

Model Financial Record Keeping System



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As you read this document you may come across terms that you're not familiar with. We have provided a glossary of definitions for many terms we thought you might find useful. These terms are defined in the central glossary that appears on the next few pages. We also provided a glossary before each chapter that includes the special terms used in that chapter. The glossary terms are capitalized and **bold** the first time they appear in each chapter to make it easier for you to identify them. Before reading a chapter, review the glossary to become familiar with the special terms used in the text.

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Glossary of Terms

ACCO fasteners - Commercially available metal prongs used to fasten paper to file folders.

Account codes - Numbers assigned for recording revenues and expenses. The numbers relate to those in the city's chart of accounts and consist of the Fund Code, the Object Code and the Function Code.

Accounts payable - Money owed by the city for goods or services purchased.

Accounts receivable - Money owed to the city that is expected to be collected in the future.

Accumulated Depreciation - This is the total amount of depreciation expense which has been taken on a piece of equipment since the year it was purchased. The cost of the piece of equipment less its accumulated depreciation gives the "book value" of the equipment.

Alaska Energy Authority (AEA) - See Division of Energy.

Alaska Public Utility Commission (APUC) - The Commission regulates public utilities by certifying qualified providers of public utilities and ensuring utilities provide safe and adequate services at just and reasonable rates, terms and conditions.

Amortization - Retirement of a debt through contributions made on a schedule.

Annual leave - Paid leave for a worker's vacation.

Assets - The properties and valuables of an individual or organization

Audit - A professional examination by a Certified Public Accountant (CPA) of the financial records of a city and the report based on that examination.

Audit trail - All of the various documents and accounting records that are used to tell when, why, by whom, and for what moneys were received or expended by the city. An audit trail provides a history of a financial transaction.

Bank account reconciliation - A comparison of check and bank deposit slips with monthly bank statements. The comparison is done to make sure that the city checkbooks have been accurately kept and that the bank has not improperly charged the city for bank services.

Billing Statement - Billing Statement is an itemized description of a customer's account and how much customers owe.

Bingo Winners List - List of names and social security numbers of individuals winning city operated bingo game money.

Book Value - The current value of a piece of equipment or other personal property according to the city's accounting records. Book value is equal to the original cost of the property less its accumulated depreciation.

Bookkeeping - The activities which are required to account for the receipt and expenditure of the city's moneys. Bookkeeping is usually thought of as writing the transactions into the accounting books, but it also involves other activities, such as preparing financial reports, maintaining appropriate files, reconciling the bank statement and so on.

Budget - A city council-approved plan of how a city will receive and spend its money for a given period of time. Usually a budget covers one year. Cities must adopt a budget to receive and spend money.

Budget Amendment Ordinance - If the originally adopted budget must be changed, a budget amendment must be prepared and adopted as an ordinance. This is called a Budget Amendment Ordinance.

Budget appropriation - An amount of money in the official budget designated to be spent for a specific use. A city budget, adopted as an ordinance, is called an appropriations ordinance.

Budget Appropriation Ordinance - Same as budget ordinance.

Budget Detail Sheets -The Budget Detail Sheets show (Expense Function Code) expenses as recorded in the Ekonomik Check Register by line item (Expense Object Codes) for each department/grant. The sheets are used to create the Monthly Financial Statements. (See Chapter 14.)

Budget Ordinance - The official budget of a city is adopted by the council as an ordinance. The budget ordinance authorizes the city to receive and spend money in the amounts and for the activities stated in the budget.

Cash - Money in the form of currency or checks.

Cash Disbursements Journal - A record listing of all cash payments by the city organized by date of the check. Ekonomik Check Register is a Cash Disbursements Journal.

Cash Receipts Journal - A record of cash received by the city organized in by date received.

Cash receipts system - A system of bookkeeping and records that ensures that money received is accounted for and maintains internal control. (See "Internal Control" in this glossary.)

Chart of Accounts - A series of numbers that classify expenses and revenues. The Chart of Accounts is used to organize financial transactions into meaningful records.

Check Register - Accounting book used to record and summarize all of the checks and deposits which a city makes. Checks are listed in numerical sequence by the date they are written. Other information about the check is also recorded.

Checks - A written order to a bank to pay a certain amount to a specific individual or organization from funds on deposit in that bank.

Closed files - Files that are not active and information is no longer placed in the file.

Coding - The assignment of account codes from the chart of accounts to revenues and expenses. Coding determines which budget category is charged either for an expense or credited for revenue.

Compensatory time - Leave with pay provided to workers to compensate them for hours worked beyond the normal work week. Comp time is offered as an alternative to paying overtime, but certain restrictions apply to its use. Review Payroll Handbook for Small Communities for more information.

Contractual agreement - An agreement between two or more parties that is usually written and enforceable by law.

Correspondence - Communication by letter.

Cross-foot - Added row (across) of figures.

Currency - Money in the form of dollars and coin.

Customer Files - Customer Files contain the billing statements. The customer files are set up alphabetically.

Customer Ledger Cards - Customer Ledger Cards keep track of each customer's account. The Customer Ledger Card is an on-going account of customer charges, payments made, and balance due.

Debit memo - A notation by a bank that charges have been levied against an account for services rendered.

Delinquency Rate - An amount of unpaid customer bills usually expressed as a percentage of the total amount billed to all customers.

Departments - The major categories or divisions of the city's government. Often departments correspond with the primary services provided by the city: streets and roads, police, administration and water/sewer.

Depreciation - A method of spreading the cost of equipment or other personal property over the expected life of the property.

Deposit slips - Receipt for money received by a bank and deposited into an account.

Distributing expense - Assigning an expense to more than one account (Fund, department or line item).

Division of Energy - Formerly the Alaska Energy Authority (AEA). The Division of Energy is part of DCRA and continues to provide the means for construction, acquiring, financing, or operating power projects to achieve the lowest reasonable consumer power costs. The Division of Energy provides technical assistance and market-rate financing to support Alaskan utilities.

Doubtful accounts receivable - Money owed to the city that is not expected to be collected by the city.

Ekonomik Check Register - A commercially available check register that serves also as a Cash Disbursements Journal.

Electric Utility Fund - One of the three Funds used in this Model Financial Record Keeping System. The Electric Utility Fund serves as the accounting unit to organize transactions associated with the operation of a city owned electric utility.

Employee Leave Accrual Forms - Form used to keep track of the amount of various types of leave an employee has. (See Leave.)

Employee Leave Authorization Forms - Form used to approve or authorize an employee to take leave from work. (See Leave.)

Employment Security Contribution (ESC) - Tax paid by both employees and employer to finance State unemployment compensation insurance.

Enterprise - A city owned business that generates revenues.

Excessed inventory - Property no longer needed or that is obsolete.

Expected Life - The time period equipment can be expected to operate and function assuming proper maintenance. This period of time is used to calculate depreciation.

Expenditures - Money spent by a city. All money spent by a city is an expenditure and must be authorized through the official city budget.

Expense Function Code - A two number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments.)

Expense Object Code - A three number expense code from the Chart of Accounts corresponding to a line item expense category from the budget. Examples: 110 corresponds to salary expense, 210 corresponds to airfare expense.

Federal Employer Identification Number (EIN) - A number that all employers are required to apply to the IRS for. The number is assigned by the IRS and used to keep track of tax reports and payments received by that employer.

Federal Insurance Contributions Act (FICA) - The Federal Insurance Contributions Act (FICA) forms part of the Social Security program to provide financial safety for the worker and the worker's family. Both employers and employees pay a tax. The money collected is paid to a federally operated trust fund. (See Social Security.)

Federal Tax Deposit - Payments made by an employer to the IRS. Payments include federal income tax withheld from employees' pay, and employee and employer FICA taxes.

Filing system - A method and procedure for setting up and maintaining records.

Financial audit - A type of audit that examines the financial affairs of an organization and determines whether the financial statements fairly represent its financial condition.

Fiscal year - A specific twelve month period for which the city budgets and prepares the annual financial report.

Footed - Added column of figures; total a column.

Form 941 - Employer's quarterly federal tax return.

Form 941E - This form was eliminated by the IRS effective January 1, 1994. Use Form 941.

Form 1099 - Form used to report to the IRS payments made to contractors by the city.

Form 1096 - Form used to transmit 1099 forms reporting payments to contractors to the IRS.

Formal audit - See Audit in this glossary.

Fuel tank dippings - Method of inventorying the fuel supply in a fuel tank using measured stick to determine level of fuel.

Fuel Meter Report - A report that records changes in fuel supply and makes sure that fuel sales are properly accounted for.

Funds - The primary categories that all city financial transactions are assigned to. Each Fund operates more or less independently with its own checking account and set of records.

Fund balance - The amount of money in a Fund. Typically, the Fund balance is reported in a city's audit to indicate how much the Fund's revenue exceeds the expenses charged to that Fund.

General Fund - One of three Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business of the city. (The General Fund usually has the most transactions of all the Funds).

Grantor - The organization (federal or state agency) or individual providing a grant of money or property to the grantee (city).

Grantee - The organization (city) or individual receiving money or property from the grantor (federal or state agency).

Grants Fund - One of the three Funds used in this Model Financial Record Keeping System. The Grants Fund serves as the accounting unit to organize transactions associated with grants.

Hanging files - File designed to hold multiple manila file folders. The hanging file is designed to hang from a metal frame in the file drawer.

Hourly employee (wage employee) - Employees paid for the number of hours worked. Each employee is paid a specific hourly rate of pay depending upon job title and years of service to the city.

Independent appraisal - An estimation of the value of property conducted by an individual considered qualified and not associated directly with the city.

Internal control - Those procedures that attempt to make sure the assets of an organization are protected and the financial records are accurately kept. Usually these procedures are a system of checks to avoid having one person control all of the financial activity of the city. As an example, the Mayor must approve purchases requested by department heads. Without this arrangement, the department heads could order supplies without any concern for how much money the city budgeted for such purchases.

Inventory - A detailed list of things in the city's possession. Also, the process of completing such a survey.

Inventory and Fuel Allocation Form - A report that records the fuel received and used by city departments and grants to ensure that the appropriate charges for fuel are allocated to the proper budget unit.

Invoice - A billing for services or goods purchased.

Invoicing - Invoicing is the act of billing for goods shipped or services provided.

Improvements - An addition to land or buildings that increases the value.

Job Training Partnership Act (JTPA) - DCRA administered federal program that encourages the development of skills for under-skilled or unemployed workers.

Leave - Official permission to be absent from work or duty.

Leave Without Pay (LWOP) - Approved or unapproved leave that the employee receives no payment for.

Liabilities - Something that an organization or individual owes; an obligation or debt.

Line Items - Any of the various categories or classifications of revenues and expenses used in the city's budget. For example, Public Safety Salaries would be a budget line item.

Manila file - Light brown file folder.

Medicare Tax - Hospital insurance required by the federal government for all employees hired by the city after March 31, 1986. Medicare is part of the Social Security program. Both employers and employees pay a tax. The money collected is paid to a federally operated trust fund. (See Social Security.)

Monthly Financial Statement (Report) - A record of revenues received and expenses incurred. The statement compares current financial situation with the approved budget. The statements are prepared monthly and provided to the city council.

Monthly Vendor Statement - Monthly statement from the vendors servicing the city showing current charges, payments and balance owed.

Municipal Assistance - State funding program for local governments.

NEBS Pegboard system - Brand name of a commercially available cash receipts system. The New England Business Service, Inc. Pegboard (NEBS Form 414-1) serves as a Cash Receipts Journal.

Non-code ordinance - An ordinance which is not part of the permanent city code of ordinances. Examples of non-code ordinances include budget ordinances and emergency ordinances.

One-write system - A group of records that uses carbonless copying. The information is transferred from the original record to one or more additional records using carbonless paper.

Open files - Files that are active and information continues to be placed in the file.

Ordinances - A law adopted by the city council by a formal procedure called for in State law. Municipal ordinances are the written laws of the city and are enforced by the city. Ordinances deal with criminal matters, officially adopt the city budget, and establish the powers and basic procedures of the city.

Overheading - Airline industry term for a flight being unable to land at an intended destination, usually due to weather.

Paper trail - A series of records that trace a transaction from the source document to final reporting. (see "Source Document")

Payment Vouchers - Written authorizations to issue checks (authorized check requests).

Payroll - A list of employees receiving wages and the amounts due to each. Also, the total sum of money paid to all employees for a pay period.

Pay Record - A record for each employee showing earnings, deductions, and net pay for each pay period, quarter and year to date.

Payroll Journal - A record of all the costs for employees for each pay period. The Journal includes calculations of gross pay, employee withholding's and net pay for each employee. The Payroll Journal also includes calculations of employer's share of taxes.

Payroll Taxes - Taxes paid to the State or federal government by employers and employees alike on the pay earned by employees. Taxes for income tax, Social Security (FICA), and unemployment insurance (ESC) are the common payroll taxes. Payroll taxes result in deductions from the employees pay check.

Per Diem - An allowance or fixed amount payment for daily expenses while an employee or official is on approved travel.

PERS (Public Employees Retirement System) - State retirement program that cities may participate in. City officials and employees are eligible for retirement benefits in this program. The city must choose to enter the PERS.

Personal Property - Property, other than real property, such as merchandise, machinery and equipment, furniture and fixtures, and other property that is not attached to the land.

Personnel - The persons employed by an organization.

Personnel files - Files containing information on each employee. These files are organized by employee name and Social Security number.

Personnel payroll files - Payroll information for each employee. These files are organized by employee name and Social Security number.

Personnel Policies - The general principles that guide the way that employees and supervisors are dealt with by the city. Includes hiring and firing procedure, leave accrual, acceptable actions and conduct of employees and job responsibilities. These principles should be written and adopted by the city council.

Physical inventory - The process of inspecting and describing the property or items in the possession of the city. This inventory is needed to make sure that all property owned by the city is accounted for and not lost or stolen.

Posting - Writing or recording a revenue or an expense into the accounting books.

Posting File - The Posting File keeps the Customer Ledger Cards organized in a card file, usually a steel desktop file box with alphabetical index guides.

Power Cost Equalization (PCE) - A State program to subsidize electric power costs of rural residents. Program provides money to electric utilities to make up for high operating costs. Administered by Alaska Energy Authority.

Property control - A system of records and procedures for managing personal and real property owned by a city. The system includes procedures to ensure that property is not improperly used or disposed of.

Property disposal - Liquidation of property held by the city either through sale or scrap. Disposal of property follows a procedure adopted by the council.

Pro-rating - This term refers to distributing costs based on the dollar amount in the budget of departments or grants. For example:

When a grant fund check is written for an audit it should be prorated based upon the total amount of grant award and charged to each grant accordingly. The calculation of audit costs to each grant would occur as indicated below:

The city has 3 Grants: one for \$50,000.00, one for \$100,000, and one for \$150,000.00. The total of these 3 grants equals \$300,000.00. Prorating would be:

\$50,000 divided by \$300,000	=	17%
\$100,000 divided by \$300,000	=	33%
\$150,000 divided by \$300,000	=	<u>50%</u>
		Total 100%

These percentages of the audit cost would be charged to each respective grant. Example: The City's audit costs \$10,000.

\$10,000 times 17% = \$ 1,700.00

\$10,000 times 33% = \$ 3,300.00

\$10,000 times 50% = \$ 5,000.00

Total \$10,000.00

Pull-tab - Game of chance frequently used by a city to support city services and raise general revenue.

Purchase Agreements - Contract to purchase goods or services from a vendor. (see Contractual Agreement)

Purchase Order - An order and authorization to purchase goods or services, usually at a stated price. Purchase order is the first step in the purchasing process and is one of the source documents for checks written to vendors.

Purchasing - The buying of goods or services using a procedure approved by the city council and adopted as an official purchasing policy.

Real Property - Land, buildings, and other permanent structures located on the land.

Resolutions - An official opinion or statement of the city council on a particular subject. A resolution is a formal, written expression adopted by the council at a city council meeting. Common uses of a resolution are to voice support for a project or issue, call attention to a problem affecting the community, or direct the city administration to do something.

Retention schedule - Instructions on what files to keep and for what period of time

Revenues - Income received by the city. Cities receive money from local sources and from State and Federal sources. Local sources include: fees for the use of city services, such as the dumping charge at the landfill, water/sewer charges, and docking fees at the city dock; taxes, such as sales tax and property tax; and income from city enterprises, such as the profit from the bingo game, washeteria income, and payments from city electric utility customers.

Revenue distribution - Assigning a revenue to more than one account (Fund or department).

Revenue Object Code - Three number code from the Chart of Accounts and corresponding to a category of revenues that may be received by the city. All revenues are coded upon receipt of the money.

Rolodex - Brand name for an apparatus to file 3 1/2 inch by 5 inch cards.

Salary employees - Employees that receive regular compensation for their services without reference to the number of hours worked.

Sales tax - Tax levied by cities based on a percentage of total sales occurring within the city. Current State law allows cities and boroughs to levy a sales tax on sales, rents and services. There is no limit to the sales tax rate.

Sales Tax Delinquent Notice - Notice to local merchants that the sales tax revenues they are to collect and give to the city is past due.

Sales Tax Report - Record of sales tax receipts. Report presented to the city council by the Mayor or Manager.

Salvage Value - The amount of money that is expected to be received for selling or scraping a piece of equipment or other personal property at the end of its useful life. This amount is used in determining the depreciation expense of the property.

Service Contracts - Contract with a vendor to provide services to the city.

Set Cash - Cash to make change for customers and is not deposited in the bank account. This amount of currency and coin should always be available in the cash box.

Sick leave - Leave that is given to the employee because of illness. The employee receives wages for the time absent from work for sick leave.

Single Audits - An audit of the city's financial records made by a Certified Public Accountant and that meets state or federal requirements. For Federal Single Audit requirements, see Federal Office of Management and Budget, Circular A-128. For State single audit requirements, see 2AAC45.010. A single audit examines the city's financial statements, its accounting system and controls, and the city's compliance with state or federal laws, regulations and grant agreement provisions.

Social Security - A federal program to provide financial safety for the worker and the worker's family. Both employers and employees pay a tax. The money collected is paid to a federally operated trust fund. The Social Security program is part of the Federal Insurance Contributions Act (FICA).

Social Security number (SSN) - The Social Security Administration requires that every worker apply for and receive a Social Security number to make sure that Social Security payments and benefits are credited to the proper account. The SSN is an important identification number.

Source documents - Document or record that is the origin for an entry in the city books.

State Employer Identification Number (SEIN) - A number that all employers are required to apply for and obtain from the State of Alaska, Department of Labor. The number is assigned by the State and used to keep track of tax reports and payments received by that employer.

State Revenue Sharing - State funding program for communities. Program provides money to cities based on population and municipal powers assumed.

Statement of Expenditures - A record of city expenses organized by the primary categories and subcategories of expenses from the Chart of Accounts.

Statement of Revenues - A record of city revenues organized by the primary categories of revenues from the Chart of Accounts.

Stipends - A fixed or regular payment for services rendered. The city council members often receive stipends for attending meetings.

Straight Line Depreciation - A method of calculating depreciation in which the cost is allocated equally to each year of the equipment's expected life.

Subsistence Leave - Excused leave provided by some cities for conducting hunting and gathering of food or other types of subsistence activities. The employee receives wages for the time absent from work on subsistence leave.

Time Cards or Time Sheets - A signed record prepared by each employee indicating amount of hours worked each day of the pay period. The time card is verified by the employee's supervisor and used to calculate gross pay.

Time Certificate of Deposit (CD) - Investment offered by banks that pays higher interest rates than normal bank savings accounts but requires that a set amount of money be left in the bank for a specific period of time. If the money is withdrawn earlier than originally agreed, a penalty is assessed that reduces the interest paid by the bank.

Transfer - Payments from one Fund to another Fund.

Travel advance - Payment for travel expenses provided to city officials or employees before the trip begins.

Travel Authorization (TA) Form - Form that serves as evidence of permission for an employee or official to travel on city business. Properly signed a TA Form authorizes an individual to receive reimbursement for travel expenses or per diem.

Travel Policies and Procedures - Official procedures and principles to be followed by city officials and employees while traveling on city business.

Travel status - Time that an official or employee is traveling for city business and is eligible to receive per diem or reimbursement for travel expenses.

Trip Report - Written description of activities and accomplishments of city officials and employees while traveling on city business. Each employee completes a trip report prior to being paid for travel expenses.

Useful Life - The amount of time in years that a piece of equipment or other personal property is expected to be used by the city. The useful life may vary by different types of property.

Vendor - Seller of goods or services.

Voucher Checks - A style of check that has space for recording information on what accounts should be charged for expenses.

Warrants - A document that serves as evidence of a debt against the State treasury. A warrant is similar to a bank check issued by a city except that it is issued by the State of Alaska.

Water paste - A material used to determine the water content of fuel.

W-2 Form - A form prepared by employers every year for each employee indicating amount of gross pay and deductions for federal income tax and social security withholdings. Copies are sent by the employer to each employee and to the Social Security Administration.

W-2G Form - Form used to report to the IRS payments to winners of bingo, pull-tabs and other games of chance.

W-4 Form - IRS tax form used to declare an employee's tax status and withholding allowances. A W-4 form must be on file for every employee of the city.

Worker's Compensation - Medical insurance for workers injured or disabled on the job. If worker dies because of workplace accident the program pays for funeral expenses. The State requires every employer to have worker's compensation insurance. Employers pay for the insurance through private insurance carriers.

Year To Date (YTD) - The combined monthly revenues or expenses from the start of the fiscal year to the time a financial report is prepared.

Model Financial Record Keeping System

Introduction

For city officials, good financial records are vital to making management decisions. Without accurate and timely financial records, the city council and administration can't judge how well the city is running or correct problems.

A bookkeeping system records events (expressed in dollars) affecting the finances of the city. Bookkeeping is a system information flows through. Information "enters" the system in the form of daily transactions such as tax receipts, cancelled checks, payroll check stubs, bank statements, and invoices. The bookkeeper records, sorts and summarizes this information. The processed information "exits" the system in the form of monthly statements or financial reports summarizing events that affected the city over a period of time, usually a **Fiscal Year**.

For a city's council and administration, a properly kept system of bookkeeping answers these questions:

- ✓ Where did the city's money come from?
- ✓ Where is the money now?
- ✓ Where was the money spent?
- ✓ What cash is available to the city?
- ✓ Was the money spent according to the budget?

This document describes a system of record keeping that meets the needs of small second class cities in rural Alaska. We call the system the **Model Financial Record Keeping System (MFRKS)**. It's a model for keeping financial records. The system includes bookkeeping techniques, a filing system, management

policies and other procedures for keeping financial records. That is why we refer to this model as a record keeping system and not just a bookkeeping system. The system relies on entries made by hand and requires no machinery, supplies, or technology beyond pencil, paper, forms available from commercial suppliers, and, possibly, an electric calculator.

Overview of the Model Financial Record Keeping System

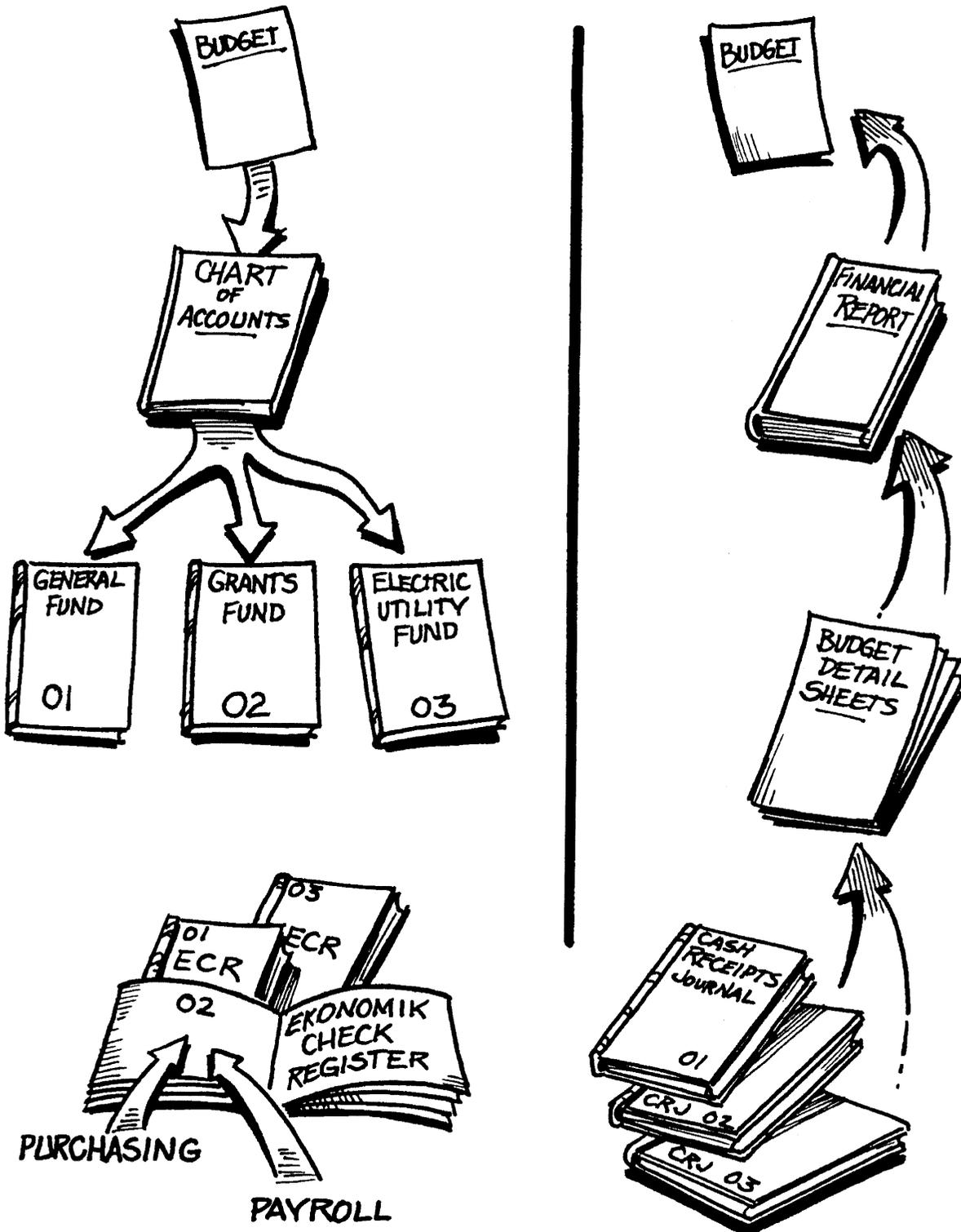
The Model Financial Record Keeping System accounts for money received and spent. The system ensures every transaction has a traceable **Paper Trail**. This is also called an **Audit Trail**. Every expenditure of money is recorded at the time the check is written; every receipt of money is recorded when the currency or check is received.

Three part carbon copy checks are used to make sure the city has an exact copy of every check written. Always make a cash receipt out when the city receives a check or currency. The receipt is made out to make sure a record of all money received is available. The receipt may not actually be sent to the organization or individual sending money to the community but is still always made out to provide the copy to the community. An example is the State Revenue Sharing check, a receipt is filled out but not sent to the State Revenue Sharing (SRS) Office since the SRS Office doesn't anticipate or need a receipt.

This system uses three **Funds**:

- General Fund.**
- Grants Fund.**
- Electric Utility Fund.**

OVERVIEW OF FINANCIAL RECORD KEEPING SYSTEM



Creating these Funds makes sure that the financial transactions that relate to the general business of the city are not confused with grant transactions or with the finances of the electric utility.

Each of these Funds has a separate set of books to record transactions. Each also has an independent checking account. **However, not every grant has a separate checking account.** All grant related expenditures are paid from the Grants Fund checking account. Similarly, all utility expenditures are made from the Utility Fund checking account. One exception is payment of employment taxes. The General Fund checking account is used to pay these costs; the other two Funds reimburse the General Fund for their share of payroll costs. Only one check is written to the IRS.

We recommend interest bearing checking accounts. For grants, check with your **Grantors** to find out any limitations on interest earnings.

All money, other than grant and electric utility expenses or revenues, is paid out of and received into the General Fund checking account.

Use three-part **Voucher Checks** for all payments with a line pre-printed on the check saying "void after ninety days". This will encourage the cashing of checks which makes reconciling your checkbook and bank statement easier.

The two principle record keeping forms used in this model system are a pegboard system available from the NEBS New England Business Service, Inc. and the 20 column **Ekonomik Check Register**.

With the exception of the NEBS Pegboard and Ekonomik Check Register, the Model Financial Record Keeping System uses commercial accounting forms available from any business form supply stores, such as columnar pads. Before we introduce the reader to a new form, we will identify and describe the form in the text and provide an illustration of what it looks like.

Recording transactions, summarizing records and providing management with financial reports is similar for all three Funds. Copies of checks written, **Cash Receipts** filled out and copies of **Warrants** are **Source Documents** for bookkeeping.

The Model Financial Record Keeping System uses a Cash Receipts Journal and a Cash Disbursements Journal. We have recommended the New England Business Services, Inc. (NEBS) pegboard system for the Cash Receipts Journal and the Ekonomik Check Register for the Cash Disbursements Journal. These companies produce simple and easy to use forms that meet the requirements of our system. There may be equally good or better forms available from other sources. We encourage you to examine other forms that fulfill the same purposes and decide which one works best for you.

When writing checks, the bookkeeper distributes the expenses represented by the check to various accounts or **Expense Function Codes** and **Expense Object Codes** in the three Funds. The distribution is recorded in the **Ekonomik Check Register**, which is a **Cash Disbursements Journal**.

The information in the Ekonomik Check Register is further broken down into line item categories and summarized monthly. These summaries are called **Budget Detail Sheets**.

Cash Receipts are recorded in a **Cash Receipts Journal**. We recommend the use of the **NEBS Pegboard**. The NEBS system is a **One-Write System** that records revenue when the Cash Receipt is filled out, using carbonless copies. The bookkeeper distributes money received to various **Revenue Object Codes**.

The Cash Disbursements Journal and the Cash Receipts Journal show the city council what money was received and spent during the month.

Monthly Financial Statements are prepared, payroll taxes are paid, quarterly and year end payroll reports to the IRS and State are written, yearly **Budgets** are adjusted and, **Audits** are conducted based on the information collected through this simple system of record keeping.

This Model Financial Record Keeping System isn't difficult. The keys to success of this system are an understanding of the steps involved and the patience to make sure each step is done carefully and promptly.

This document explains how the system works. It can't, however, make sure you

take the time and care to make the system work. That's up to you.

How document is organized

This document describes the Model Financial Record Keeping System. It is separated into chapters and sections that examine major subject areas of the model system. A central table of contents identifying the chapters and their main topics is provided at the beginning of this document. Each chapter is also provided with a table of contents that identifies the detailed subjects of that chapter. The following is a summary of the chapters:

- Chapter 1, Budget explains the budgeting process and the procedures for adopting a budget.
- Chapter 2, Chart of Accounts explains how to develop and establish a **Chart of Accounts**. This chart is the basis for coding expenses and revenues through function and object codes.
- How the city handles the recording of revenues is discussed in Chapter 3, Cash Receipts.
- Chapter 4, Cash Disbursements explains the way a city should keep track of its expenses. Expenses are covered in more detail in Chapter 5, Purchasing and Chapter 6, Payroll. The reporting of expenses by department or grant is covered in Chapter 7, Budget Detail Sheets.
- The basic record keeping unit for expenses and revenues is the Fund. The Model Financial Record Keeping System uses three Funds. Chapter

8, General Fund; Chapter 9, Grants Fund; and Chapter 10, Electric Utility Fund.

- How a city should manage the financial records of city operated businesses is dealt with in Chapter 11, General Fund Enterprises. This chapter examines record keeping for a washeteria, fuel sales operations, and bingo/pull-tab games.
- Chapter 12, Monthly Financial Statement explains how to summarize financial records into understandable monthly financial statements. These financial statements are provided to the city council for their consideration in managing the affairs of the city.
- Chapter 13, Formal Audits examines how to prepare your financial records for an audit.
- Three appendices with additional information are also provided:
 - Appendix A, Filing System
 - Appendix B, Inventory/Property Control
 - Appendix C, Travel Policies and Procedures

Notes

Chapter 1

City Budget

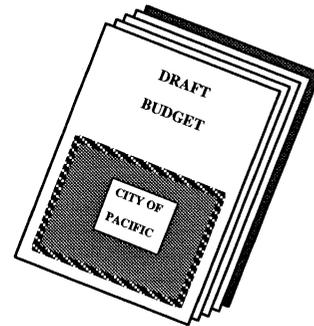
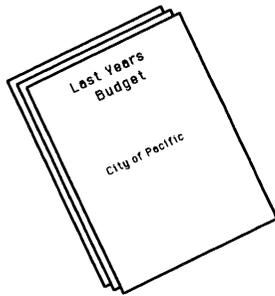


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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Appropriation Ordinance - The act of a council or assembly adopting an annual budget. Alaska Statutes require all municipal appropriations be by ordinance.

Assets - The properties and valuables of an individual or organization

Audit - A professional examination of the activities of a city and the report based on that examination.

Budget - A city council-approved plan of how a city will receive and spend its money for a given period of time. Usually a budget covers one year. Cities must adopt a budget to receive and spend money.

Budget Ordinance - The official budget of a city is adopted by the council as an ordinance. The budget ordinance authorizes the city to receive and spend money in the amounts and for the activities stated in the budget.

Budget Appropriation Ordinance - Same as budget ordinance.

Budget Amendment Ordinance - If the originally adopted budget must be changed, a budget amendment must be prepared and adopted as an ordinance. This is called a Budget Amendment Ordinance.

Chart of Accounts - A classification system used in accounting which organizes financial accounts.

Delinquency Rate - An amount of unpaid customer bills usually expressed as a percentage of the total amount billed to all customers.

ESC or Employment Security Contribution - Tax paid by both employees and employer to finance State unemployment compensation insurance.

Expenditures - Any amount of money spent for any purpose. All expenditures by a local government must be authorized by an appropriation ordinance.

FICA or Federal Insurance Contributions Act - The Federal Insurance Contributions Act (FICA) forms part of the Social Security program to provide financial safety for the worker and the worker's family. Both employers and employees pay a tax. The money collected is paid to a federally operated trust fund.

Terms Used In This Chapter (continued)

Financial Audit - A type of audit that examines the financial affairs of an organization and determines whether the financial statements fairly represent its financial condition.

Fiscal year -A specific twelve month period for which the city budgets and prepares the annual financial report.

Medicare Tax - Hospital insurance required by the federal government for all employees hired by the city after March 31, 1986. Medicare is part of the Social Security program. Both employers and employees pay a tax. The money collected is paid to a federally operated trust fund. (See FICA.)

Monthly Financial Statement (Report) - A record of revenues received and expenses incurred. The statement compares the current financial situation with the approved budget. The statements are prepared monthly and provided to the city council.

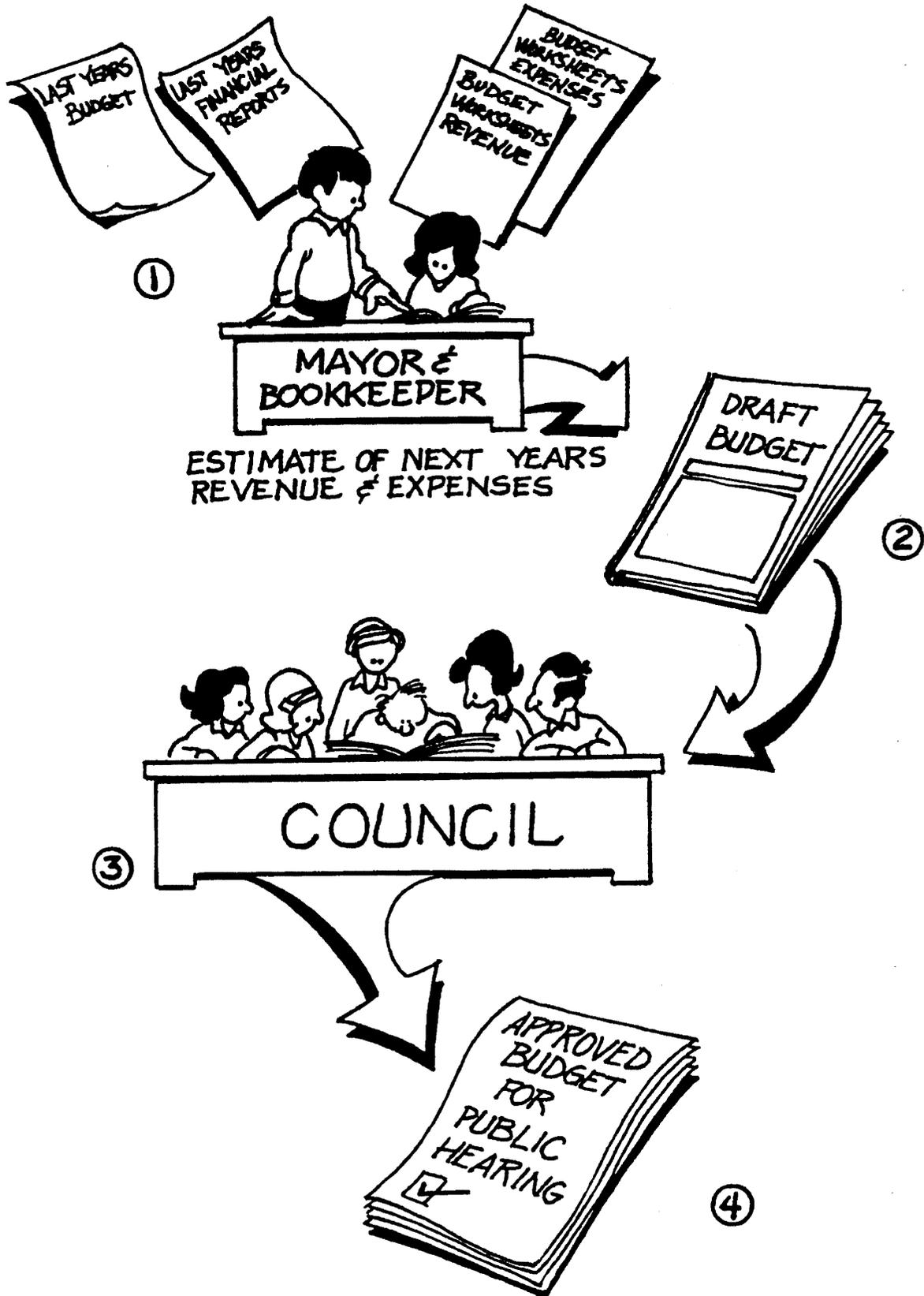
Non-code ordinance - An ordinance which is not part of the permanent city code of ordinances. Examples of non-code ordinances include budget ordinances and emergency ordinances.

PERS (Public Employees Retirement System) - State retirement program that cities may participate in. City officials and employees are eligible for retirement in this program.

Payroll Taxes - Taxes paid to the State or federal government by employers and employees alike. Taxes for income tax, Social Security and Medicare (FICA), and unemployment insurance (ESC) are the common payroll taxes. Payroll taxes result in deductions from the employees' pay checks.

Worker's Compensation - Medical insurance for workers injured or disabled on the job. If a worker dies because of a workplace accident the program pays for funeral expenses. The State requires every employer to have worker's compensation insurance. Employers pay for the insurance through private insurance carriers.

