the amount entered in the **Credit** column. This amount is subtracted from the previous balance and the difference entered in the **Balance** column.
5. At year-end, prepare a list showing the name and unpaid amount of each. The total of this list is the amount to be shown as "Accounts Receivable" on the "Combined Balance Sheet" at year-end.

ACCOUNTS RECEIVABLE RECORD

NAME: Gary Jacobsen

PHONE: 507-678-1234

ADDRESS: 1600 Harken
Sleepy Ear, MN 55820

DATE	INVOICE #	DESCRIPTION	CHARGES	PAYMENTS	BALANCE
04-01	70701	Trees & Planting	\$146.50		\$146.50
04-07	70925	Tubex	\$21.00		\$167.50
04-29	123456	Payment		\$100.00	\$67.50
06-08		Service Charge	\$0.68		\$68.18
07-08	124689	Payment		\$68.18	\$0.00

MONTHLY REPORTS

This section contains examples of journals, ledgers and reports as they might appear in a district office.

The bookkeeping procedures established in this manual provide for a double-entry, self-balancing system of maintaining accounting records. This is a system of debits and credits where debit transactions are equaled by credit transactions.

For example, when a district receives money for the sale of trees, its asset, "Cash," is *debited* (increased) and the revenue account, "Tree Sales," is *credited* (also increased). When the district pays the nursery for the trees, its asset, "Cash," is *credited* (decreased), while its expenditure account, "Tree Expense," is *debited* (increased). In both examples, the debits are equal to the credits.

The following schedule shows debit/credit combinations:

DEBITS	CREDITS
Increase assets (cash, accts. rec.)	Increase liabilities (accts. payable, sales tax, etc.)
Increase expenditures (emp. salary, supplies)	Increase fund balance
	Increase revenues (tree sales, equip. rental, etc.)
Decrease liabilities (sales tax, accts. pay.)	Decrease assets (cash, savings, receivables, etc.)
Decrease fund balance	Decrease expenditures (rent, salaries, emplr FICA, etc.)
Decrease revenues (plat books, interest earned)	

Receipt Journal

This is one of the basic financial records of the district and, as a book of original entry, is used to record all receipts (see following example).

A receipt is written for all monies received by the district.

Information from the receipts (for example, date, name of payer, receipt number, and amount) is entered in the Receipt Journal.

The total receipt amount is entered in the **Cash** column—either checking or savings—which is a *debit*. This amount is then entered again in one or more of the source columns, which are *credits*.

The credit columns indicate the major categories of revenue, as well as any specific sources within each category. Each district determines the amount of detail it needs within each category.

The three major receipt categories are:

- Intergovernmental Revenue
- Charges for Services
- Miscellaneous

At the end of the month all columns are totaled and balanced (debits must equal credits). The totals are posted to the "Cash" and revenue accounts in the General Ledger.

RECEIPTS JOURNAL

DATE	RECEIPT NO.	RECEIVED FROM	RECEIPT AMOUNT	INTERGOVERNMENTAL REVENUE				CHARGES FOR SERVICES				MISCELLANEOUS		SALES TAX PAYABLE	NOTES	
				LOCAL	COUNTY	STATE	FEDERAL	TREE SALES	PLANTING CHARGES	TUBEX SALES	NO-TILL DRILL	INTEREST	OTHER			
01/04	123456	Amy Grant	\$21.30					\$20.00							\$1.30	
01/04	123457	Pearly White	\$10.65								\$10.00				\$0.65	
01/04	123458	Samantha Clutter	\$15.98					\$15.00							\$0.98	
01/05	123459	Jiminy Cricket	\$53.25						\$50.00						\$3.25	
01/05	123460	Lee Hoskins	\$106.50					\$100.00			\$75.00				\$6.50	
01/05	123461	Mary McGregor	\$79.88												\$4.88	
01/10	123462	State of Minn. - RIM	\$9,000.00			\$9,000.00										
01/12	123463	PERA - REFUND	\$12.00											\$12.00		overpayment
01/14	123464	Jack Smith - deposit	\$20.00								\$20.00					
01/16	123465	Dept. of Rev - overpmt	\$2.13											\$2.13		refund - sales tax
01/18	123466	County - 1st qtr.	\$5,000.00		\$5,000.00											
01/18	123467	Pheesents Forever	\$1,000.00	\$1,000.00												
01/18	123468	Wade Wheelson	\$50.00						\$50.00							
01/22	123469	Fred Flintstone	\$40.00													
01/23	123470	Melvin Mertz	\$21.30					\$20.00			\$40.00					
01/24	123471	State Bank of My Town	\$101.50										\$101.50		\$1.30	
01/24	123472	MPCA	\$1,000.00			\$1,000.00										
01/26	123473	Quincy Adams	\$31.95								\$30.00				\$1.95	
01/27	123474	City of Rochester	\$500.00						\$500.00							
01/28	123475	Berry Nelson	\$42.60					\$40.00							\$2.60	
01/28	123476	Sterling Silver	\$100.00						\$100.00							
01/31	123477	Dorothy Dilem	\$53.25					\$50.00							\$3.25	
MONTHLY TOTAL			\$17,262.29	\$1,000.00	\$5,000.00	\$10,000.00	\$0.00	\$245.00	\$700.00	\$115.00	\$60.00	\$101.50	\$14.13	\$26.66		
				INTERGOVERNMENTAL REV.				\$16,000.00								
								CHARGES FOR SERVICES				\$1,120.00				
												MISC.	\$115.63			
													SALES TAX	\$26.66		
MONTHLY TOTAL														\$17,262.29		

Disbursement Journal

This is one of the basic financial records of the district and, as a book of original entry, is used to record all disbursements (see following example).

Entries showing the date, payee, check number, and amount are made from the check.

The total amount of the disbursement is entered in the **Cash** column, which is a *credit*. This amount is then entered again in one or more of the **Debit** columns, which distribute it to the proper spending categories.

The two major spending categories are "District Operations" and "Project Expenses." District Operations are detailed by expenditure accounts for Personal Services, Other Services and Charges, Supplies, and Capital Outlay. Project Expenses are listed as "State" or "District" projects with more detailed subaccounts as needed. Each district determines the amount of detail it needs within each category.

At the end of the month all columns are totaled and balanced (debits must equal credits) and totals are posted to the "Cash" and expenditure accounts in the General Ledger.