BUDGETING



Chapter 1 City Budget

Overview

A **Budget** is a plan for receiving and spending money over a period of time, usually for a year. Sound management of city finances requires the city to plan its finances, carry out the plan, and make changes as needed.

Financial record keeping provides you with a way to compare expenses and revenues with the approved budget. This is done by sorting financial transactions using a **Chart of Accounts**. Chapter 2 discusses the Chart of Accounts in detail.

The budget is used to legally receive and spend money; to plan for services to be performed; and, to determine how much money will be spent during the **Fiscal Year**. The budget is used to set up the Chart of Accounts.

The budget is adopted in the form of an ordinance, called an **Appropriation Ordinance** or **Budget Ordinance**. Alaska statutes direct the City Council to adopt an official budget. State law prohibits the city from spending money except for those **Expenditures** approved in the official budget. (Alaska Statute AS29.25.010)

In addition to the annual budget, state law requires a city to prepare **Monthly Financial Statements** and a year-end **Financial Audit**, or a statement of annual income and expenditures. Other financial records, such as payroll tax records, are required by state and federal regulations.

The council approves taxes, contracts, investments, and city borrowing; monitors city operations through the Monthly Financial Statements and other

administration reports; and, makes financial decisions as needed. Financial record keeping provides the information to prepare reports informing the city council about **Assets** (money or property) received and money spent by the city.

Once the budget is set for the year, a Chart of Accounts is set up to match the budget and identify how money comes into and how money is spent by the city. If changes in the budget are needed during the year, a budget amendment is passed to change the budget. At the end of the year, the city looks at revenues and expenditures to develop a budget for the next fiscal year based on the pattern of the Monthly Financial Statements for the past fiscal year.

How to Prepare a Budget

The City Budget Manual, published by DCRA, has detailed information on how to put together the city's operating budget. Preparing and adopting a budget requires the city's administration and council follow certain procedures set out in law. Review the City Budget Manual for a detailed discussion of these procedures.

In this document, we don't spend a lot of time discussing procedures but offer ways to estimate the city's revenues and expenses. These estimates are the basis for the budget that will be presented to the council for their review.

Keep two important points in mind:

- *The city must appropriate a balanced budget.*
- The Chart of Accounts is put together from the categories of

expenses and revenues in the budget.

Preparing a budget requires that you predict future revenues and expenses based on last year's expenses and revenues. Be aware of changes in revenue programs, increases in costs, and changes in services the city provides.

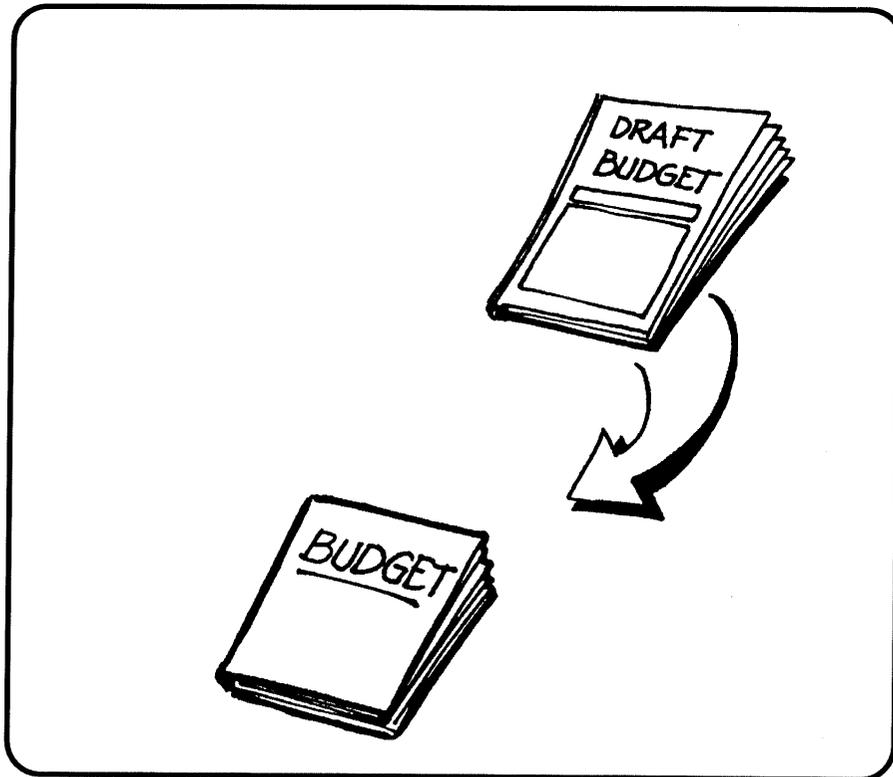
To help you prepare a budget, we've included worksheets to estimate expenses and revenues. Review the "How To Estimate Revenues" and "How To Estimate Expenditures" sections following the worksheet discussion.

Budget Worksheets

Purpose

Budget worksheets provide back-up information showing how budget figures were arrived at. There are two parts to the budget: revenues (moneys received) and expenditures (moneys spent).

The budget worksheet for estimating revenues is used to show how yearly revenues were estimated. See "How to Estimate Budget Revenues" on page 30 for more information.



Budget Worksheet for Cities not in FICA

Payroll and Payroll Costs

Name of Department and/or Grant _____

Job Title	Hourly pay rate	x	Hours per week.	x	No. of weeks	=	Total
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	

Total Gross Wages (1) _____

Compute Payroll Taxes To determine the upward limit of wages subject to Medicare and ESC taxes review IRS Circular E.

Employer's Medicare ____% X _____ = (2) _____
Total Gross Wages

Employer's ESC Rate ____% X _____ = (3) _____
Total Gross Wages

Workers' Compensation ____% X _____ = (4) _____
Total Gross Wages

PERS (Employer's Rate) ____% X _____ = (5) _____
 (if applicable) Total Gross Wages

ADD (1) through (5) for the **Total Payroll Cost:** _____

NOTE: For employees on a salary receiving the same gross pay each pay period, use the following computation formula: Gross pay x No. of pay periods = Total. If the city does payroll on the 16th and the beginning of the month, there are 24 pay periods in the fiscal year.

Budget Worksheet for Cities Participating in Social Security Payroll and Payroll Costs

Name of Department and/or Grant _____

Job Title	Hourly pay rate		Hours per week.		No. of weeks		Total
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	
		x		x		=	

Total Gross Wages (1) _____

Compute Payroll Taxes

Employer's S.S. Rate _____% X _____ = (2) _____
Total Gross Wages

Employer's Medicare Rate _____% X _____ = (3) _____
Total Gross Wages

Employer's ESC Rate _____% X _____ = (4) _____
Total Gross Wages

Workers' Compensation _____% X _____ = (5) _____
Total Gross Wages

PERS (Employer's Rate) _____% X _____ = (6) _____
 (if applicable) Total Gross Wages

ADD (1) through (6) for the **Total Payroll Cost:** _____

NOTE: For employees on a salary and receiving the same gross pay each pay period, use the following computation formula: Gross pay x No. of pay periods = Total. If the city does payroll on the 16th and the beginning of the month, there are 24 pay periods in the fiscal year.

How To Estimate Budget Revenues

Item	How to Estimate
From State of Alaska	
State Revenue Sharing	The State sends notice of your payment. If you can't find yours, call 465-4750.
Municipal Assistance	The State sends notice of your payment. If you can't find yours, call 465-4750.
Telephone Co-op Share	Call 465-2310 to ask how much your city will get next fiscal year for this fiscal year's payment under the telephone co-op share, AS10.25.70.
Sales Taxes	
Sales Taxes	See what was collected during the current fiscal year and estimate next fiscal year's amount of sales tax. Consider new businesses and changes in population when estimating. Make a schedule of each business, what they paid last year, and what you expect for next fiscal year.
Contracts	
Airport Maintenance Contract	Check the monthly rate in the contract, multiply it by 12 months to get the amount for the fiscal year.
Clinic Lease Contract	Check the monthly rate in the contract, multiply it by 12 months to get the amount for the fiscal year.
Alaska Village Electric Cooperative (AVEC)	Before you can estimate AVEC revenue, complete the worksheet for AVEC payroll costs. The revenue is found by multiplying the total gross wages by 20%. For cities enrolled in the PERS program for the plant operator, add 16% to the plant operator's gross wages.
Gravel Hauling Contracts	Check the contract and compute the expected amount of revenue based on the number of loads times the price per load.
Other Contracts	Check the contract agreements and see how much will be received during the next fiscal year.

Rentals

Buildings

Do a separate worksheet for each rental. Look at the agreement and multiply the monthly rate times 12 to get the amount for next fiscal year. For occasional rental - make your best estimate based on past experience.

Equipment Rentals

Do a worksheet estimating the amount for the fiscal year based on expected work. Consider AVEC, State of Alaska, and PHS. Also include expected rental of equipment on State Grants the city will have during the fiscal year. Prepare a schedule.

Charges for Services

Water/Sewer

Do a worksheet estimating the amount to be received in the next fiscal year. For individuals, multiply the number of houses times the monthly rate times 12. Figure in a certain amount of these charges will not be paid on time and some may not be collected. The amount of uncollected revenue and late payments should be based on past experience. For the school district and other users that are dependable customers, multiply the monthly rate times 12.

Washeteria

Your estimate will depend on the amount of revenue received during this fiscal year.

Cable T.V.

Show the expected number of users times the monthly rate times 12. Look closely at the amount received during this fiscal year for comparison.

Garbage Hauling

Show the expected number of users times the monthly rate times 12. Allow for a **Delinquency Rate** based on past experience.

Other Revenue

Fuel Sales

Multiply the number of gallons you expect to sell times the expected price per gallon. Deduct at least 10% of your total fuel gallons for shrinkage. Look at last year's sales for a comparison.

Bingo / Pull-tabs

Check last year's revenue. Compute the amount of "net bingo/pull-tab revenue" you had during the current fiscal year and the amount you expect to receive during next fiscal year. Net bingo/pull-tab revenue is total revenue

from bingo and pull-tabs minus the cost of supplies, payments to workers and amounts paid to winners.

Photocopy Fees

Base your estimate for next fiscal year on what you received during the current fiscal year and what you expect for next fiscal year. For example, if you just bought a new copy machine you might expect more revenue than you had this fiscal year.

Spreading administrative costs over more than one fiscal year. On capital project grants running for several years, don't include the entire amount of administrative costs in a single fiscal year. For multi-year grants, divide the total administrative costs for the grant by the expected life of the grant project in years, to get the administrative cost estimate per fiscal year. Example: The city gets a capital project grant for \$100,000. The city expects the grant project to take two years to complete. $\$100,000 \times 10\%$ administration cost = \$10,000. $\$10,000$ divided by two years = \$5,000. Thus, \$5,000 administrative cost is available in the grant budget for each year of the grant project. Capital projects often take longer to complete than expected. Weather, transportation delays, missing supplies and communication problems often result in unanticipated extensions to a project's construction schedule. As a result, a city should estimate the amount of time it will take to complete the project very carefully.

Grant Administration

Base your estimate for the fiscal year on the grant activity you expect. Grant administration costs are based on an allowable percentage of the total grant. 10% is a common percentage but it may be less depending on the type of grant. Construction grants may extend over a longer period of time than anticipated. This extension will usually increase the amount of money spent on administration. Be careful and realistic when estimating the project schedule and the grant administration costs. List each grant and the amount of grant administration cost to be taken.

Interest Income

Prepare a schedule by months showing the excess money you expect to have in your general fund time certificate of deposit (CD) and your grant fund CD. Calculate the monthly interest. Add all amounts together to get the total for the year. If you have questions regarding interest earned on certificates of deposit, call the bank's customer service representative.

Donations & Fund Raising

Base estimates on what was received during this fiscal year and the type and number of events planned for next fiscal year.

Other

Make your best estimate. Prepare a worksheet to show how you came up with the estimate.

How To Estimate Budget Expenditures

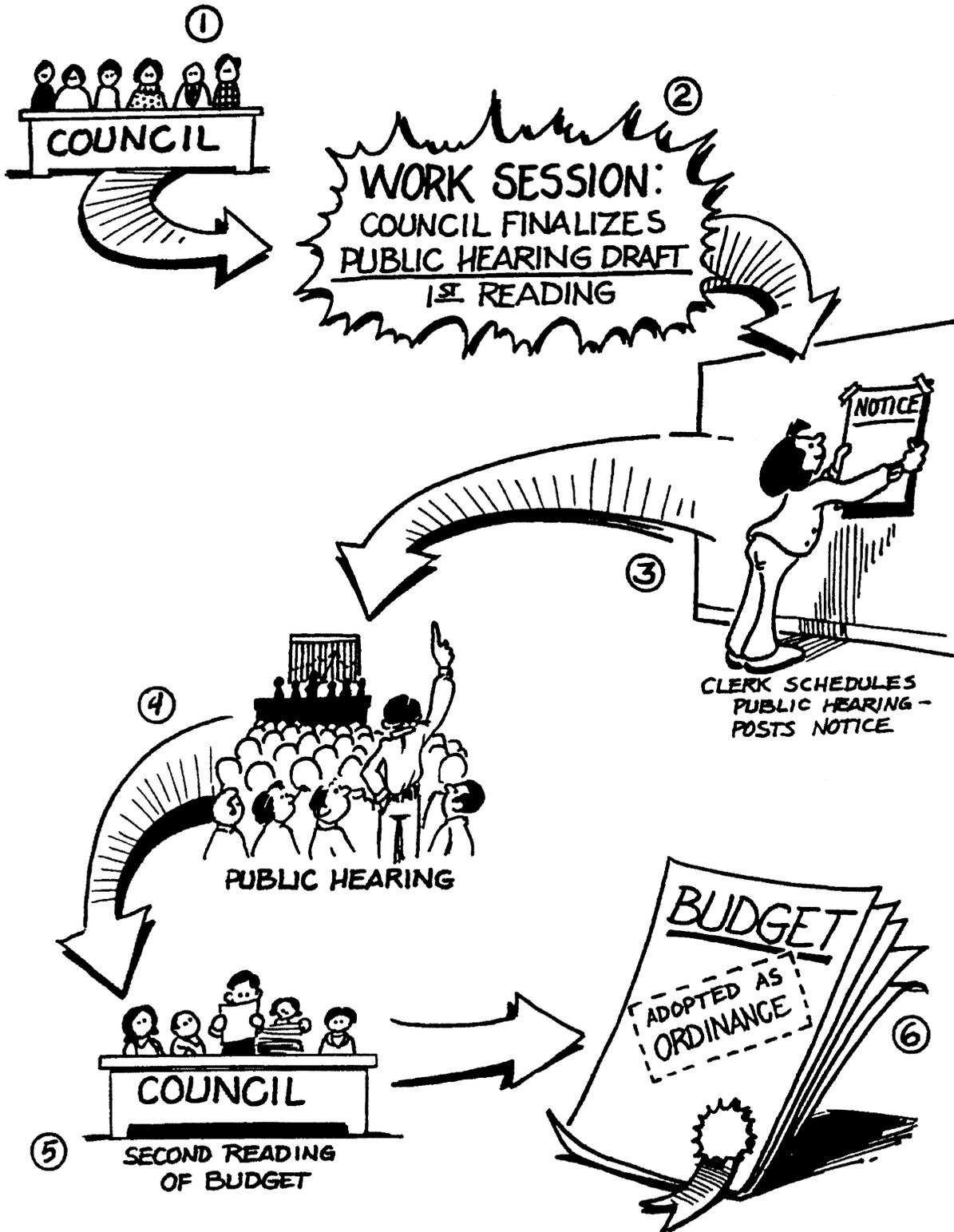
Prepare the expenditure budget by departments and grants. Under each department and/or grant there are various accounts, such as gross wages, payroll taxes, workers' compensation, supplies, and fuel. Use a separate worksheet for each department or grant. Use these instructions to prepare worksheets for the various accounts under a department and/or grant.

Item	How to Estimate
Gross Wages	Use the budget worksheets for payroll and payroll costs for each department and/or grant. List employees by job description and estimate gross wages for the year.
Payroll Taxes	Using the payroll budget worksheets, compute the payroll costs by filling out the bottom portion of the worksheet. Multiply the total gross wages by the payroll tax rate. The payroll tax rate is the same for all departments. (Use the employer's rates only.)
Public Employee Retirement System	If you belong to PERS, use that payroll budget worksheet. Multiply the employee's gross wages by the employer's PERS rate. (Use employer's rates only.)
Workers' Compensation	Using the payroll budget worksheet, compute the worker's compensation costs by filling out the bottom portion of the worksheet. Multiply the gross wages by the proper workers' compensation rate for the employee classification. Your insurance carrier has the rates.
Council Meeting Fees	If you pay council meeting fees, use the budget worksheet for other expenditures. Multiply the number of regular and special meetings times the number of council members times the meeting fee to get this amount.
Travel & Per Diem	Using the Budget Worksheet, determine the number of trips necessary during the fiscal year and compute the travel and per diem costs of those trips. For example, if you're preparing the worksheet for council travel and per diem, list the Mayor's conference plus any other travel planned.
Telephone	Using the "Other Expenditures" Budget Worksheet, estimate telephone costs for next fiscal year based on actual costs for this year. Consider expected changes for next fiscal year, such as increased rates, and long distance calls.

Electricity	Using the "Other Expenditures" Budget Worksheet, estimate electricity costs for next fiscal year based on actual costs for this year. Consider expected changes for next fiscal year, such as a reduction in the amount of Power Cost Equalization. Call the electric company to find out if electricity costs will change.
Heating Fuel	Use the budget worksheet for other expenditures. Prepare a schedule of gallons expected to be used by each department or grant. Multiply the gallons expected to be used by the cost of fuel per gallon; include freight costs per gallon.
Postage	Use the Budget Worksheet for "Other Expenditures." Base postage costs for next fiscal year on actual postage costs for this year.
Office Supplies, plus freight	Use the "Other Expenditures" Budget Worksheet. Check office supplies costs for this fiscal year and check supplies on hand. Estimate the amount of supplies you'll need for next fiscal year. Consider photocopy, computer, and cleaning supplies.
Equipment	Using the "Other Expenditures" Worksheet, make a list of new equipment you plan to purchase during the next fiscal year. Find out how much the equipment will cost by calling vendors; include freight costs.
Repair/Parts	Use the "Other Expenditures" Budget Worksheet. Estimate the repairs that will be made based on repair costs this fiscal year plus repairs you know will have to be made during the next fiscal year.
Legal	Use the "Other Expenditures" Budget Worksheet. Look at actual legal costs during the current fiscal year. Note unusual or expected legal costs anticipated during next fiscal year.
Audit	Use the "Other Expenditures" Budget Worksheet. Call your auditor for an estimate of what the total cost of the audit will be for next fiscal year. The cost should include travel. <i>Some cities are not required to have an audit done. The requirement that a Second Class City have an audit depends upon the amount of State and federal grant funds received by the city.</i>

- Election Judges** Using the “Other Expenditures” Budget Worksheet, make a schedule of election dates, the number of judges, and the amount judges are paid.
- Vehicle Fuel** Use the “Other Expenditures” Budget Worksheet. Base your estimate on the cost of fuel and expected fuel usage. For example, if you’re purchasing a new vehicle, fuel usage may be greater.
- Penalties & Interest** Use the “Other Expenditures” Budget Worksheet. There will be no penalties and interest expense if the new accounting system is followed and payroll tax deposits are made on time.
- Dues & Membership Fees** Use the “Other Expenditures” Budget Worksheet. List the name and amount of each item for next fiscal year.
- Contributions** Use the “Other Expenditures” Budget Worksheet. List expected contributions during next fiscal year based on this fiscal year. Include medical travel or other donations that were paid. Be sure to include contributions that were made by the bingo fund.
- Other** Use the “Other Expenditures” Budget Worksheet to figure the budget for any other expenditures anticipated during the next fiscal year. For example, cable TV, monthly loan payments, utility board fees, and fuel purchased for resale. Enter department and/or grant on the budget worksheet.

BUDGET PROCESS



The Budget Ordinance

After revenues and expenses are estimated, they're given to the council. The council agrees on a proposed budget that must be adopted by ordinance. The Budget Ordinance is adopted the same way other city ordinances are adopted. The Local Government Handbook (Chapter 3, Section 2) explains the process.

The language of the Budget Ordinance is important. It must allow some flexibility for dealing with slight over and under estimates of revenues and expenses. The sample ordinance on page 38 provides that flexibility. Include similar language in your Budget Ordinance. Section 3, item 2, allows the Mayor to transfer from one expenditure category to another up to "10 percent or \$10,000." The percentage limit on transfers refers to 10 percent of the expenditure categories.

During the fiscal year, the flexibility provided in the ordinance may not be enough. For instance, the city may want to increase revenue categories, reduce expenditure categories, or transfer a large amount of money from one category to another. This is done by amending the budget with a **Budget Amendment Ordinance**. A sample Budget Amendment Ordinance is on page 39. A Budget Amendment Ordinance is passed the same way as the original Budget Ordinance was passed.

Send a copy of the budget amendment to DCRA. The budget and monthly statements to the council must reflect the same changes. For more information on amending the budget, read the Department's Local Government Handbook, Financial Management Section (Chapter 3, Section 2) or the City Budget Manual.

Notes

Budget Appropriations Ordinance

Ordinance No. _____

AN ORDINANCE FOR THE CITY/BOROUGH OF _____ PROVIDING FOR THE ESTABLISHMENT AND ADOPTION OF THE BUDGET FOR FISCAL YEAR 19 ____

BE IT ENACTED BY THE COUNCIL/ASSEMBLY OF THE CITY/BOROUGH
OF _____

Section 1. Classification.

This is a **Non-Code Ordinance**.

Section 2. General Provisions.

The budget document on the back of this form lists the authorized revenues and expenditures and the change in cash balances as part of the budget for the period July 1 through June 30 and made a matter of public record.

Section 3. Authorization and Appropriation.

The appropriations are adopted and authorized for the period July 1 through June 30 and are the budget for that period. Subject to council approval by resolution, the Mayor* may (1) establish line item expenditures within an authorized appropriation, and/or (2) transfer from one authorized expenditure to another any amount which would not annually exceed 10 percent or \$10,000.00, whichever is less.

Section 4. Effective Date.

This ordinance becomes effective upon its adoption by the city council.

First Reading _____

Public Hearing _____

ADOPTED by duly constituted quorum of the City Council/Borough Assembly of _____,
Alaska, this ___ day of _____, 19 ____.

Mayor

ATTEST:

City/Borough Clerk

Attachment: Approved Revenues and Expenditures.

*or the Manager, if the Manager plan has been adopted.

*ORIGINAL - To be returned to the Department of Community and Regional Affairs
COPY - To be kept by city.*

Budget Amendment Ordinance

Ordinance No. _____

**AN ORDINANCE FOR THE CITY/BOROUGH OF _____ PROVIDING
FOR THE AMENDMENT OF THE BUDGET
FOR FISCAL YEAR 19 ____**

BE IT ENACTED BY THE COUNCIL/ASSEMBLY OF THE CITY/BOROUGH
OF _____

Section 1. That for the fiscal year of ____ that actual expected expenses and revenues have varied significantly from the estimates reflected in the approved budget.

Section 2. That for the current fiscal year the budget is amended to reflect the changed estimates as follows:

	Original Budget	Amended Budget
01 GENERAL FUND		
10 City Council		
210 Airfare	from _____	to _____
20 Administration		
110 Salaries	from _____	to _____

Section 3. The budget is hereby amended as indicated and any portion of the approved budget inconsistent with this amendment is repealed.

Section 4. This ordinance becomes effective upon its adoption by the city council.

First Reading _____
Public Hearing _____

ADOPTED by duly constituted quorum of the City Council/Borough Assembly of _____, Alaska, this ___ day of _____, 19__.

Mayor

ATTEST:

City/Borough Clerk

*ORIGINAL - To be returned to the Department of Community and Regional Affairs.
COPY - To be kept by city.*

Notes

Chapter 2

Chart Of Accounts

\$

Chart of Accounts FY95	
Funds	
01	General Fund
02	Grant Fund
03	Electric Utility
Expense Function Codes	
General	
10	City Council
20	Administration and Finance
21	Planning and Zoning
30	Police (Public Safety)
31	Fire/Other Public Safety
40	Streets and Roads (Public Works)
41	Refuse Collection (Public Works)
50	Sewage Disposal and Treatment and Water Plant
51	Health (Clinic)
60	Washeteria
70	Parks and Recreation
80	Airport
81	Other Expenditures
82	Public Fuel Sales
83	_____ 87 _____
84	_____ 88 _____
85	_____ 89 _____
86	_____ (Assign as Necessary)
Grants	
90	RDA Grant # _____
91	CDBG Grant # _____
92	Suicide Prevention Grant # _____
93	DOA Grant # _____
94	_____ 97 _____
95	_____ 98 _____
96	_____ (Assign as Necessary)
Electric Utility	
99	Electric Utility

\$

\$

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Revenue Object Codes	45
Coding Expenses	46
Expense Function Codes	46
Expense Object Codes	46
Accounting Distribution	46
Chart of Accounts (sample)	47

Terms Used In This Chapter

The following terms are used in this Chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Amortization - Retirement of a debt through contributions made on a schedule.

Chart of Accounts - A classification system used in accounting which organizes financial accounts.

Electric Utility Fund - One of the three Funds used in this Model Financial Record Keeping System. The Electric Utility Fund serves as the accounting unit to organize transactions associated with the operation of a city owned electric utility.

Expense Function Code - A two number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments in the main glossary.)

Expense Object Code - A three number expense code from the Chart of Accounts corresponding to a line item expense category from the budget. Examples: 110 corresponds to salary expense, 210 corresponds to airfare expense.

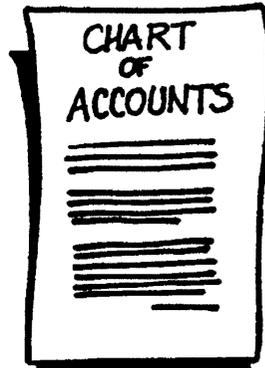
Fund(s) - The primary fund (checking account) that all city financial transactions are assigned to. Each Fund operates more or less independently with its own checking account and set of records.

General Fund - One of three Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business of the city. General Fund usually has the most transactions.

Grants Fund - One of the three Funds used in this Model Financial Record Keeping System. The Grants Fund serves as the accounting unit to organize transactions associated with grants.

Revenue Object Code - Three number code from the Chart of Accounts and corresponding to a category of revenues that may be received by the city. All revenues are coded upon receipt of the money.

CHART OF ACCOUNTS



FUND
CODES:

GF	GRANT	ELECTRIC UTILITY
01	02	03



FUNCTION
CODES:

CITY COUNCIL	ADMIN FINANCE	PLANNING & ZONING	PUBLIC SAFETY
10	20	21	30



OBJECT
CODES:

PERSONAL SERVICES	SALARIES	STIPENDS
100	110	120



EXAMPLE: WAGES FOR A CITY CLERK

CODED: 01-20-110

FOR: GENERAL FUND ADMINISTRATION SALARIES

Chapter 2 Chart of Accounts

Overview

The **Chart of Accounts** lists categories of expenses and revenues; all the city's financial transactions can be placed in one of these categories. The categories are based on the city budget so your expenses and revenues can be easily compared with the amounts budgeted.

The Chart of Accounts is a series of numbers serving as a code for the various categories of expenses and revenues. This code avoids writing out the name of an expense category every time you write a check.

Fund

A **Fund** is an independent bookkeeping record of revenues, expenditures, and cash balances for the city. There may be many different Funds. We deal with three Funds here: General Fund, Grants Fund, and Electric Utility Fund (optional).

General Fund: All general government transactions not accounted for by any other Fund are dealt with through this Fund.

Revenues in this Fund come from a variety of sources, including: taxes, fees, State Revenue Sharing, and Municipal Assistance. Expenditures are general ongoing government services such as administration, maintenance, police, and fire protection.

Grant Fund: Revenues come from grant agreements. Moneys can be spent only as authorized by grant agreements.

Electric Utility Fund: Moneys received by the Electric Utility and which must be spent only on the Electric Utility

Coding Revenues

All revenues received by the city are identified using two sets of numbers. These numbers identify the Fund (2 digits) and **Revenue Object Code** (3 digits). Let's look at what these terms mean.

Revenue Object Codes

The Revenue Object Code identifies the source of money received. This is a three digit code from the Chart of Accounts. Examples are Sales Tax (900), State Revenue Sharing (920), Municipal Assistance (921), RDA Grant (940), DOA Grant (943). Revenue Object Codes should correspond with revenue sources in the city's budget.

Example: Use the sample Chart of Accounts on page 47. A State Revenue Sharing check is received by the city. It's coded 01-920.

01 - tells us this is a General Fund revenue source — not a grant revenue or a revenue from the electric utility.

920 - tells us this is State Revenue Sharing money.

Example: Use the sample Chart of Accounts. An RDA Grant check is received by the city. This revenue is coded 02-940.

02 - tells us this is a Grant Fund revenue source.

940 - tells us this is RDA Grant money.

Coding Expenses

Expenditures are identified using three sets of numbers. These identify the Fund, the **Expense Function Code** and the **Expense Object Code**. For example, the Fund is identified by a two digit number such as 01, 02, or 03. The Expense Function Code is identified by a two digit number, such as 10,11,, 99. The Expense Object Code is identified by a three digit number, such as 110,120, ..., 690.

Expense Function Codes

These numbers tell which department or grant the money is spent for. Examples include City Council, Administration and Finance, and Police.

Expense Object Codes

These numbers tell which commodity, service or item was bought. Examples are telephone, fuel, electricity, and insurance.

Example: Use the sample Chart of Accounts on page 47. If John Doe, City Council Member gets a meeting fee check for \$25.00, the check is coded 01-10-120.

01 - tells us the expenditure is from the General Fund.

10 - tells us the expenditure is charged to the City Council.

120 - tells us the expenditure is for a meeting fee.

Accounting Distribution

If the expense item is charged to more than one Fund or department (Expense Function Code), identify which Funds and departments are paying for the item. For example, postage is usually paid with one check. However, you need to identify how much the General Fund, Administration, is charged and how much the General Fund, Health Clinic, is charged.

Example: Use the sample Chart of Accounts on page 47. A check for \$25.00 is made out for postage. \$15.00 is charged to General Fund, Administration; \$5.00 is charged to General Fund, Police; and, \$5.00 is charged to General Fund, Health Clinic. The accounting distribution is:

01-20-420 : \$15.00

01-30-420 : \$ 5.00

01-51-420 : \$ 5.00

Chart of Accounts (sample)

A sample Chart of Accounts is on page 47. Use this sample Chart of Accounts or design your own. Remember: Your Chart of Accounts should match your Budget categories.

Chart of Accounts FY95

Funds

- 01 General Fund
- 02 Grant Fund
- 03 Electric Utility

Expense Function Codes

General

- 10 City Council
- 20 Administration and Finance
- 21 Planning and Zoning
- 30 Police (Public Safety)
- 31 Fire/Other Public Safety
- 40 Streets and Roads (Public Works)
- 41 Refuse Collection (Public Works)
- 50 Sewage Disposal and Treatment and Water Plant
- 51 Health (Clinic)
- 60 Washeteria
- 70 Parks and Recreation
- 80 Airport
- 81 Other Expenditures
- 82 Public Fuel Sales
- 83 _____
- 84 _____
- 85 _____
- 86 _____
- 87 _____
- 88 _____
- 89 _____
- (Assign as Necessary)

Grants

- 90 RDA Grant #
- 91 CDBG Grant #
- 92 Suicide Prevention Grant #
- 93 DOA Grant #
- 94 _____
- 95 _____
- 96 _____
- 97 _____
- 98 _____
- (Assign as Necessary)

Electric Utility

- 99 Electric Utility

Expense Object Codes

100 Personnel Services

- 110 Salaries
- 120 Stipends
- 130 Payroll Taxes
- 135 Worker's Compensation
- 140 Retirement and Pension
- 150 Administration, Electric Utility

200 Travel

- 210 Airfare
- 220 Per Diem
- 230 Training

300 Facility Expense

- 310 Telephone
- 311 Rent
- 320 Electricity
- 330 Fuel Oil
- 331 Diesel
- 332 Gas
- 333 Hydro
- 334 Coal/Wood
- 340 Repairs & Maintenance (Buildings)
- 350 Repairs & Maintenance (Electric Utility)
- 351 **Amortization** of major overhauls
- 352 Emergency Repairs, Electric Utility
- 353 Routine Main, Electric Utility
- 354 Other, Rep/Main, Electric Utility

400 Supplies

- 410 Supplies - Office and Clerical
- 420 Supplies - Postage
- 430 Supplies - Copier Machine
- 440 Supplies - Search & Rescue
- 450 Supplies - Other
- 460 Parts/Supplies
- 470 Power Plant Parts/Supplies
- 471 Lube Oil
- 472 Oil/Fuel Filters
- 473 Small Tools (under \$200)
- 474 Other, Power Plant

500 Equipment

- 510 Equipment
- 520 Vehicle/Equipment Maintenance

600 Other Operating Expenses

- 610 Interest and late charges
- 620 Insurance & Bonding
- 630 Contractual Services
- 631 Consultants (Outside Prof. Svcs.)
- 640 Membership Dues and Fees/Subscriptions
- 650 Elections
- 660 Bank Charges
- 670 Freight
- 680 Loans Electric, Utility
- 681 Fuel Loan, Electric Utility
- 682 Interest Expense, Fuel Loan, Electric Utility
- 690 Other, Electric Utility

Revenue Object Codes

900	Sales Tax	943	DOA Grant #
901	Bingo	944	_____
902	Pull Tabs	945	_____
903	Cable Television	946	_____
904	Water/Sewer	947	_____
905	Washeteria/Sauna	948	_____
906	Building Rental	949	_____
907	Equipment Rental		(944 - 949 Other Grant Sources
908	Land Sales		Assign as Necessary)
909	Fines/Penalties		
910	AVEC Reimbursement		
911	Water/Sewer Agreement/Contract		
912	Interest Earnings		
913	Pop Sales		
914	Photo copies		
915	Electric Utility (Misc.)		
916	Electric Utility Customer Payments		
917	Electric Utility PCE Reimbursements		
918	Miscellaneous Revenue		
919	_____		Local Sources Assign as Necessary
920	State Revenue Sharing		
921	State Municipal Assistance		
922	State Raw Fish Tax Refunds		
923	State Court Lease		
924	State Telephone and Electric Co-op Tax Refunds		
925	_____		State Sources Assign as Necessary
926	_____		State Sources Assign as Necessary
927	_____		State Sources Assign as Necessary
928	_____		State Sources Assign as Necessary
929	_____		State Sources Assign as Necessary
930	Alaska Native Health Service (Clinic) Lease		
931	_____		Federal Sources Assign as Necessary
932	_____		Federal Sources Assign as Necessary
933	_____		Federal Sources Assign as Necessary
934	_____		Federal Sources Assign as Necessary
935	_____		Federal Sources Assign as Necessary
936	_____		Federal Sources Assign as Necessary
937	_____		Federal Sources Assign as Necessary
938	_____		Federal Sources Assign as Necessary
939	_____		Federal Sources Assign as Necessary
940	RDA Grant		
941	CDBG Grant		
942	Suicide Prevention Grant		

Notes

Notes

Notes

Chapter 3

Cash Receipts System

City of Pacific
P.O. Box 423
Pacific, AK 99609
Phone: (907) 674-5601

1014

Check Number	Amount Paid		Received From	Date	Description	Balance Due	Received By
	Check	Cash					

ATTACH THE RECEIPT FOR YOUR RECORDS



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Time Certificates of Deposit (CD's)	69

Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Cash - Money in the form of currency or checks.

Cash Receipt - A special piece of paper that records cash collected for the city.

Cash Receipts Journal - Record of cash received by the city organized in chronological order.

Cash Receipts System - A system that ensures money received is accounted for and internal control is maintained.

Chart of Accounts - A series of numbers that classify expenses and revenues. The Chart of Accounts is used to organize financial transactions into meaningful records.

Check - A written order to a bank to pay a certain amount to a specific individual or organization from funds on deposit in that bank.

Cross-foot - Added row of figures. A row goes across the sheet. A column goes down the sheet.

Currency - Money in the form of dollars and coin.

Customer Ledger Cards - Customer Ledger Cards track each customer's account. The Customer Ledger Card is an on-going account of customer charges, payments made, and balance due.

Ekonomik Check Register - A commercially available check register that also serves as a Cash Disbursements Journal.

Enterprise - A business.

NEBS Receipt System 414-1 - Brand name of a commercially available cash receipts system. The New England Business Service, Inc. Pegboard (NEBS Form 414-1) serves as a Cash Receipts Journal.

One-write system - A group of records that uses carbonless copying. The information is transferred from the original record to one or more additional records using carbonless paper.

Revenue Object Code - Three-number code from the Chart of Accounts and corresponding to a category of revenues that may be received by the city. All revenues are coded upon receipt of the money.

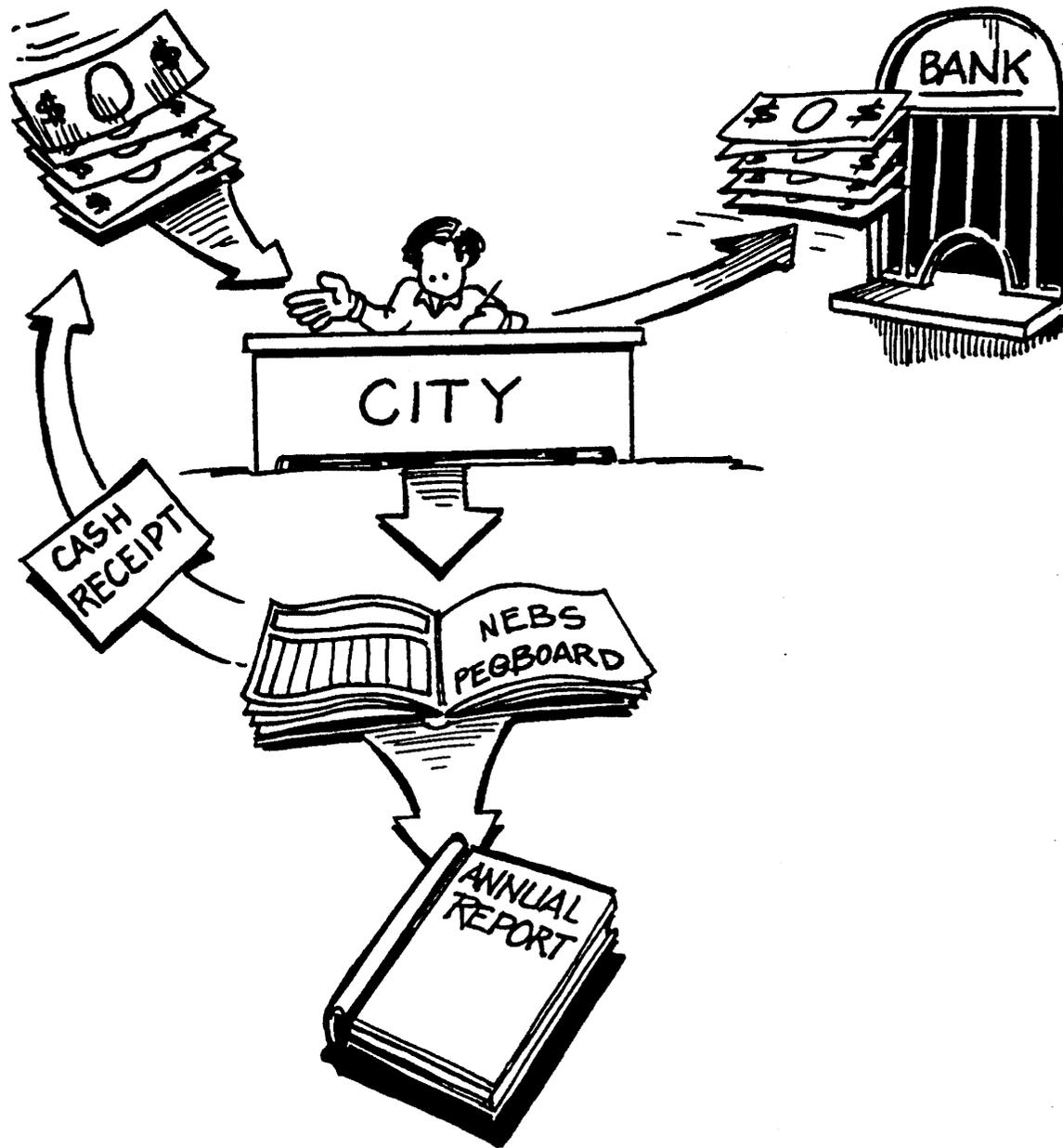
Terms Used In This Chapter (continued)

Set Cash - An amount of money reserved for making change for customers. When making deposits this amount of money is not included in the deposit but is kept in the cash box.