DISBURSEMENT JOURNAL

DATE	CHECK NO.	WRITTEN TO	AMOUNT	DISTRICT OPERATIONS - PERSONAL SERVICES					DIST. OPER. - OTHER SERV. & CHGS.				SUPPLIES		CAP. OUTLAY		PROJECT EXPENSE		
				SUPER. COMP.	EMPLOYEE SALARY	DISTRICT FICA	DISTRICT PERA	MEDICAL INSUR.	SUPER. EXPENSES	EMPLOYEE EXPENSES	RENT	POSTAGE & TELEPHONE	OFFICE	FIELD	EQUIPMENT PURCHASES	DISTRICT	STATE		
02/01	3901	State Bank of Cave	\$529.45		\$329.02	\$200.43													
02/01	3902	Don Block	\$60.00	\$55.00					\$5.00										
02/02	3903	William Wilson	\$130.00	\$110.00					\$20.00										
02/03	3904	Kenny Goodbois	\$57.00	\$55.00					\$2.00										
02/05	3905	Martin Peterson	\$147.00	\$130.00					\$37.00										
02/07	3906	Frank Pinata	\$88.00	\$55.00					\$33.00										
02/07	3907	Hardware Hank	\$67.00											\$67.00					
02/08	3908	Blue Cross	\$425.00					\$425.00											
02/11	3909	Dept. of Revenue	\$362.00		\$362.00														
02/11	3910	Amanda Brock	\$1,120.00		\$1,120.00														
02/11	3911	Henry Tobias	\$1,500.00		\$1,500.00														
02/16	3912	Postmaster	\$29.00									\$29.00							
02/16	3913	AT & T	\$124.00									\$124.00							
02/19	3914	PERA	\$112.14				\$112.14												
02/21	3915	Cave Office Supply	\$89.26										\$89.26						
02/21	3916	Amanda Brock	\$67.00						\$67.00										
02/26	3917	Henry Tobias	\$122.00						\$122.00										
02/27	3918	Amy Snow	\$1,200.00															\$1,200.00	
02/27	3919	Cave County Fairgrd.	\$65.00														\$65.00		
02/27	3920	Egghead Software	\$2,200.00													\$2,200.00			
MONTHLY TOTAL			\$8,494.65	\$385.00	\$3,311.02	\$200.43	\$112.14	\$425.00	\$97.00	\$189.00	\$0.00	\$155.00	\$89.26	\$67.00	\$2,200.00	\$65.00	\$1,200.00		
				Pers. Services				Other Serv. & Chgs				Supplies							
				\$4,433.59				\$439.00				\$156.26		\$2,200.00		\$65.00		\$1,200.00	
YEAR-TO-DATE TOTAL			\$17,018.00	\$810.00	\$7,334.00	\$411.40	\$246.00	\$850.00	\$220.00	\$356.00	\$900.00	\$398.00	\$127.00	\$67.00	\$2,200.00	\$488.00	\$1,200.00		

General Journal

This is one of the basic financial records of the district and is used to record all entries not recorded in the Receipt Journal or Disbursement Journal (see example).

General Journal entries are used for the following purposes:

- To transfer between accounts
- To record year-end adjusting entries
- To record year-end closing entries
- To record beginning of the year reversing entries

General Ledger

This is one of the basic financial records of the district and contains the accounts needed to show the financial position and results of operation of the district. This record has accounts for assets, liabilities, fund balance, revenues, and expenditures.

At the end of the month the totals from the receipts journal are entered in an account for each source of revenue and the totals from the Disbursement Journal are entered in an account for each expenditure category. Each district must determine the extent of detail or summarization it desires in its General Ledger according to its needs.

Generally, entries to the General Ledger accounts from the General Journal are made as they occur rather than at month-end.

In double-entry bookkeeping, the debits always must equal credits. At the end of each month a trial balance of all account balances in the General Ledger is prepared. This would show that the total of debit balances would equal the total of the credit balances as follows:

<u>Debit</u>		<u>Credit</u>
Assets		Liabilities
Expenditure		Fund Balance
		Revenues
Total	Equals	Total

GENERAL JOURNAL

DATE	DESCRIPTION	DEBIT	CREDIT
5/31	To record interest shown on May bank statement		
	Savings	\$108.00	
	Interest Earnings		\$108.00
6/15	To record telephone transfer from savings to checking		
	Checking	\$5,000.00	
	Savings		\$5,000.00
7/25	To correct supervisor comp. posted to employee salary		
	Supervisor Compensation	\$50.00	
	Employee Salary		\$50.00
9/30	To set up accounts receivable for Merlyn Whitacker		
	Accounts Receivable	\$266.25	
	Tree Sales		\$250.00
	Sales Tax Payable		\$16.25

Trial Balances

Trial balances must be prepared at the end of each month to assure the books are in balance.

A trial balance is a list of the balances of the accounts in the General Ledger. The debit and credit balances are shown in separate columns and the totals of the two columns must equal. If they do not balance, check posting for proper amounts or correct column.

	DEBIT	CREDIT
Cash Checking	\$15,000	
Cash Savings	20,000	
Petty Cash	20	
Investments	10,000	
Accounts Receivable	250	
Accounts Payable		\$150
Sales Tax Payable		250
Deposit on Sales		9,000
Fund Balance		40,220
Intergovernmental Revenue - State		22,000
Intergovernmental Revenue - County		15,000
Charges for Services		11,000
Miscellaneous Revenue - Interest		950
Miscellaneous Revenue - Other		700
District Operations - Personal Services	25,000	
District Operations - Other Services	10,000	
District Operations - Supplies	1,000	
Project Expenditures - State	12,000	
Project Expenditures - District	6,000	
TOTALS	99,270	99,270

Program Record

The program record is a supplemental record, which makes it possible to report on the cash status of the various programs of the district (see following example).

The district must establish the beginning cash balances (checking, savings, investments), according to the various programs or funding sources (for example, county, district). The headings shown in the exhibit are examples only. Districts may use all or some of the programs listed.

At the end of each month the receipts and checks as shown on the Receipt Journal and Disbursement Journal are entered on this record and allocated to the proper program.

PROGRAM RECORD

	Cash			BWSR Service Grants			Cost-Share Projects			County Funds			District Funds			Water Plan		
	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance	Receipts	Disbursements	Balance
Beginning Balance 1/1/95			\$45,325			\$16,325			\$10,000			\$0			\$19,000			\$0
REVENUES - JAN. 1995																		
Intgovt1 - local			\$45,325															
Intgovt1 - County	\$15,000		\$60,325							\$15,000	\$3,000	\$12,000				\$3,000		\$3,000
Intgovt1 - State																		
Intgovt1 - Federal																		
Charges for Services	\$17,600		\$77,925										\$17,600		\$36,600			
Miscellaneous -																		
Interest	\$320		\$78,245										\$320		\$36,920			
Other	\$28		\$78,273										\$28		\$36,948			
EXPENDITURES - JAN. 1995																		
District Operations -																		
Personal Services		\$2,600	\$75,673		\$2,600	\$13,725												
Other Services & Chgs.		\$3,450	\$72,223										\$3,450		\$33,498			
Supplies		\$45	\$72,178										\$45		\$33,453			
Capital Outlay		\$72	\$72,106										\$72		\$33,381			
Project Expense -																		
District		\$480	\$71,626											\$480	\$32,901			
State		\$1,270	\$70,356					\$1,270	\$8,730									
Totals for January	\$32,948	\$7,917	\$70,356	\$0	\$2,600	\$13,725	\$0	\$1,270	\$8,730	\$15,000	\$3,000	\$12,000	\$17,948	\$4,047	\$32,901	\$3,000	\$0	\$3,000
Beginning Balance 2/1/95			\$70,356			\$13,725			\$8,730			\$12,000			\$32,901			\$3,000
REVENUES - FEB. 1995																		
Intgovt1 - local																		
Intgovt1 - County																		
Intgovt1 - State																		
Intgovt1 - Federal																		
Charges for Services	\$2,450		\$72,806										\$2,450		\$35,351			
Miscellaneous -																		
Interest	\$425		\$73,231										\$425		\$35,776			
Other	\$15		\$73,246										\$15		\$35,791			
EXPENDITURES - FEB. 1995																		
District Operations -																		
Personal Services		\$2,550	\$70,696		\$2,550	\$11,175												
Other Services & Chgs.		\$3,210	\$67,486		\$3,210	\$8,625												
Supplies		\$30	\$67,456		\$30	\$5,415												
Capital Outlay																		
Project Expense -																		
District		\$300	\$67,156											\$300	\$35,491			
State																		
Totals for February 1995	\$2,890	\$6,090	\$67,156	\$0	\$5,790	\$7,935	\$0	\$0	\$8,730	\$0	\$0	\$12,000	\$2,890	\$300	\$35,491	\$0	\$0	\$3,000
Year-to-Date Totals	\$35,838	\$14,007	\$67,156	\$0	\$8,390	\$7,935	\$0	\$1,270	\$8,730	\$15,000	\$3,000	\$12,000	\$20,838	\$4,347	\$35,491	\$3,000	\$0	\$3,000

Monthly Treasurer's Report

This report should be prepared monthly to summarize the location of the district's cash and the distribution of its cash among district programs.

MONTHLY TREASURER'S REPORT				
FEBRUARY 28, 1995				
Use of Cash	Beginning Balance	Receipts	Disbursements	Ending Balance
CHECKING	\$15,350	\$890	\$6,090	\$10,150
SAVINGS	\$25,000	\$2,000		\$27,000
INVESTMENTS	\$30,000			\$30,000
PETTY CASH	\$6			\$6
TOTALS	\$70,356	\$2,890	\$6,090	\$67,156
PROGRAM SUMMARY				
DISTRICT FUNDS	\$32,901	\$2,890	\$300	\$35,491
COUNTY FUNDS	\$12,000	\$0	\$0	\$12,000
BWSR GEN. SERVICE	\$13,725	\$0	\$5,790	\$7,935
BWSR COST-SHARE	\$8,730	\$0	\$0	\$8,730
WATER PLAN	\$3,000	\$0	\$0	\$3,000
TOTALS	\$70,356	\$2,890	\$6,090	\$67,156

Treasurer's Signature: _____

Date: _____

OTHER IMPORTANT REPORTS AND PROCEDURES

Reconciling Bank Statement

1. The bank balance should be reconciled each month with the balance shown in the General Ledger "Cash" account.
2. Enter the bank balance at the end of the month as shown on the bank statement.
3. Add undeposited receipts.
4. List all checks that have been issued but not paid by the bank and enter the total opposite the line "Total Checks Outstanding."
5. Subtract "Total Check Outstanding" from the total of the bank balance and undeposited receipts.
6. The result of the calculation in No. 5 should equal the balance in the General Ledger "Cash" account.
7. If the balances do not agree:
 - a. Recheck additions and subtractions.
 - b. Look for differences between amounts entered on the check and the disbursement register.
 - c. Look for errors by bank in entering amounts of checks or deposits on the bank statement.
 - d. Look for bank charges not deducted from district's cash balance.
 - e. Look for interest earned that has not been added to the district's cash balance.

Interim Budget Report

Purpose

This is the execution process of the budget plan and its purpose is to monitor the actual revenues and expenditures against the estimates in the approved budget.

This report should be prepared with such frequency as required by the district board. While a quarterly report might serve the management needs of most districts, we recommend that monthly budget reports be prepared and submitted as part of the treasurer's monthly report.

Fiscal Year Budget

Enter in this column the amounts of expenditures and revenues as finally approved and adopted.

Year-to-Date Expenditures/Revenues

Enter here the amounts for each category from the Disbursement Journal and Receipt Journal.

Percent Used

Divide the actual by the budgeted amounts and enter the % used to date.

Balance

This is the budgeted amount less the actual.

**CAVE COUNTY SWCD
INTERIM BUDGET REPORT
APRIL 30, 1993**

ACCOUNT	BUDGETED AMOUNT	ACTUAL YTD AMOUNT	BALANCE REMAINING	PERCENT USED
EXPENDITURES				
Supervisor Comp.	\$4,000.00	\$1,000.00	\$3,000.00	25.00%
Employee Salary	\$32,000.00	\$15,000.00	\$17,000.00	46.88%
Employer FICA	\$2,500.00	\$1,150.00	\$1,350.00	46.00%
Employer PERA	\$1,500.00	\$650.00	\$850.00	43.33%
Rent	\$2,400.00	\$1,200.00	\$1,200.00	50.00%
Telephone	\$1,200.00	\$250.00	\$950.00	20.83%
Postage	\$400.00	\$50.00	\$350.00	12.50%
Fees and Dues	\$1,500.00	\$1,500.00	\$0.00	100.00%
Education	\$2,000.00	\$203.00	\$1,797.00	10.15%
Vehicle Maint.	\$1,000.00	\$150.00	\$850.00	15.00%
Office Supplies	\$600.00	\$400.00	\$200.00	66.67%
Training	\$2,300.00	\$800.00	\$1,500.00	34.78%
Subscriptions	\$200.00	\$120.00	\$80.00	60.00%
Equipment Purchases	\$2,000.00	\$850.00	\$1,150.00	42.50%
State Cost-Share	\$12,000.00	\$4,000.00	\$8,000.00	33.33%
Miscellaneous	\$500.00	\$200.00	\$300.00	40.00%
TOTALS	\$66,100.00	\$27,523.00	\$38,577.00	41.64%
REVENUES				
Local Govt. Rev.	\$500.00	\$100.00	\$400.00	20.00%
County Rev.	\$33,000.00	\$16,500.00	\$16,500.00	50.00%
BWSR Cost-Share	\$12,000.00	\$4,000.00	\$8,000.00	33.33%
BWSR Gen. Serv.	\$9,000.00	\$4,000.00	\$5,000.00	44.44%
Federal Govt. Rev.	\$1,200.00	\$500.00	\$700.00	41.67%
Tree Sales	\$5,000.00	\$2,700.00	\$2,300.00	54.00%
Observation Wells	\$2,400.00	\$0.00	\$2,400.00	0.00%
Newsletter Ads	\$500.00	\$200.00	\$300.00	40.00%
Interest Earnings	\$2,000.00	\$700.00	\$1,300.00	35.00%
Miscellaneous	\$500.00	\$150.00	\$350.00	30.00%
TOTALS	\$66,100.00	\$28,850.00	\$37,250.00	43.65%

Employees Earnings Record

Purpose

This record should be maintained for each employee as a record of details on computation of salary, deductions, and net pay. Record on the calendar year basis. The tax withholding information is used to prepare the "W2" forms at the end of the year.