Time Certificates of Deposit (CD's) - Investment offered by banks that pays higher interest rates than normal bank savings accounts but requires that a certain amount of money be left in the bank for a specific period of time.

Transfers - Payments from one Fund to another Fund.

CASH RECEIPTS



Chapter 3 Cash Receipts System

Overview

The city gets revenue in two forms: **Currency** and **Check**. You must keep track of all revenues, whether currency or check, and make sure they're deposited into the city's bank accounts.

Use a **Cash Receipts System** to track all payments to the city and create a record of all revenues received by the city. Ideally, only one person should receive and record all **Cash** received by the city. This isn't always possible. The bookkeeper (or clerk or administrator) makes out **Cash Receipts** even if he/she doesn't actually collect all the city's cash. For example, even though the bookkeeper doesn't collect money spent by bingo players, he/she makes out the Cash Receipt to the city's bingo operator for money collected from the game.

The System

The Cash Receipts System requires the bookkeeper to write a Cash Receipt for **all** revenues received by the city. A receipt is written even if the receipt is not actually given to the individual or organization providing the cash. **The receipt is a record of revenues received.**

The Cash Receipts System consists of pre-numbered Cash Receipts and **Cash Receipt Journal** sheets. The **NEBS Receipt System 414-1** is a "One-write" **System**. Information from the Cash Receipt is entered in the Cash Receipt Journal as the receipt is made out through use of carbonless copy sheets.

Purpose

The purpose of a Cash Receipts System is to provide:

- Accounting control over money received by documenting all currency and checks received at the time of receipt.
- A receipt to customers.
- The city with a record of the following information for each receipt:
 - ✓ Date moneys were received.
 - ✓ Cash receipt number.
 - ✓ From whom moneys were received.
 - ✓ Description of what moneys are for (water/sewer, rent).
 - ✓ Balance due (if any).
 - ✓ Who accepted the money (the person writing the receipt).
- Assurance all cash received is properly deposited to the bank and an accurate record is kept.
- A summary of the total of the different kinds of receipts by **Revenue Object Code** (called Revenue distribution).

Setting Up The NEBS Pegboard

The first step to putting together the Cash Receipts System is setting up the Cash Receipts Journal, which is the NEBS Pegboard. The "pegboard" has 25 columns on journal sheets, 15 for distributing receipts. Title the columns using Revenue Object Codes from your **Chart Of Accounts**. If the city has more than 15 revenue sources, use the most frequent sources of revenue as titles for 14 columns and the last column for "Miscellaneous" revenues.

The last column, titled "Miscellaneous," is used to record revenues received occasionally; for example, State Revenue Sharing, Municipal Assistance and **Transfers**. Use this column to record revenue that doesn't have its own column. Payments from other Funds to the General Fund for checks written out of the General Fund are transfers and are recorded in this column. For example, the Grants Fund's share of payroll taxes is a transfer payment from the Grants Fund to the General Fund.

Month March 15 19 95														Page No. 1		
Receipt Number	¹⁰ 900	¹¹ 903	¹² 904	¹³ 905	¹⁴ 906	¹⁵ 913	¹⁶ 915	¹⁷ 916	¹⁸ 917	¹⁹ 923	²⁰ 930	²¹ 931	²² 940	²³ 942	Miscellaneous	
															²⁴ Description	²⁵ Amount
			1													
			2													
			3													

RECEIPT JOURNAL														Month										Page No.			
Receipt Number	Amount Paid		Received From	Date	Description	Balance Due	Received By	Receipt Number	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Miscellaneous		
	Check	Cash																							Description	Description	Amount
1																											
2																											
3																											
4																											
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30																											
Sub-Total																											
Total																											

Instructions

When money is received a receipt is immediately filled out. The following information is entered on the receipt:

- ➔ Transit number* if a check is received. The transit number is used because the bank uses this number to keep track of checks deposited in your account.
- ➔ Amount received. There are 2 boxes, one for amount received by check and one for amount received in currency or "cash." Be sure to enter the amount received in the proper box.
- ➔ Name of person or agency the payment is received from. (Example, Joe Smith or State of Alaska.)
- ➔ Date. This is the date you are making out the receipt
- ➔ Description of what the cash or check payment is for. (Example: Community Hall rent, water/sewer or cable TV payment, or Revenue Sharing).
- ➔ Balance due, if any, from the person.
- ➔ Name or initials of person accepting the payment. This is the person making out the receipt. This should be either the city clerk, bookkeeper or administrator.

* The transit number refers to the code number in the upper right hand corner of the check, it usually looks like this: 12-540 739 Use the numbers above the line when recording the transit number.

City of Pacific P.O. Box 423 Pacific, AK 99909 Phone: (907) 567-8901						1014	
Transit Number	Amount Paid		Received From	Date	Description	Balance Due	Received By
	Check	Cash					
12-540	20	50	J.Smith	3/2/95	Cable TV	-0-	JH
RETAIN THIS RECEIPT FOR YOUR RECORDS							

The information is recorded onto the Cash Receipts Journal sheet through the carbonless receipt.

If a Cash Receipt is issued for a bank check received, the check should be immediately stamped "For Deposit Only" to avoid having an unauthorized person cash the checks. Stamps can be obtained from any office supply store.

The city should not be in the banking business. However, if a customer writes a check to the city for more than is owed to the city and expects change write a receipt for only the net received by the city. For example, if a customer owes the city \$75 for sewer haul and writes a check for \$100 in order to get some cash back, the city clerk would make out a cash receipt for only the \$75 for the sewer haul payment.

Another example: Paul John owes \$50 to the city for cable TV. He wants to give the city his payroll check for \$350 and get \$300 change while paying his cable TV bill. Although the city should not make a habit of keeping a lot of currency around, the city clerk agrees to give Paul John \$300 for his endorsed payroll check. The clerk should make out a cash receipt for \$50 for the cable TV payment. No receipt is given for the \$300 because the city only exchanged cash for a check and didn't increase the amount of money they have.

In the case of an enterprise, the receipt is then posted to the **Customer Ledger Card**. (Refer to the main Table of Contents in the front of the book to find the location of more information on Customer Ledger Cards.) Ledger Cards provide the city with an updated record of the customer's account.

Cash Receipt Journal sheet amounts in columns 2 and 3 are added up and the

sum placed in the space marked "Total" at the bottom of the page. The total amount of columns 10 through 25 added together must equal the figure in the "Total" space, known as **Cross Footing**. This is done after 30 receipts have been recorded or at the end of the month. After Cash Receipt Journal sheets are totaled they are placed in a ring binder.

A monthly summary of the city's revenues is prepared by adding together the totals from the Cash Receipt Journal sheets for a particular month.

Daily Cash Receipts Checklist

	<u>Done by</u>
1. Prepare pre-numbered receipts.	_____
2. Enter all pre-numbered receipts in the cash receipts journal.	_____
3. Count the currency and checks at the end of the day and compare this total to the sum of columns 2 and 3 on the Cash Receipt Journal.	_____
4. In the case of an overage, make out a cash receipt and add the amount to the total revenues. In the case of a shortage, make out a cash receipt but place brackets around the amount and subtract the amount from the total receipts.	_____

Bank Deposits

Currency and checks received by the city must be safely stored. A lockable strong box is a minimum safeguard to avoid theft or loss of the city's cash.

Currency is difficult to store and easy to steal so we recommend depositing money in the bank frequently. Deposits are made by mail or directly deposited if a bank is available in the community. If mailing currency to your bank, make sure you use registered return receipt mail.

The Federal Deposit Insurance Corporation (FDIC) insures the city against the loss of money in case the bank goes bankrupt. The FDIC insures depositors up to \$100,000 for each bank that the city has an account with. If the city has more than \$100,000 in a bank, consider opening an account with another FDIC insured bank or enter into a "collateralization agreement" with your bank. Ask your bank's service representative about the details of collateralization agreements.

Deposits are normally made into a bank checking or savings account. Since you may have more than one checking account, make sure the revenues are deposited in the proper checking account. Deposit grant money into the Grants Fund account, electric utility receipts into the Electric Utility Fund account, and everything else into the General Fund account.

We recommend interest-bearing checking accounts, if possible. If this type of account isn't available, use the bank with the lowest check writing fee. You may find a bank with free checking. We also recommend that you use a bank that will provide the city with cancelled checks.

Cancelled checks are the best documentation the city can get that money paid out to an organization or individual was received and cashed.

When opening your checking account, we recommend that the city set up the account so two signatures are required on the check to authorize payment. One of the required signatures should be the Chief Administrator except when the Chief Administrator initiates the payment. In no instance should a Council Member sign a check they are the recipient of. Two signatures provide better control over who authorizes the use of city money. Set up the account so four different people can sign but only two signatures are required.

Make a deposit on the last day of the month, so that currency and checks received during the month are deposited. Also make a deposit each time a Cash Receipt Journal sheet is completed. This makes cash record keeping easier. If the city receives a large amount of cash at one time, deposit it as soon as possible; don't wait until the end of the month.

When you make a deposit, put a red ruler line below the last entry in the "Amount Paid" (check/currency) columns on the Cash Receipt Journal sheet. The total of this "Amount Paid" (check/currency) column is the cash received by the city since the last deposit; it must equal the total money in the safe available for deposit less any **Set Cash** balance.

Important: The total of "Amount Paid" by checks and currency minus the Set Cash balance equals the total money available for deposit.

The red ruler line is a reference point so you'll know where to start adding for the next deposit.

To Make a Deposit

1. Fill out a bank deposit slip for each deposit.
2. Make copies of the deposit slip and all checks and money orders being deposited. Staple the copies together and keep them in the Bank Deposit File in the Bank Files. (See Appendix A, Filing for more information.) Record the deposit in the Ekonomik Check Register.
3. Copies of deposited items are source documents for bank deposits recorded in the Ekonomik Check Register.

Deposit Ticket Illustration

Remember: If depositing by mail we don't recommend sending cash. Convert cash to check whenever possible.

FOR DEPOSIT TO THE ACCOUNT OF			
CITY OF PACIFIC P.O. BOX 423 PACIFIC, AK 99909 Phone: 567-8901			
DATE	March 12	19	95
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL			
SIGN HERE FOR LESS CASH IN TELLER'S PRESENCE			
ALASKAN SECURITY BANK			
CASH	Currency		
	Coin		
LIST CHECKS SINGLY			
TOTAL FROM OTHER SIDE		\$202	70
TOTAL		\$202	70
Less Cash Received			
NET DEPOSIT		\$202	70
89-7204/3252			
USE OTHER SIDE FOR ADDITIONAL LISTING.			
BE SURE EACH ITEM IS PROPERLY ENDORSED			
: "325272047:50 007795 0"; 22566			

See next page for the back side of the Deposit Ticket.

Back side of Deposit Ticket ➤

DO NOT USE these spaces if amounts have been entered on the front of the deposit slip.

Transit Numbers from the checks

Amount of each check

		Dollars	Cents
Currency			
Coin			
Checks (List separately)			
1	89-7204	20	50
2	10-507	20	50
3	75-5498	41	00
4	10-1875	20	50
5	70-135	79	70
6	12-540	20	50
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
TOTAL		\$202	70

Total of all checks and currency. This total is entered on the front of the Deposit Ticket where it says "Total From Other Side."

Deposit Checklist

Done by

- | | |
|---|-------|
| 1. Count currency and coin. | _____ |
| 2. Compare the total of currency, coin and checks to the total cash received in Columns 2 and 3 on the Cash Receipts Journal. | _____ |
| 3. If there's a difference between the cash count and the total of cash received in Columns 2 and 3 on the Cash Receipts Journal that you can't account for, make out a pre-numbered receipt for the shortage or overage in the Cash Receipts Journal. Enter the amount in the Misc. column and code the revenue to "miscellaneous revenue" (918 in our sample Chart of Accounts).
<i>This should be a last resort. Check all possible reasons for the shortage or overage before making out the receipt.</i> | _____ |
| 4. If possible, sell currency and coin to a business in town for a check. This is called a "Cash Exchange." Make out a pre-numbered receipt and enter it in the Cash Receipts Journal. DO NOT distribute the cash exchange receipt. The cash you're exchanging was already distributed. The receipt is to document the cash exchange check. DO NOT include a cash exchange check when you're totalling Column 2 of the Cash Receipt Journal. | _____ |
| 5. Draw a red line under the last entry in the amount paid (check/cash) columns on the Cash Receipts Journal sheet. | _____ |
| 6. The total of these columns must equal the total money in the safe available for deposit. | _____ |
| 7. Make a deposit. | _____ |
| 8. Enter the amount of the deposit in the Ekonomik Check Register. | _____ |

Remember not to count "cash exchange" receipts (step 4 above) as revenue since

this amount has already been recorded as revenue.

Time Certificates of Deposit (CD's)

If the city has a large surplus of cash during all or part of the year, make a safe investment that provides the city with income. One way is a **Time Certificate of Deposit (CD)**. CD's are an agreement between the depositor (the city) and the bank. The depositor agrees to leave money in the bank for a specific period of time. In turn, the bank agrees to pay interest to the depositor for use of the money. For information on interest rates, CD's, and deposit time periods, call your bank.

CD's are low risk and guarantee relatively high yield, usually higher than interest paid on savings accounts. They offer fixed rates of return during a set time period. If you take out the money before the end of the time period, you must pay an interest penalty.

Use 30 day CD's for surplus cash. *The city should consider surplus cash to be*

the amount the city has available that is not needed for city operations over the next 30 days based on past experience. If a 30 day CD is used, the city gets the interest plus the original investment at the end of 30 days. This money can then be deposited in the General Fund (if that's where the money came from) or the Grants Fund (if that's where the money came from). Remember to record the amount received (interest and principal) as revenue in the correct **Ekonomik Check Register**.

If the city still doesn't need the cash in the CD, "roll over" (reinvest) the money into another 30 day CD.

30 day CD's accommodate any demand for payments. For example, if the city has a demand for payment, you have 30 days to pay. A 30 day CD makes sure you can get the cash in time to pay bills presented after purchase of the CD without being penalized for early withdrawal of the money invested in the CD.

Notes

Notes

Chapter 4

Cash Disbursements

Ekonomik Check Register

EKONOMIK CHECK AND DEPOSIT REGISTER														
Register Check Before Drawing										FORM E-20		CREDIT	BANK ACCOUNT	
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amnt of Deposit	BALANCE			
	1		AMOUNTS FORWARD											
	2													
	3													
	4													
	5													
	6													
	7													
	8													
	9													
	10													
	11													
	12													
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	15													
	16													
	17													
	18													
	19													
	20													
	21													
	22													
	23													
	24													
	25													
			AMOUNTS FORWARD											

Register Checks Before Drawing

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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand, check with the central glossary beginning on page 1.

Adjustments - Before figuring bank account balances, the amount that must be added to or subtracted from the checkbook balance for transactions not recorded in the checkbook. Examples include interest earned and bank charges for services rendered.

Cash Receipts Journal - Record of cash received by the city organized in chronological order.

Cash Disbursements Journal - Record of cash payments by the city organized in chronological order.

Chart of Accounts - A series of numbers that classify expenses and revenues. The Chart of Accounts is used to organize financial transactions into meaningful records.

Budget Detail Sheets - The Budget Detail Sheets show expenses (Expense Function Code) as recorded in the Ekonomik Check Register by line item (Expense Object Codes) for each department/grant. The sheets are used to create the Monthly Financial Statements. (See Chapter 14)

Debit memo - A notation by a bank that charges have been levied against an account for services rendered.

Departments - The major categories or divisions of the city's government. Often departments correspond with the primary services provided by the city; streets and roads, police, administration and water/sewer.

Distributing expense - Assigning an expense to more than one account (Fund, department or line item).

Ekonomik Check Register - A commercially available check register that serves also as a Cash Disbursements Journal.

Electric Utility Fund - One of three Funds used in this Model Financial Record Keeping System. The Electric Utility Fund serves as the accounting unit to organize transactions associated with the operation of a city owned electric utility.

Expense Function Code - A two number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments)

Expense Object Code - A three number expense code from the Chart of Accounts corresponding to a line item expense category from the budget.

Terms Used In This Chapter (continued)

Fund(s) - The primary categories that all city financial transactions are assigned to. Each Fund operates more or less independently with its own checking account and set of records.

General Fund - One of three Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business in the city. (The General Fund usually has the most transactions of all the Funds.)

Grants Fund - One of three Funds used in this Model Record Keeping System. The Grants Fund serves as the accounting unit to organize transactions associated with grants.

Line Item - Refers to a budget subcategory of expense. Synonymous with the Expense Object Code.

Paper Trail - A series of records that trace a transaction from the source document to final reporting. (See Source Document)

Payroll - A list of employees receiving wages and the amounts due to each. Also, the total sum of money paid to all employees for a pay period.

Purchasing - Buying of goods or services using a procedure approved by the city council and adopted as an official purchasing policy.

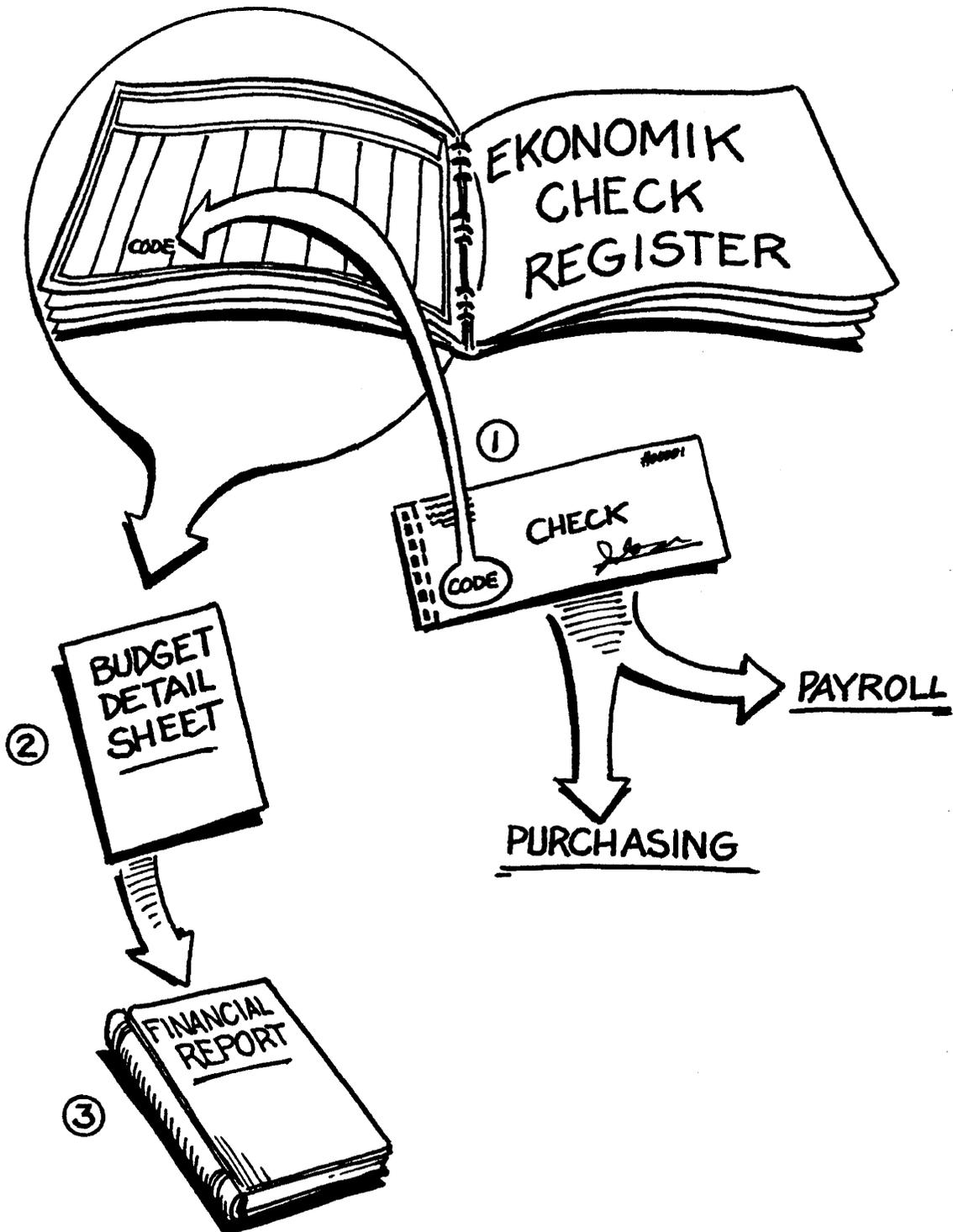
Reconciling - A comparison of check and bank deposit slips with monthly bank statements. The comparison is done to make sure that the city checkbooks have been accurately kept and that the bank has not improperly charged the city for bank services.

Source document - The initial record of a financial transaction. Examples include: time cards for payroll checks, purchase orders and check requests for checks to vendors, and cash receipts for money received from city customers.

Transfers - Payments from one Fund to another Fund.

Voucher Checks - A style of check that has space for recording information on what accounts should be charged for expenses.

CASH DISBURSEMENTS



Chapter 4 Cash Disbursements

Overview

A good cash disbursement system provides a **Paper Trail** for expenditures of money, identifies why money was spent and distributes the expense to the correct account. This system uses the city's checkbook and check register to provide these records.

We recommend three part **Voucher Checks**. NEVER MAKE PAYMENTS WITH CURRENCY. Using three part checks provides the city with two copies of any check written. These copies can serve as a record of the amount of expenditures. The check should also have space available to record what accounts from the **Chart of Accounts** should be charged for the expense. In this way the copies serve as a record of what should be charged for expenses.

As mentioned in the last chapter, cancelled checks are the best documentation of actual expenditures since you receive the proof that the check was cashed. Make sure that the bank will provide you with cancelled checks at no charge before you open a checking account.

It's time consuming to review copies of all checks written to find out how much was spent and which account to charge. Therefore you should record this information on the check register as well as the check. We recommend the 20 column Ekonomik Check Register (Form E-20). However, any 20 column check register works. The check register records money deposited into and checks written on the city's checking account or charges to the account. It provides you

with a current balance of the amount of money in the city's checking account.

You record on the check register which account should be charged for expenses by distributing the expenses to the **Expense Function Codes** (two digit number code) and the **Expense Object Code** (three digit number code). You enter the expense in the proper column since each of the 20 columns represents a different Expense Function Code.

Recording Revenues and Expenses

Buying something, paying someone, and receiving income affects your checkbook balance. *Entering each transaction in the proper book is the most important step in the accounting process.* Recording (writing down) receipt of revenue (currency or checks) or spending money (cash disbursement by check) is the basis of accounting.

All payments are made with checks. Do not use currency. This ensures you have a record of every payment made by the city. You can't account for disbursements (expenditures) without this record.

Recording disbursements is the Ekonomik Check Register's most important accounting function. The Ekonomik Check Register is a **Cash Disbursements Journal**.

Use one Ekonomik Check Register for each checking account you have. We recommend up to three checking accounts: one for the **General Fund** (general operations of the city); one for

the **Grants Fund** (transactions involving grant funds); and, one for the **Electric Utility Fund**, if the city has an Electric Utility.

The Ekonomik Check Register:

- ✓ Records expenses after checks are written.
- ✓ Records bank deposits of checks and currency.
- ✓ Records the current cash balance in the bank account after deposits are made and checks written.
- ✓ Distributes check amounts to the proper Expense Function Code.

Determining Expenditures by Fund, Budget, and Chart of Accounts

You need to be able to identify which **Fund**, department, and line item is charged for checks written. To determine how an expense should be charged you need to be familiar with the Funds established, the budget categories, and the Chart of Accounts.

Determining which Fund the expense is applied to will indicate which Ekonomik check register to use: the General Fund, the Grants Fund, or the Electric Utility Fund. This information comes from your Chart of Accounts.

Your budget is set up by **Departments** or grants (Expense Function Codes). Departmental expenses are broken down by **Line Items** or Expense Function Codes. The line items are generally the same for each department: salaries, fringe benefits, payroll taxes, rent, and utilities.

The Expense Function Code tells which department the expense is charged to.

The Expense Object Code tells what the line item is. For example:

Fund ➤ Checking Account

Expense
Function Code ➤ City Department

Expense
Object Code ➤ Line Item

Setting up the Ekonomik Check Register

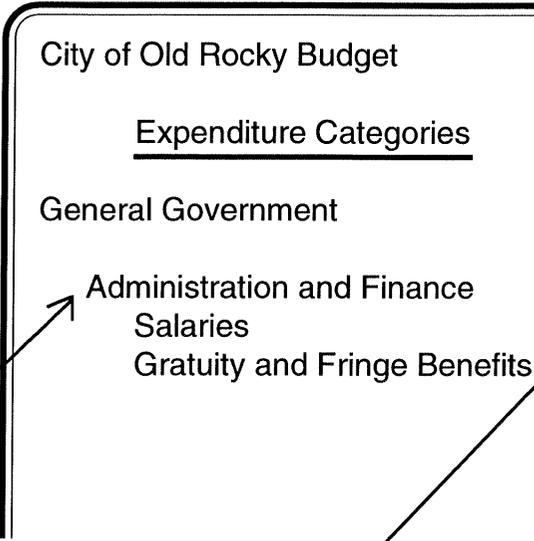
A sample Ekonomik Check Register is on page 78. Look at the sample as you read how to set it up.

The Ekonomik Check Register has two types of pages: the expense page, labelled "debit distribution," on the left; and, the check recording and deposit page on the right.

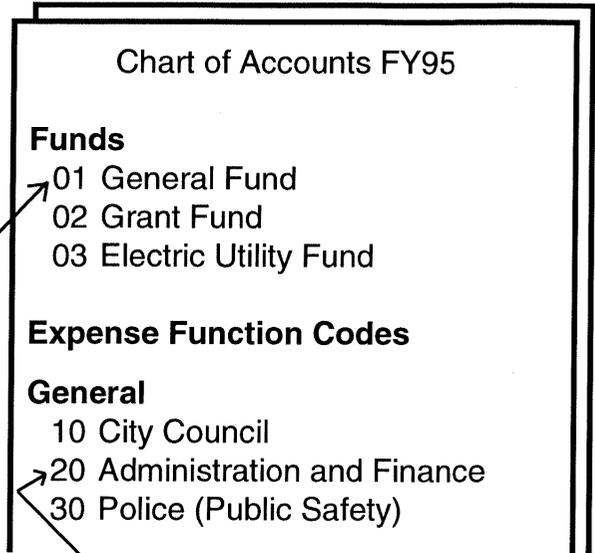
Notes

You need two **Source Documents** to set up the Ekonomik Check Register:

1. Your Budget



2. Your Chart of Accounts



This is a general government fund so the Fund Account is **01 General Fund**.

01 General Fund		DEBIT DISTRIBUTION											
	\$3,750												
Line No.	Administration & Finance (20)												
1													
2													

To set up "Administration & Finance" you

- ✓ Look at the budget to make sure money is set aside.
- ✓ Look at the Chart of Accounts to find the Expense Function Code (20).

The column heading is "Administration & Finance" (from the budget). The Expense Function Code is 20 (from the sample Chart of Accounts). Above the heading it is a good idea to list the total budget amount for the department to make sure you don't overspend in that category.

Set up the left side of the Ekonomik Check Register the same way for each department.

The first thing you'll notice, reading from left to right on the right hand side of the Ekonomik Check Register, are four more columns. These columns are a continuation of the columns from the left hand side of the register.

Reserve two of these four columns (one if you don't have an electric utility) for recording **Transfers**. For example,

transfers are recorded in the General Fund check register by reserving two columns labeled "Grants Fund 02" and "Electric Utility Fund 03." Any Fund transfers received from the Grants Fund checking account will be recorded in the "Grants Fund, Transfer" column; any payments from the Electric Utility Fund will be recorded in the "Electric Utility Fund, Transfer" column.

General Fund 01

EKONOMIK CHECK AND DEPOSIT REGISTER

Register Check Before Drawing

FORM E-20

CREDIT

	02 GRANTS FUND	03 ELEC UTL FUND	DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid
	130	130	3/15/95			AMOUNTS FORWARD					
	2,000	2,000	3/15/95	1	ALASKA DEPT OF LABOR EMPLOYMENT SECURITY DIVISION	ESC PAYROLL TAXES 130		1017		120 00	
				2							
				3							
				4							

CITY GENERAL FUND ACCOUNT 1017

City of Pacific
P.O. Box 423
Pacific, AK 99909
Phone: (907) 567-8901

89-7204
3252
03/15 19 95

PAY ALASKA DEPT OF LABOR, ESC DIVISION \$120.00

TO THE ORDER OF

ONE HUNDRED TWENTY DOLLARS AND NO CENTS DOLLARS

MAYOR JOHN ATUKAK
AUTHORIZED SIGNATURE

MEMO **ESC PAYROLL TAXES**

⑆325272097:50 007795 0⑆ 22585

DATE	DESCRIPTION	AMOUNT	DEDUCTIONS	NET AMOUNT
	ESC Taxes 02 130	\$20.00	←	Grants Fund 02 Ekonomik Check Register
	ESC Taxes 03 130	\$20.00	←	Electric Utility 03 Ekonomik Check Register
	ESC Taxes 01 130	\$80.00		
	Total	\$120.00		

PLEASE DETACH AND RETAIN THIS STATEMENT - ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED ABOVE

▲ Two Carbon copies are kept for your records.
(Checks have NOT NEGOTIABLE on signature line.)

Recording Expenses

Always write and record checks in numerical order.

The right page, or check recording page, has columns to record detailed information about the checks and a column to enter your bank account balance.

The right page also has a space on the top right for "Bank Account," to show which Fund the account is for: 01 General

Fund or 02 Grant Fund or 03 Electric Utility Fund.

The first line is "AMOUNTS FORWARD" this is the balance from the previous page.

The three-part voucher check has space for **Distributing Expense** information which is recorded in the Ekonomik Check register.

EKONOMIK CHECK AND DEPOSIT REGISTER											
Register Check Before Drawing				FORM E-20		CREDIT		BANK ACCOUNT			
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE
	1	AMOUNTS FORWARD									
	2										
	3										
	4										
	5										
	6										
	7										

- 1 Enter the date the check is written.
- 2 Write the name of the person, company, or agency you're paying.
- 3 What you're paying for.
- 4 Don't use this column.
- 5 Enter the number of the check you used.
- 6 Record the total amount of the check.

- 7 This column shows the amount of money left in the checking account. When you write a check, subtract the check amount from the balance shown in this column; write the new balance in this column on the same line the check was entered.

After recording the information in the Ekonomik Check Register, fill out the Budget Detail Sheet (see Chapter 8).

The left side of the register is used to distribute or show which department or grant (Expense Function Code) is charged. Code the amount of the check in the column under the correct department or grant heading. If the check is charged to more than one department or grant, record each amount in the correct column.

EKONOMIK CHECK AND DEPOSIT REGISTER										01 General Fund	
Register Check Before Drawing										BANK ACCOUNT	
FORM E-20										CREDIT	
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE
4/6/95			AMOUNTS FORWARD								100 00
4/7/95	1	John Dough (City Council Member Stipend 120)			1024		25 00				75 00
	2										
	3										
	4										
	5										
	6										
	7										
	8										
	9										
	10										
	11										
	12										
	13										
	14										
	15										
	16										
	17										
	18										
	19										
	20										
	21										

		01 General Fund									
		\$1,500									
		DEBIT DISTRIBUTION									
Line No.	City Council	10									
1	120	25 00									
2											
3											
4											
5											
6											
7											
8											

Left Side

In the department or grant (Expense Function Code) column show what the check is for by coding the check using the "Expense Object Code" from the Chart of Accounts. Put the 3-digit code on the left of the line the check amount is entered.

DEBIT DISTRIBUTION												
	\$1,500	\$3,750	\$5,000	\$25,000	\$8,000	\$16,000	\$4,000	\$30,000	\$8,500	\$12,000	\$5,000	
Line No.	City Council 10	Admin & Finance 20	Plan & Zoning 21	Police 30	Fire 31	Streets & Roads 40	Refuse Collection 41	Sewage 50	Health 51	Washeteria 60	Parks & Rec 70	
1	15.00	20.00	25.00	15.00	10.00	5.00	5.00	5.00	20.00	3.00	2.00	
2												
3												
4												
5												
6												
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8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												

EKONOMIK CHECK AND DEPOSIT REGISTER												
Register Check Before Drawing								FORM E-20		CREDIT		
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check					
7/9/95			AMOUNTS FORWARD									
7/9/95	1	Yukon Office Supply (office supplies 410)			1047							125.00
	2											
	3											
	4											
	5											
	6											

0.00	
15.00	+
20.00	+
25.00	+
15.00	+
10.00	+
5.00	+
5.00	+
5.00	+
20.00	+
3.00	+
2.00	+
011	
125.00	T

When the check is distributed to more than one department or grant, add the amounts distributed to make sure they add up to the amount of the check.

You may have to distribute the check to various Expense Object Codes. For example, a check written to an equipment supplier may include new equipment (510 code) and equipment maintenance (520 code).

Voiding Checks

- If you find an error before the check is recorded in the Ekonomik Check Register, write "VOID" across the check and file it in the Void Check file in numerical order.
- If you find an error after it's recorded in the Ekonomik Check Register, write "VOID" across the check and file it in

the Void Check file in numerical order. Also write "VOID" across the line entry in the Ekonomik Check Register. Adjust the balance column by adding the amount back into the balance column. One of the copies of the voided check should be filed in the numeric check file to maintain a complete record of all check numbers.

Recording Revenue

The check register is a Cash Disbursements Journal. However, it also records revenue deposited into your checking account. On the right side, the Ekonomik Check Register has columns to

record the date and amount of deposits into the checking account. The balance in the checking account is increased by the deposits and recorded in the "Balance" column.

EKONOMIK CHECK AND DEPOSIT REGISTER										General Fund 01	
Register Check Before Drawing										BANK ACCOUNT	
FORM E-20										CREDIT	
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE
7/3/95			AMOUNTS FORWARD								4 00 00
7/5/95	1	Deposit							7/5/95	1 00 00	5 00 00
	2										
	3										

Write "Deposit" in the "IN FAVOR OF" column.

Write the date in "Date of Deposit" column.

Write the amount in "Amt of Deposit" column.

The amount entered in the "Amt of Deposit" column must equal the "Net Deposit" on your deposit slip.

Balance - Add the deposit amount to the previous balance and enter this amount in the "Balance" column.

FOR DEPOSIT TO THE ACCOUNT OF		CASH		Currency		
CITY OF PACIFIC		Coin				
P.O. BOX 423		LIST CHECKS SINGLY				
PACIFIC, AK 99909		89-7204 ck #597		1 00	00	
Phone: 567-8901						
DATE	July 5	19	95			
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL						
SIGN HERE FOR LESS CASH IN TELLER'S PRESENCE						
ALASKAN SECURITY BANK		TOTAL FROM OTHER SIDE		1 00	00	
		TOTAL		1 00	00	
		Less Cash Received				
		NET DEPOSIT		1 00	00	

89-7204/3252

USE OTHER SIDE FOR ADDITIONAL LISTING.

BE SURE EACH ITEM IS PROPERLY ENDORSED

:⑈325272097:50 007795 0⑈; 22566

The **Cash Receipts Journal** gives detailed information on the currency and checks deposited. See "Bank Deposits" in Chapter 3.

Balancing the Ekonomik Check Register

This means you make sure the right side of the Ekonomik Check Register equals the left side of the Ekonomik Check Register. Do this when you complete a page, at the end of every month, and when you reconcile your Ekonomik Check Register with your bank statement.

Left Side of Register

- ① Draw a red line under the last entry.
- ② Add all the columns to get the "Debit Distribution" totals for expenditures.
- ③ Take all the totals from Step ② above and add them together for a grand total.

Right Side of Register

- ④ Draw a red line under the last entry.
- ⑤ Add "Amount of Check" column.

DEBIT DISTRIBUTION								EKOMIK CHECK AND DEPOSIT REGISTER Register Check Before Drawing FORM E-20					BANK ACCOUNT				
Line No.								Date	Line No.	IN PAYEE OF	IN PAYMENT OF	Check No.	Amount of Check	Paid	Date of Deposit	Amount of Deposit	Balance
1	40												40				90
2		20											20				50
3			50														30
4				10									50		250		280
5					30								10				240
6						60							30				220
7							80						60		150		190
8													80		100		340
9													70				280
10													80				380
11													70				300
12																	230
13																	
14																	
15																	
16																	
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90																	

The grand total of the expenditures from the "Debit Distribution" columns (step ③) must equal the total of "Amount of Check" column (step ⑤).

If the grand totals from step ③ and step ⑤ don't match, either a department column was added wrong, the total of a check amount distributed among departments or grants was recorded wrong, or the amount of a check was recorded wrong. If an

error has been made, correct it. To avoid addition errors, have someone read back the amounts from the Ekonomik Check Register to you and you check the numbers off the calculator tape.

To finish balancing the Ekonomik Check Register you need to:

- Add the total of the "Amount of Deposit" column (\$500) to the starting "Balance" (\$90). This was the total cash available for expenditure during the month ($\$500 + \$90 = \$590$).
- + Subtract the total of the "Amount of Check" column from the figure in Step - ($\$590 - \$360 = \$230$). This must equal the ending "Balance" for the month. If it does not, one or more of the entries in the "Balance" column may be wrong.

Reconciling the Bank Statement to the Ekonomik Check Register

Reconciling the bank statement means:

- ✓ You compare the Ekonomik Check Register balance with the bank statement balance.
- ✓ You adjust for increases or decreases to the checking account not recorded in the check register. Your bank statement and your checkbook are balanced if they match.

The check register must be accurate. It can't overstate or understate the amount of money available to the city. Reconciling lets you check the bank's record of transactions against your check register and catch mistakes that you or the bank made.

You need to compare your bank statement and Ekonomik Check Register to reconcile the bank statement. Reconciling the bank statement should be done every time you get a bank statement.