Use

1. Enter employee's name and address.
2. Enter employee's Social Security Number.
3. Enter marital status and number of exemptions claimed by employee for federal and state income tax withholding.
4. If desired, additional information may be provided on this record (for example, date of employment, date of election, etc.).
5. Enter ending pay period date, hours worked, and hourly rate (or number of meetings attended if paying supervisors).
6. Compute any taxable meals and mileage.
7. Compute gross earnings.
8. Enter deductions for federal and state withholding tax, PERA, FICA, Medicare, insurance, and other deductions.
9. Compute net pay.

Columns should be totaled as needed to prepare monthly, quarterly, and yearly reports.

Payroll Register

Purpose

This record is prepared each payroll period and is a summary of the individual employee's earnings records. The district's contribution to employees' retirement system and other fringe benefits are also shown. This allows employee and employer contributions to be included in one check when payment is made.

Use

1. Enter the pay period and pay information from the employee's earnings record.
2. Compute the district's contribution for PERA, FICA, Medicare, medical insurance, and other fringe benefits and enter.
3. Total all columns for each payroll period and enter check number when submitting payment of employer's and employee's FICA and Medicare contribution to the bank or employee's and employer's contribution to PERA. Also record payments of state withholding and any medical insurance payments, if part of payroll.

Recording of General Fixed Assets (Inventory)

Purpose

A record of fixed assets (inventory list) is necessary to help assure that property and equipment are not stolen, misused, or subjected to undue wear and tear.

Use

Each fixed asset should be assigned an inventory number that should be affixed to it for identification and security and should be recorded on the inventory list at time of purchase.

Property or equipment should be valued at the total purchase price. Assets acquired by gift should be valued at their fair value on the date of the gift.

The fixed asset schedule should include all acquisitions with a cost of \$50 or more (or an amount agreed upon by the board and recorded in the board minutes).

Enter the acquisition date, a brief description of the item, check number, vendor, and purchase price on the inventory list as each purchase is made.

Balance Sheet

Purpose

This is a statement that discloses the assets, liabilities, and fund balance to show financial position of the general fund at a specified date. Its formal title under governmental accounting rules is “Statement of Net Assets and Governmental Fund Balance Sheet.”

Preparation

List all General Ledger asset account balances.

List all General Ledger liability account balances.

List the fund balance after the closing entry has been entered.

The balance sheet can be prepared more simply by using the amounts shown on the working trial balance. Note that the fund balance is adjusted by the excess.

Information for the Capital Assets lines is taken from the fixed asset (inventory) listing.

Information for the Long-Term Liabilities lines should be taken from your payroll records or subsidiary journal for payroll. This amount reflects the total amount due to employees for unpaid vacation, sick leave and compensatory time as of the end of the year.

To complete the “Adjustments” column and the “Statement of Net Assets” column, follow the instructions in the year-end instructions received annually from BWSR. These adjustments will bring the statements into compliance with the governmental accounting standard GASB34.

SOIL AND WATER CONSERVATION DISTRICT
YOUR LOCATION, MINNESOTA

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 200X

	General Fund	Adjustments See Notes	Statement of Net Assets
<u>Assets</u>			
Cash and investments	\$		\$
Accounts receivable			
Due from other governments			
Prepaid items			
Capital Assets:			
Equipment (net of accumulated depreciation)	_____	_____	_____
Total Assets	\$	\$	\$
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$		\$
Salaries payable			
Deferred revenue			
Long-term liabilities:			
Due within one year			
Due after one year	_____	_____	_____
Total Liabilities	\$	\$	\$
<u>Fund Balance/Net Assets</u>			
Fund Balance/Net Assets			
Reserved for prepaid items	\$	(\$)	\$0
Unreserved			
Designated for future projects		()	0
Undesignated	_____	()	0
Total Fund Balance	\$	(\$)	\$0
Net Assets			
Invested in capital assets		\$	\$
Unrestricted	_____	_____	_____
Total Net Assets		\$	\$

Notes are an integral part of the basic financial statements.

Income Statement

Purpose

This statement which revenues by source and expenditures by function for the fiscal year and show the effect of the excess or deficiency of revenues over expenditures on fund balance. Its formal title under governmental accounting rules is “Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance.”

Preparation

List all General Ledger revenue account balances classified by source.

List all General Ledger expenditure account balances classified by function.

Subtract total expenditures from total revenues and add the excess of revenues over expenditures to the fund balance at the beginning of the fiscal year. If expenditures are greater than revenues, subtract the excess of expenditures over revenues from the beginning fund balance.

To complete the “Adjustments” column and the “Statement of Activities” column, follow the instructions in the year-end instructions received annually from BWSR. These adjustments will bring the statements into compliance with the governmental accounting standard GASB34.

This statement can be prepared more easily by using amounts shown on the working trial balance.

SOIL AND WATER CONSERVATION DISTRICT
YOUR LOCATION, MINNESOTA

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 200X

	General Fund	Adjustments See Notes	Statement of Activities
Revenues			
Intergovernmental	\$		\$
Charges for services			\$
Investment earnings			
Miscellaneous			
Total Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Expenditures			
Conservation			
Current	\$		\$
Capital outlay		()	0
Total Expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>
Excess of Revenues Over (Under)			
Expenditures	\$	\$	\$
Fund Balance/Net Assets January 1			
Fund Balance/Net Assets December 31	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

Notes are an integral part of the basic financial statements

Budget Comparison Statement

Purpose

This is a statement that shows the reader the difference between the budgeted revenue and expenditures for the year and the actual results.

There are two columns provided for budgeted revenue and expenditures. If you had only one budget and did not revise your budget during the year, then eliminate the “Original Budget” column and use only the “Final Budget” column.

SOIL AND WATER CONSERVATION DISTRICT
YOUR LOCATION, MINNESOTA

BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 200X

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Neg)</u>
Revenues				
Intergovernmental				
County	\$	\$	\$	\$
Local				
Federal				
State grant				
Total intergovernmental	\$	\$	\$	\$
Charges for services	\$	\$	\$	\$
Miscellaneous				
Interest earnings	\$	\$	\$	\$
Other				
Total miscellaneous	\$	\$	\$	\$
Total Revenues	\$	\$	\$	\$
Expenditures				
District operations				
Personal services	\$	\$	\$	\$
Other services and charges				
Supplies				
Capital outlay				
Total district operations	\$	\$	\$	\$
Project expenditures				
District	\$	\$	\$	\$
State				
Total project expenditures	\$	\$	\$	\$
Total Expenditures	\$	\$	\$	\$
Excess of Revenues Over (Under)				
Expenditures	\$	\$	\$	\$
Fund Balance - January 1	\$	\$	\$	\$
Fund Balance - December 31	\$	\$	\$	\$

Notes are an integral part of the basic financial statements.

Notes to the Financial Statements.

Purpose: Notes to the Financial Statements provide the reader with background information for what your district has reported in the three primary financial statements. They are standardized to what all government units and non-government entities prepare. The notes below are recent, but keep in mind that a new template is sent each year along with the year-end instructions.

**BREAKDOWN OF COUNTY REVENUE
200X**

COUNTY REVENUES (breakdown):

ANNUAL ALLOCATION \$ _____

WATER PLAN MONEY \$ _____

WETLAND MONEY \$ _____

FEEDLOT MONEY \$ _____

ABANDONED WELL \$ _____

DNR SHORELAND \$ _____

OTHER (specify) \$ _____

TOTAL \$ _____

NOTE: The total should agree with amount reported as **County Revenue** in the "Budgetary Comparison Schedule."

List other "non-cash" county support (i.e. rent, health insurance, etc.) that does not show up anywhere on your annual report.

**DEFERRED REVENUE BREAKDOWN
200X**

Balance of BWSR Service Grants: \$ _____

Balance of unencumbered BWSR Cost-Share Grants: Current fiscal year \$ _____

Previous fiscal year \$ _____

Balance of encumbered BWSR Cost-Share Grant (list each contract separately):

<u>FY</u>	<u>Contract No.</u>	<u>Contract Amount</u>	<u>T & A Encumbered</u>

Total of all Cost-Share Encumbrances \$ _____

Balance of County WCA Funds: \$ _____

Balance of County Water Plan Funds: \$ _____

Balance of other funds being deferred (list if any):

_____ \$ _____

_____ \$ _____

_____ \$ _____

Subtotal of other funds: \$ _____

TOTAL OF ALL DEFERRED REVENUE: \$ _____

NOTES TO THE FINANCIAL STATEMENTS
December 31, 200X

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial reporting policies of the _____ Soil and Water Conservation District (District) conform to generally accepted accounting principles. These statements are prepared in accordance with Government Accounting Standards Board Rule 34, which changes the way both the statement of condition and the statement of revenues and expenses are reported.

A. Financial Reporting Entity

The district is organized under the provisions of Minnesota Statutes Chapter 103C and is governed by a Board of Supervisors composed of five members nominated by voters of the District and elected to four-year terms by the voters of the County.

The purpose of the District is to assist land occupiers in applying practices for the conservation of soil and water resources. These practices are intended to control wind and water erosion, pollution of lakes and streams, and damage to wetlands and wildlife habitats.

The _____ Soil and Water Conservation District, in cooperation with the U.S. Department of Agriculture Natural Resources Conservation Service and other agencies, provides technical and financial assistance to individuals, groups, organizations, and governments in reducing costly waste of soil and water resulting from soil erosion, sedimentation, pollution, and improper land use.

Each fiscal year the District develops a work plan that is used as a guide in using resources effectively to provide maximum conservation of all lands within its boundaries. The work plan includes guidelines for employees and technicians to follow in order to achieve the District's objectives.

The District is not considered a part of _____ County because, even though the County provides a significant amount of the District's revenue in the form of an appropriation, it does not retain any control over the operations of the District.

Generally accepted accounting principles require that the financial reporting entity include the primary government and component units for which the primary government is financially accountable. Under these principles the District does not have any component units.

B. Basis of Presentation - Fund Accounting

The accounts of the _____ Soil and Water Conservation District are organized on the basis of a fund and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

B. Basis of Presentation - Fund Accounting (Continued)

1. Governmental Funds: General Fund

The General Fund is used to account for all revenues and expenditures incurred in operating the District.

2. General Fixed Assets Account Group

This account group is used to record the District's general fixed assets, which include furniture and equipment.

3. General Long-Term Debt Account Group

This account group records earned but unpaid vacation and sick leave that has vested or is expected to vest.

C. Government-Wide Financial Statements

The government-wide financial statements (i.e. The Statement of Net Assets and the Statement of Activities) report information on all the nonfiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

The government reports the general fund as its only major governmental fund. The general fund accounts for all financial resources of the government.

The District's financial statements (general fund) are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenue sources susceptible to accrual include intergovernmental revenues, charges, and interest. Expenditures are recorded when the corresponding liabilities are incurred.

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. If the District also receives an annual appropriation from the County, it is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period.

Investment earnings and revenues from the sale of trees are recognized when earned. Agricultural conservation fees and other revenue are recognized when they are received in cash because they usually are not measurable until then.

Project expenditures represent costs that are funded from federal, state, or district revenues. State project expenditures consist of grants to participants of the cost-Share Program and other state programs. District project expenditures are costs of materials and supplies in District projects.

In accordance with Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs.

D. Budget Information

The District adopts an estimated revenue and expenditure budget for the General Fund. Comparisons of estimated revenues and budgeted expenditures to actual are presented in the financial statements in accordance with generally accepted accounting principles. Amendments to the original budget require board approval. Appropriations lapse at year-end. The District does not use encumbrance accounting.

E. Assets, Liabilities, and Equity Accounts

1. Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost.

Beginning with statement year 2004, fixed assets (capital assets) are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. General fixed assets are still valued at historical or estimated historical cost.

2. Liabilities

Long-term liabilities, such as compensated absences, are accounted for in the General Long-Term Debt Account Group.

3. Equity

Investment in general fixed assets represents the District's equity in general fixed assets.

Reserved fund balance indicates the portion of fund equity that has been legally segregated for specific purposes or is not appropriate for spending.

Unreserved, designated account indicates the portion of fund equity that the District

has set aside for planned future expenditures.

Unreserved, undesignated fund balance account indicates the portion of fund balance that is available for budgeting and spending in future periods.