Adjustments to the Ekonomik Check Register

Make **adjustments** to the Ekonomik Check Register to record additions or subtractions to the checking account not recorded by a deposit slip or a check. These transactions change your checking account balance and must be recorded to show how much is in your bank account and where the money went.

There are two types of adjustments:

- Subtractions lower the account balance. One example is a bank service charge.
- Additions increase the account balance. An example is the interest earned on the money in the account.

Check your bank statement for items not yet recorded in the Ekonomik Check Register. Look for bank check charges, service charges, overdraft charges, or interest payments. Make sure to change your bank balances to reflect any NSF (Non-Sufficient Funds) checks received by the city. These are adjustments (items that change your checking account balance).

Checking Account Summary as of 03-30-95				
Beginning Balance	Total Deposits	Total Withdrawals	Service Charges	Ending Balance
100.00	225.50	151.44	1.20	172.86
----- Checking Account Transactions -----				
Deposits			Date	Amount
Deposit			02-27	25.00
Deposit			03-01	200.50
Services Charges			03-26	1.20

Usually check charges and overdraft charges are listed on a **Debit Memo**. A debit memo is a notification from the bank for any transaction resulting in a bank charge to your account. An example would be a bank charge for an overdrawn account. You will need to deduct this amount from your checking account balance since the bank withdraws the amount of the bank charge automatically without you writing a check.

Recording Adjustments

Before reconciling the bank statement to the Ekonomik Check Register, record all adjustments from the bank statement in the Ekonomik Check Register.

To record adjustments, skip one line under the Monthly Totals on the RIGHT of the Register and write the words "Adjustments to Account."

EKONOMIK CHECK AND DEPOSIT REGISTER											
Register Check Before Drawing				FORM E-20		CREDIT			BANK ACCOUNT		
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Am't of Deposit	BALANCE
5/3/95			AMOUNTS FORWARD								100 00
	1										
	2										
5/3/95	3	Monthly Totals									
	4										
	5	Adjustments to Acct. Balance									
	6										100 00
	7	Decrease Acct. Balance	Bank service charge per bank debit memo 4/30/95				25 00				75 00
	8										
	9	Increase Acct. Balance	Interest earned per bank statement 4/30/95							150 00	225 00
	10										
	11										
	12										

Subtractions are recorded in the "Amount of Check" column.

Additions are recorded in the "Amount of Deposit" column and in the Cash Receipts Journal.

Add or subtract adjustments from your balance.

In the above example we use a "bank service charge" of \$25.00. This charge appears on the bank statement. We subtract that amount in the "Amount of Check" column and describe what the charge is for.

Also in the above example, we show interest earned of \$150. Record this amount in the "Amount of Deposit" column and describe what it is. Make out a Cash Receipt for \$150 to enter the interest in the Cash Receipts Journal. (See Chapter 3, Cash Receipts System, for more information on making out cash receipts.) Record the corrected bank balance for each adjustment in the "Balance" column.

After all adjustments decreasing the account balance are recorded on the right side, record them on the left side. Distribute the bank charges to the proper department or grant, such as "Administration and Finance." The Expense Object Code is 660 for "Bank Charges."

EKONOMIK CHECK AND DEPOSIT REGISTER												
Register Check Before Drawing												
FORM E-20												
CREDIT												
BANK ACCOUNT												
Admin. and Finance	DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE
				AMOUNTS FORWARD								
		1										100 00
		2										
		3	Monthly Totals									
		4										
		5	Adjustments to Acct.									
		6		Balance								100 00
660		7	Decrease Acct. Balance	Bank service charge per bank debit memo 4/30/95				25 00				75 00
		8										
		9	Increase Acct. Balance	For interest earned per bank statement 4/30/95							150 00	225 00
		10										
		11										
		12										

Most adjustments, other than non-sufficient funds (NSF) checks are charged to "Administration and Finance."

Make sure the right and left sides balance.

Remember:

- ✓ Check the bank statement for adjustments to the bank account.
- ✓ Record adjustments on the right side of the check register.
- ✓ Record adjustments on the left side of the check register.
- ✓ Make sure the adjustments on the right and left sides match.
- ✓ Reconcile the check register to the bank statement.

Reconciling After Adjustments

1. Arrange the **cancelled checks** and **deposit slips** by date or number.
2. Examine the cancelled checks and deposits. Cancelled checks were paid by the bank from your account. The Ekonomik Check Register has a column headed "Paid." Put a red check mark in this column for each cancelled check. Mark every cancelled check on the statement. By doing this you can spot checks not cashed (outstanding checks).
3. Do the same with your deposits. Put a check mark by the deposits in the Ekonomik Check Register and the bank statement. By doing this you can spot deposits not recorded by the bank.

Make sure the check amounts and numbers as recorded in the Ekonomik Check Register match the amounts and numbers on the bank statement.

4. After you complete this, look at your bank statement and make sure that every check and deposit listed on the statement has a check mark by it. If

there is a check or deposit without a check mark, go through and find the appropriate Ekonomik Check Register entry and see if you marked it on the Register but forgot to mark it on the bank statement.

When you're done, all checks and deposits on the bank statement **must** be check marked. Not all checks and deposits on the Ekonomik Check Register will be check marked, however.

If you get a cancelled check from the bank that is not recorded in the Ekonomik Check Register, go to the numeric check file. (See Appendix A, Filing System, for a description of a numeric check file.) Record the check information in the Ekonomik Check Register based on the information on the check copy. You should try to determine why the check wasn't recorded in the Ekonomik Check Register and correct the problem.

EKONOMIK CHECK AND DEPOSIT REGISTER						
FORM E-20		CREDIT		BANK ACCOUNT		01 General Fund
Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE
						345.20
1124		41.20	✓	03-02-95		304.00
				03-03-95	25.00	329.00
1125		102.00	✓	03-04-95		227.00

Checking Account Summary as of 03-30-95				
Beginning Balance	Total Deposits	Total Withdrawals	Service Charges	Ending Balance
100.00	225.50	151.44	1.20	172.86 ①
Checking Account Transactions				
Deposits		Date	Amount	
Deposit		03-03-95	✓	25.00
Deposit		03-15-95		200.50
Services Charges		03-26-95		1.20
Checks				
#1124		03-02-95	✓	41.20
#1125		03-04-95	✓	102.00

5. List and total all "outstanding" checks and deposits not on your bank statement but in your Ekonomik Check Register. There's space on the back of the bank statement to do this. "Outstanding" means those checks and deposits which appear on the check register but do not have a check mark in the "paid" column. These are deposits not received by the bank or checks not paid at the time the bank statement was prepared. After the adjustments to the check register have been made, these should be the only items that cause the check register balance to be different from the bank statement balance.

Outstanding Checks	
Ck #	Amount
1139	472.00
1140	59.50
1141	98.00
Total	④ \$629.50

Outstanding Deposits	
Date	Amount
4-7-95	500.00
4-21-95	200.00
4-28-95	400.00
Total	② \$1,100.00

6. List the last or ending balance ① shown on your bank statement .

Balance this bank statement	①		172.86
Plus outstanding deposits	②	+	1,100.00
Subtotal	① + ② = ③		1,272.86
Minus outstanding checks	④	-	629.50
Adjusted "Balance this Statement"	③ - ④ = ⑤		\$643.36

7. Add the outstanding deposits ② (from step 5) to your ending balance.

8. Obtain the subtotal (line ① plus line ② in the above illustration).

9. Subtract the total outstanding check amount ④ (from step 5).

10. This adjusted balance (③ - ④ = ⑤) should match your Ekonomik Check Register balance. If it does, you've reconciled your bank statement. If it doesn't, use the following checklist to find the problem.

Bank Statement Reconciliation Checklist

- Did you correctly enter each check in your Ekonomik Check Register? Compare the amounts on cancelled checks with the amounts in your Ekonomik Check Register. If they don't match, correct the Ekonomik Check Register; carry the corrections all the way through.
- Are all checks listed on the bank statement entered in your Ekonomik Check Register?
- Did you include all outstanding checks? Some may remain unpaid from previous months.
- Did you subtract all "Miscellaneous Charges" from your Ekonomik Check Register? Double check to make sure you subtracted all service charges and added all interest earned. People sometimes forget to subtract the check printing charge.
- Are the amounts of the deposits in your Ekonomik Check Register the same as on the bank statement?
- If your cancelled checks and the Ekonomik Check Register match, but the amount on the statement and your cancelled checks don't match, call your bank.
- Did you carry the balance forward correctly in your Ekonomik Check Register?
- Did you check all additions and subtractions in your Ekonomik Check Register? Bring corrected amounts all the way forward.
- If you need help, call your bank's Customer Service Representative.

Explanation of Terms on Bank Statement

Miscellaneous Charges: Charges to your account made by the bank, such as Service Charges, Automatic Savings Transfers, check printing charges, NSF fees.

Unnumbered checks: Checks charged to your account that don't have check numbers printed in computer-readable form. An automatic payment is one example.

Your Ekonomik Check Register and bank statement must balance perfectly.

★ ★ Balance Your Checking Account Every Month ★ ★

Notes

Chapter 5

Purchasing



City of Pacific
P.O. Box 423
Pacific, AK 99909
Phone: 567-6901

CHECK REQUEST FORM

Check Form # _____ Purchase Order No. _____
Amount _____
Description _____
Accounting distribution
Fund _____ Expense Function Code _____ Expense Object Code _____
TOTAL AMOUNT OF PAYMENT _____
 Check here if bill is a payment from another Fund.
Approved by _____
Check transfer _____
Attach this completed check to
order (includes cost receipt)

PURCHASE ORDER

TO _____
DATE _____
PURCHASE ORDER NUMBER _____
REGISTRATION NO. _____
REGISTRATION BY _____
WHEN SHIP _____
QTY. ORDERED _____ QTY. RECEIVED _____
SHIP VIA _____
SEGS. NO. / DESCRIPTION _____ F.O.B. POINT _____ TERMS _____ UNIT PRICE _____ TOTAL _____
AUTHORIZED BY _____

1. Check each item if you have it.
2. Check to be filled in, otherwise you must return this purchase order with
3. Note to the supplier if you are unable to ship by a certain date.

DUPLICATE COPY
TRIPPLICATE COPY
ORIGINAL
QUADRUPPLICATE COPY

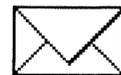


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Terms Used In This Chapter

The following are terms are used in this Chapter. If you find other terms that you can't understand, check with the glossary beginning on page 1.

Audits - A professional examination of the activities of a city and the report based on that examination.

Cash Disbursements Journal - Record of all cash payments by the city organized in chronological order. The Ekonomik Check Register is the Cash Disbursements Journal.

Check request - A request for issuing a check. The check request, once it is authorized, serves as a voucher. (See Voucher in central glossary.)

Coding - The assignment of codes from the chart of accounts to revenues and expenses. Coding determines which budget category is charged for an expense or credited for revenue.

Distributing expense - Assigning an expense to more than one account (fund, department, or line item).

Internal control - A process that attempts to make sure the assets of a city or any organization are protected and the financial records are accurately kept. Usually the internal control process avoids having one person control all of the financial activity of the city. As an example, the Mayor must approve any purchase requested by department heads. Without this arrangement, the department heads could order supplies and sign the invoice that the vendor is to be paid without any concern for how much money the city budgeted for such purchases. The Mayor can have the City Clerk verify that the money was budgeted and determine the balance available before approving the purchase request.

Invoice - A detailed list of goods shipped.

Paper trail - A series of records that trace a transaction from the source document to final reporting.

Purchase Order (PO) - An order and authorization to purchase goods or services. Purchase order is the first step in the purchasing of items or services and serves as the source document for checks written to vendors.

Source documents - Document or record that is the origin for an entry in the city books.

Vendor - Seller of goods and services.

Chapter 5 Purchasing

Overview

Purchasing is a basic activity of a city. Cities buy office supplies, rent or buy equipment, get professional services such as legal advice or **Audits**, buy insurance, and purchase vehicles. Cities need a purchasing system to avoid unauthorized and inefficient buying.

A purchasing system assures:

- The city gets the best deal on items purchased.
- Money is budgeted for all purchases.
- Purchases are made by an authorized official.
- Payment is made only for goods ordered and received by the city.

The purchasing system provides a **Paper Trail** from the budget to payment for goods and services.

To have a good purchasing system, you must set up policies and procedures that go beyond the procedures outlined here. Call your Local Government Specialist for help. Review Chapter 3, Section 4 of the Local Government Handbook.

Your policies and procedures should cover:

- General duties of the purchasing agent.
- The dollar amount for purchases that may be made without using competitive bidding.
- How and when emergency purchases are made.
- How and when to recognize receipt of goods and services.
- How to keep property control records.

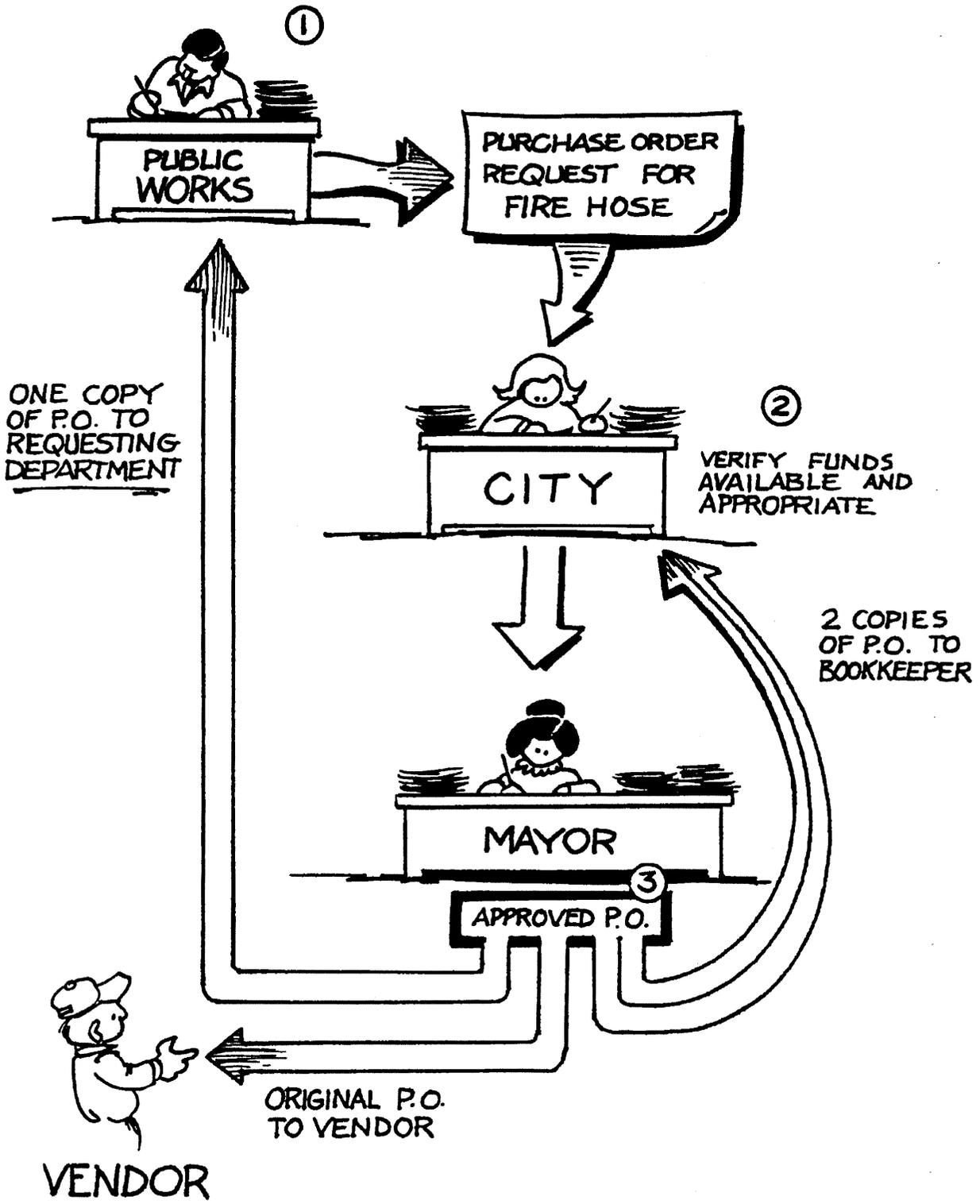
This purchasing system provides the paper trail for audits. It has **Internal Control**, a process guarding against mistakes or unauthorized payments by involving more than one person in the approval of purchases.

A simple purchasing system includes:

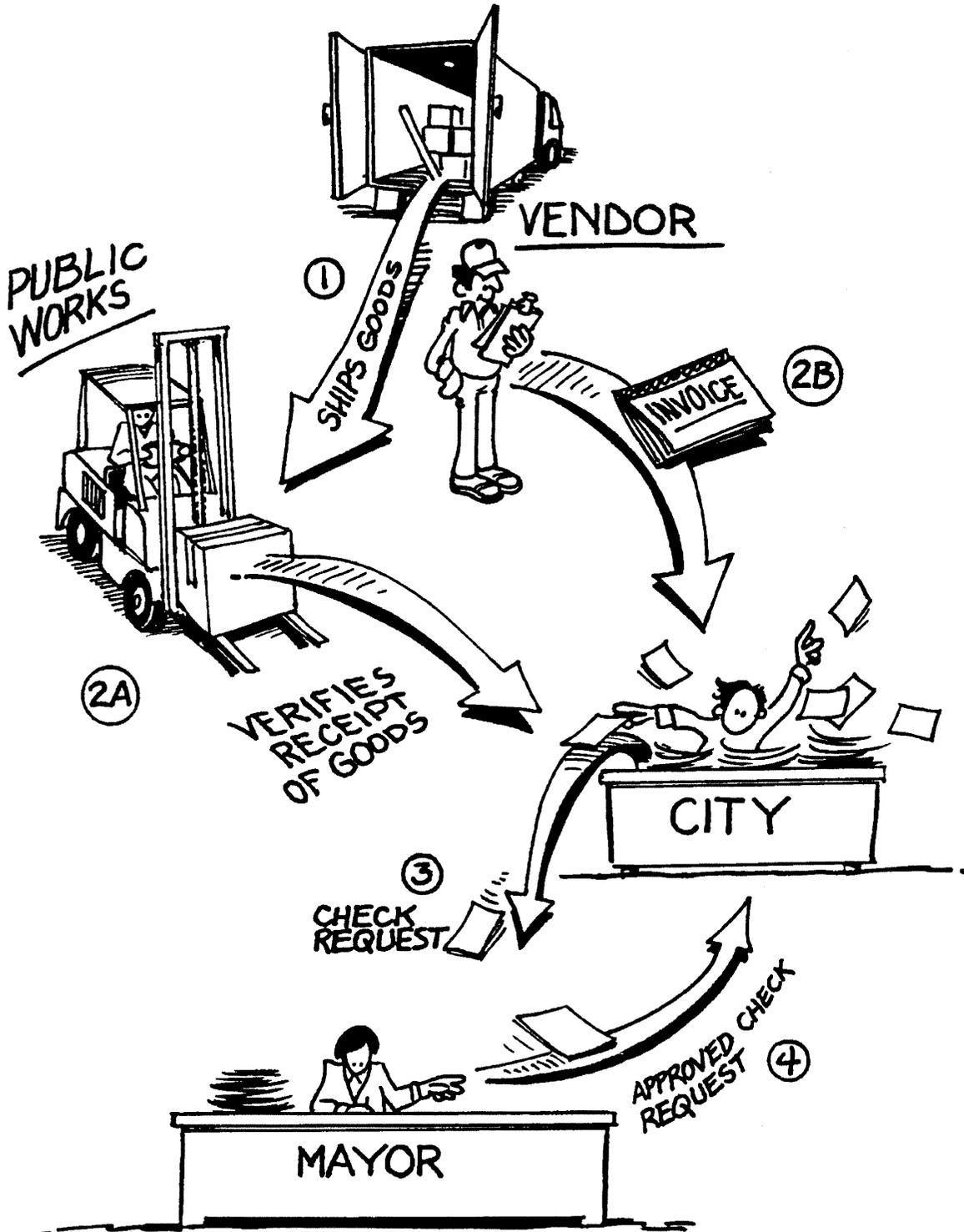
- ✓ Purchase Orders.
- ✓ Invoices.
- ✓ Verification of goods/services received.
- ✓ Check Requests.
- ✓ Payment.

Notes

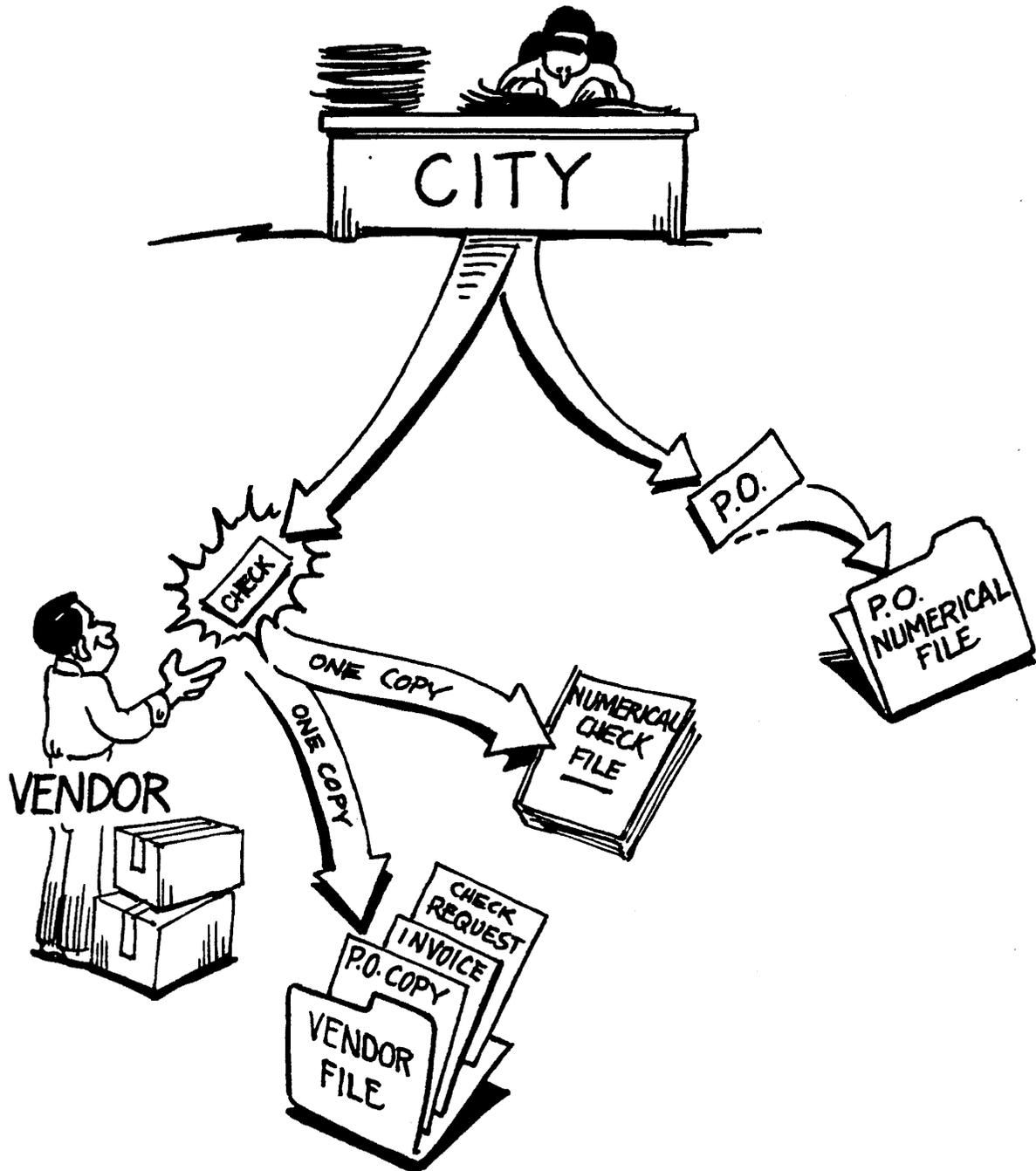
PURCHASING # 1



PURCHASING #2



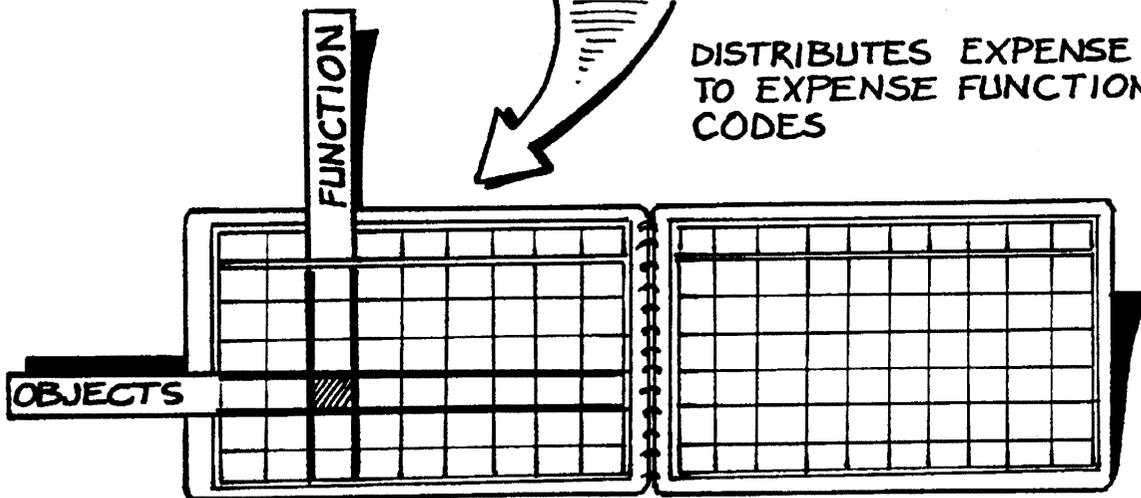
PURCHASING #3



PURCHASING #4



DISTRIBUTES EXPENSE
TO EXPENSE FUNCTION
CODES



Purchase Orders

A **Purchase Order (PO)** is filled out and signed before any purchase is made. Use a four-part carbonless Purchase Order form. Purchase orders are done by the clerk or administrator. Only one person should be able to issue Purchase Orders.

The Purchase Order is a **Source Document** for checks written to pay for goods and services. The procedures for completing a Purchase Order maintain good internal control.

The Purchase Order has the following information:

- ✓ Date of purchase.
- ✓ Name of vendor.
- ✓ Who requested the purchase (Clerk, Council, or Public Works Department).
- ✓ What and how many items were ordered.
- ✓ Unit price and total cost of what was ordered,
- ✓ Signature of the person authorizing the order. A second person verifies money is in the budget to buy the item (usually the bookkeeper or City Clerk). The Mayor, Manager, or Chief Administrator usually authorizes the purchase.

The Purchase Order is a commitment of city money and provides a source of backup documentation for expenditures. Purchase Orders are numbered and are issued in chronological order.

The Purchase Order is the first step in the Cash Disbursements process.

When supplies are ordered, a Purchase Order must be completed and approved.

City of Pacific P.O. Box 423 Pacific, AK 99909 Phone: 567-8901			<h2 style="margin: 0;">PURCHASE ORDER</h2> <p style="font-size: small; margin: 0;">Show this Purchase Order Number on all correspondence, invoices, shipping papers and packages.</p>		
TO _____ _____ _____ _____		DATE _____	REQUISITION NO. _____		
SHIP TO _____ _____ _____					
REQUISITIONED BY _____	WHEN SHIP _____	SHIP VIA _____	F.O.B. POINT _____	TERMS _____	
QTY. ORDERED	QTY. RECEIVED	STOCK NO. / DESCRIPTION		UNIT PRICE	TOTAL

Verifying Funds

In order for the bookkeeper or City Clerk to verify that money is available to pay for a PO, the following procedure should be followed:

- ✓ Review the budget for expenses budgeted by department or grant (Expense Function Code) and line item (Expense Object Code).
- ✓ Review the latest Monthly Financial Statements to identify current unexpended budgeted money for the requesting department or grant and the appropriate line item.
- ✓ Review outstanding or unfilled PO's from the PO log book. Deduct these from the current balance of available budgeted money.
- ✓ After completing this procedure, it should be clear that money is either available or not available for the intended purchase. If money is not available, consult with the Mayor or City Administrator before taking any further action.

Distribution of Purchase Order copies

After the Purchase Order is filled out and signed, copies are distributed as follows:

- Original: To the vendor.
- 2nd copy: To bookkeeper for "Vendor File" (See Appendix A, Filing).
- 3rd copy: To bookkeeper for "Numeric PO" file.
- 4th copy: To department or program director as the "Receiving Report."

NOTE: If you order by telephone, give the vendor the PO number and write across the bottom of the Purchase Order, "Do NOT duplicate, confirming telephone order of (DATE ORDER PLACED)." Then send the original PO to the vendor.

Invoice

An **Invoice** comes with the goods the vendor sends. It's your source document for verifying that goods or services were received. Payment is made from the invoice.

Verification of Goods and Services Received

When an order is received, the department head or program director checks off the items received on the 4th copy of the PO and the invoice. When the entire order is received, the department head or program director writes across the bottom of the PO: "Complete Order Received" and dates and signs it. The department or program director also compares the PO with the invoice and the items received to make sure everything was received, no extras were sent, and that the invoice is correct. The department head should also keep the PO until all items that are being sent to the city are received. Return unordered items to the vendor so the city isn't billed for them.

Goods should be shipped to the city office. The department head or program director should verify goods at the city office to avoid delays in paying vendors. The bookkeeper gets the PO and the

Invoice together before making the payment to the vendor.

The bookkeeper fills out a **Check Request** to the vendor. See the following section for discussion on completing a Check Request.

Payment is made from the Check Request.

Vendor Discounts

Vendors offer discounts for early payment of bills. The terms offered by vendors for early purchases is coded on the invoice. For example: If the invoice has "2/10 net 30" written on it, there is a 2% discount on the total purchase price if the bill is paid in 10 days. Full payment is due in 30 days. Cities can save money by taking advantage of these discounts whenever possible.

Check Requests

Purpose

The Check Request is a permanent record of the request for payment. The Check Request form shows approval, identifies what accounts are to be charged, and that the supporting documents for payment are on hand. Information on the Check Request is also used to distribute expenses to the proper Fund, Expense Function and Object Codes; the information must be correct.

Check Request Form Instructions

Make sure you have a filled out and signed Check Request form before writing checks. The Check Request form has all the information to make sure payment is

authorized, approved, and coded to the proper Fund, department or grant (Expense Function Code) and account (Expense Object Code). Check Request forms are numbered. Use them in numerical order. Keep voided Check Request forms in a separate file, labeled "voided check requests." The bookkeeper keeps track of Check Request forms. These procedures ensure Check Requests are only used as authorized and help account for all Check Requests.

There are 12 steps to completing the Check Request (form is on the following page):

1. Record who or what is being paid.
2. Record amount.
3. Record Purchase Order number when a PO is issued.
4. Describe the goods or services being bought.
5. Assign the accounting distribution to charge the proper account (**Distributing Expense**). See details on how to do this on the next page.
6. Total the "Amount" column and enter the sum in the "Total Amount Of Payment" space. This must equal the "Amount" of Check Request in step 2.
7. Use this box when the Check Request is a payment to the General Fund from the Grants Fund or the Electric Utility Fund. (Refer to the "Transfers" section of Chapter 4.)
8. Record the name of the person completing the Check Request. **NOTE:** This person verifies that the money is in the budget for the intended purchase.

9. Record the date you complete the form.
10. Approving person signs the form (Administrator or Mayor).
11. Date of signature of approving authority.
12. Record the check number on the Check Request form after the check is written.

A check is written based on information on the Check Request form. It must be correctly filled out. For example, the accounting code or codes on the Check Request form are put on the bottom of the check and used to distribute expenses to the Ekonomik Check Register (Cash Disbursements Journal).

The Check Request should be submitted with the completed but unsigned check for approval by the appropriate city officials (Mayor, City Administrator and Council Member). Once the check is signed, the invoice should be marked "paid." Put the date and check number on the invoice. This avoids paying the invoice twice.

Assigning the accounting distribution — information for step 5.

There are two operations in the process of Distributing Expense or Distributing Payment.

1. **Coding:** A Chart of Accounts number identifying what the payment is for. This code is assigned to the payment.
2. **Distributing:** Distributing expense is done when more than one department, grant or line item account is charged for the expense.

Decide how much of the payment is charged to each Fund (5A), Expense Function Code (5B) and Expense Object Code (5C). You can estimate how much a department or grant uses a service or item purchased. If the estimates are hard to make, distribute the costs equally (5D) to each department or grant using the service or item.

The accounting distribution information is used to enter amounts in the Ekonomik Check Register (Cash Disbursements Journal). If the Check Request Form is correct, you won't have problems typing checks and putting the accounting distribution on the bottom of the check. You can also enter data correctly in the Ekonomik Check Register.

Review Chapter 2, Chart of Accounts, to learn more about coding and distribution.

Check Request

Check Payable to **1. Record who or what.** _____

2. Record

Amount **Amount.** Purchase Order No. **3. Record Purchase Order Number.** _____

Description **4. Describe goods or services bought.** _____

Accounting distribution

Fund	Expense Function Code	Expense object code	Amount
5A	5B	5C	5D

TOTAL AMOUNT OF PAYMENT **6. Total** _____

7. Answer yes with ✓.

Check here if this is a payment from another Fund to the General Fund.

Completed by **8. Your Name.** _____ Date **9. Today's date.** _____

Approved by **10. Mayor or Administrator** Date **11. Date approved.** _____

Check Number **12. Number of check.** _____

Attach the completed check request form to a copy of the check; file with vendor invoices and receiving reports in vendor name order.

Check Request

Check Payable to _____

Amount _____ Purchase Order No. _____

Description _____

Accounting distribution

Fund	Expense Function Code	Expense object code	Amount

TOTAL AMOUNT OF PAYMENT _____

Check here if this is a payment from another Fund to the General Fund.

Completed by _____ Date _____

Approved by _____ Date _____

Check Number _____

Attach the completed check request form to a copy of the check; file with vendor invoices and receiving reports in vendor name order.

Notes

Notes

Chapter 6

Payroll

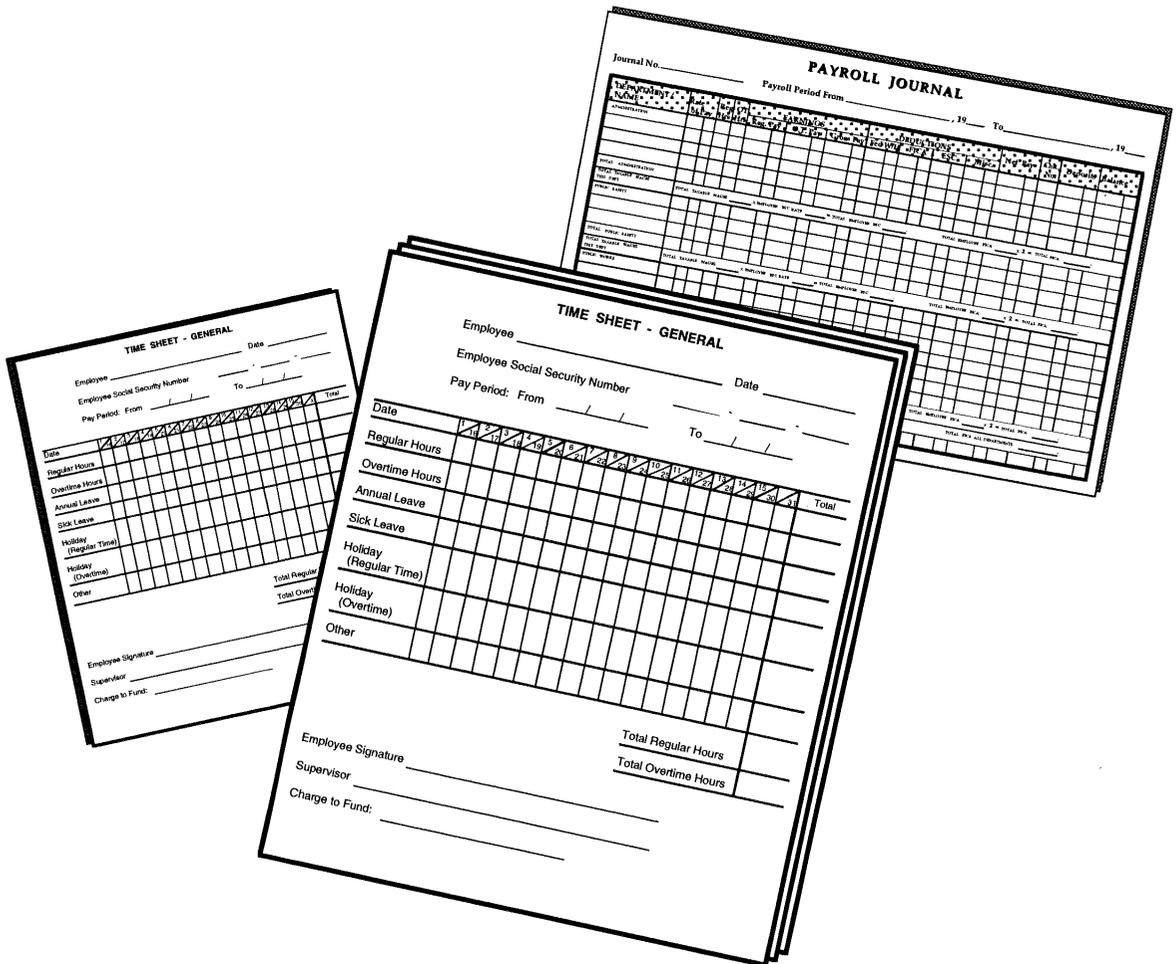


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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand, check with the central glossary beginning on page 1.

Accounts Payable - Money owed by the city for goods or services purchased.

Annual leave - Paid leave for a worker's vacation. Annual leave is a set amount of hours the city employees accrue every pay period. For example, 4 hours of annual leave might be accrued for every pay period worked by employees.

Compensatory time - Also referred to as "Comp time." Leave with pay provided to workers to compensate them for hours worked beyond the normal work week. Comp time is offered as an alternative to paying overtime, but certain restrictions apply to its use. Review the publication Updated Payroll Handbook for Small Communities for more information.

Employee Leave Accrual Forms - Form used to keep track of the amount of various types of leave an employee has. (See Leave.)

Employee Leave Authorization Forms - Form used to approve or authorize an employee to take leave from work. (See Leave.)

Employment Security Contribution (ESC) - Tax paid by both employee and employer to finance State unemployment compensation insurance.

Federal Employer Identification Number (FEIN) - A number that all employers are required to apply to and obtain from the IRS. The number is assigned by the IRS and used by them to keep track of tax reports and payments received from the employer.

Federal Insurance Contribution Act (FICA) - See Social Security.

Form 941 - Employer's quarterly federal tax return.

Form 941E - This form was eliminated by the IRS effective January 1, 1994. Use Form 941.

Form 1099 - Form used to report to the IRS the payments made to contractors by the city.

Form 1096 - Form used to transmit 1099 forms to the IRS.

Hourly employee (wage employee) - Employees paid for the number of hours worked. Each employee is paid a specific hourly rate of pay depending on job title and years of service to the city.

Terms Used In This Chapter (continued)

Leave - Official permission to be absent from work or duties.