F. Explanation of Adjustments Column in Statements

1. **Capital Assets:** In the Statement of Net Assets and Governmental Fund Balance Sheet, an adjustment is made if the district has capital assets. This adjustment equals the net book balance of capitalized assets as of the report date, and reconciles to the amount report in Note IV.
2. **Long-Term liabilities:** In the Statement of Net Assets and Government Fund Balance Sheet, an adjustment is made to reflect the total of Compensated Absence liability the district has as of the report date. See Note 1-G below.
3. **Depreciation and Change in Compensated Absences for the year:** In the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance, the adjustment equals the total depreciation for the year reported, plus or minus the change in Compensated Absences between the reporting year and the previous year. This number is supported by figures in Note IV and in Note I-G below.

G. Vacation and Sick Leave

Under the District's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from _____ to _____ hours per month. Sick leave accrual is _____ days per year. The limit on the accumulation of annual leave is _____ hours and the limit on sick leave is _____ hours. Upon termination from the District by retirement, employees are paid accrued vacation leave and up to _____ hours of accrued sick leave. On termination of employment by illness or death, employees are paid accrued vacation and up to _____ hours of accrued sick leave.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

(Use only notes that are applicable to your district—if one does not apply, type “N/A” in those blanks, except item “C”)

A. General Fund Deficit

At December 31, 2007, the District's General Fund had a deficit fund balance of \$_____. The deficit is expected to be eliminated by future revenue sources.

B. Excess of Expenditures Over Budget

During 2007, actual expenditures, \$_____, exceeded budgeted expenditures, \$_____, by \$_____.

C. Uncollateralized deposits

During 2007, the District's deposits with financial institutions _____ (exceeded at various times, did not exceed) insurance, surety bond, or collateral.

III. DEPOSITS AND INVESTMENTS

Minnesota Statutes 118A.02 and 118A.04 authorize the District to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At December 31, 2007, the District's deposits totaled \$ _____, of which \$ _____ were cash deposits and \$ _____ was invested in certificates of deposit. Minnesota Statutes require that all District deposits be covered by insurance, surety bond, or collateral. At December 31, 2007, all the District's deposits were covered by insurance or collateralized with securities held by the District or its agent in the District's name.

IV. CHANGES IN CAPITAL ASSETS

Equipment

Balance January 1, 2007	\$ _____
Additions	\$ _____
Deletions	\$ _____
2007 depreciation	\$ _____
Balance December 31, 2007	\$ _____

Note: Beginning and Ending Balance are net of accumulated depreciation, which totaled \$ _____ as of December 31, 2007.

The District uses a threshold of \$xx for capitalizing assets purchased. Those physical assets under \$xx are expenses directly and not capitalized.

V. DEFERRED REVENUE

Deferred Revenue represents unearned advances from the Minnesota Board of Water and Soil Resources and _____ County for various programs. Revenues will be recognized when the related program expenditures are recorded.

Total Deferred Revenue as itemized on "Deferred Revenue Breakdown" is \$ _____.

VI. COMPENSATED ABSENCES PAYABLE

Changes in long-term debt for the period ended December 31, 2007 are:

Balance January 1, 2007	\$ _____
Net Changes in Compensated Absences	\$ _____
Balance December 31, 2007	\$ _____

VI – B. ADJUSTMENTS TO FINANCIAL STATEMENTS

See Note 1-F.

VII. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. To cover these risks, the District has purchased commercial insurance. Property and casualty liabilities and workers' compensation are insured through _____.

The District is covered for errors and omissions through _____.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

VIII. PENSION PLAN

A. Plan Description

The District contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA provides retirement benefits as well as disability to members, and benefits to survivors upon death of eligible members. The plan and its benefits are established and administered in accordance with Minnesota Statute Chapters 353 and 356. PERA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employees Retirement Association, 60 Empire Drive, Suite 200, St. Paul, Minnesota, 55103-1855.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.50%, respectively, of their annual covered salary in 2007. The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.50% effective January 1, 2008. The District's employer share of contributions to PERA for the years ending December 31, 2007, 2006, and 2005 were \$_____, \$_____, and \$_____ respectively, equal to the contractually required contributions for each year as set by Minnesota Statute.

IX. OPERATING LEASES

The District leases office space on a yearly basis. Under the current agreement, total costs for 2007 were \$_____.

Management's Discussion and Analysis

Purpose: The MD&A was a requirement that districts were required to do starting in 2004. It is a narrative discussion of the year's results, as opposed to the financial statements and notes, which are primarily "numerical." They provide explanation for changes in the statements and for variances in the budget vs. actual results. The year-end instructions give tips on completing the MD&A.

AUDIT REQUIREMENTS

As it stands now (2008), a district will be audited at least once every three years or whenever the total revenues since last audit reaches \$500,000. The "total revenue" figure is taken off the year-end "Statement of Revenues, Expenditures and Changes in Fund Balance" in the **Actual** column. This is a cumulative total of annual revenues. For example, if the district was audited for 2005 and you had total revenues of \$300,000 for 2006 and \$350,000 for 2007, the district would be audited again for 2007--the year in which it reached the \$500,000 threshold.

The audit must be conducted by an independent certified public accountant and then submitted first to the Office of the State Auditor in draft form, and once approved, sent to BWSR. Instructions for the audit process and notification of audit required are sent to districts annually by the BWSR Central Office.

ADDITIONAL NOTES

There is often confusion between receipts vs. revenues and expenditures (expenses) vs. disbursements.

Revenues increase your Fund Balance, as well as your cash, while receipts increase your cash, but may or may not affect your Fund Balance. When you receipt sales tax monies (liability, your Fund Balance is unchanged. When you receipt an Accounts Receivable payment (asset), your Fund Balance is likewise unaffected. Your tree receipts, newsletter ad receipts, interest earnings, rental income, etc. will all affect your Fund Balance. Even refunds you receive, which reduce expenses, affect your Fund Balance, even though they would not be considered revenues.

Disbursements, as recorded in your Disbursement Journal, can also be checks written that do not reflect **expenses**. When you pay your Sales Tax Payable, you are simply reducing a liability account. You may also write a check to transfer money from checking to savings—reducing one asset and increasing another. When you return money to a tree customer, you are reducing a revenue account (Trees Sales). Refunds of revenues do reduce the Fund Balance, but will not be reflected on your Interim Budget Report as Expenditures. Examples of expenditures are shown on the "Chart of Accounts" and may vary from district to district, depending on the programs in which each district is engaged.

Another confusing item is the account Deposit on Sales, a liability account. This is the account used for posting monies received for sales, but before the sale has been completed. Many districts collect money for upcoming tree sales before the end of the fiscal year (December 31). Since the customer has received nothing yet for his money, you are simply holding it and must at some point either refund his money or deliver the goods. Until your customer has received his goods, you do not call this money **revenue**. It is still collected, to show a "good faith" order for goods, but it is all posted to your liability account. Many districts reverse this total soon after the new year begins, while others choose to leave it in their liability account until after all the sales have been completed.