Leave Without Pay (LWOP) - Unpaid authorized leave that the employee takes.

Pay Record - A record for each employee showing earnings, deductions, and net pay for each pay period, quarter, and year-to-date.

Payroll - A list of employees receiving wages and the amounts due to each. Also, the total sum of money paid to all employees for a pay period.

Payroll Journal - A record of all the costs for employees for each pay period. The journal includes calculations of gross pay, employee withholdings, and net pay for each employee. The Payroll Journal also includes calculations of the employer's share of taxes.

Personnel - The persons employed by a city or any organization.

Personnel Policies - The general principles that guide the actions and conduct of employees. These principles should be written and adopted by the city council.

Salary employees - Employees that receive regular compensation for their services without reference to the number of hours worked.

Sick leave - Leave that is taken by the employee because of illness. The employee receives wages for the time absent from work only if they have the sick leave on their record. Sick leave is a set amount of hours the city employees accrue every pay period. For example, 4 hours of sick leave might be accrued for every pay period worked by employees.

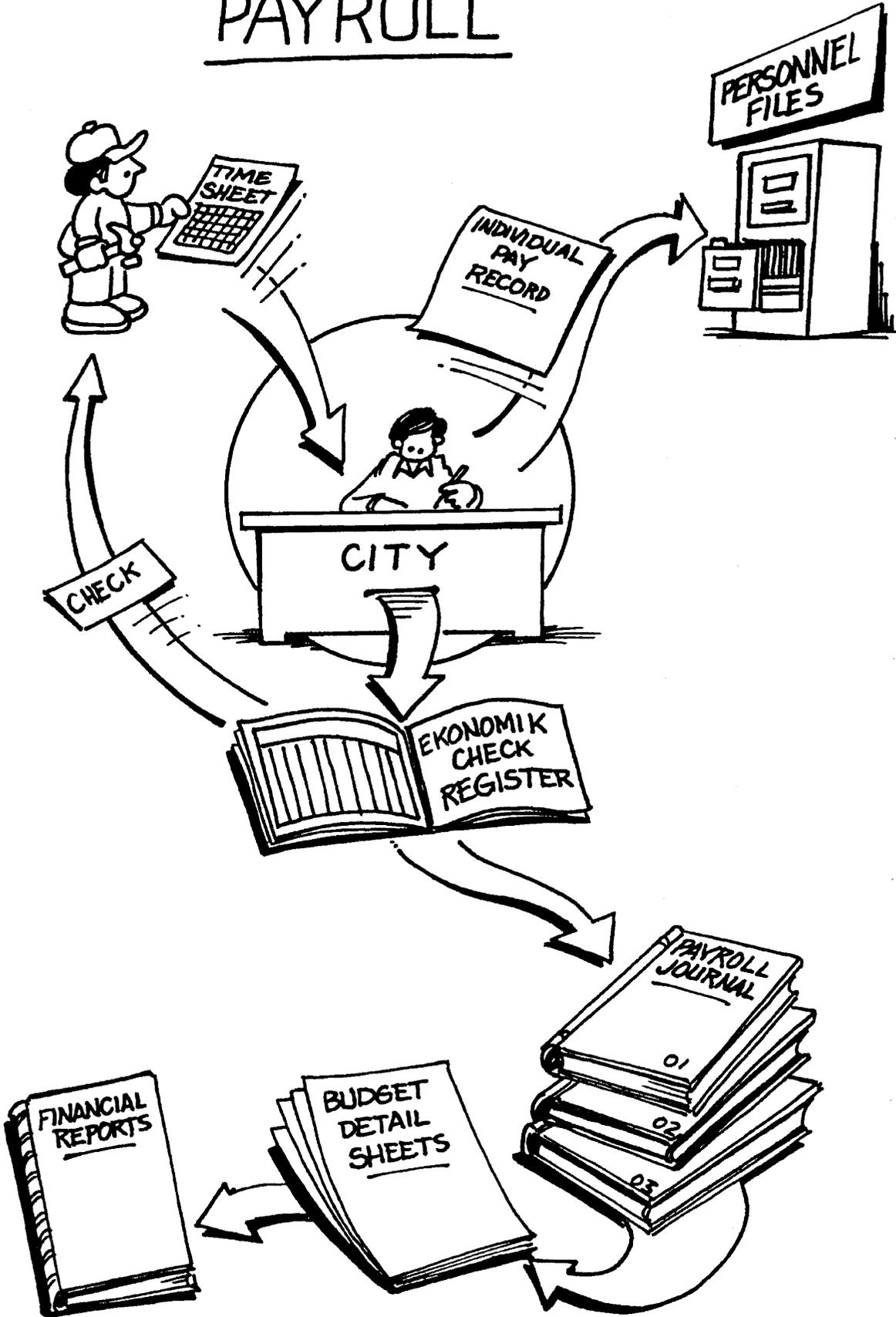
Social Security - A federal program providing old age, survivor's and disability insurance to employees. Financed through employee and employer taxes. The program is also known as Federal Insurance Contributions Act (FICA).

Source Documents - Document or record that is the origin for an entry in the city books.

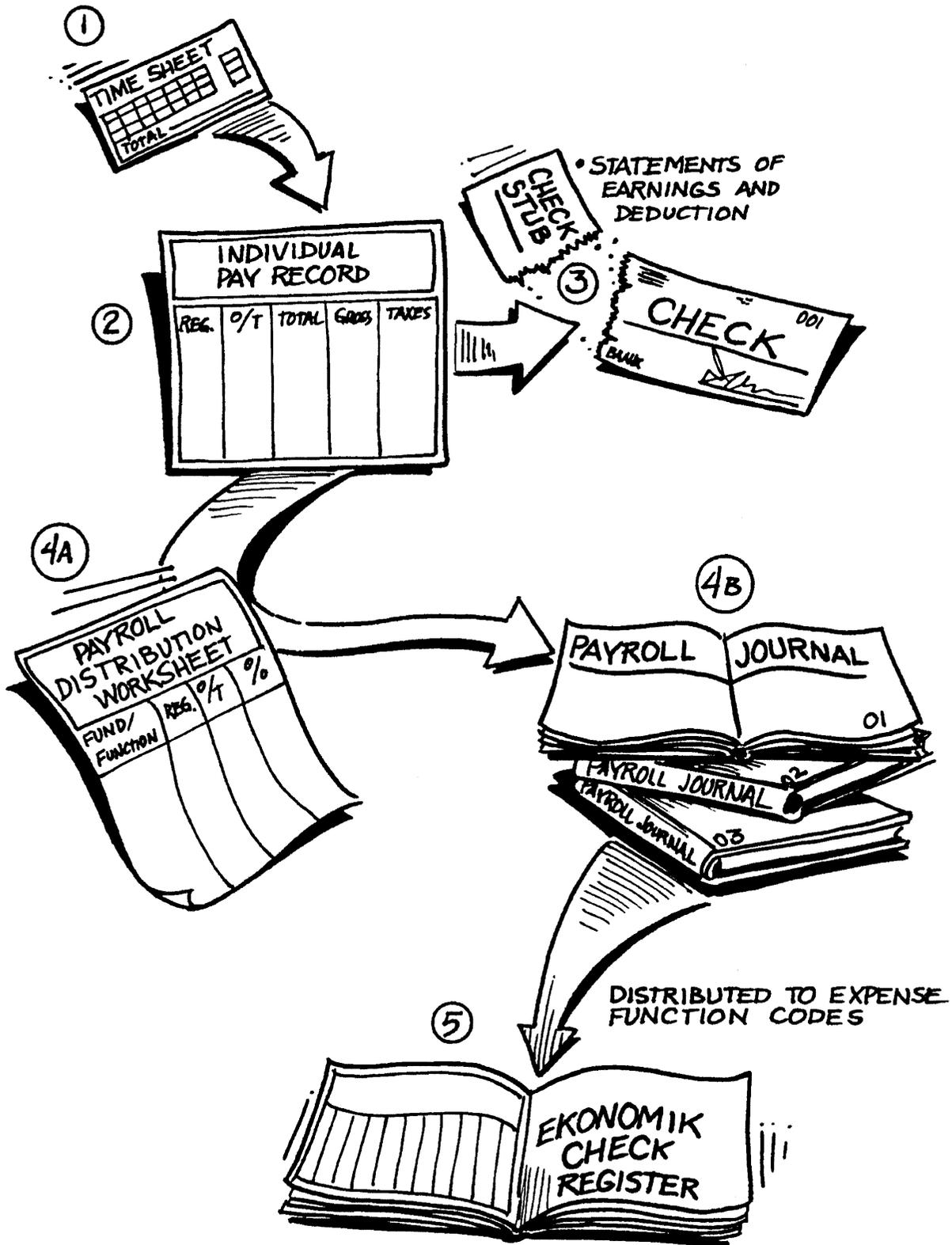
State Employer Identification Number (SEIN) - A number that all employers are required to apply to and obtain from the State of Alaska, Department of Labor. The number is assigned by the State and used by them to keep track of tax reports and payments received from the employer.

Time Card or Time Sheet - A signed record prepared by each employee indicating amount of hours worked each day of the pay period. The time card/time sheet is verified by the employee's supervisor and used to calculate gross pay.

PAYROLL



PAYROLL #2



Chapter 6 Payroll

Overview

Paying employees is a major aspect of a bookkeeping system. Many communities don't have a way of making sure employees and payroll taxes are paid correctly. The Department of Community and Regional Affairs has documents to help communities understand how to handle **Payroll** and payroll taxes. Review them before trying to do payroll record keeping. The publication you should ask your Local Government Specialist for is the Updated Payroll Handbook For Small Communities.

Payroll calculations and payroll tax payments have many steps.

- Step 1.** Getting information about all the employees and setting up a system to keep payroll records. Read the Updated Payroll Handbook For Small Communities to learn more about payroll records.
- Step 2.** Setting up a way to track hours worked by employees. Use time sheets or time cards.
- Step 3.** Calculating gross wages, federal income tax withholdings, **Social Security** taxes, Medicare taxes, State **Employment Security Contributions (ESC)**, and net wages for each employee.
- Step 4.** Transferring these calculations to an employee **Pay Record**. Pay Records are summaries of what employees have been paid, how much tax has been withheld from their paychecks, and how much money needs to be paid to the federal or State government for that employee.
- Step 5.** Making out paychecks based on the Pay Record. A paycheck stub is given to the employee with the paycheck. The stub shows gross pay, withheld taxes, and net pay.
- Step 6.** Transferring information from the Pay Record to the **Payroll Journal**. The Payroll Journal combines and summarizes information from all employees Pay Records by pay period.
- Step 7.** Use the Payroll Journal to calculate the employer's share of Social Security taxes, Medicare taxes, ESC taxes, and what is owed by the city to federal and State governments for employee withholdings.
- Step 8.** Pay taxes to federal and State governments. Payments must be made on time and correctly, as required by the law, to avoid penalties from the Internal Revenue Service (IRS) and State Department of Labor, Employment Security Division.
- Step 9.** Completing reports required by the federal and State governments describing what taxes were paid and how much is due. These reports are as important as paying the taxes. Not sending them in violates the tax laws.
- Step 10.** Allocating costs of payroll, including employee and employer taxes, to the different Funds and departments.

Most of the steps to do payroll are discussed in the Updated Payroll Handbook For Small Communities

produced by DCRA. The Model Financial Record Keeping System has some special payroll procedures and forms discussed in the remainder of this Chapter.

Payroll Documents

Time Cards or Time Sheets

Time Cards or **Time Sheets** are **source documents** for calculating how much an employee is paid. The employee fills in hours worked for each day of the payroll period and records them as regular hours (straight time), holiday hours (if paid for holidays), or overtime hours (hours worked in excess of the normal work hours). Make spaces on the time card for recording **Annual Leave** (paid vacation time), **Sick Leave** (paid sick leave), or other paid leave. Each employee fills out their own time card or time sheet.

Check your **Personnel Policies** for the types of paid leave you have and who is eligible for the paid leave. There is a section on employee leave forms and leave policies later in this chapter. Review this if you don't have leave policies or leave forms.

At the end of the pay period, the employee signs the time card. The supervisor (or person in charge) also signs the time card to show approval and agreement with the information.

The time card is a very important document. It is like a Check Request form because it is a source document for the payroll check. As mentioned in Chapter 5 payroll checks are written without a Check Request form being issued. Check Request forms are not

needed because time cards are the authority for the paycheck.

Return unsigned time cards to the supervisor before figuring payroll for that employee.

Review each time card for mistakes and bring problems to the attention of the employee's supervisor.

Employees paid out of Different Departments or Grants

- Salaried employees are usually paid the same no matter which department their wages are charged to and no matter how many hours they work. Use the following formula, if they work for different departments, to distribute their payroll costs.

Gross wages times percentage to be charged to the department.

Example: An employee's gross wages are \$500; 75% is charged to Administration and 25% is charged to the Health Clinic. The calculation is:

$$\$500 \times 75\% = \$375 \text{ (Administration)}$$

$$\underline{\$500 \times 25\% = \$125 \text{ (Health Clinic)}}$$

$$100\% = \$500 \text{ Total Gross Wages}$$

To charge the wages of employees to more than one department or grant, you should have supporting documentation. For hourly employees the time card serves as documentation to justify charging wages to a particular department or grant. Salaried employees don't usually keep time cards. One way of providing

documentation for charging salaries to different departments or grants is to require each salaried employee to keep a log of what they work on during the pay period. By having salaried employees keep a log of time spent on work for different Funds, departments and grants, it is possible to justify and accurately determine the different departments or grants that should be charged.

- **Hourly employees (wage employees)** may be paid by the hour at different rates for different work. Their work may also be charged to different departments or grants. Use a separate time card for each type of work that pays the employee at a different pay rate. Separate time cards should also be used for work done for different departments or grants.

The employee is paid with one check. Total the time cards and show the separate wage calculations on the check stub. Record the separate time card amounts on the Payroll Journal so it's easy to distribute wages to the different departments and grants.

Pay Records

The employee Pay Record is used to calculate the pay check and determine income tax status, number of exemptions (withholding exemptions), and rate of pay. The Pay Record tracks each individual's pay for the year and provides information needed to calculate an employee's federal and State taxes. Transfer information from the Pay Record to the Payroll Journal for the pay period.

Individual Pay Records track the earnings and deductions of each employee by pay

period and for the whole year. The Pay Records are used to fill out the W-2's at the end of the calendar year.

For employees paid from more than one department or grant, or paid at different pay rates, the Pay Record summarizes the information from all the separate time cards. Pay Records are a summary of pay information for these employees.

Notes

Time Card or Time Sheet

Employee _____ Date _____

Employee Social Security Number _____ - _____ - _____

Pay Period: From ____ / ____ / ____ To ____ / ____ / ____

Date	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total		
Regular Hours																																		
Overtime Hours																																		
Annual Leave																																		
Sick Leave																																		
Holiday (Regular Time)																																		
Holiday (Overtime)																																		
Other																																		
Total Regular Hours																																		
Total Overtime Hours																																		

Employee Signature _____ Date _____

Supervisor _____ Date _____

Charge to Fund: _____

Information on Time Cards and Time Sheets

Time cards and time sheets must have the following information:

- ✓ Employee's full name (no nicknames).
- ✓ Employee's Social Security Number (SSN) or employee number.
- ✓ Payroll time period (we recommend semi-monthly, on the 16th and first day of the month).
- ✓ Spaces for each day in the time period.
- ✓ Spaces for the type of time recorded each day (regular hours, annual leave, sick leave, comp time).
- ✓ Department or account wages are charged to.
- ✓ Employee's signature and date.
- ✓ Supervisor's signature and date.

The employee fills in the hours worked for each day of the time period and indicates any leave taken.

The supervisor checks the employee's annual leave or sick leave hours on the time card and compares them with the employee's Leave Authorization forms to make sure the time card or time sheet is correct.

Note: If an employee takes leave but doesn't have enough hours accrued to cover the time missed from the job, pay the employee ONLY for the amount of leave hours the employee has in their account.

If an employee is paid different hourly rates for separate duties, keep separate time cards or time sheets for that employee. Pay the employee with one check by combining the time card or time sheet totals and showing the separate wage calculations on the check stub.

At the end of the pay period, the employee signs the time cards or time sheets. The employee's supervisor also signs it to show approval of the information.

Remember: The time card or time sheet is like a Check Request. It's a source document for the paycheck.

Notes

Payroll Journal

- ▶ The Payroll Journal shows payroll information for all employees. This information comes from the Pay Record of each employee.
- ▶ The Payroll Journal lists each employee by department or grant (Expense Function Code), amount paid during a pay period, the employee's pay rate, hours worked, gross earnings, State and federal taxes withheld, other deductions, and net pay.
- ▶ The Payroll Journal summarizes gross payroll, payroll taxes, and net pay by

Expense Function Code. For example, Administration (20), Public Safety (30), Public Works (40).

- ▶ The Payroll Journal is used to fill out quarterly tax reports.
- ▶ The Payroll Journal is used to figure the employer's share of payroll taxes.

NOTE: Enter employees with more than one time card or time sheet as many times as they have time cards or time sheets.

PAYROLL JOURNAL

Journal No. _____ Payroll Period: From _____, 19__ To _____, 19__

DEPARTMENT or GRANT NAME	Rate of Pay	Reg Hrs	OT Hrs	EARNINGS			DEDUCTIONS					Net Pay	Chk. No.	Deposits	Balance	
				Reg. Pay	O.T. Pay	Gross Pay	Fed W/H	Soc. Sec.	Medicare	ESC	Misc.					
ADMINISTRATION																
TOTALS FOR ADMINISTRATION																
TOTAL OF TAXABLE WAGES FOR ADMINISTRATION	TOTAL TAXABLE WAGES _____ X EMPLOYER ESC RATE _____ = TOTAL EMPLOYER ESC TAX _____. TOTAL EMPLOYER ESC TAX _____ + TOTAL EMPLOYEE ESC CONTRIBUTION _____ = TOTAL DEPARTMENT ESC TAX _____. TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____. TOTAL EMPLOYEE MEDICARE TAX _____ X 2 = TOTAL DEPARTMENT MEDICARE TAX _____.															
PUBLIC SAFETY																
TOTALS FOR PUBLIC SAFETY																
TOTAL OF TAXABLE WAGES FOR PUBLIC SAFETY	TOTAL TAXABLE WAGES _____ X EMPLOYER ESC RATE _____ = TOTAL EMPLOYER ESC TAX _____. TOTAL EMPLOYER ESC TAX _____ + TOTAL EMPLOYEE ESC CONTRIBUTION _____ = TOTAL DEPARTMENT ESC TAX _____. TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____. TOTAL EMPLOYEE MEDICARE TAX _____ X 2 = TOTAL DEPARTMENT MEDICARE TAX _____.															
REFUSE COLLECTION																
TOTALS FOR REFUSE COLL.																
TOTAL OF TAXABLE WAGES FOR REFUSE COLLECTION	TOTAL TAXABLE WAGES _____ X EMPLOYER ESC RATE _____ = TOTAL EMPLOYER ESC TAX _____. TOTAL EMPLOYER ESC TAX _____ + TOTAL EMPLOYEE ESC CONTRIBUTION _____ = TOTAL DEPARTMENT ESC TAX _____. TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____. TOTAL EMPLOYEE MEDICARE TAX _____ X 2 = TOTAL DEPARTMENT MEDICARE TAX _____.															
GRAND TOTALS	TOTAL ESC TAX FOR ALL DEPARTMENTS _____ TOTAL SOCIAL SECURITY TAX ALL DEPARTMENTS _____ TOTAL MEDICARE TAX ALL DEPARTMENTS _____															

PAYROLL JOURNAL

Journal No. _____ Payroll Period: From _____, 19__ To _____

DEPARTMENT or GRANT NAME	Rate of Pay	Reg Hrs	OT Hrs	EARNINGS			DEDUCTIONS					Net Pay	Ch No	
				Reg. Pay	O.T. Pay	Gross Pay	Fed W/H	Soc. Sec.	Medicare	ESC	Misc.			
ADMINISTRATION														
TOTALS FOR ADMINISTRATION						①			⑥	⑧	④			
TOTAL OF TAXABLE WAGES FOR ADMINISTRATION	TOTAL TAXABLE WAGES <u>①</u> X EMPLOYER ESC RATE <u>②</u> = TOTAL EMPLOYER ESC TAX <u>③</u> TOTAL EMPLOYER ESC TAX <u>③</u> + TOTAL EMPLOYEE ESC CONTRIBUTION <u>④</u> = TOTAL DEPARTMENT ESC TAX <u>⑤</u> TOTAL EMPLOYEE SOCIAL SECURITY TAX <u>⑥</u> X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX <u>⑦</u> TOTAL EMPLOYEE MEDICARE TAX <u>⑧</u> X 2 = TOTAL DEPARTMENT MEDICARE TAX <u>⑨</u>													

Instructions for Tax Calculations

At the bottom of each department or grant insert the following information:

- ✓ Add a total line for each department.
- ✓ Under the total line, add another line for the department totals for Employer ESC tax, Department ESC tax, Employer Social Security tax, and Employer Medicare tax.

Total Employer ESC tax calculation:

$$\begin{aligned} &\text{TOTAL TAXABLE WAGES } \underline{\hspace{2cm}} \text{ ① } \times \\ &\text{EMPLOYER ESC RATE } \underline{\hspace{2cm}} \text{ ② } = \\ &\text{TOTAL EMPLOYER ESC TAX } \underline{\hspace{2cm}} \text{ ③ } \end{aligned}$$

- ① Total gross wages for all employees subject to ESC tax this pay period (those with something in the ESC column).
- ② Your ESC employer tax rate.
- ③ Gross wages ①, times ESC employer tax rate ②, equals ③, total employer ESC tax for department or grant.

Total Department ESC tax calculation:

$$\begin{aligned} &\text{TOTAL EMPLOYER ESC TAX } \underline{\hspace{2cm}} \text{ ③ } + \\ &\text{TOTAL EMPLOYEE ESC CONTRIBUTION } \underline{\hspace{2cm}} \text{ ④ } = \\ &\text{TOTAL DEPARTMENT ESC TAX } \underline{\hspace{2cm}} \text{ ⑤ } \end{aligned}$$

- ③ Total employer ESC tax for department.
- ④ Total of employees ESC contributions.
- ⑤ Employer ESC tax ③, plus employees

ESC contributions ④, equals ⑤, total department ESC tax.

Total department Social Security tax calculation:

$$\begin{aligned} &\text{TOTAL EMPLOYEE SOCIAL SECURITY TAX } \underline{\hspace{2cm}} \text{ ⑥ } \times 2 = \\ &\text{TOTAL DEPARTMENT SOCIAL SECURITY TAX } \underline{\hspace{2cm}} \text{ ⑦ } \end{aligned}$$

- ⑥ Total Social Security tax deducted from all employees in this department for this pay period.
- ⑦ Multiply ⑥ by 2 and this equals ⑦, the total department Social Security tax.

Total department Medicare tax calculation:

$$\begin{aligned} &\text{TOTAL EMPLOYEE MEDICARE TAX } \underline{\hspace{2cm}} \text{ ⑧ } \times 2 = \\ &\text{TOTAL DEPARTMENT MEDICARE TAX } \underline{\hspace{2cm}} \text{ ⑨ } \end{aligned}$$

- ⑧ Total Medicare tax deducted from all employees in this department for this pay period.
- ⑨ Multiply ⑧ by 2 and this equals ⑨, the total department Medicare tax.

For more information on figuring payroll taxes, read the Updated Payroll Handbook for Small Communities.

To obtain the grand total for the Payroll Journal sheet you add the totals for each department or grant and enter the information on the Grand Totals line at the bottom of the sheet.

TOTAL OF TAXABLE WAGES FOR ADMINISTRATION	TOTAL TAXABLE WAGES _____ X EMPLOYER ESC RATE _____ = TOTAL EMPLOYER ESC TAX _____ TOTAL EMPLOYER ESC TAX _____ + TOTAL EMPLOYEE ESC CONTRIBUTION _____ = TOTAL DEPARTMENT ESC TAX _____ TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____ TOTAL EMPLOYEE MEDICARE TAX _____ X 2 = TOTAL DEPARTMENT MEDICARE TAX _____
TOTAL OF TAXABLE WAGES FOR ADMINISTRATION	TOTAL TAXABLE WAGES _____ X EMPLOYER ESC RATE _____ = TOTAL EMPLOYER ESC TAX _____ TOTAL EMPLOYER ESC TAX _____ + TOTAL EMPLOYEE ESC CONTRIBUTION _____ = TOTAL DEPARTMENT ESC TAX _____ TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____ TOTAL EMPLOYEE MEDICARE TAX _____ X 2 = TOTAL DEPARTMENT MEDICARE TAX _____
TOTAL OF TAXABLE WAGES FOR REFUSE COLLECTION	TOTAL TAXABLE WAGES _____ X EMPLOYER ESC RATE _____ = TOTAL EMPLOYER ESC TAX _____ TOTAL EMPLOYER ESC TAX _____ + TOTAL EMPLOYEE ESC CONTRIBUTION _____ = TOTAL DEPARTMENT ESC TAX _____ TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ X 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____ TOTAL EMPLOYEE MEDICARE TAX _____ X 2 = TOTAL DEPARTMENT MEDICARE TAX _____
GRAND TOTALS	TOTAL ESC TAX FOR ALL DEPARTMENTS _____ TOTAL SOCIAL SECURITY TAX ALL DEPARTMENTS _____ <div style="text-align: right; margin-top: 10px;">TOTAL MEDICARE TAX ALL DEPARTMENTS _____</div>

Federal Payroll Tax Deposit Worksheet

For pay period ending _____

Federal Tax Computation	
Social Security Enter the amount of TOTAL SOCIAL SECURITY TAX ALL DEPARTMENTS from the Grand Total line at the bottom of your Payroll Journal sheet.	1 \$ _____
Medicare Enter the amount of TOTAL MEDICARE TAX ALL DEPARTMENTS from the Grand Total line at the bottom of your Payroll Journal sheet.	2 \$ _____
Federal Income Tax Enter the grand total of the federal income tax withheld from all wages as shown on the Payroll Journal sheet for the pay period. You must add the amounts from each department or grant to get a grand total.	3 \$ _____
Total Federal Tax Liability	
Federal tax liability for this payroll: (1 + 2 + 3 = 4)	4 \$ _____

If you have employees working for different departments or grants, keep close track of the total wages paid to each individual to avoid going over the taxable limit for the year. Use the employee's Pay Record to track the employee's gross wages and determine the employee's portion of ESC withholding:

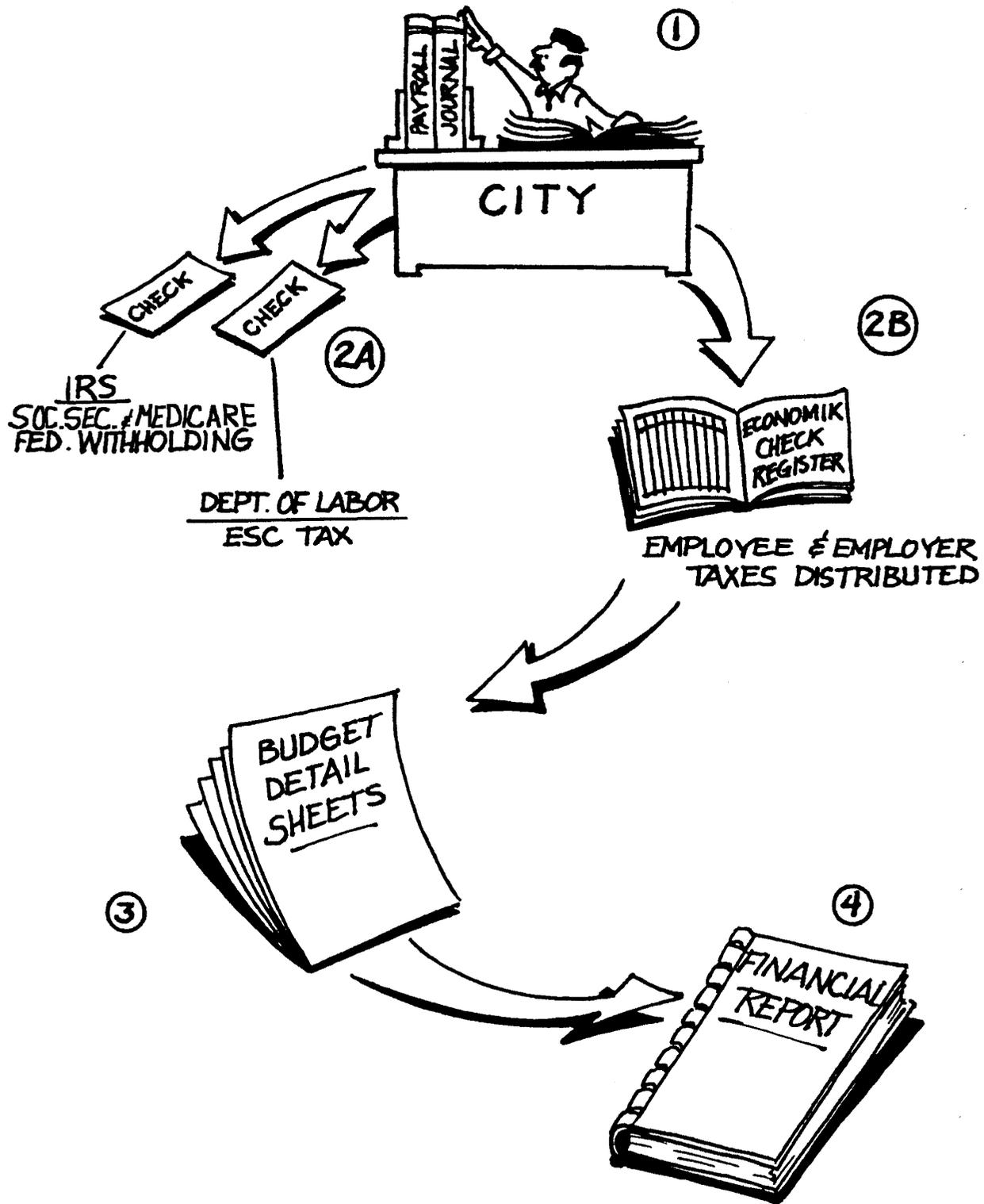
- If the gross earnings before the payroll you're doing are more than or equal to the limit, don't withhold tax.

- If gross earnings before the payroll you're doing are less than the limit, add gross pay from this payroll period, and
 - ✓ If the new gross earnings are less than or equal to the limit, withhold tax on the entire amount of gross pay for the payroll period.

 - ✓ If the new gross earnings are more than the limit, withhold tax on the amount of wages up to the limit of taxable wages. Do not withhold on any amount over the cutoff.

Notes

PAYROLL TAXES



Accounting Distribution for Check

The amount charged to each department (Expense Function Code) is determined by finding the department (Expense Function Code) totals on the Payroll Journal.

For example: To find the Social Security tax charged to Administration (20), look on the "TOTAL OF TAXABLE WAGES FOR ADMINISTRATION" line on the Payroll Journal sheet. Refer to the same line to find the Medicare tax charged to Administration (20).

To find the total amount of federal withholding tax charged to Administration (20), refer to the "TOTALS FOR ADMINISTRATION" line on the Payroll Journal sheet.

Combine the Social Security and Medicare taxes and federal withholding amounts for the total federal payroll taxes charged to Administration. Use a form similar to the one below to list all the departments and the amounts.

The check amount will be the total federal tax liability for all departments and grants. Use the "Expense Function Code" column and "Amount" column of your Accounting Distribution form to distribute the taxes to

the departments or grants on the left hand side of the Ekonomik Check Register.

Also enter these amounts on the various department's or grant's Budget Detail Sheet. (See Chapter 7, Budget Detail Sheets, for more information.)

To sum up the Payroll Tax process:

- ➔ Compute taxes.
- ➔ Charge taxes to departments or grants.
- ➔ Write check.
- ➔ Distribute the tax amount to the departments or grants.
- ➔ Enter the amount on the correct department's or grant's Budget Detail sheet.

When you make a tax deposit, write your **Federal Employer Identification Number (FEIN)** and the payroll period involved on the check (not the stub).

Send the check to your bank and you're done with the federal tax liability for the pay period.

If you're not enrolled in the full Social Security Program and pay only the Medicare Tax, see pages 45 - 47 in the Updated Payroll Handbook for Small Communities.

Accounting Distribution			
Fund	Expense Function Code	Expense Object Code	Amount
01 General	20 Administration	130 Payroll Taxes	\$235.87
01 General	30 Police	130 Payroll Taxes	\$542.90
01 General	50 Sewage Disposal	130 Payroll Taxes	\$265.76
Total Check Amount			<u>\$1,044.53</u>

Use the Payroll Journal to compute the ESC payments for all departments or grants.

- ✓ The total ESC tax for the pay period for each department or grant comes from the "TOTAL OF TAXABLE WAGES ..." row for each department and grant.
- ✓ Add the "GRAND TOTALS" row at the bottom of each Payroll Journal sheet together.
- ✓ This equals the total ESC tax liability for the pay period for all departments or grants for the city.

DEPARTMENT or GRANT NAME	Rate of Pay	Reg Hrs	OT Hrs	EARNINGS			DEDUCTIONS					Net Pay	C N
				Reg. Pay	O.T. Pay	Gross Pay	Fed W/H	Soc. Sec.	Medicare	ESC	Misc.		
ADMINISTRATION John George	8.50	80	--	680.00	0.00	680.00	3.00	42.16	9.86	3.40			
Ido Books	10.00	40	--	400.00	0.00	400.00	0.00	24.80	5.80	2.00			
Ima Clerk	8.00	80	20	640.00	240.00	880.00	79.00	54.56	12.76	4.40			
TOTALS FOR ADMINISTRATION				1720.00	240.00	1960.00	82.00	121.52	28.42	9.80			
TOTAL OF TAXABLE WAGES FOR ADMINISTRATION	TOTAL TAXABLE WAGES \$1960.00 x EMPLOYER ESC RATE 4.94% = TOTAL EMPLOYER ESC TAX \$96.82 TOTAL EMPLOYER ESC TAX \$96.82 + TOTAL EMPLOYEE ESC CONTRIBUTION \$9.80 = TOTAL DEPARTMENT ESC TAX \$106.62 TOTAL EMPLOYEE SOCIAL SECURITY TAX _____ x 2 = TOTAL DEPARTMENT SOCIAL SECURITY TAX _____ TOTAL EMPLOYEE MEDICARE TAX _____ x 2 = TOTAL DEPARTMENT MEDICARE TAX _____												

Line No.	20 Administration	30 Public Safety (Police)	41 Refuse Collection
1	106.62	22.85	136.61
2			

\$106.62
+ 22.85
+ 136.61

\$266.08 Total ESC taxes for General Fund Payroll Journal sheet #45.

Paying ESC Taxes

Write a check for the total ESC taxes and enter it on the right hand side page of the Ekonomik Check Register.

ESC taxes are due on a quarterly basis. However, we strongly recommend that they be paid each pay period.

Use the Payroll Journal to distribute the ESC tax expense to each department or grant (Expense Function Code).

Even though you pay ESC taxes each pay period you report the taxes paid for ESC each quarter. Use the Payroll Journal to complete the Employer's Quarterly Report for ESC taxes. Refer to the Updated Payroll Handbook for Small Communities for instructions on completing and filling out this report.

Write one check for the total ESC tax owed by the city for all departments and grants. The check for taxes is written out of the General Fund. In the Ekonomik Check Register for the General Fund, taxes paid by the General Fund for the Grants Fund and the Electric utility are distributed to the "Transfers" column for Grants Fund (02) or Electric Utility (03). See Chapter 9 for more information on transfers.

EKONOMIK CHECK AND DEPOSIT REGISTER **01 General Fund**
 Register Check Before Drawing FORM E-20 CREDIT

	02 GRANTS FUND	03 ELEC UTL FUND	DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid
	130	130	3/15/95			AMOUNTS FORWARD					
	27.43	18.29	3/15/95	1	ALASKA DEPT OF LABOR EMPLOYMENT SECURITY DIVISION	ESC TAXES 130		1037		311	80
				2							
				3							
				4							

CITY GENERAL FUND ACCOUNT 1037

City of Pacific
P.O. Box 423
Pacific, AK 99909
Phone: (907) 567-8901

88-7204
3252
03/15 19 95

PAY ALASKA DEPT OF LABOR, ESC DIVISION \$311.80

TO THE ORDER OF
THREE HUNDRED ELEVEN DOLLARS AND EIGHTY CENTS DOLLARS

MAYOR JOHN ATUKAK
AUTHORIZED SIGNATURE

MEMO **ESC PAYROLL TAXES**

⑆325272097:50 007195 0⑆ 22555

DATE	DESCRIPTION	AMOUNT	DEDUCTIONS	NET AMOUNT
3/15/95	ESC Taxes 02 130	\$27.43	Grants Fund 02 Ekonomik Check Register	
3/15/95	ESC Taxes 03 130	\$18.29	Electric Utility 03 Ekonomik Check Register	
3/15/95	ESC Taxes 01 130	\$266.08		
	Total	\$311.80	Total for General Fund 01 Ekonomik Check Register	

PLEASE DETACH AND RETAIN THIS STATEMENT - ATTACHED CHECK IS ABOVE

▲ Two Carbon copies are kept for your records.
(Checks have NOT-NEGOTIABLE on signature line.)

Check Requests are used to authorize checks to pay back the General Fund for those portions of the payroll taxes owed by the Grants Fund and the Electric Utility Fund.

CHECK REQUEST FORM

Check Payable to General Fund

Amount \$27.43 Purchase Order No. 344

Description Transfer payment for ESC Payroll taxes from the Grants Fund to the General Fund.

Accounting distribution

Fund	Expense Function Code	Expense Object Code	Amount
02	90	130	\$27.43

TOTAL AMOUNT OF PAYMENT \$27.43

Check here if this is a payment from another Fund to the General Fund.

Completed by Ido Books Date 3/15/95

Approved by Alice George Date 3/15/95

Check Number 481

CHECK REQUEST FORM

Check Payable to General Fund

Amount \$18.29 Purchase Order No. 345

Description Transfer payment for ESC Payroll taxes from the Electric Utility Fund to the General Fund.

Accounting distribution

Fund	Expense Function Code	Expense Object Code	Amount
03	99	130	\$18.29

TOTAL AMOUNT OF PAYMENT \$18.29

Check here if this is a payment from another Fund to the General Fund.

Completed by Ido Books Date 3/15/95

Approved by Alice George Date 3/15/95

Check Number 401

Record the checks in the Ekonomik Check Registers for the Grants Fund and the Electric Utility.

EKONOMIK CHECK AND DEPOSIT REGISTER City Electric Utility Fund Account
 Register Check Before Drawing FORM E-20 CREDIT **03**

01 GENERAL FUND	DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Da D
	3/15/95			AMOUNTS FORWARD						
	3/15/95	1	City General Fund	ESC Taxes 130		401		18 29		
		2								
		3								
		4								
		5								
		6								
		7								

City Electric Utility Fund Account 401

City of Pacific
 P.O. Box 423
 Pacific, AK 99909
 Phone: (907) 567-8901

99-7204
3252

03/15 19 95

PAY City General Fund \$18.29

TO THE ORDER OF

Eighteen dollars and twenty-nine cents DOLLARS

MAYOR JOHN ATUKAK
AUTHORIZED SIGNATURE

MEMO ESC Payroll Taxes
 :*325272047:50 007795 0*; 22566

DATE	DESCRIPTION	AMOUNT	DEDUCTIONS	NET AMOUNT
3/15/95	ESC Taxes 03 99 130	\$18.29		

EKONOMIK CHECK AND DEPOSIT REGISTER City Grants Fund Account
 Register Check Before Drawing FORM E-20 CREDIT **02**

01 GENERAL FUND	DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Da D
	3/15/95			AMOUNTS FORWARD						
	3/15/95	1	City General Fund	ESC Taxes 130		481		27 43		
		2								
		3								
		4								
		5								
		6								
		7								

City Grants Fund Account 481

City of Pacific
 P.O. Box 423
 Pacific, AK 99909
 Phone: (907) 567-8901

99-7204
3252

03/15 19 95

PAY City General Fund \$27.43

TO THE ORDER OF

Twenty-seven dollars and forty-three cents DOLLARS

MAYOR JOHN ATUKAK
AUTHORIZED SIGNATURE

MEMO ESC Payroll Taxes
 :*325272047:50 007795 0*; 22566

DATE	DESCRIPTION	AMOUNT	DEDUCTIONS	NET AMOUNT
3/15/95	ESC Taxes 02 90 130	\$27.43		

Compute and pay the federal taxes (Social Security and Medicare taxes and Federal Withholding) and ESC taxes to the State every pay period. Distribute taxes to the departments and grants by referring to the Payroll Journal totals for departments and grants.

Employee Leave Forms

Leave Accrual Forms

Employee Leave Accrual Forms are used to track the 3 main types of paid **Leave**. For example:

1. Annual leave (paid vacation leave).
2. Sick leave (paid sick leave).
3. Compensatory time or comp time. Comp time is often used instead of paying overtime. **Caution:** Review the Updated Payroll Handbook for Small Communities, pages 75 - 77, for a discussion of the restrictions on the use of comp time for overtime.

Some communities also provide for **Subsistence Leave** to allow employees to provide for their families through food gathering activities. The way subsistence leave generally works is explained below.

In addition to other types of leave earned by employees, all employees who have worked for the city a year get time off, with pay, for subsistence leave. This leave must be approved by the supervisor and Mayor.

Subsistence leave isn't carried over from one year to the next. The employee is eligible for subsistence leave on the anniversary date of employment. The employee's leave account is credited with the earned subsistence leave days on the anniversary date. Unused subsistence leave from the previous year is lost.

Full-time employees earn subsistence leave at the following rate:

- ⇒ 0 up to 1 year 0 days
- ⇒ 1 up to 4 years 5 days
- ⇒ 4 up to 7 years 7 days
- ⇒ 7 or more years 10 days

The Employee Leave Accrual form tracks leave hours earned, leave hours used, and the balance of leave hours available. Auditors want to know the balance of leave hours employees have at the end of the year because it's a liability if it carries over to the next year.

Talk to your personnel officer and check your city ordinances or personnel policy to determine the types of paid leave and the accrual rate (number of hours of leave earned per month).

Sample Employee Leave Accrual forms are on the next two pages.

Instructions for filling out forms

Each form must have:

1. The fiscal year.
2. Employee name.
3. Date hired.
4. Position.
5. Balance of leave left over from last fiscal year.
6. Hours earned this pay period.
7. Hours used this pay period.
8. Balance available.

Note: The "hours used" this pay period from the Accrued Annual Leave and Sick Leave form must match the "hours" authorized on the Leave Authorization forms approved for the pay period.

Accrued Annual Leave and Sick Leave

Fiscal Year _____

Employee Name _____

Date Hired _____

Accrual Rate _____

Position _____

Annual Leave			
	Hours Earned	Hours Used	Running Balance
Prior year's balance forward			
7/15			
7/31			
8/15			
8/31			
9/15			
9/30			
10/15			
10/31			
11/15			
11/30			
12/15			
12/31			
1/15			
1/31			
2/15			
2/28			
3/15			
3/31			
4/15			
4/30			
5/15			
5/31			
6/15			
6/30			

Sick Leave			
	Hours Earned	Hours Used	Running Balance
Prior year's balance forward			
7/15			
7/31			
8/15			
8/31			
9/15			
9/30			
10/15			
10/31			
11/15			
11/30			
12/15			
12/31			
1/15			
1/31			
2/15			
2/28			
3/15			
3/31			
4/15			
4/30			
5/15			
5/31			
6/15			
6/30			

Accrued Subsistence Leave and Comp Time

Fiscal Year _____

Employee Name _____

Date Hired _____

Accrual Rate _____

Position _____

Subsistence Leave			
	Hours Earned	Hours Used	Running Balance
Prior year's balance forward			
7/15			
7/31			
8/15			
8/31			
9/15			
9/30			
10/15			
10/31			
11/15			
11/30			
12/15			
12/31			
1/15			
1/31			
2/15			
2/28			
3/15			
3/31			
4/15			
4/30			
5/15			
5/31			
6/15			
6/30			

Comp Time			
	Hours Earned	Hours Used	Running Balance
Prior year's balance forward			
7/15			
7/31			
8/15			
8/31			
9/15			
9/30			
10/15			
10/31			
11/15			
11/30			
12/15			
12/31			
1/15			
1/31			
2/15			
2/28			
3/15			
3/31			
4/15			
4/30			
5/15			
5/31			
6/15			
6/30			

Leave Authorization Forms

Employee Leave Authorization Forms

are filled out before the employee takes leave. The supervisor, by signing the form, excuses the employee from the work place for the time period indicated on the form.

“LWOP” on the Employee Leave Authorization Form refers to approved Leave Without Pay. LWOP is an excused absence from work without pay.

Leave Authorization

Name: _____ **1** _____ SSN: _____ **2** _____

Dates of Leave: From **3** AM / PM **4** **5** _____ To **6** AM / PM **7** **8** _____
Date Date

Type of Leave: **9**

Annual _____ hours Military _____ hours

Sick _____ hours Subsistence _____ hours

LWOP _____ hours Other _____ hours

Employee Signature _____ **10** _____ Supervisor Signature _____ **12** _____

Date _____ **11** _____ Date _____ **13** _____

1. Employee’s printed name.
2. Employee’s printed Social Security number.
3. Time leave begins.
4. Circle AM or PM.
5. Date leave begins.
6. Time leave ends.
7. Circle AM or PM.
8. Date leave ends.
9. Type and number of hours of leave.
10. Employee's signature.
11. Date employee signed.

Supervisors keep the Leave Authorization form after the employee has filled it out and checks dates, times, and type of leave taken when the employee returns to work. Then the supervisor signs and dates the form.

12. Supervisor’s signature.
13. Date supervisor signed.

The supervisor attaches the Leave Authorization form to the employee’s time card or time sheet.

Leave Authorization

Name: _____ SSN: _____

Dates of Leave: From _____ AM / PM _____ To _____ AM / PM _____
Date Date Date

Type of Leave:

- | | |
|---|--|
| <input type="checkbox"/> Annual _____ hours | <input type="checkbox"/> Military _____ hours |
| <input type="checkbox"/> Sick _____ hours | <input type="checkbox"/> Subsistence _____ hours |
| <input type="checkbox"/> LWOP _____ hours | <input type="checkbox"/> Other _____ hours |

Employee
Signature _____

Supervisor
Signature _____

Date _____

Date _____

Blank Leave Authorization Form

Checklists

The following checklists are for your use. By using the appropriate checklist, it should be easier to remember when and what payroll tasks need to be completed to operate the Model Financial Record Keeping System.

The following checklists are included in this chapter:

- ✓ General Fund Payroll Checklist - Checklist for completing payroll records and calculating federal and State taxes for General Fund supported employees; and, paying taxes for payroll of all three Funds.
- ✓ Grants Fund Payroll Checklist - Checklist for completing payroll records, calculating federal and State taxes and reimbursing the General Fund for taxes on the Grant Fund payroll.
- ✓ Electric Utility Fund Payroll Checklist - Checklist for completing payroll records, calculating federal and state taxes and reimbursing the General Fund for taxes on the Electric Utility Fund payroll.
- ✓ Payroll Journal Checklist For Taxes - Checklist for calculating payroll taxes from Payroll Journal information.
- ✓ Quarterly Checklist - Basic tasks that need to be completed at the end of each quarter to fulfill payroll tax reporting requirements.

Notes

General Fund Payroll Checklist

Done by

1. Collect and sort time sheets or time cards; check for employee signatures and supervisor signatures. _____

2. Enter time sheet or time card information in the individual pay record; compute pay. _____

3. Transfer information to the Payroll Journal by department. Subtotal and total Payroll Journal by department. Make sure the Payroll Journal columns balance. _____

4. Write paychecks and enter in the **Ekonomik Check Register**. _____

5. Prepare the **Federal Tax Deposit** worksheet. _____

6. Complete payroll checklists for other funds. _____

7. Add all federal taxes from all funds and write the check for the deposit. _____

8. Make a copy of the coupon and attach it to the check copy; file them in the Federal Payroll Tax File. Mail the check to the bank along with the IRS tax deposit coupon. _____

9. Collect checks from other funds for their share of the federal taxes. _____

Grant Fund Payroll Checklist

Done by

1. Collect and sort time sheets or time cards, check for employee signatures, and supervisor signatures.

2. Enter time sheet or time card information in the individual pay record; compute pay.

3. Transfer information to the Payroll Journal by grant. Subtotal and total Payroll Journal by grant. Make sure the Payroll Journal columns balance.

4. Write paychecks and enter in the Ekonomik Check Register.

5. Prepare the federal tax deposit worksheet.

6. Write the check for the grant's portion of the federal tax deposit, payable to the General Fund.

7. Record the check in the Ekonomik Check Register and distribute the taxes to the grants using the information in the Payroll Journal.

Electric Utility Fund Payroll Checklist

Done by

1. Collect and sort time sheets or time cards, check for employee signatures and supervisor signatures. _____

2. Enter time card information in the individual pay record; compute pay. _____

3. Transfer information to the Payroll Journal. Subtotal and total Payroll Journal. Make sure the Payroll Journal columns balance. _____

4. Write paychecks and enter in the Ekonomik Check Register. _____

5. Prepare the federal tax deposit worksheet. _____

6. Write the check for the utility's portion of the federal tax deposit, payable to the General Fund. _____

7. Record the check in the Ekonomik Check Register and distribute the taxes using the information in the Payroll Journal. _____

Payroll Journal Checklist for Taxes

Payroll taxes are figured using the Payroll Journal.

Pay your ESC, Social Security and Medicare taxes and Federal Withholding tax liability every pay day.

1. Multiply the Social Security and Medicare taxes column total by 2 to arrive at total Social Security and Medicare taxes. Social Security and Medicare is a tax on both the employee and the employer. It's taken out of the employee's gross wage and out of the employer's funds.
2. Use the total of the Fed W/H column for the total Federal Withholding.
3. The total Federal Withholding tax and the Social Security and Medicare taxes from step 1 provide the total liability for the pay period for each department or grant.
4. Add the grand totals from all the Payroll Journals for all of the funds to arrive at the total tax liability for the city.
5. Write the check.
6. Record the check in the Ekonomik Check Register. Also
 - ✓ Distribute each department's share of the taxes using the Payroll Journal.
 - ✓ Record the total amount owed by the Grants Fund in the 02 Grants Fund column for federal taxes.
 - ✓ Record the total amount owed by the Electric Utility in the 03 Electric Utility column for federal taxes.
7. Write a check from the other funds to the General Fund as a transfer payment back to the General Fund for taxes paid by the General Fund on behalf of Funds 02 and 03.
8. ESC employee amount is the sum of the ESC deductions column.
9. ESC employer tax is the sum of the gross pay column for all employees with ESC deductions in the ESC deductions column, times the Employer ESC rate.
10. Total ESC tax is the sum of the amounts in step 8 and step 9.
11. This is totaled by department or grant to distribute ESC taxes. Go to step 5 (write the check, etc.).

Quarterly Payroll Tax Reports Checklist

Done by

1. Using information from the Payroll Journal, complete Employer's Federal Tax Return Form 941. Form 941 reports income tax withholdings and Social Security tax and Medicare tax payments for all employees.
2. Using information from the Payroll Journal, complete the Employer's Quarterly Report for Alaska Department of Labor, Employment Security Division. This reports the Employment Security Contributions (ESC) tax payments.

Notes

Notes

Chapter 7

Budget Detail Sheets

The image shows two overlapping 'Budget Detail Sheet' forms. The top form is tilted and partially obscured. The bottom form is larger and more detailed, showing a grid structure for budgeting. The form includes fields for 'Department:' and 'Month Ending:'. The grid has columns for months 1 through 12 and rows for dates 1 through 40. The columns are labeled '1' through '12' at the top. The rows are labeled '1' through '40' on the left side. The grid cells are shaded with a cross-hatch pattern. The form also includes a 'Date #' column and a 'Purpose' column.

Department: _____		Budget Detail Sheet												Month Ending: _____	
		1	2	3	4	5	6	7	8	9	10	11	12		
Date #	Purpose														
1															1
2															2
3															3
4															4
5															5
6															6
7															7
8															8
9															9
10															10
11															11
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32															32
33															33
34															34
35															35
36															36
37															37
38															38
39															39
40															40

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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Budget Detail Sheets -The Budget Detail Sheets show (Expense Function Code) expenses as recorded in the Ekonomik Check Register by line item (Expense Object Codes) for each department and grant. The sheets are used to create the Monthly Financial Statements. (See Chapter 14)

Departments - The major categories or divisions of the city's government. Often departments correspond with the primary services provided by the city; streets and roads, police, administration and water/sewer.

Expense Function Code - A 2 number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments)

Expense Object Codes - A 3 number expense code from the Chart of Accounts corresponding to a subcategory of the Expense Function Code categories.

Monthly Financial Statement (Report) - A record of revenues received and expenses incurred. The statement compares the current financial situation with the approved budget. The statements are prepared monthly and provided to the city council.

Per Diem - An allowance or fixed amount payment for daily expenses while an employee or official is on travel status.

Stipends - A fixed or regular payment for services rendered. The city council members often receive stipends for attending meetings.

Chapter 7 Budget Detail Sheets

Overview

The **Budget Detail Sheets** identify expenses by each **Department or Grant (Expense Function Codes)** as recorded in the Ekonomik Check Register. The Budget Detail Sheets allow expenses to be added together for each line item category (**Expense Object Codes**) from the approved budget. This summary is used to prepare the **Monthly Financial Report**.

File the Budget Detail Sheets by month. You can get columnar pads with 13 to 25 columns from any office supply store.

The approved budget determines the line items that appear on each Budget Detail Sheet. Use a columnar pad that has enough columns to include all the line items expenses (Expense Object Codes).

Left side of Ekonomik Check Register

Line No.	DEBIT DISTRIBUTION										
	\$1,500	\$3,750	\$5,000	\$25,000	\$8,000	\$16,000	\$4,000	\$30,000	\$8,500	\$12,000	
	City 10 Council	Admin 20 & Finance	Planng 21 & Zoning	Police 30	Fire 31	Streets 40 & Roads	Refuse 41 Collection	Sewage 50	Health 51	Washeteria 60	
1	410	5	10	5	10	5	5	-	-	5	
2	320	20	150	25	25	50	10	20	40	50	50
3	330	5	25	10	10	5	-	-	-	10	10
4									110	500	
5		110	300								
6											

Administration and Finance Budget	
Personnel Services	
Salaries	\$1,400
Stipends	0
Payroll taxes	200
Worker's Comp.	100
Retirement and Pension	100
Travel	
Airfare	500
Per diem	300
Training	150
Facility Expense	
Telephone	100
Electricity	400
Fuel oil	200
Repair & Maintenance	100
Supplies	100
Insurance & Bonding	100
Total	\$3,700

Budget Detail Sheet Instructions

- ① Enter the department or grant name (Administration, Clinic, RDA Grant) from the Ekonomik Check Register columns. **Use a separate Budget Detail Sheet for each department and grant column in the Ekonomik Check Register.**
- ② Enter the department or grant budget amount.
- ③ Enter the month the Budget Detail Sheet is for.
- ④ Title the columns with the line item categories (Expense Object Codes) from the city budget. Under each line item category, enter the approved line item budget amount.
- ⑤ Title the last column "Balance". If this is a Grant Budget Detail Sheet, title the last two columns "Deposits" and "Balance".
- ⑥ When a check is written from the Ekonomik Check Register, enter the date, check number, and purpose on the Budget Detail Sheet. Enter the amount of the check in the correct line

item category (Expense Object Code) column.

- ⑦ After the end of the month, checks are written. Draw a red line across the Ekonomik Check Register sheet under the last entry. Total each line item category (Expense Object Code) column (mid-month subtotals + end of month checks written = end of month totals). Add across all the "End of Month" totals on the Budget Detail Sheet (cross-footing). **This must equal the monthly total of the Department column in the Ekonomik Check Register.**

If this is the first month of the Fiscal Year, subtract the "Totals" from the line item category (Expense Object Code) budget amount. Enter the sum of these amounts on the "End of Month Balance" line.

If this isn't the first month of the fiscal year, subtract the "Totals" from the previous month's balances for each line item column. Enter the sum of these balances on the "End of Month Balance" line.

Prepare the Monthly Financial Statement after all Budget Detail Sheets are done.

Budget Detail Sheet														
Department: _____			Budget Amount: _____						Month Ending: _____					
			1	2	3	4	5	6	7	8	9	10	11	12
Date	Ck #	Purpose											Deposits	Balance
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
⑦ Total:														End of Month Balance

Creating a Budget Detail Sheet for Administration and Finance

DEBIT DISTRIBUTION											
	\$1,500	\$3,750	\$5,000	\$25,000	\$8,000	\$16,000	\$4,000	\$30,000	\$8,500	\$12,000	
Line No.	City 10 Council	Admin 20 & Finance	Plannng 21 & Zoning	Police 30	Fire 31	Streets 40 & Roads	Refuse 41 Collection	Sewage 50	Health 51	Washeteria 60	
1	410	5	10	5	10	5	5	-	-	5	
2	320	20	150	25	25	50	10	20	40	50	50
3	330	5	25	10	10	5	-	-	10	10	
4									110	500	
5		110	300								
6				110	300						
7	130	0.00	25.00	10.00	25.00	15.00	5.00	5.00	5.00	10.00	5.00
8	620	6.64	6.64	6.64	6.64	6.64	8.92	8.92	5.26	6.64	10.06
9		35.64	516.64	56.64	376.64	81.64	28.92	38.92	50.26	576.64	80.06
10											

0. C
10.00 +
150.00 +
25.00 +
300.00 +
25.00 +
6.64 +
006
516.64 T
20
21
22

EKONOMIK CHECK AND DEPOSIT REGISTER												
Register Check Before Drawing						FORM E-20	CREDIT	BANK ACCOUNT				
DATE	Line No.	IN FAVOR OF	IN PAYMENT OF	Posted on Page	Check No.	Discount	Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE	
3/7/95		AMOUNTS FORWARD										2053.00
3/7/95	1	Yukon Office Supply	office suplies (410)		102		50.00				2003.00	
3/7/95	2	AVEC	electric utilities (320)		103		440.00				1563.00	
3/8/95	3	Fuel Company	heating fuel (330)		104		75.00				1488.00	
3/8/95	4	Mary Smith	payroll (51-110)		105		500.00				988.00	
3/8/95	5	Mike Black	payroll (20-110)		106		300.00				688.00	
3/8/95	6	Dudley Doright	payroll (30-110)		107		300.00				388.00	
3/8/95	7	First Bank	federal payroll taxes (130)		108		105.00				283.00	
3/8/95	8	Best Coverage Insurance	fire insurance (620)		109		73.00				210.00	
9												
10												
11												
12												

Budget Detail Sheet														
Department: Administration & Finance 20 Budget Amount: \$3750 Month Ending: 03/31/95														
			\$1500	\$200	\$100	\$500	\$300	\$150	\$100	\$400	\$200	\$100	\$100	\$100
			1	2	3	4	5	6	7	8	9	10	11	12
Date	Ck #	Purpose	Salaries 110	Payroll Taxes 130	Retiremnt & Pensn 140	Airfare 210	Per Diem 220	Training 230	Telephone 310	Electricity 320	Fuel Oil 330	Repair & Maintn 340	Supplies 410	Insurance & Bond 620
3/7/95	102	office suplies											10.00	1 2490
3/7/95	103	electric utilities								150.00				2 2340
3/8/95	104	heating fuel									25.00			3 2315
3/8/95	106	Mike Black	300.00											4 2015
3/8/95	108	fed payroll taxes		25.00										5 1990
3/8/95	109	fire insurance												6 1983.36
		Total:	300.00	25.00						150.00	25.00		10.00	7 6.64
														8 1983.36
														9 1983.36
														10 1983.36
														11 1983.36
														12 1983.36
														13 1983.36
														14 1983.36
														15 1983.36
														16 1983.36
														17 1983.36
														18 1983.36
														19 1983.36
														20 1983.36
														21 1983.36
														22 1983.36

0. C
300.00 +
25.00 +
150.00 +
25.00 +
10.00 +
6.64 +
006
516.64 T

Total Expenses: \$516.64

End of Month Balance

Notes

Notes

Chapter 8

General Fund

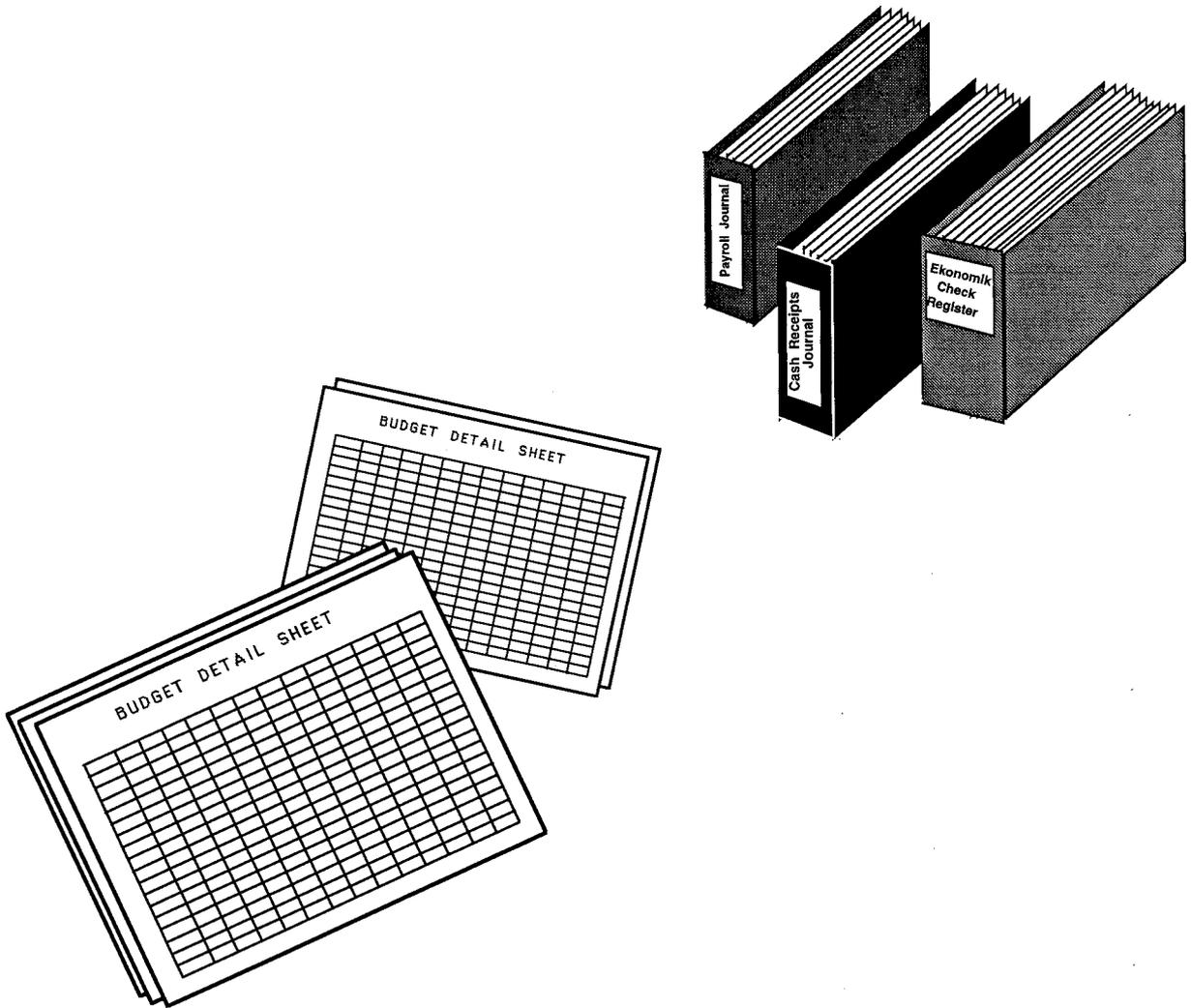


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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Bank Account Reconciliation - A comparison of checks and bank deposit slips with the monthly bank statements. The comparison is done to make sure that the city checkbooks have been accurately kept and that the bank has not improperly charged the city for bank services.

Budget Detail Sheets -The Budget Detail Sheets show (Expense Function Code) expenses as recorded in the Ekonomik Check Register by line item (Expense Object Codes) for each department and grant. The sheets are used to create the Monthly Financial Statements. (See Chapter 14)

Cash Receipts Journal - Record of cash received by the city organized in chronological order.

Cross-footed - Added row of figures. A row goes across the sheet. A column goes down the sheet.

Ekonomik Check Register - A commercially available check register that also serves as a Cash Disbursements Journal.

Electric Utility Fund - One of the 3 Funds used in this Model Financial Record Keeping System. The Electric Utility Fund serves as the accounting unit to organize transactions associated with the operation of a city owned electric utility.

Expense Function Code - A 2 number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments)

Expense Object Code - A 3 number expense code from the Chart of Accounts corresponding to a subcategory of the Expense Function Code categories.

Expenditures - Money spent by a city. All money spent by a city is an expenditure and must be authorized through the official city budget.

Fiscal year -A specific twelve month period for which the city budgets and prepares the annual financial report.

General Fund - One of 3 Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business of the city. The General Fund has the most transactions of all the Funds.

Terms Used In This Chapter (continued)

Grants Fund - One of the 3 Funds used in this Model Financial Record Keeping System. The Grants Fund serves as the accounting unit to organize transactions associated with grants.

Monthly Financial Statement - A record of revenues received and expenses incurred. The statement compares the current financial situation with the approved budget. The statements are prepared monthly and provided to the city council.

NEBS Pegboard system - Brand name of a commercially available cash receipts system. The New England Business System Pegboard (NEBS Form 414-1) serves as a Cash Receipts Journal.

Pay Record - A record for each employee showing earnings, deductions, and net pay for each pay period, quarter and year-to-date.

Payroll Journal - Record of paychecks written to employees and organized in chronological order.

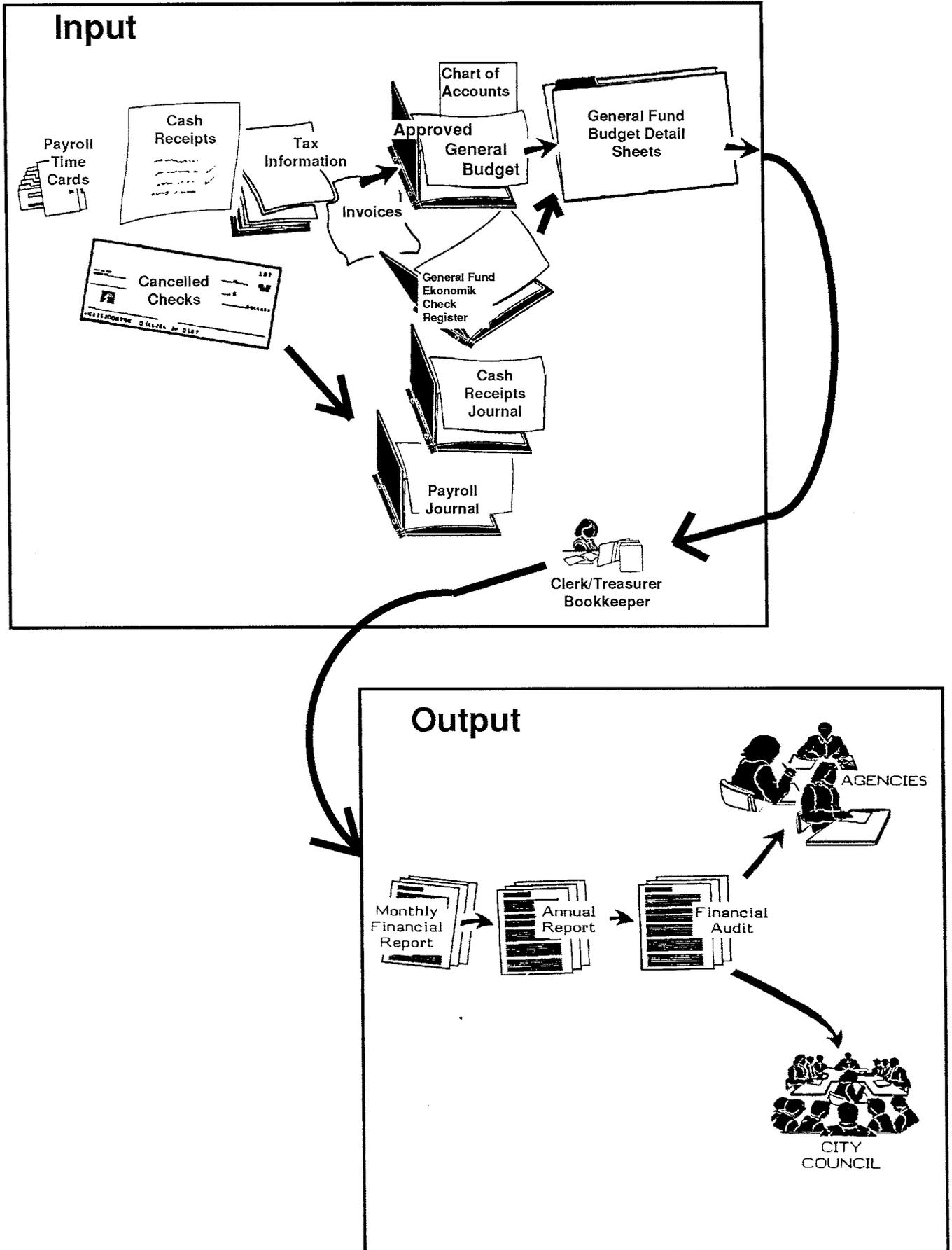
Purchase Order - An order and authorization to purchase goods or services. A purchase order is the first step in the purchasing of items or services and is the source document for checks written to vendors.

Revenues - Income received by the city. Cities receive money from local sources and from State and federal sources. Local sources include: fees for the use of city services, such as the dumping charge at the landfill, water/sewer charges, and docking fees at the city dock; taxes, such as sales tax and property tax; and, income from city enterprises, such as the profit from the bingo game, washeteria income, and payments from city electric utility customers.

Source documents - Document or record that is the origin for an entry in the city's books.

Transfers - Payments from one Fund to another Fund.

General Fund Record Keeping System



Chapter 8 General Fund

Overview

The **General Fund** is the record keeping unit for the general business of the city. Our Model Financial Record Keeping System uses a separate Fund for grants and a separate Fund for the Electric Utility. Both the Grants Fund and the Electric Utility Fund are discussed in later chapters.

General Fund Record Keeping

The explanation about record keeping offered in the previous chapters describes the recommended system for the General Fund. Let's summarize the main record keeping procedures for the General Fund.

Bank Accounts

Establish a General Fund checking account. Deposit **Revenue** from all general sources in this account. All general government expenditures are made from this account.

Cash Receipts Journal

The General Fund's **Cash Receipts Journal** tracks revenue for general government activities. As explained in Chapter 3, Cash Receipts, make out a cash receipt as you receive currency or check. The Cash Receipts Journal is the **NEBS Pegboard**. It has pre-numbered receipts to assure accounting control at the time currency and checks are received. As deposits are made to the bank, the Cash Receipts Journal provides a detailed record of deposits and the total is recorded in the **Ekonomik Check Register**.

Ekonomik Check Register

The Ekonomik Check Register tracks the cash balance in the General Fund checking account and records all checks issued, including payroll checks. **Expenditures** are sorted by city departments. The departments are the **Expense Function Codes**. All general government related expenses are distributed to the departments. See Chapter 4, Cash Disbursements, for more information.

Bank Reconciliation

Bank Account Reconciliation is the same for all bank accounts. See Chapter 4, Cash Disbursements, for more information on reconciling the checking account.

Payroll

Labor costs on general government programs are paid from the General Fund checking account. *Payroll taxes are paid to the federal and State governments from the General Fund for all the other Funds.* **Transfers** are made to the General Fund from the **Grants Fund** and **Electric Utility Fund** for their share of payroll taxes. General Fund payroll is done twice a month. For more details, see Chapter 6, Payroll.

Pay Records track an individual's payroll information, including federal and state taxes. They serve as **Source Documents** for the Payroll Journal.

The **Payroll Journal** breaks down payroll and payroll taxes by department. It's a source document for federal and State taxes.

Purchasing

All purchases, except payroll, usually have a **Purchase Order (PO)** and check request form. See Chapter 5, Purchasing, for more information.

Monthly Financial Statements

The **Monthly Financial Statements** summarize revenue and expenditures by department for the general activities of the city. The Cash Receipts Journal, Ekonomik Check Register, General Fund's **Budget Detail Sheets**, and the prior month's Financial Statement are used to prepare the Monthly Financial Statement.

Transfers To The General Fund

Use a Check Request form to transfer money from another Fund to the General Fund. See Chapter 9, Grants Fund, and Chapter 10, Electric Utility Fund, for further explanation of how to record transfers from those Funds to the General Fund.

Notes

Check Request Form

Check Payable to _____

Amount _____ Purchase Order No. _____

Description _____

Accounting distribution

Fund	Expense Function Code	Expense Object Code	Amount

TOTAL AMOUNT OF PAYMENT _____

Check here if this is a payment from another Fund to the General Fund.

Completed by _____ Date _____

Approved by _____ Date _____

Check Number _____

If this is the first month of the **Fiscal Year**, subtract the "Totals" from the line item category (Expense Object Code) budget amount. Enter the sum of these amounts on the "End of Month Balance" line.

If this isn't the first month of the fiscal year, subtract the "Totals" from the previous month's balances for each line item column. Enter the sum of these amounts on the "End of Month Balance" line.

Prepare the Monthly Financial Statement after all Budget Detail Sheets are done.

Completed General Fund Budget Detail Sheet

Budget Detail Sheet															
Department: Administration & Finance 20 Budget Amount: \$3750 Month Ending: 03/31/95															
\$1500 \$200 \$100 \$500 \$300 \$150 \$100 \$400 \$200 \$100 \$100 \$100															
1 2 3 4 5 6 7 8 9 10 11 12															
	Ck #	Purpose	Salaries 110	Payroll Taxes 130	Retiremnt & Pensn 140	Airfare 210	Per Diem 220	Training 230	Telephone 310	Electricity 320	Fuel Oil 330	Repair & Maintn 340	Supplies 410	Insurance & Bond 620	Balance 2500
1	3/7/95	102 office suplies											10.00		1 2490
2	3/7/95	103 electric utilities								150.00					2 2340
3	3/8/95	104 heating fuel									25.00				3 2315
4	3/8/95	106 Mike Black	300.00												4 2015
5	3/8/95	108 fed payroll taxes		25.00											5 1990
6	3/8/95	109 fire insurance												6.64	6 1983.36
7		Total:	300.00	25.00						150.00	25.00		10.00	6.64	7
8		End of Month Balance:	1000.00	100.00	50.00	250.00	150.00	150.00	50.00	150.00	50.00	0.00	0.00	33.96	8 1983.36
9															9
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Notes

Notes

Chapter 9

Grants Fund

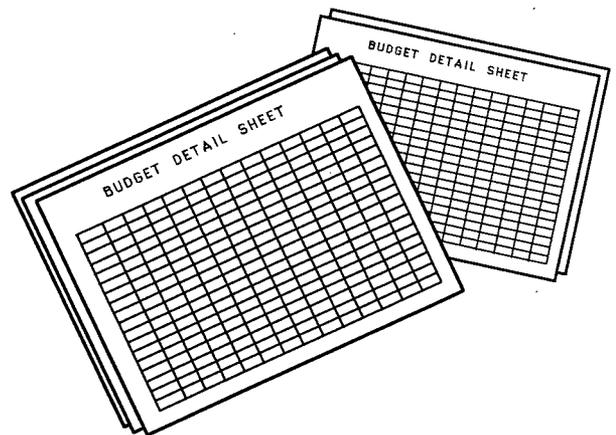
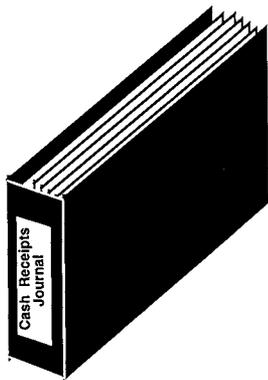


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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Budget - A council-approved plan of how a city will receive and spend its money for a given period of time, usually a year. Cities are required by State law to adopt a budget and adhere to its approved spending limits. Budgets must be adopted as an ordinance.

Budget Detail Sheets -The Budget Detail Sheets show (Expense Function Code) expenses as recorded in the Ekonomik Check Register by line item (Expense Object Codes) for each department and grant. The sheets are used to create the Monthly Financial Statements. (See Chapter 14)

Chart of Accounts - A classification system used in accounting which organizes financial accounts.

Cash Receipts Journal - Record of cash received by the city organized in chronological order.

CD or Time Certificates of Deposit - Investment offered by banks that pays higher interest rates than normal bank savings accounts but requires that a certain amount of money be left in the bank for a specific period of time.

Ekonomik Check Register - A commercially available check register that also serves as a Cash Disbursements Journal.

Expenditures - Money spent by a city. All money spent by a city is an expenditure and must be authorized through the official city budget.

Expense Function Code - A 2 number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments)

Expense Object Code - A 3 number expense code from the Chart of Accounts corresponding to a subcategory of the Expense Function Code categories.

General Fund - One of 3 Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business of the city. The General Fund usually has the most transactions of all the Funds.

Grantor - The organization or individual providing a grant of money or property to the grantee.

Terms Used In This Chapter (continued)

Grantee - The organization or individual receiving money or property from the grantor.

Grants Fund - One of the 3 Funds used in this Model Financial Record Keeping System. The Grants Fund serves as the accounting unit to organize transactions associated with grants.

Job Training Partnership Act (JTPA) - DCRA administered federal program that encourages the development of skills for under-skilled or unemployed workers.

Monthly Financial Statement - A record of revenues received and expenses incurred. The statement compares the current financial situation with the approved budget. The statements are prepared monthly and provided to the city council.