The asset account, Prepaid Expense, is just the opposite of Deposit on Sales. This is the money you have sent to a vendor for goods that you have not yet received. Districts may send money to nurseries for trees when they place an order. If this payment occurs before the end of the year, but is for trees to be sold in a subsequent year, then this payment is considered a **prepaid expense**.

MOST FREQUENTLY ASKED QUESTIONS

1. Where do I post a refund?

Whenever possible, post the refund to the account to which the original check was posted. For example, if you receive a sales tax refund, post the refund to "sales tax payable". If you receive a refund from a hardware store for tree sales supplies that you returned, post the refund to "tree expenses" (reducing the expenditure account). On the other side, if you have to refund money from tree sales to a customer, post that refund to your "tree sales" account (reducing the revenue account).

2. How do I replenish my petty cash account?

If you carry \$20 worth of petty cash on your books, but your policy is to replenish it when it goes below \$5, you will need to write a check (made out to your district) for cash. When posting that check, you will need to know what the cash was used for or what receipts were made into petty cash. If payments made from petty cash were \$4.00 for office supplies, \$2.90 for postage, \$4.50 for employee expenses, and \$8.00 for tree expenses, and you received \$2.00 from an employee for stamps purchased, you would *credit* cash for the total amount of the check and *debit* each of the expenditure accounts for the amount of each payment, and *credit* the postage expense account for the \$2.00 you received. In this case you would:

Credit Cash	\$17.40
Credit Postage	2.00
Debit Office Supplies	\$4.00
Debit Postage	2.90
Debit Employee Exp.	4.50
Debit Tree Expenses	8.00

3. How should we write off a bad debt?

Like refunds, bad debts should be posted to the appropriate revenue accounts as *debits* (reducing them). If this is done in the same calendar year as the original posting, then the total for that account will be correct. If this is done in a subsequent year, the total will average out--but neither year will be exact.

If, at year-end, you set up a receivable for John Doe for unpaid tree sales, your entry might have been:

Debit - Accts. Receivable	\$110.00
Credit - Tree Sales	\$100.00
Credit - Sales Tax	6.50
Credit - Service Chgs.	3.50

If you want to write this account off, you would need to reverse this entry to reduce your accounts receivable total.

Debit - Tree Sales	\$100.00
Debit - Sales Tax	6.50
Debit - Service Charges	3.50
Credit - Accts. Receivable	\$110.00

The only thing you need to be aware of is the total in each of these accounts at the time of the entry. If the entry is made in a subsequent year (as is usually the case), you don't want to debit a revenue account (i.e. tree sales) for more than the total credit balance of the account. Then you should consider posting the amount to a miscellaneous account and provide a paper trail for future reference.

4. How do I set up accounts receivable?

Most districts only set up receivables at year-end, although setting them up after a shorter period of time would give the Board a better picture of your financial position. If a client owes you money for trees and weed badger rental, plus the appropriate sales tax for these items, you would make an entry to:

Debit - Accts. Receivable	Total due
Credit - Trees	Amount for trees
Credit - Weed Badger	Amount for rental
Credit - Sales Tax	Amount of tax due

If you add a monthly service charge to the bill, you would make another monthly entry in your books, as well as adding the amount of service charges to that client's accounts receivable card.

Debit - Accts. Receivable	Amount of service charge
Credit - Interest	Amount of service charge

If you have a separate account for service charges, you would use that instead of "interest earnings."

UNIFORM CHART OF ACCOUNTS

A Chart of Accounts is necessary to provide for uniform terminology and meaningful financial reporting. It is also used for budgeting purposes and monthly bookkeeping duties.

This Chart of Accounts is very basic and is used by those doing manual or computerized bookkeeping. Account numbers are not required for manual bookkeeping but are necessary for computerized bookkeeping.

The following accounts make up the General Ledger, and each account should be on a separate page for manual bookkeeping:

<u>Acct. No.</u>	<u>Account Name</u>	<u>Acct. Type</u>
1-1010-00	Cash Checking	Asset
1-1012-00	Cash Savings	Asset
1-1020-00	Petty Cash	Asset
1-1050-00	Investments	Asset
1-1150-00	Accounts Receivable	Asset
1-1250-00	Prepaid Expenses	Asset
1-1320-00	Due From Other Govts.	Asset
1-1350-00	Interest Receivable	Asset
1-2020-00	Accounts Payable	Liability
1-2060-00	Accrued Salaries Pay.	Liability
1-2080-00	Due To Other Govts.	Liability
1-2080-01	Sales Tax Payable	Liability
1-2220-00	Deferred Revenue	Liability
1-2220-02	Deposits on Sales	Liability
1-2535-00	Fund Balance	Fund Balance
	Intergovernmental Revenue	
1-3300-03	Local	Revenue
1-3300-04	County	Revenue
1-3300-05	State	Revenue
1-3300-06	Federal	Revenue
1-3400-00	Charges for Services	Revenue
	Miscellaneous Revenue	
1-3600-07	Interest	Revenue
1-3600-08	Other	Revenue
	District Operations	
1-4600-09	Personal Services	Expenditure
1-4600-10	Other Services & Chgs.	Expenditure
1-4600-11	Supplies	Expenditure
1-4600-12	Capital Outlay	Expenditure
	Project Expenses	
1-4700-13	District	Expenditure
1-4700-14	State	Expenditure

You may wish to modify your accounting system by deleting accounts you don't need or adding sub-accounts for more detail. The following lists of Revenue and Expenditure Accounts are typical of districts using the computer accounting system:

<u>Acct. No.</u>	<u>Account Name</u>	<u>Sub-Account of:</u>
REVENUES		
1-01	Local Govt. Rev.	Intgovt Rev - Local
1-02	County Allocation	Intgovt Rev - County
1-03	Water Plan	Intgovt Rev - County
1-04	BWSR Cost-Share	Intgovt Rev - State
1-05	BWSR Service Grant	Intgovt Rev - State
1-06	LCMR Grant	Intgovt Rev - State
1-07	Other State Grants	Intgovt Rev - State
1-08	Federal Grants	Intgovt Rev - Federal
1-09	Tree Sales	Charges for Services
1-10	Planting Charges	Charges for Services
1-11	Weed Badger	Charges for Services
1-12	Plat books	Charges for Services
1-14	Newsletter Ads	Charges for Services
1-16	Other Misc. Chgs.	Charges for Services
1-17	Interest Earnings	Misc. Rev. - Interest
1-18	Other Misc. Revenues	Misc. Rev. - Other
EXPENDITURES		
1-101	Supervisor Compensation	Personal Services
1-102	Employee Salary	Personal Services
1-103	Employer Cont. - FICA	Personal Services
1-104	Employer Cont. - PERA	Personal Services
1-105	Employer Pd. Health Ins.	Personal Services
1-201	Supervisor Expenses	Other Serv. & Chgs.
1-203	Employee Expenses	Other Serv. & Chgs.
1-204	Telephone	Other Serv. & Chgs.
1-205	Postage	Other Serv. & Chgs.
1-206	Professional Services	Other Serv. & Chgs.
1-207	Fees and Dues	Other Serv. & Chgs.
1-208	Office Maintenance	Other Serv. & Chgs.
1-209	Rent	Other Serv. & Chgs.
1-210	Education & Promotion	Other Serv. & Chgs.
1-215	Office Insurance	Other Serv. & Chgs.
1-220	Publications & Subscr.	Other Serv. & Chgs.
1-222	Vehicle Maintenance	Other Serv. & Chgs.
1-250	Misc. Other Serv. & Chg.	Other Serv. & Chgs.
1-300	Office Supplies	Supplies
1-320	Field Supplies	Supplies
1-400	Equipment Purchases	Capital Outlay
1-500	State Cost-Share Pymts.	Proj. Exp. - State
1-501	SLR Project Exp.	Proj. Exp. - State
1-600	Tree Expenses	Proj. Exp. - Dist.
1-601	Newsletter Expenses	Proj. Exp. - Dist.
1-602	Misc. Project Expenses	Proj. Exp. - Dist.

GLOSSARY

The following is a list of definitions of terms used in this manual.

Account: A term used to identify an individual asset, liability, expenditure, revenue or fund balance.

Accounts Payable: Amounts owed by district to private persons, firms or corporations, for goods or services.

Accounts Receivable: Amounts owed to district by a private person, firms or corporations, for goods or services.

Accrual Basis: The basis of accounting under which revenues are recorded when earned and expenditures are recorded as soon as they result in liabilities for benefits received, regardless of when the actual receipt of the revenue or actual payment of the expenditure occurs.

Assets: Property owned by a SWCD that has a monetary value.

Audit: An examination by the State Auditor or other outside auditor of documents, records, reports, systems of internal control, accounting procedures and the propriety, legality and mathematical accuracy of transactions. The auditor also ascertains whether all transactions have been recorded; and determines whether transactions are accurately posted to the appropriate accounts according to generally accepted accounting principles.

Balance Sheet: A statement that discloses the assets, liabilities and fund balance at a specified date.

Books of Original Entry: The record that the various transactions are formally recorded for the first time, such as the cash receipts journal, the cash disbursements journal or the General Journal.

Budget: A financial plan showing estimated expenditures and revenues for a given period.

Capital Outlay: An expenditure that results in the acquisition of, or addition to, fixed assets (inventory).

Cash Basis: The basis of accounting where revenues are recorded when received in cash and expenditures are recorded when paid.

Chart of Accounts: The list of account names and/or numbers used by the district showing accounts used and classification by type of account (i.e. assets, liabilities, revenues, expenditures).

Deferred Revenue: Amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. (i.e. deposited in bank, but to be described as revenue in a future accounting period).

Disbursements: Payments in cash.

Double Entry: A system of bookkeeping that requires for every entry made to the debit side of an account or accounts an entry for a corresponding amount or amounts to the credit side of another account or accounts.

Encumber: To commit a portion of funds to the payment of an obligation.

Expenditures: The cost of goods or services. At year-end, this term designates total charges incurred, whether paid or unpaid.

Fixed Assets: Assets of a long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

Fund Balance: The excess of a fund's assets over its liabilities.

Fund Equity: Represents investment in fixed assets and reserved and unreserved fund balance.

General Ledger: A book, file or other device that contains the accounts necessary to reflect in summary or in detail the financial operations and the financial condition of a governmental unit.

Grant: A contribution by one governmental unit to another unit.

Imprest System: A system for handling minor disbursements whereby a fixed amount of money, designated as petty cash, is set aside for the purpose. Disbursements are made as needed, with a receipt or petty cash voucher being completed in each case. At certain intervals, a report with substantiating petty cash vouchers and receipts is prepared, and the petty cash fund is replenished back to the original established amount. The check is posted to the appropriate revenue and expenditure accounts. The total of petty cash on hand plus the amount of signed receipts or petty cash vouchers must equal the total amount of petty cash authorized.

Intergovernmental Revenue: Revenue received from other governments in the form of grants, shared revenues or other payments.

Internal Control: A plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues and expenditures. Moreover, under such a system, the procedures to be followed are definitely laid down and require proper authorizations by designated officials for all actions to be taken.

Investments: Securities and real estate held for the production of income in the form of interest, rentals or lease payment.

Invoice: A bill for services or goods.

Journal: Any book of original entry.

Liabilities: Debt or other legal obligations arising out of transactions in the past that must be liquidated, renewed or refunded at some future date. Note: The term should be confined to items payable but not necessarily due. It does not include encumbrances.

Modified Accrual Basis: The basis of accounting under which expenditures are recorded at the time liabilities are incurred and revenues are recognized when they become both "measurable" and "available to finance expenditures of the current period." Financial statements of SWCDs are reported on this basis at year-end; during the year entries are recorded on the cash basis.

Posting: The act of transferring to an account in a ledger the data contained in a book or document of original entry (Receipts Journal, Disbursements Journal or General Journal).

Prepaid Expenses: Expenses that have been entered in the accounts for benefits not yet received and which are therefore carried in the balance sheet; for example, prepaid rent, prepaid interest, prepaid trees and premiums on unexpired insurance.

Receipts: Unless otherwise qualified, this term means "cash received."

Refund: (Noun) An amount paid back or credit allowed because of an over-collection for, or the return of, a good or service sold. (Verb) To pay back or allow credit for an amount because of an over-collection or the return of an object sold.

Register: A record for the consecutive entry of a certain type of events, documents or transactions.

Report: (Noun) A written or verbal format statement. (Verb) to make, prepare or present a written or verbal formal statement.

Revenue: Sources of income that the SWCD collects and receives into the treasury for public use.

Security Deposit: A sum of money deposited by customers to guarantee return of rental equipment, or by contractors to guarantee bids.

Self-Balancing: A system of double-entry bookkeeping consisting of a group of accounts where debits always must equal credits.

Statements: (1) Used in a general sense, statements are formal written presentations that set forth financial information. (2) In technical accounting usage, statements are those presentations of financial data that show the financial position and the results of financial operations of a fund, a group of accounts or an entire governmental unit for a particular accounting period.

Trial Balance: A list of the balances of the accounts in a ledger kept by double-entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal the ledger from which the figures are taken is said to be "in balance."