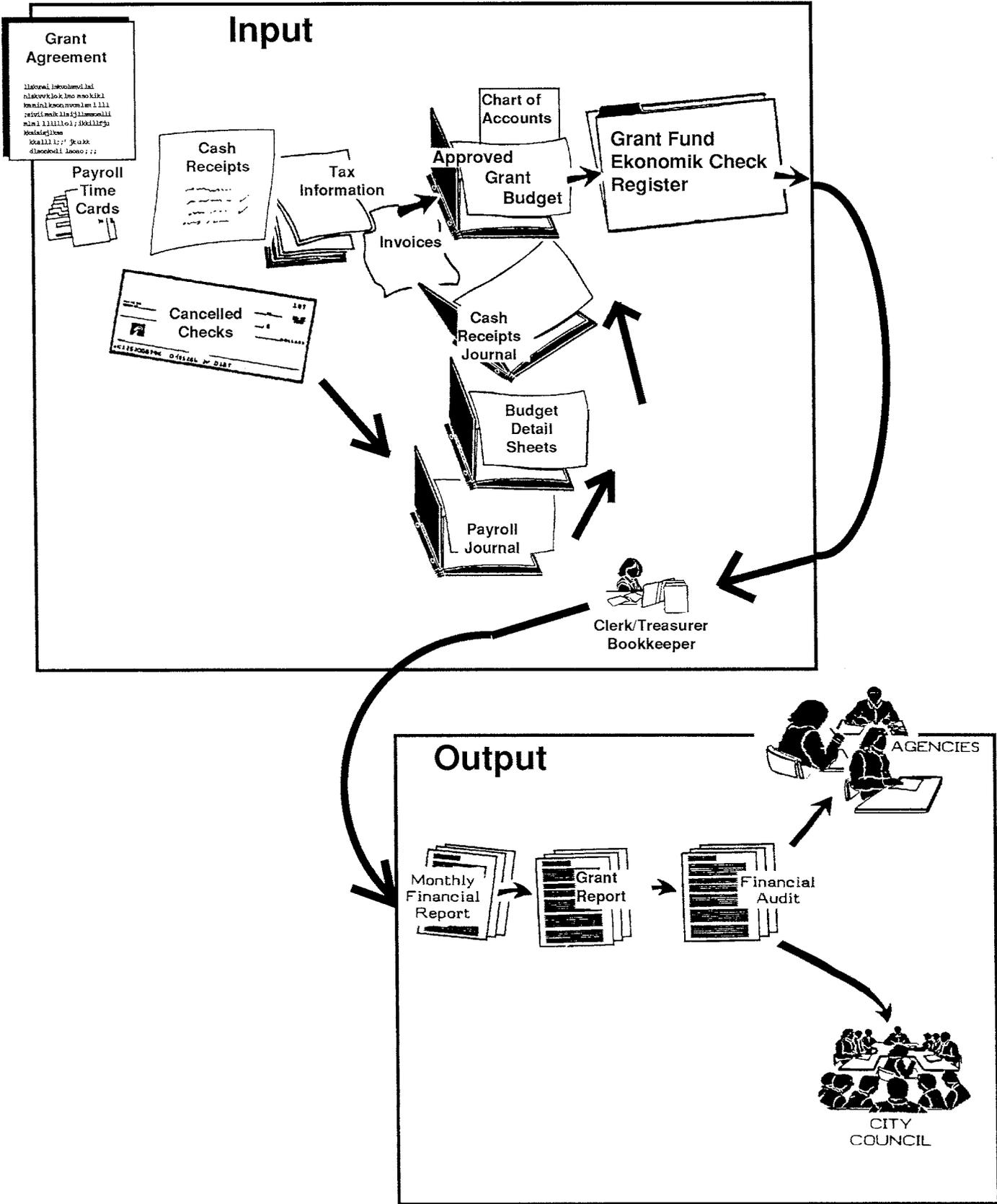
Payroll Journal - Record of paychecks written to employees and organized in chronological order.

Pay Record - A record for each employee showing earnings, deductions, and net pay for each pay period, quarter and year-to-date.

Transfers - Payments from one Fund to another Fund.

Vendor - Person or business that sells goods or services.

Grant Fund Record Keeping System



Chapter 9 Grants Fund

Overview

A **Grants Fund** is one of 3 Funds used in the Model Financial Record Keeping System. The Grants Fund is separate from the **General Fund** to make sure the record keeping for grant money can be easily tracked. Separating grant records from the city's other finances makes it easier to audit the grants.

Keeping records for all the Funds is similar. The main differences are:

- ✓ A separate checking account is used for the Grants Fund.
- ✓ The **Budget** and **Chart of Accounts** for the Grants Fund are set up by grant agreements. A Grant Agreement requires tracking specific line item expenses (**Expense Object Codes**). You'll have to set up these expense categories in your Grants Fund's Chart of Accounts. For example, if a **JTPA** grant requires that the city record the amount of employee training money used by the city, the Chart of Accounts must have a "training" line item within the "personnel" expense category. This category of costs will allow the city to sort and eventually report the total money spent for employee training.
- ✓ A separate set of books is used for the Grants Fund. Separate **Cash Receipts Journal, Ekonomik Check Register, Payroll Journal, and Budget Detail Sheets** are used. The **Monthly Financial Statements** to the council separates Grants from transactions of other Funds.

- ✓ Grant agreements may require different financial reports than the Monthly Financial Statements to the council. Make sure the summaries of financial activities for each grant follows a format acceptable to the granting agencies.
- ✓ The Grants Fund must reimburse the General Fund for some expenses. For example, employer and employee payroll taxes are paid from the General Fund, but the Grants Fund reimburses the General Fund. This avoids writing more than one check to the Internal Revenue Service (IRS) or Alaska Department of Labor. The reimbursement is done by writing a check from the Grants Fund to the General Fund. These are called **Transfers**. Review Chapter 4, Cash Disbursements, for more information on how to record such transfers.

Grants Fund Record Keeping

Grant Fund transactions are similar to transactions for the General Fund. There are a few differences, however.

Bank Accounts

Establish a Grants Fund checking account separate from the General Fund checking account. Deposit revenue from all grants in this account. All grant **Expenditures** are made on this account. Use triplicate checks. Deposits to this account are from:

- Payments from **Grantor** agencies.
- Refunds from **Vendors** on prior grant expenditures.
- Transfers from **CD's** bought with Grant money. Make sure the grantor

agencies will allow the city to invest money before buying a CD. (See Chapter 3, Cash Receipts, for more information on CD's)

Cash Receipts Journal

The Grants Fund's Cash Receipts Journal identifies and tracks revenue from grants. When you get a grant check, make out a Cash Receipt from the Cash Receipts Journal showing the source of the revenue. The Cash Receipts Journal is the NEBS Pegboard with pre-numbered receipts to assure accounting control at the time cash and checks are received. As deposits are made to the bank, the Cash Receipts Journal provides a detailed record of deposits and the sum total is recorded in the Ekonomik Check Register. See Chapter 3, Cash Receipts, for more information.

Cash received from one grant should never be used to pay for expenses on another grant.

Ekonomik Check Register

The Ekonomik Check Register tracks the balance of cash in the Grants Fund checking account and records all checks issued, including payroll checks. Expenditures are sorted by grants instead of departments. The grants are the **Expense Function Codes**. The distribution of expenses works like the General Fund's. See Chapter 4, Cash Disbursements, for more information.

Bank Reconciliation

The bank reconciliation forms are an easy way to reconcile the bank account to the Ekonomik Check Register. See Chapter 4, Cash Disbursements, for more

information on reconciling the checking account.

Payroll

Labor costs on grant programs are paid from the Grants Fund checking account. *However, payroll taxes are reported and paid to the federal and State governments from the General Fund.* Transfers are made to the General Fund for the Grants Fund's share of payroll taxes. Grants payroll is done twice a month. For more details, see Chapter 6, Payroll.

Pay Records track an individual's payroll information, including federal and State taxes. They serve as source documents for the Payroll Journal.

The Payroll Journal gives a break-down of payroll and payroll taxes by grant. It's a source document for federal and State taxes charged to the various grants.

Purchasing

Authorization is required to purchase goods or services. Authorization is given only if the money has been included in the grant budget. All purchases, except payroll, must have a purchase order and check request. See Chapter 5, Purchasing, for more information.

Monthly Financial Statement

The Monthly Financial Statements summarize revenue and expenditures by grant. The Cash Receipts Journal, Ekonomik Check Register, Grant Funds Budget Detail Sheets, and the prior month's Monthly Financial Statement are used to prepare the Monthly Financial Statement.

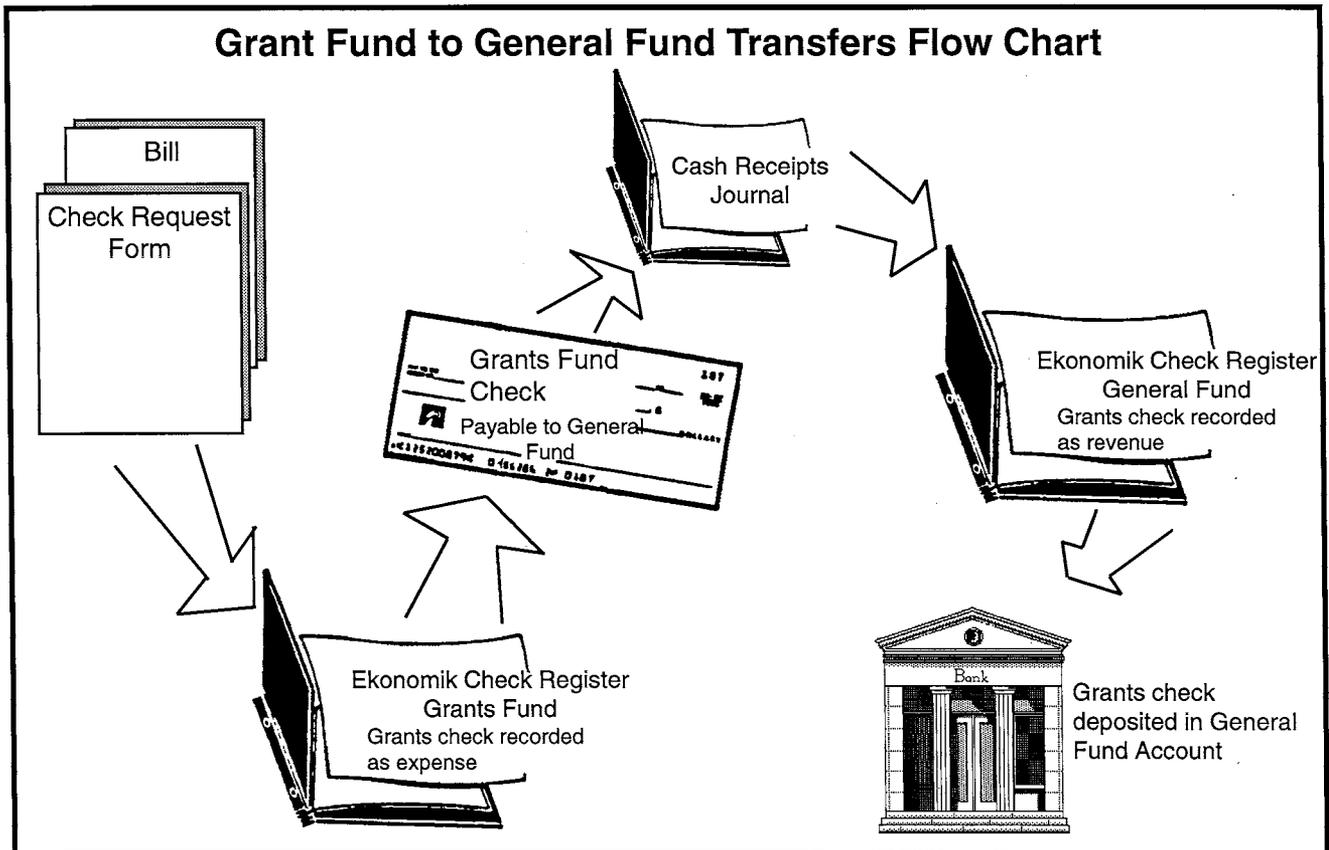
Grant Transfers To The General Fund

Use a Check Request Form to transfer money from the Grants Fund to the General Fund. An example of a transfer:

- ✓ The monthly phone bill is paid from the General Fund checking account. \$40.00 of the phone bill is related to Grants. The Grants Fund must reimburse the General Fund \$40.00.

Grant Transfer Procedures

1. Prepare a Check Request form. See Check Request form instructions in Chapter 4, Cash Disbursements. An example is on the next page.
2. On the "Check payable to" line of the Check Request form, write "City of _____, General Fund account."
3. Fill out the rest of the Check Request form. Be sure to check the box showing this is a Grant Payment to the General Fund.
4. Attach a copy of the original bill to the Check Request. For example, a photocopy of the monthly phone bill with grant charges highlighted should be attached to the Check Request form. This is additional source documentation for auditors.
5. A Grant Fund check is then prepared and deposited to the General Fund checking account.



For an example of how this works, refer to the "Taxes" section of Chapter 6, Payroll, dealing with ESC tax payments.

CHECK REQUEST FORM

Check Payable to City of Pacific General Fund account

Amount \$40.00 Purchase Order No. _____

Description Payment for Grants Fund's share of phone bill

Accounting distribution

Fund	Expense Function Code	Expense Object Code	Amount
02	20	310	\$40.00

TOTAL AMOUNT OF PAYMENT \$40.00

Check here if this is a payment from another Fund to the General Fund.

Completed by Ido Books Date 3/20/95

Approved by Alice Denver Date 3/20/95

Check Number 429

month. Enter the amount of the check in the correct line item category (Expense Object Code) column. Subtract the amount of the check from the previous amount in the "Balance" column, enter the new balance amount in the "Balance" column.

- ⑦ After mid-month checks are written, draw a red line across the sheet under the last entry. Label the next line "Mid-month subtotals." Total each line item category (Expense Object Code) and enter the subtotal. Draw another line across the sheet under these subtotals.
- ⑧ After end of month checks are written, draw a red line across the sheet under the last entry for that month. Total each line item category (Expense Object Code) column (Mid-month Subtotals + End of Month checks written = End of Month Totals). Add all the "End of Month" totals (except the "Deposit" column). *This total must equal the "Monthly Total" of that grant's column in the Ekonomik Check Register.*

If this is the first month of grant activity, subtract the "End of Month Totals" from the line item category (Expense Object Code) budget amount. Enter this amount on the "End of the Month Grant Balance" line.

If this isn't the first month of grant activity, subtract the "End of Month Totals" from the previous month's "End of Month Grant Balances" for each line item column. Enter this amount on the "End of Month Grant Balance" line.

Prepare the Monthly Financial Statement and the Grant Report form after all Budget Detail Sheets are done.

Grant Report Form

The Grant Report form is a summary of revenues and expenditures for each grant. Each agency or organization requires the city to provide some type of Grant Report form to them each month. The type of form may vary with each agency. The Grant Budget Detail Sheet, Monthly Financial Report form and the prior month's Grant Report form provides information to complete all Grant Report forms.

A sample Grant Report form used by the Department of Community and Regional Affairs follows.

Notes

INSTRUCTIONS FOR COMPLETING THE GRANT PROGRESS REPORT

Please type or print legibly. Keep the pink copy of each page for your file and send the original and yellow copy to the following address:

Grants Administration Section
Division of Administrative Services
Department of Community and Regional Affairs
P.O. Box B
Juneau, AK 99811

The GRANTEE is the name of your organization which is receiving the grant funds. The PROJECT NAME and GRANT NUMBER can be found on the front page of the grant Agreement. The reporting period will be the MONTH and YEAR for which the report is due. Reports are due no later than 15 days following the ending date of the reporting period. For example, if the reporting period is the month of July, the report is due by the 15th of August.

PART I. REPORT ON PROJECT ACTIVITIES

- A. Work completed since last report: Write down the project accomplishments during the reporting period.
- B. Describe existing or potential problems with the project: Report any problems, potential problems, delays or adverse conditions relating to this project or the Grant Agreement which have or may interrupt progress in completing the project.
- C. Activities planned for next reporting period: Outline what tasks and major expenditures are planned during the next reporting period.
- D. Request for funds: State amount needed and how the funds will be used.

PART II. STATEMENT OF GRANT FUND EXPENDITURES

NAME OF BUDGET	Enter the name of each Budget category from Attachment B of the Grant Agreement (e.g., building materials, labor).
AMOUNT BUDGETED	Enter the amount budgeted in the Grant Agreement for each Budget category.
EXPENDITURES THIS PERIOD	Enter the amount of grant funds which were spent during this report period.
TOTAL EXPENDITURES	Enter the total of the amounts shown under EXPENDITURES THIS PERIOD and the amounts under TOTAL EXPENDITURES TO DATE from the last report submitted.
BALANCE OF FUNDS	Enter the amounts remaining after TOTAL EXPENDITURES TO DATE have been subtracted from AMOUNT BUDGETED.

CERTIFICATION An officer of the grantee organization must certify/date the report attesting to its accuracy. The officer that certifies the report must be different from the individual that prepares/dates the report.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
DIVISION OF ADMINISTRATIVE SERVICES
GRANT PROGRESS REPORT / ADVANCE REQUEST

NAME OF
GRANTEE: City of Pacific

PROJECT TITLE: Clinic Renovation

GRANT NUMBER: 00-000

FOR THE
MONTH(S) OF August 19 95

STATE USE ONLY

Review Date _____

Reviewed by _____

Comments _____

Funds Rec'd to Date: _____

Funds Spent to Date: _____

Balance advanced funds: _____

PART I. REPORT ON PROJECT ACTIVITIES

A. Work completed since last report:

Office supplies were received and engineer reviewed plans, completed first review, initial work completed, first payroll done.

B. Describe existing or potential problems with the project:

None at this point.

C. Activities and expenditures planned for next reporting period:

Plan to complete most of renovation during the next month.

GRANT PROGRESS REPORT / ADVANCE REQUEST (CONTINUED)

PROJECT TITLE Clinic Renovation
 GRANT NUMBER 00-000
 FOR THE MONTH(S) OF August 19 95

D. REQUEST FOR FUNDS (state amount requested and how the funds will be used.)
Request \$5,000 which will be spent on labor, office supplies and
maintenance.

PART II. STATEMENT OF GRANT FUND EXPENDITURES
 (Use the budget from "Attachment B" of your Grant Agreement)

NAME OF BUDGET LINE ITEMS	AMOUNT BUDGETED	EXPENDITURES THIS PERIOD	TOTAL EXPENDITURES TO DATE	BALANCE (COLS. 2-4)
Salaries	10,000	879	879	9,121
Payroll Taxes	1,275	0	0	1,275
Airfare	500	250	250	250
Per Diem	375	170	170	205
Contractual Svc	1,000	700	700	300
Maintenance	500	150	150	350
TOTALS	13,650	2,149	2,149	11,501

CERTIFICATION

REQUIRES TWO SIGNATURES. THE PERSON CERTIFYING MUST BE DIFFERENT FROM THE PERSON PREPARING THE REPORT. One signature should be the highest ranking officer of the Grantee organization; if unavailable, the second highest ranking officer. The other should be of the person who prepared the report.

I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF THE INFORMATION ABOVE IS CORRECT AND FUNDS WERE SPENT IN ACCORDANCE WITH GRANT AGREEMENT TERMS AND CONDITIONS.

Certified By John Atukkak Prepared By Ido Books

Title Mayor Date 9/12/95 Title Bookkeeper Date 9/12/95

Notes

Chapter 10

Electric Utility Fund

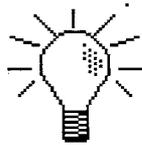


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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Accumulated Depreciation - This is the total amount of depreciation expense which has been taken on a piece of equipment since the year it was purchased. The cost of the piece of equipment less its accumulated depreciation gives the "book value" of the equipment.

Alaska Energy Authority (AEA) - See Division of Energy.

Alaska Public Utility Commission (APUC) - The Commission regulates public utilities by certifying qualified providers of public utilities and ensuring utilities provide safe and adequate services at just and reasonable rates, terms and conditions.

Audit Trail - All of the various documents and accounting records that are used to tell when, why, by whom, and for what moneys were received or expended by the city. An audit trail provides a history of a financial transaction.

Book Value - The current value of a piece of equipment or other personal property according to the city's accounting records. Book value is equal to the original cost of the property less its accumulated depreciation.

Billing Statement - Billing Statement is an itemized description of a customer's account and how much customers owe.

Cash - Money in the form of currency or checks.

Cash Disbursements Journal - A record listing all cash payments by the city organized by date of the check. The Ekonomik Check Register is a Cash Disbursements Journal.

Cash Receipts Journal - Record of cash received by the city organized in chronological order.

Checks - A written order to a bank to pay a certain amount to a specific individual or organization from funds on deposit in that bank.

Currency - Money in the form of dollars and coin.

Customer Files - Customer Files keep the information about the customer's account including Customer Billing Statements, Customer Ledger Cards, and the Posting File. The Customer Files are set up alphabetically.

Terms Used In This Chapter (continued)

Customer Ledger Cards - Customer Ledger Cards keep track of each customer's account. The Customer Ledger Card is an on-going account of customer charges, payments made and balance due.

Depreciation - A method of spreading the cost of equipment or other personal property over the expected life of the property.

Division of Energy - Formerly the Alaska Energy Authority (AEA). The Division of Energy is part of DCRA and continues to provide the means for construction, acquiring, financing, or operating power projects to achieve the lowest reasonable consumer power costs. The Division of Energy provides technical assistance and market-rate financing to support Alaskan utilities.

Electric Utility Fund - One of the 3 Funds used in this Model Financial Record Keeping System. The Electric Utility Fund serves as the accounting unit to organize transactions associated with the operation of a city owned electric utility.

Expenditures - Money spent by a city. All money spent by a city is an expenditure and must be authorized through the official city budget.

Numeric Billing File - File for copies of billing statements sent to customers. Statements are arranged in the file by form number. The file is used to make sure that all billing statements are accounted for and that no falsified billings to customers can occur.

Pay Record - A record for each employee showing earnings, deductions, and net pay for each pay period, quarter and year-to-date.

Payroll Journal - A record of all the costs for employees for each pay period. The Journal includes calculations of gross pay, employee withholding and net pay for each employee. The Payroll Journal also includes calculations of employer's share of taxes.

Posting file - A Posting File organizes the Customer Ledger Cards. It consists of a steel desktop file box with alphabetical index guides. Customer Ledger Cards are filed alphabetically in the Posting File for easy access.

Power Cost Equalization (PCE) - State financial support for rural electric utilities. The program is designed to reduce the cost of electricity in rural communities. Rural utilities must apply for the subsidy. Funding for the program is through legislative appropriation. Contact the Division of Energy, DCRA, for more information. Phone: (907) 269-4500.

Terms Used In This Chapter (continued)

Reconciling - A comparison of checks and bank deposit slips with the monthly bank statements. The comparison is done to make sure that the city's checkbooks have been accurately kept and that the bank has not improperly charged the city for bank services.

Salvage Value - The amount of money that is expected to be received for selling or scraping a piece of equipment or other personal property at the end of its useful life. This amount is used in determining the depreciation expense of the property.

Set Cash - Cash to make change for customers. The amount of Set Cash is established by the manager of the electric utility. This amount of currency and coin should always be available in the cash box.

Source document - Document or record that is the origin for an entry in the city books.

Straight Line Depreciation - A method of calculating depreciation in which the cost is allocated equally to each year of the equipment's expected life.

Time Certificates of Deposit (CD's) - Investment offered by banks that pays higher interest rates than normal bank savings accounts but requires that a certain amount of money be left in the bank for a specific period of time.

Tariff - A schedule of rates and charges of a public utility.

Transfers - Payments from one Fund to another Fund.

Useful Life - The amount of time, in years, that a piece of equipment or other personal property is expected to be used by the city. The useful life may vary by different types of property.

Vendor - Seller of goods or services.

Chapter 10 Electric Utility Fund

Overview

If your city operates an electric utility, an **Electric Utility Fund** must be established. The Electric Utility Fund is set up to create the records necessary to provide an **Audit Trail** and to account for money spent and revenues received by the electric utility.

Major components of the Electric Utility Fund are:

- ✓ An interest-bearing checking account.
- ✓ A one-write cash receipts system. See Chapter 8, General Fund.
- ✓ A cash disbursement system that includes: Purchase Orders, Check Requests, 3-part checks, and an Ekonomik Check Register. See Chapter 4, Cash Disbursements, for instructions on setting up the **Ekonomik Check Register**.
- ✓ A filing system that includes Vendor Files, Personnel Files, Revenue Files, Customer Files, Expense Files, Bookkeeping Files, and Correspondence Files. See Appendix A, Filing System.
- ✓ A payroll system that includes: time sheets, employee Pay Records and Leave Records, a Payroll Journal, and federal and State payroll tax records. See Chapter 6, Payroll.
- ✓ A **Monthly Financial Statement**. See Chapter 12, Monthly Financial Statement.
- ✓ A separate Budget.
- ✓ A billing system.

Two agencies are involved in the administration of the State's financial assistance program to small utilities. The **Alaska Public Utility Commission (APUC)** examines the finances of electric utilities when the utility applies for **Power Cost Equalization (PCE)** payments. The APUC determines what costs of the utility are PCE eligible and sets up the utility's **Tariff**.

The **Division of Energy** uses the tariff to pay utilities their PCE payments. They also examine the operations of a PCE eligible utility to make sure they follow the regulations of the State program.

The Division of Energy requires that a Power Cost Equalization (PCE) eligible utility organize and maintain the accounts of its electric fund as a separate accounting entity in a self balancing set of accounts that includes the assets, liabilities, fund balances, revenue, and expenses. This enables a community to track utility costs and PCE payments. For more information on the PCE program, contact Division of Energy at 269-4500, and Jean McPherran, APUC, at 276-6222.

Electric Utility Fund Record Keeping

Bank Accounts

Establish an Electric Utility Fund checking account separate from the General Fund checking account. Deposit revenue from

the electric utility's operation into this account. All electric utility **Expenditures** are made on this account. Use triplicate **Checks**. Deposits to this account are from:

- Payments from electric utility customers.
- Refunds from **Vendors** on prior electric utility expenditures.
- Income from investments purchased with electric utility money. For example, cash from **Time Certificates of Deposit (CD's)** bought with electric utility revenues. See Chapter 3, Cash Receipts, for more information on CD's.
- Payments from the State through the Power Cost Equalization (PCE) program.

Cash Receipts Journal

The **Cash Receipts Journal** identifies and tracks customer payments and shows the balance of **Cash** on hand. All payments are identified from the time of receipt until they are deposited into the bank. Pre-numbered Cash Receipts assure accounting control at the time **Currency** and checks are received. As deposits are made to the bank, Cash Receipts provide back up information to show how much money should be deposited and in what Fund's checking account. **Source Documents** for bank deposits are checks and currency received by the city from customer payments and other sources.

Ekonomik Check Register

The Ekonomik Check Register is the **Cash Disbursements Journal**. It tracks deposits and expenses, including payroll and transfers. The Electric Utility Fund (03) has its own Ekonomik Check Register. Set up the following headings in the Ekonomik Check Register.

	Personnel Costs	Power Plant Parts & Supplies					Repair & Maintenance					General & Admin							
Line No.	Salaries 110	Pyroll Taxes 130	Lube Oil 471	Oil/Fuel Filters 472	Small Tools 473	Other 474	Amrtorztn of Major Overhls 351	Emergency Repairs 352	Routine Maintnc 353	Other 354	Outside Prjct Svcs 631	Insurance 620	Office Supplies 410	Office Rent 311	Travel 210	Other 690	Fuel 330	Loans 680	Transfers
1																			
2																			
3																			
4																			
5																			

Note: The headings are designed to tie in with the APUC Electric Utility PCE Forms.

Set up the Ekonomik Check Register and reserve the last column for **Transfers** to the General Fund. This is titled "General Fund 01."

EKONOMIK CH Register										
General Fund 01		DATE	Line No.	IN FAVOR OF		Electric Utility Fund 02				
						CREDIT		BANK ACCOUNT		
						Amount of Check	Paid	Date of Deposit	Amt of Deposit	BALANCE
		4/7/95								
		4/7/95	1	Mary Jones						
		4/7/95	2	John Smith						
		4/8/95	3	Insurance						
		4/8/95	4	U.S. Dept of L						2 9 00 00
		4/9/95	5	Arctic Office S		2 9 3 00				2 6 07 00
			6			2 9 3 00				2 3 14 00
			7			2 3 00				2 2 91 00
						1 8 00				2 2 73 00
						5 7 00				2 2 16 00

See the Chapter 9, Grants Fund, "Recording Expenses" section for information on how to set up a column in the Ekonomik Check Register for transfers. See Chapter 9, Grants Fund, "Transfers" section for information on how to record transfers. Expenditures are recorded by Budget line item. Source documents are time sheets or time cards for payroll, and Check Requests or Purchase Orders for everything else.

Bank Reconciliation

The Bank Reconciliation forms provide an easy method for **Reconciling** the bank account to the Ekonomik Check Register. The method of bank reconciliation is handled the same for all bank accounts. Source documents for doing bank reconciliation are the Bank Statement from the bank, cancelled checks, deposit slips and the Ekonomik Check Register.

Payroll

Electric utility payroll is paid from the Electric Utility Fund checking account. Payroll taxes are reported and paid to the federal and State governments from the General Fund. Transfers are made to the General Fund for the Electric Utility Fund share of payroll taxes. Payroll is done twice a month.

The **Payroll Journal** serves as a source document for federal and State taxes. **Pay Records** provide information for payroll as well as tracking each individual's pay for purposes of any cutoff amounts for taxes. It serves as a source document for the Payroll Journal. For information on how to do payroll, refer to Chapter 6, Payroll.

Pay Records track an individual's payroll information, including federal and State

Electric Utility Cash Reconciliation

Use the following Cash Reconciliation form to account for the currency and checks that are received for electricity sales when a deposit is made to the Electric Utility Fund's bank account.

Instructions

A cash reconciliation is prepared each time electric utility receipts are deposited to the Electric Utility Fund's bank account. The cash reconciliation is prepared as follows:

1. Details of coin and currency to be transferred to the Electric Utility bank account are entered in the box provided and the total entered on line ①. The amount to be transferred is equal to the currency and coin in the cash box minus the **Set Cash** amount. This must be the same amount as the total of the amount paid (currency) on the Cash Receipts Journal sheet since the last deposit.

Set Cash is cash to make change for customers and is not deposited in the bank account. The Set Cash amount is established by the Electric Utility Office Manager as sufficient to provide change to customers. This amount of currency and coin should always be available in the cash box.

Notes

2. Details of checks being transferred are entered in the box provided and the total entered on line ②. This must be the same amount as the total of the amount paid (check) column on the Cash Receipts Journal sheet.
3. Total currency and checks received are entered on line ③ by adding lines ① and ② together. This is the amount deposited. The total of this amount must equal the total of the amount paid currency and amount paid check columns on the Cash Receipts Journal sheet. These are the same amounts that would be entered on the bank deposit slip.
4. The signature of the preparer goes in the box provided.

Depreciation

Many utilities don't take full advantage of the State's willingness to reimburse through PCE payments the costs of operating rural utilities. One of the most common costs not used by a small utility for purposes of calculating PCE payments is depreciation. **Depreciation** is a cost to a utility of the use of equipment. As a cost it makes the utility eligible for higher PCE payments.

Depreciation can be applied to utility owned equipment for purposes of establishing a PCE payment, if:

- the equipment was purchased with city funds; or,
- the equipment was bought with revenues generated by the utility.

Equipment purchased with federal or State grants is not eligible for PCE reimbursement of depreciation expenses.

Because PCE payments may represent sizable revenues to your utility, let's look closer at depreciation.

Depreciation is a method of spreading the cost of a piece of equipment over the expected or **Useful Life** of the equipment. Depreciation is not, however, a procedure of setting aside moneys to replace a piece of equipment once it is worn out.

Depreciation can also apply to other types of personal property besides equipment, which have an expected life of more than one year. For the purposes of this manual, only the depreciation of equipment will be explained. Similar procedures would be used for other types of personal property.

Depreciation is a method used mostly by businesses in developing profit and loss

statements. Small cities usually only use depreciation in preparing financial reports to the Division of Energy, DCRA, for their electric utility.

If a business or enterprise buys an expensive piece of equipment and charges its full cost in the year of purchase, the business will probably show a loss for that year. But the equipment will last for several years and the business will receive benefit from the equipment during that time.

By using depreciation, the business spreads or allocates the cost of the equipment over all of the years that the equipment is expected to be used. This lowers the cost in the year of purchase, and spreads the cost of the equipment to the time periods in which the business receives the benefit from the equipment.

Calculating Depreciation

To calculate depreciation, a city needs to know or estimate three things. First, the city must know the cost of the equipment. This should be the purchase price less any discounts. Also, the cost of freight or any installation charges should be included in the cost of the equipment.

The second thing the city must estimate is the useful or expected life of the equipment. This is an estimate, in years, of the length of time the city expects that it will be able to use the equipment before it wears out or has to be replaced. Different types of equipment will have different expected or useful lives.

Finally, the city must estimate if the equipment will have any value or will yield any money at the end of its useful life. Sometimes a piece of equipment may have a **Salvage Value** or value as scrap

when it is worn out. Or sometimes the equipment may still be usable longer than it was originally expected and if so, the city might be able to sell the equipment. These amounts are the salvage value of the equipment.

There are several different ways to calculate depreciation. This manual deals only with the simplest and easiest of these methods. This method is called “**Straight Line Depreciation.**”

Under the straight line method, the cost of the equipment less any salvage value is divided by the expected useful life of the equipment to yield the yearly depreciation amount. This is often put into the following format:

CoE	→	Cost of Equipment
SV	→	Salvage Value
YoUL	→	Years of Useful Life
YD	→	Yearly Depreciation

$$\frac{\text{CoE} - \text{SV}}{\text{YoUL}} = \text{YD}$$

For example, the City of Pacific buys a pickup truck for \$10,000 to use for its electric utility. The City Manager estimates that the truck, because of expected heavy usage, will only last for 3 years before it will have to be replaced. The City Manager also estimates that at the end of the 3 year period the city can sell the truck for \$1,000.

The City of Pacific would calculate the depreciation of the equipment by taking the cost of the equipment, \$10,000, less the expected salvage value, \$1,000, to yield the net cost of the equipment, or \$9,000. This amount is then divided by

the expected life of the equipment, 3 years, to give the yearly depreciation amount, or \$3,000. For the purposes of developing a financial report for the electrical utility, the City of Pacific would show depreciation expense for the truck of \$3,000 for each of the three years of the expected life of the truck. The city would not, however, report the full cost of the truck during the year that it was purchased.

In the first year of using the new truck, the city would show depreciation expense of \$3,000. This would also be the total amount of the depreciation taken on the truck.

At the end of the second year, the city would again show another \$3,000 of depreciation expense. At the end of the second year, however, the total depreciation taken on the truck would be \$6,000. This is the \$3,000 from the first year plus the \$3,000 from the second year. The total depreciation taken is also known as **Accumulated Depreciation.**

The original cost of a piece of equipment less its accumulated depreciation is known as the “**Book Value**” of the equipment. This is the value of the equipment according to the city’s accounting books. For example, at the end of the second year of using the truck, the accumulated depreciation is \$6,000. If this amount is subtracted from the original cost of the truck, this gives the book value of the truck. That is, \$10,000 original cost less \$6,000 accumulated depreciation, equals a \$4,000 book value.

At the end of the third year of use, the depreciation expense would again be \$3,000 and the total depreciation on the truck would be \$9,000. The \$9,000 is the total of the \$3,000 depreciation taken in

each of the three years. At the end of the three years, the truck is said to be fully depreciated. This means the truck has reached the end of its useful life and the city will not take any more depreciation expense on the truck in following years.

When the equipment is fully depreciated, the remaining value of the truck should be equal to its salvage value. The City of Pacific bought the truck for \$10,000 and the accumulated depreciation is \$9,000. The truck's original cost less the accumulated depreciation is equal to its salvage value, or in this example the \$1,000.

In this example, we assumed that the city purchased the truck at the beginning of its fiscal year. This isn't always the case as cities buy equipment throughout the year. As a result, in some situations, cities should not take the full depreciation amount during the year of purchase.

The City of Pacific follows a July 1 to June 30 fiscal year. If the city bought the truck on April 1, they would only be using the truck for the 3 remaining months of their fiscal year. In this situation the city should not take the full \$3,000 depreciation in the year of purchase. Instead, because the truck was only in use for less than one-half of the fiscal year, they should only take one-half of the depreciation for the first year, or \$1,500. If the city purchased the truck before December 31, they would use the truck for more than half a year and could claim a full year's depreciation on the truck.

In the second and third years of using the truck the city would again take the full \$3,000 depreciation. This is because the city used the truck for the entire year. At the end of the second year the accumulated or total depreciation taken would be \$4,500, or the \$1,500 from the

first year plus the \$3,000 depreciation from the second year.

At the end of the third year the accumulated depreciation would be the \$4,500 from the previous year plus the third year's \$3,000 in depreciation expense. The total would be \$7,500. At the end of the third year, the truck would have a remaining book value of \$2,500. That is, the original cost of \$10,000 less the accumulated depreciation of \$7,500 equals \$2,500.

The \$2,500 is more than the expected salvage value of the truck of \$1,000. As a result, the city is able to take the difference, \$1,500, in depreciation expense in the next year of operations. This \$1,500 is equal to the other half of the yearly depreciation which the city was not able to take in the year of purchase. Since the city used the truck for less than half a year the first fiscal year, the unused part of the 3-year life will extend beyond the next two fiscal years. In total, the expected life is still 3 years.

When a piece of equipment, such as the truck, has reached the end of its useful or expected life, this does not mean that the city will not be able to still use the equipment. This will depend on whether or not the equipment is still operable. If so, then the city can still use the equipment or it may decide to sell the equipment and buy a replacement.

When the expected or useful life of the equipment is reached, this means that the city should have fully depreciated the equipment. When this occurs, the book value of the equipment is equal to the salvage value of the equipment. In future years, the city will not report any additional depreciation expense on the equipment even though the city may continue to use the equipment.

When the city prepares its annual financial report for the Division of Energy, DCRA, the yearly depreciation expense for all equipment used in the electric utility is totalled and included as an expense in the report. Only equipment which has not been fully depreciated should be included. The city includes depreciation expense, although the city may not have actually expended money for this expense during the year. As noted, this is a method of spreading the original cost of the equipment over its useful life.

Depreciation Schedule

The city should develop a depreciation schedule for all of the equipment or other personal property used in its electric utility fund. The depreciation schedule provides a listing of all of the equipment and pertinent information about each piece of equipment. A sample of the depreciation schedule is on the next page.

The city should complete and update the depreciation schedule each year when completing the Division of Energy's financial report. Much of the information can be taken from the previous year's depreciation schedule. The schedule should also list "Additions" (new equipment placed in service during the year) and "Deletions" (any equipment which the city has sold or scrapped during the year).

Fully depreciated items are retained on the schedule at their book (i.e., salvage value), although no depreciation expense will be taken for those items during the fiscal year. In this way, the depreciation schedule can also act as part of a property inventory for the electric utility.

In the example provided on the following page the City of Pacific's 25 KW Generator has been fully depreciated and

its book value is its salvage value. Because the generator has been fully depreciated, there is no depreciation expense during the year and the new accumulated depreciation remains at \$24,000. The generator will continue to be listed on the schedule until the city sells or scraps it.

In the example, the book value of the 75 KW Generator is greater than the salvage value, so the city is able to take a full year's depreciation on this equipment. The city's purchase of a new truck is included under the section called "Additions." Because the city used the truck for less than half a year, only one-half of the annual depreciation is included in column 10.

In this example, the City of Pacific sold or scrapped its previous truck. That truck had been fully depreciated (i.e., its book value equals its salvage value). Because the city sold or scrapped the equipment, it is included under the "Deletions" section. This piece of equipment would not be included on the following fiscal year's Depreciation Schedule. Any funds received from selling or scrapping the truck would be included in the revenues for the Electric Utility Fund for the year.

The city only had two pieces of equipment that had depreciation expense during the year: the 75 KW Generator and the 1988 Truck. The total amount of depreciation expense for these items is \$11,500. This is the amount the city would include as depreciation expense on their report to the Division of Energy, DCRA.

Chapter 11

General Fund Enterprises



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9	16	35	58	64
5	23	39	45	69
3	17	F	60	71
10	26	44	53	65
14	24	34	48	74

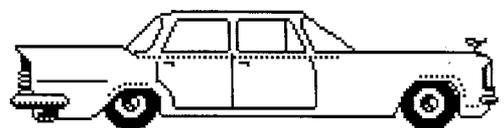
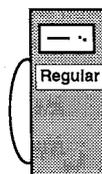


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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Billing Statement - A Billing Statement is an itemized description of a customer's account and how much the customer owes.

Bingo - A game of chance that is licensed by the Department of Revenue and is used by Alaskan cities as a source of revenue.

Bingo Winners List - List of names and Social Security numbers of the individuals winning city operated bingo game money.

Budget Detail Sheets -The Budget Detail Sheets show (Expense Function Code) expenses as recorded in the Ekonomik Check Register by line item (Expense Object Codes) for each department and grant. The sheets are used to create the Monthly Financial Statements. (See Chapter 14)

Cash reconciliation - A comparison of cash and cash count records. The comparison is done to make sure that cash in the cash box agrees with the record of sales and receipts.

Customer Files - Customer files contain the billing statements. The customer files are set up alphabetically.

Customer Ledger Cards - Customer Ledger Cards keep track of each customer's account. The Customer Ledger Card is an on-going account of customer charges, payments made, and balance due.

Enterprise - A city owned business that generates revenues.

Expense Function Code - A 2 number code from the Chart of Accounts corresponding to a primary category of expenses. These primary categories are also referred to as Departments. (See Departments)

Form W-2G - Internal Revenue Service (IRS) form used to report payments to winners of bingo, pull-tabs and other games of chance to the IRS.

Fuel tank dippings - Method of inventorying the fuel supply in a fuel tank.

General Fund - One of 3 Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business of the city. The General Fund usually has the most transactions of all the Funds.

Terms Used In This Chapter (continued)

Internal control - A process that attempts to make sure the assets of a city or any organization are protected and the financial records are accurately kept. Usually the internal control process avoids having one person control all of the financial activity of the city. As an example, the Mayor must approve any purchase requested by department heads. Without this arrangement, the department heads could order supplies and sign the invoice that the vendor is to be paid without any concern for how much money the city budgeted for such purchases. The Mayor can have the City Clerk verify that the money was budgeted and determine the balance available before approving the purchase request.

Inventory and Fuel Allocation Form - A report that records the fuel received and used by city departments and grants to ensure that the appropriate charges for fuel are allocated to the proper budget unit.

NEBS Pegboard system - Brand name of a commercially available cash receipts system. The New England Business System Pegboard (NEBS Form 414-1) serves as a Cash Receipts Journal.

Numeric Billing File - The numeric billing file keeps the third copy of the Billing Statement form in numeric order.

One-write system - A group of records that uses carbonless copying. The information is transferred from the original record to one or more additional records using carbonless paper.

Posting File - The posting file keeps the Customer Ledger Cards organized in a card file, usually a steel desktop file box with alphabetical index guides.

Pull-tab - Game of chance frequently used by a city to support city services and raise general revenue.

Pull-tab Winners List - List of names and Social Security numbers of individuals winning city operated pull-tab game money.

Reconciliation - A comparison of checks and bank deposit slips with the monthly bank statements. The comparison is done to make sure that the city checkbooks have been accurately kept and that the bank has not improperly charged the city for bank services.

Social Security Number (SSN) - The Social Security Administration requires that every worker apply for and receive a Social Security number to make sure that Social Security payments and benefits are credited to the proper account. The SSN is an important identification number.

Terms Used In This Chapter (continued)

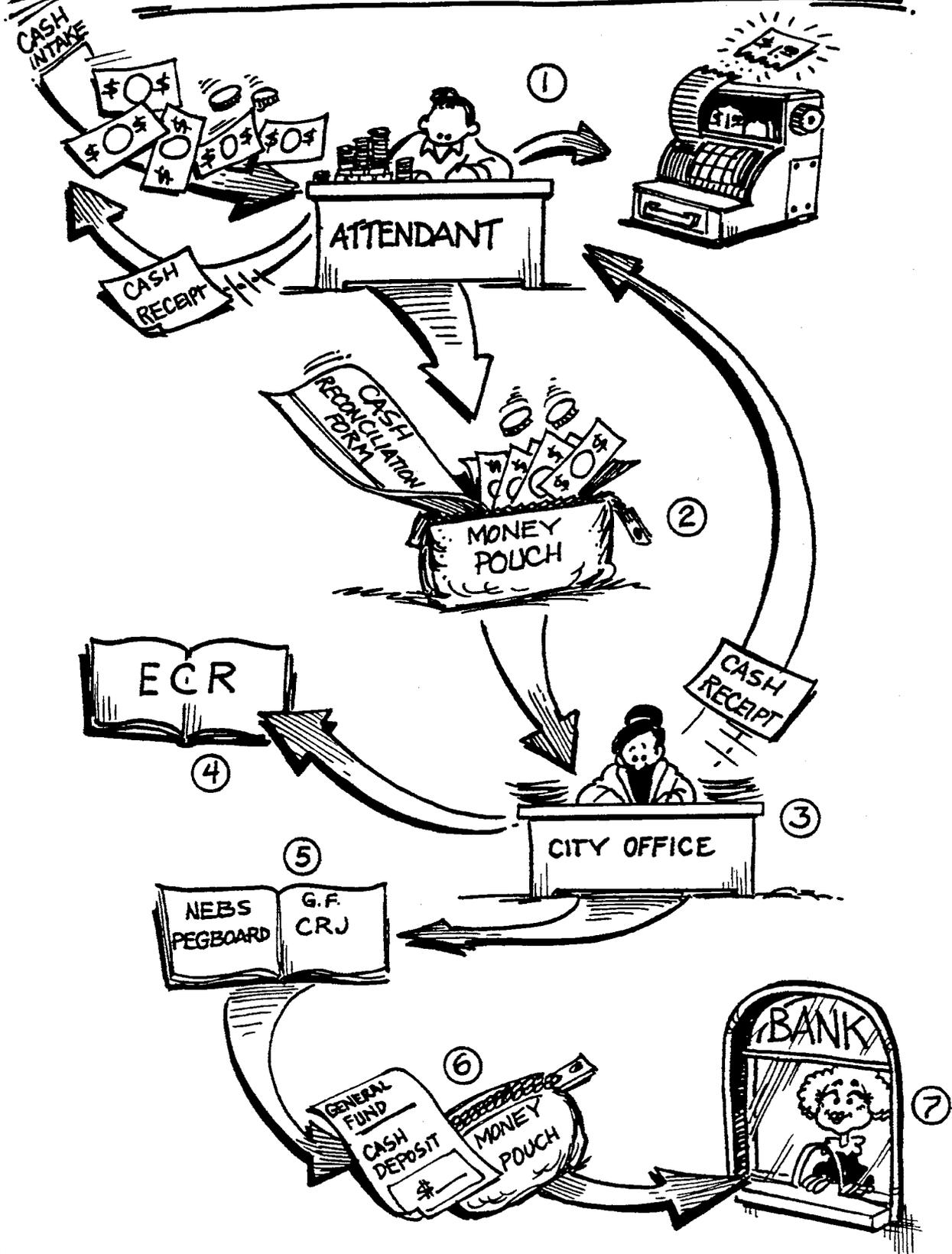
Revenue distribution - Assigning a revenue to more than one account, either a Fund or a department.

Washeteria - An enterprise that includes a laundry and usually showers.

Water paste - A commercially available material used to determine the water content of fuel.

Notes

CITY WASHETERIA



Chapter 11 General Fund Enterprises

Overview

This chapter explains the record keeping procedures necessary for city operated **Enterprises** or businesses other than the Electric Utility. The enterprises discussed are part of the **General Fund**. They're included in the General Fund because they're common activities of a city. If these enterprises become a major city activity with many financial transactions, a separate Fund can be set up.

City Businesses and the Cost of Doing Business

Any time the city is involved in an enterprises, the "cost of doing business" needs to be added on to the cost of products and services and figured into the price the consumer's will pay.

The cost of doing business should include any amounts the city pays for an enterprise's staff, buildings, maintenance, improvements, equipment, installation, audits, and replacing inventory. This cost of doing business or overhead needs to be taken into consideration when setting the unit price for commercial sales. This applies to fuel sales, washer rental, cable TV, or any other service the city sells.

Washeteria

The **washeteria** is treated as a department (**Expense Function Code**) of the General Fund and set up in the General Fund's Ekonomik Check Register to give accounting control over its activities.

Cash Receipts System

The cash receipts system consists of a standard commercial cash register. When money is received from a customer, a cash register receipt is given to the customer by the washeteria attendant.

You should transfer currency and checks to the city office daily so washeteria cash doesn't accumulate in the washeteria office.

When cash is transferred to the city office, make out a receipt from the department General Fund Cash Receipts Journal to the washeteria and place all currency and checks in the safe. Keep the receipt issued to the washeteria with the washeteria files to prove how much money was transferred to the city. The currency and checks remain in the safe until the next deposit to the bank is made. The cash amounts (currency and checks) are recorded as revenue in the Ekonomik Check Register when deposited. If the washeteria office closes after the city office, transfer the money before opening for business the next day. Keep cash in a safe or other secure location.

Monthly Procedure

Prepare a monthly summary of washeteria revenues by adding the totals transferred to the city office. These totals are found on the sheets of the General Fund Cash Receipt Journal.

Washeteria Cash Reconciliation

The Washeteria Sales Cash Reconciliation form records the currency and checks received from washeteria

sales. When the **Cash Reconciliation** is prepared, the currency and checks are put into the General Fund cash box and a General Fund pre-numbered Cash Receipt is issued.

Recommendation: For **Internal Control**, have at least two people count currency, checks and tokens. One should be the person working in the washeteria and the other should be the bookkeeper. The person removing the coins or tokens from the machines should be someone other than the washeteria attendant.

Instructions

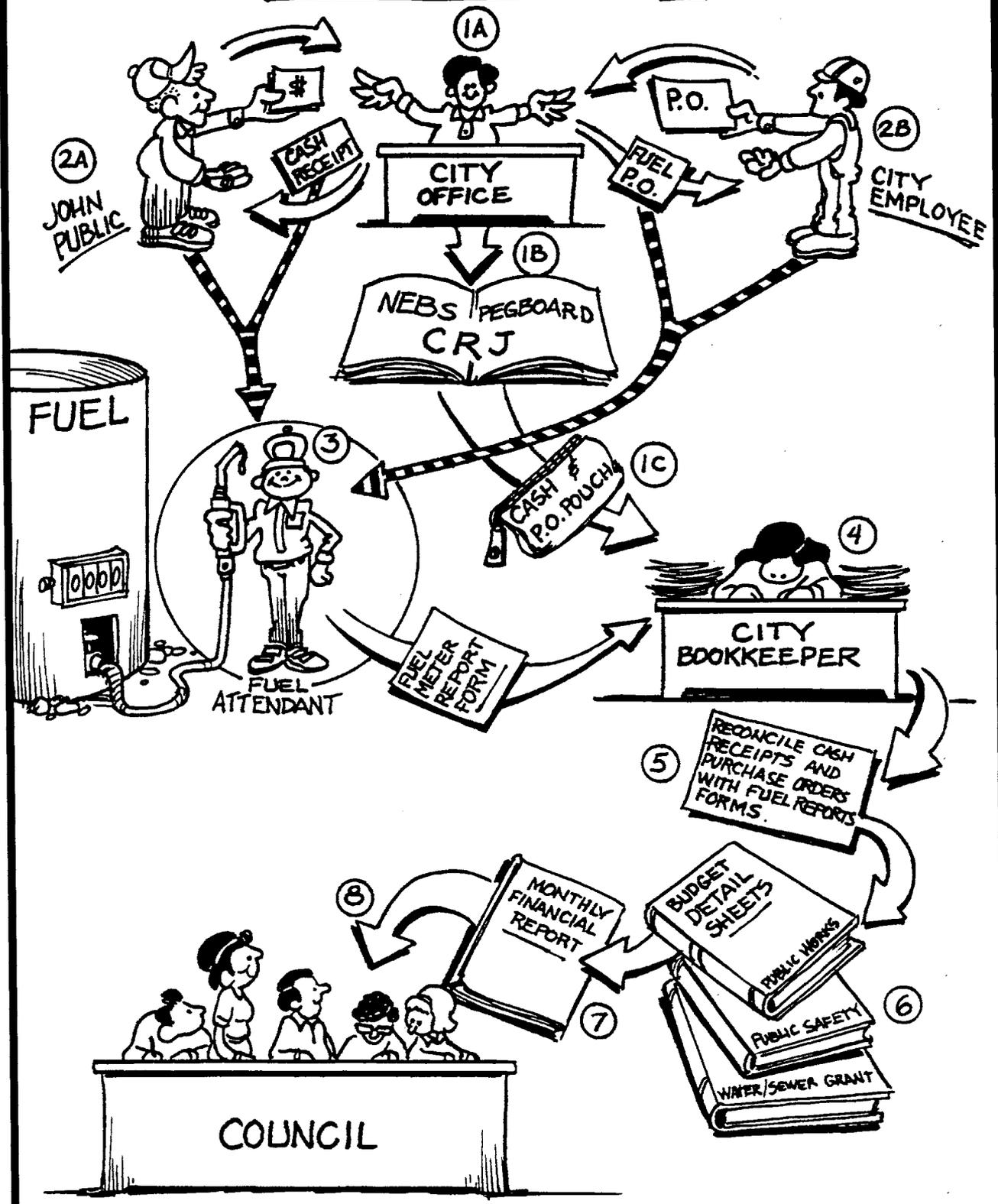
Prepare a Cash Reconciliation form each time washeteria sales moneys are transferred from the washeteria cash register to the General Fund cash box. Prepare the Cash Reconciliation form as follows:

- ✓ List all the check numbers and the amounts. Add to get the total of checks received by the washeteria.
- ✓ Count all the currency in the washeteria cash register and enter the amounts in the correct location. Add to get the total of all the cash in the washeteria cash register.
- ✓ Enter the above information in the "Summary for General Fund Cash Receipt" box provided. These are the same amounts that will be entered on the pre-numbered General Fund Cash Receipt.
- ✓ Enter beginning cash-on-hand on line 1. This is usually the amount of currency kept at the washeteria to make change (set cash).

- ✓ Enter the amount of currency in the cash register on line 2. You should have used the "Currency" box on the form to arrive at this amount. This is the total of the cash received for washeteria sales and the beginning cash-on-hand.
- ✓ Enter the total amount of checks received on line 3. You should have used the "Checks" box on the form to arrive at this amount. This is the total of the checks received for washeteria sales.
- ✓ Add lines 2 and 3 and enter the amount on line 4. This is the total amount that was in the washeteria cash register.
- ✓ On line 5 enter the amount of set cash (cash-on-hand) kept in the washeteria cash register to make change for customers. This is the amount from line 1. Make sure this amount is left in the cash register.
- ✓ Subtract line 5 from line 4 and enter on line 6. This is the amount available for deposit and is taken to the city office.
- ✓ The preparer should double check the information and then sign the form.
- ✓ The bookkeeper verifies the amounts and makes sure the washeteria sales cash reconciliation sheet is correct. Then the bookkeeper signs the form.

A pre-numbered General Fund Cash Receipt is prepared by the city office, issued to the washeteria and recorded in the same manner as any other Cash Receipt.

FUEL SALES



Fuel Sales Meter Report

The meter report is used to keep track of changes in the fuel supply, to make sure that sales are properly accounted for, and to keep track of potential fuel leaks, evaporation and theft.

Instructions

Every day the attendant enters information on a Fuel Sales Meter Report sheet whenever fuel is pumped. The attendant:

- ✓ Enters the date.
- ✓ Records the meter reading before fuel is pumped in the "Start Meter" column.
- ✓ Enters the meter reading after fuel is pumped in the "End Meter" column.
- ✓ Figures the "Gallons Sold" and records the amount.
- ✓ If fuel is for a city department, enter which department or grant the fuel is charged to.
- ✓ The "Sold To" column is for the signature of the person receiving the fuel.

At the end of the day draw a line under the last entry on the Fuel Sales Meter Report and record the total gallons pumped that day.

At the end of the month, compare the quantities of fuel pumped with the total of Fuel Sales Cash Receipts and fuel charges to be sure that all gallons have been accounted for. There may be a difference because of spillage or evaporation between the actual fuel and the gallons accounted for.

Remember: Put the "End Meter" figure on next month's Fuel Sales Meter Report.

Notes

Fuel Sales Meter Report

Type of Fuel: _____

Gallons at					
Date	Start of Meter	End of Meter	Gallons Sold	Dept. or Grant	Person Sold to
End Meter Reading ↔				↔ Total Gallons Sold Report	

Inventory and Fuel Allocation

Instructions

The **Inventory and Fuel Allocation Form** tracks fuel received and used so departments and grants are charged for their share of the cost. *A separate Inventory and Fuel Allocation Form is used for each different type of fuel sold (heating oil, gasoline, diesel).*

Take an inventory of all fuel on the last day of the month. Dip the tanks and count the full and partially full drums of fuel. Enter the number of gallons on line 6 of the Inventory and Fuel Allocation Form (see page 214).

Note: If the quantities of fuel stored are very large, the gallons should be temperature corrected to 60 degrees and the amount of water determined by using **Water Paste**.

Computation of Gallons Used

- Transfer the last month's inventory from line 6 "Gallons at End of Month" to line 1 of the current month's form for each fuel tank you have. Add the amounts across to equal "Total Gallons" on line 1.

Note: If you have only one fuel tank, enter all items under total gallons. If you don't have fuel tanks count full and partially full drums.

- Enter fuel received during the month on lines 2 through 4 with the delivered purchase cost per gallon. Delivered purchase cost per gallon equals the total cost of the fuel plus freight or delivery charges divided by the number of gallons received.

- Add lines 1 through 4 and enter the total on line 5 to get "Total Gals. Available." Add the amounts across to get "Total Gallons" on line 5.
- Subtract line 6 from line 5 to get the "Gallons Used" on line 7. Add line 7 across for "Total Gallons" used. This is allocated to the individual departments and grants that used fuel during the month.
- If there's a noticeable difference (more than five gallons) between the Inventory Fuel Allocation Form and the Meter Report, check for theft or leaks. The cost of missing fuel is an expense to the city. Charge the expense to General Fund (01), Administration (20), Fuel (330).

Allocation of Gallons Used and Computation of Cost:

- Enter the department or grant name on the first line of the form. Use a separate column for each department and grant.
- Determine how much fuel was used by the each department and grant. If you have a fuel meter, use the meter record to figure how much each department or grant used. If you have separate tanks for each department and grant, use the fuel tank dippings.
- You must have some record of fuel used by each department and grant to determine how much to charge them. You may have to estimate how much was used by each program until a metering system is installed.
- Once you have determined "Gallons Used," enter the amount for each department and grant on line 8.

Inventory and Fuel Allocation Form

Computation of Gallons Used

Type of Fuel

		Tank #	Tank #	Tank #	Tank #	Tank #	Tank #	Tank #	Total Gallons
Gallons at Beg. of Month	1								1
Gallons Received		Cost per Gal							
Date / /	2								2
Date / /	3								3
Date / /	4								4
Total Gals Available	5								5
Gallons at end of Month	6								6
Gallons Used 5 - 6 =	7								7

Total Gallons sold (from Fuel Meter Report)
 Subtract Total Gallons sold from line 7 "Gallons Used"
 If difference is more than 5 gallons check for fuel leaks or theft.

Allocation of Gallons Used and Computation of Cost

	Department or Grant Name								Total
Department or Grant Name									
Gallons Used	8								8
Cost per Gal. (Average)	9								9
Cost of Fuel Used 8 x 9 =	10								10

Summary of Costs

Department Name:

Total for Departments-----

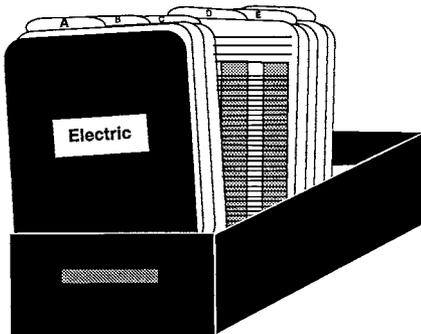
Grant Name:

Total for Grants-----

Total cost of fuel used-----

Posting File

A **Posting File** organizes the Customer Ledger Cards. It is a steel desktop file box with alphabetical index guides. Customer Ledger Cards are filed alphabetically in the Posting File for easy access. We recommend NEBS Product 945 Posting File and NEBS Product 45 Index Guides.



Customer Files

Customer Files contain the billing statements. The customer files are set up alphabetically. Refer to Customer Files in the filing section of this manual for more information.

Billing Procedure

After setting up the billing system, you're ready to start billing customers.

- Step 1: Prepare a Billing Statement for each customer.
- Step 2: Enter the Billing Statement information on the Customer Ledger Card for each customer.
- Step 3: Mail the original Billing Statement to the customer.

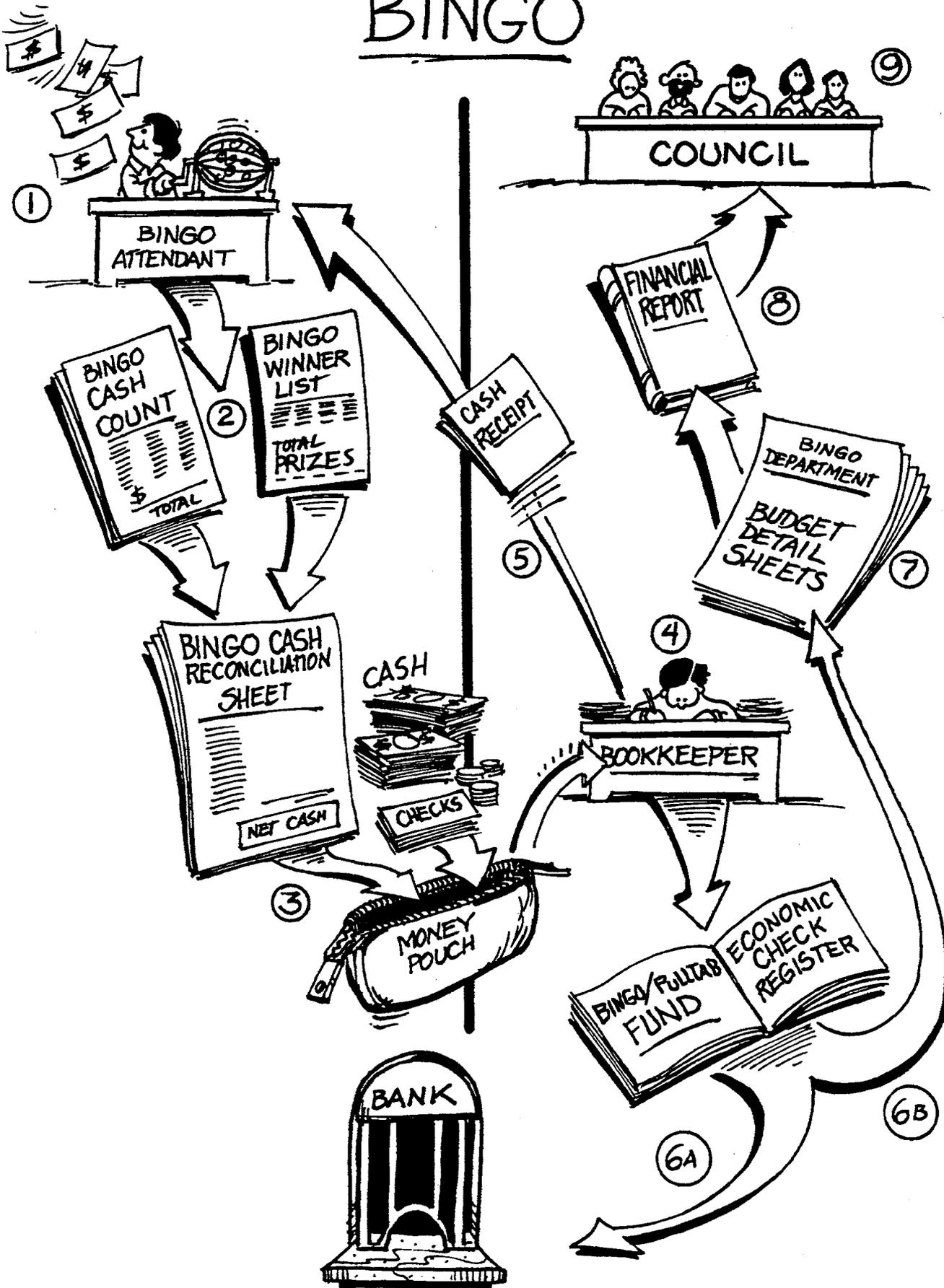
Step 4: File the Billing Statement copies in the Customer's File and the Numeric Billing Statement File.

Remember: Bill customers on a monthly basis.

Billing Statement Instructions

- ① Enter the date you are preparing the bill.
- ② Enter the name of the account: water/sewer, cable TV, fuel, garbage haul.
- ③ Enter the name and address of the customer. This information is obtained from the Customer Ledger Card.
- ④ Enter the date associated with the charge or credit information.
- ⑤ A description of what the billing is for goes in the Charges and Credits location. For example: balance due on account, August cable TV charges, September water/sewer charges, October fuel charges, etc.
- ⑥ Enter the amount of the charges described in ⑤.

BINGO



Bingo and Pull-tab Accounting

Bingo and Pull-tabs are an important source of revenue to the city.

To operate Bingo/Pull-tabs and Raffles you must apply for a permit to:

Alaska Department of Revenue
Charitable Gaming Division
P.O. Box 110440
Juneau, AK 99811-0440

You are required to keep a separate fund (bank account) for the gaming activities.

You must file a quarterly report for any quarter in which gross receipts exceed \$50,000.00 from **all** gaming activities. This report is due on the 45th day following the end of the quarter.

If you do not exceed \$50,000.00 of gross receipts in any quarter, then you are only required to fill out the annual report.

There are separate report forms for Bingo, Pull-tabs and Raffles/Lotteries which you can obtain from the Department of Revenue. The reports are pretty straightforward and will not be repeated here.

You must file an annual report of money generated through bingo, pull-tabs and raffles/lotteries with the Department of Revenue. This report is due March 15 of the year following the permit year.

Keep bingo and pull-tab moneys in separate cash boxes. The only time money from both games are combined is when a bank deposit is made. Make a deposit each time there's a game so checks and cash don't pile up in the safe. Keep cash received, and redeemed winning tickets separate for each pull-tab

game. This will allow you to figure the net earnings per game and compare it with what the game manufacturer lists as the earnings for that game. The Department of Revenue also requires you to figure the net earnings per game.

Use the following forms to provide the information for filing the required reports:

Bingo Winners List

Bingo Cash Reconciliation

Pull-tab Sales and Deposit

Pull-tab Daily Cash Reconciliation

Notes

Bingo Winners List

The Bingo Winners List tracks winnings paid at a bingo game and is a record of individuals to report to the Internal Revenue Service if they win over \$1,200 in a **single** bingo game. The city reports winners to the IRS using Form W-2G. (See Pull-tab discussion for more information on IRS reporting requirements.) The Bingo Winners List is also a record of the total prize money paid out by the city's bingo game.

Instructions on filling out the winners list:

1. Enter the date.
2. Enter the winner's name, social security number, and amount of winnings. Have the winner sign the form.
3. Total the lists at the end of the night and enter the total on the Bingo Cash Reconciliation Form.
4. Keep all the Bingo Winners Lists in a three-ring binder.

Bingo Cash Reconciliation Sheet

The Bingo Cash Reconciliation Sheet tracks currency and checks received and money paid out. It's a record of net bingo earnings available for deposit to the Bingo/Pull-tab Fund.

Instructions (sheet is on the next page)

1. Count the currency in the Bingo Cash Box and enter this amount on line 1.
2. Add up the checks in the Bingo Cash Box and enter that amount on line 2.
3. Add line 1 to line 2 and enter on line 3. This is "Total Bingo Revenues."

4. On line 4, enter the amount paid to bingo winners from the "Bingo Winners List."
5. On line 5, enter the amount of bingo starting cash. Starting cash is needed to make change.
6. Add line 4 and line 5, enter on line 6. This is the "Total Cash Paid Out."
7. Subtract the total from Total Bingo Revenues (line 3) from Total Cash Paid Out (line 6) to determine the Bingo Earnings available for deposit (line 2) in the Bingo/Pull-tab Funds's checking account. This amount should also be recorded in the Cash Receipt Journal.
8. Enter the amount paid to Bingo workers (line 8). Remember that workers **must** be paid by check in order to keep track of labor costs and avoid difficulty with the Internal Revenue Service (IRS) for not reporting wages paid to workers.
9. Subtract line 8 from line 7 to determine Net Bingo Earnings (line 9).

NOTE: The "Net Bingo Earnings" is added to the "Net Pull-tab Earnings" and deposited to the Bingo/Pull-tab Fund.

The person completing the "Bingo Cash Reconciliation Sheet" signs and dates the sheet.



Bingo Cash Reconciliation Sheet

Bingo Revenues

1. Total Currency Received (in Bingo cash box) ① _____
2. Total Checks Received (in Bingo cash box) ② _____
3. Total Bingo Revenues (① plus ②) ③ _____

Less Cash Paid Out

4. Winnings Paid to Bingo Winners ④ _____
5. Bingo Starting Currency
(cash kept for making change) ⑤ _____
6. Total Cash Paid Out (④ plus ⑤) ⑥ _____

Bingo Earnings

7. Bingo Earnings Available for Deposit to
Bingo/Pull-tab Fund (③ minus ⑥) ⑦ _____
8. Total of Workers' Paychecks ⑧ _____
Do not pay bingo workers in cash!
Pay workers with checks.
9. Net Bingo Earnings (⑦ minus ⑧) ⑨ _____

Completed by: _____

Date: _____

IRS Form W-2G

W-2G is used to report gambling winnings to the IRS. The payer of gambling winnings is required to fill out a W-2G and send copies to the IRS and the winner. IRS Form 1096, Annual Summary and Transmittal of U.S. Information Returns is used to send in all W-2Gs at the end of the tax year.

3232		<input type="checkbox"/> CORRECTED	OMB No. 1545-0238 <h1 style="margin: 0;">1993</h1> Certain Gambling Winnings <small>For Paperwork Reduction Act Notice and instructions for completing this form, see Instructions for Forms 1099, 1098, 5498, and W-2G.</small> <small>File with Form 1096.</small> Copy A For Internal Revenue Service Center
PAYER'S name Street address City, state, and ZIP code Federal identification number	1 Gross winnings 3 Type of wager 5 Transaction 7 Winnings from identical wagers 9 Winner's taxpayer identification no. 11 First I.D. 13 State/Payer's state identification no.	2 Federal income tax withheld 4 Date won 6 Race 8 Cashier 10 Window 12 Second I.D. 14 State income tax withheld	
WINNER'S name Street address (including apt. no.) City, state, and ZIP code	<small>Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.</small> <div style="display: flex; justify-content: space-between;"> Signature > Date > </div>		
Form W-2G		Cat. No. 10138V	Department of the Treasury - Internal Revenue Service

Remember that W-2Gs must only be issued to winners of \$1,200 in a single bingo game. The winner must provide the city with a social security number before the city pays out the prize money. Otherwise, the city must retain 20% of the winnings and send the withholdings along with the city's quarterly tax report/payment. For city bingo games (license held by the city), the city is responsible for these payments to the IRS.

Pull-tab Games

Games are not always completely played out when they are first put out for play. Each game must be tracked separately. Every time a pull-tab game is put out for play you need to track the revenue received by that game as well as all the winning pull-tabs for that game.

There are different kinds of containers for pull-tab games that can be obtained from Bingo/Pull-tab supply stores. Some have

built-in compartments to help track winners pull-tabs. As a winning pull-tab is turned in they can be stored in the built-in compartment. If you do not have the type of container that has a built-in compartment, a separate envelope can be kept and the winning pull-tabs put in the envelope. Get a hole punch and punch each winning pull-tab so that it can't be reused.

Notes

Pull-tab Accounting

The pull-tab quarterly/annual report attachment asks for the following information for each game played:

- ✓ Distributor
- ✓ State I.D. stamp label
- ✓ Serial Number
- ✓ Name of Game
- ✓ Price per Ticket
- ✓ Ticket Count
- ✓ Gross Receipts
- ✓ Prize Payout
- ✓ Ideal Net
- ✓ 3% tax
- ✓ Date In/Out

either on the invoice from the distributor or on a packing card inside the game box. Each game box has a label describing how many and what type of winners are in each box. Most of the information for the report can be copied from either the distributor invoice or the packing card. Exceptions are gross receipts, prize payout and date in/out. Gross payout is the total paid out for the game. Date in/out means the date the game was first put out for play (date in) and the date the game was either played completely out or taken out of play (date out). Transfer this information to the Attachment to the Pull-tab Quarterly and Annual Report when the game is completed.

Pull-tabs must be reported by each game on the Pull-tab Quarterly and Annual Report. This information will be contained

NOTE: The 3% tax is listed on the invoice from the distributor and is included in the cost of the game.

State of Alaska Department of Revenue Charitable Gaming Division P.O. Box 110440 Juneau, Alaska 99811-0440	Games of Chance and Contests of Skill PULL-TAB QUARTERLY / ANNUAL REPORT ATTACHMENT	Page <u>1</u> of <u> </u>										
This form must accompany the following, as applicable: Permittee Pull-Tab Quarterly Report, Operator Quarterly Report, Permittee Annual Financial Statement, Operator Annual Report												
INSTRUCTIONS: If the pull-tab quarterly report is required to be filed, the permittee must attach pull-tab state I.D. stamp labels to this form. If a licensed operator is contracted to conduct pull-tab games on behalf of the permittee, then BOTH the operator and the permittee file quarterly reports and attach pull-tab state I.D. stamp labels to this form (the operator purchasing pull-tabs on behalf on the permittee will receive two (2) pull-tab state I.D. stamp labels from the distributor).												
Permittee Mailing Address City, State, Zip Code Licensed Operator	Permit Number Contact Person Daytime Telephone Number Operator License Number	Permit Year Telephone Number <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="font-size: small;">REPORT PERIOD</th> <th style="font-size: small;">DUE DATE</th> </tr> <tr> <td><input type="checkbox"/> Jan. - Mar.</td> <td>May 15</td> </tr> <tr> <td><input type="checkbox"/> Apr. - June</td> <td>Aug. 14</td> </tr> <tr> <td><input type="checkbox"/> July - Sept.</td> <td>Nov. 14</td> </tr> <tr> <td><input type="checkbox"/> Oct. - Dec.</td> <td>Feb 14</td> </tr> </table>	REPORT PERIOD	DUE DATE	<input type="checkbox"/> Jan. - Mar.	May 15	<input type="checkbox"/> Apr. - June	Aug. 14	<input type="checkbox"/> July - Sept.	Nov. 14	<input type="checkbox"/> Oct. - Dec.	Feb 14
REPORT PERIOD	DUE DATE											
<input type="checkbox"/> Jan. - Mar.	May 15											
<input type="checkbox"/> Apr. - June	Aug. 14											
<input type="checkbox"/> July - Sept.	Nov. 14											
<input type="checkbox"/> Oct. - Dec.	Feb 14											
Distributor	State I.D. stamp label	Serial Number	Name of Game	Price per Ticket	Ticket Count	Gross Receipts	Prize Payout	Ideal Net	3% tax	Date In/Out		
TOTALS												

Pull-tab Sales and Deposit Form

Add the amounts from each Pull-tab Daily Cash Reconciliation Form, line ⑤, and place this grand total on the "Gross Receipts" line of the Pull-tab Sales and Deposit Form (①).

Add the amounts from each Pull-tab Daily Cash Reconciliation Form, line ⑥, and place this grand total on the "Less Paid to All Pull-tab Winners" line of the Pull-tab Sales and Deposit Form (②).

Add the amounts from each Pull-tab Daily Cash Reconciliation Form, line ⑦, "Pull-tab Earnings Available for Deposit" and place this grand total on the "Pull-tab Earnings Available for Deposit" line of the Pull-tab Sales and Deposit Form (③).

To check your math, the "Pull-tab Earnings Available for Deposit" is the Gross Receipts minus the Less Paid to all Pull-tab Winners (① - ② = ③).

Pull-tab Sales and Deposit Form	
Game: _____	Serial Number: _____
Sales Information	
Gross Receipts	① _____
Less Paid to All Pulltab Winners	② _____
Deposit Information	
Pulltab Earnings Available for Deposit	③ _____
Manager's Signature: _____	
Date: _____	

Pull-tab Daily Cash Reconciliation Form

Game: _____ Serial Number: _____

1. Total Currency (in pulltab cash box) ① _____

2. Total Checks (in pulltab cash box) ② _____

3. Total Pulltab Moneys (① plus ②) ③ _____

4. Pulltab Starting Currency (cash for making change) ④ _____

5. Gross Receipts (③ minus ④) ⑤ _____

6. Total Paid to **All** Pulltab Winners ⑥ _____

7. Net Pulltab Earnings Available for Deposit to
the Bingo/Pulltab Fund (⑤ minus ⑥) ⑦ _____

Completed by: _____

Date: _____

Pull-tab Sales and Deposit Form

Game: _____ Serial Number: _____

Sales Information

Gross Receipts ① _____

Less Paid to All Pulltab Winners ② _____

Deposit Information

Pulltab Earnings Available for Deposit ③ _____

Manager's Signature: _____

Date: _____

Notes

Notes

Chapter 12

Monthly Financial Statement

The image shows four overlapping sample forms for the City of Pacific Monthly Financial Statement. The forms are for the month of January, 1990, and fiscal year 91. They include sections for Expenditures and Revenues, with columns for Budget, Monthly, YTD, and Expected values.

January 4		Appts.	
8:00	Final the M.F.S.	1:00	
9:00		2:00	Mail Pick up
10:00	Meet with Mayor	3:00	Copies of M.F.S. made
11:00		4:00	
12:00	? Lunch - Alice	5:00	Council Meeting

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Terms Used In This Chapter

The following terms are used in this chapter. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Budget - A council approved plan of how a city will receive and spend its money for a given period of time, usually a year. Cities are required by State law to adopt a budget and adhere to its approved spending limits. Budgets must be adopted as an ordinance.

Expenditures - Money spent by a city. All money spent by a city is an expenditure and must be authorized through the official city budget.

Fiscal year - A specific 12 month period for which the city budgets and prepares the annual financial report.

Monthly Financial Statement - A record of revenues received and expenses incurred. The statement compares the current financial situation with the approved budget. The statements are prepared monthly and provided to the city council.

Post - Transfer information from one journal or record to another.

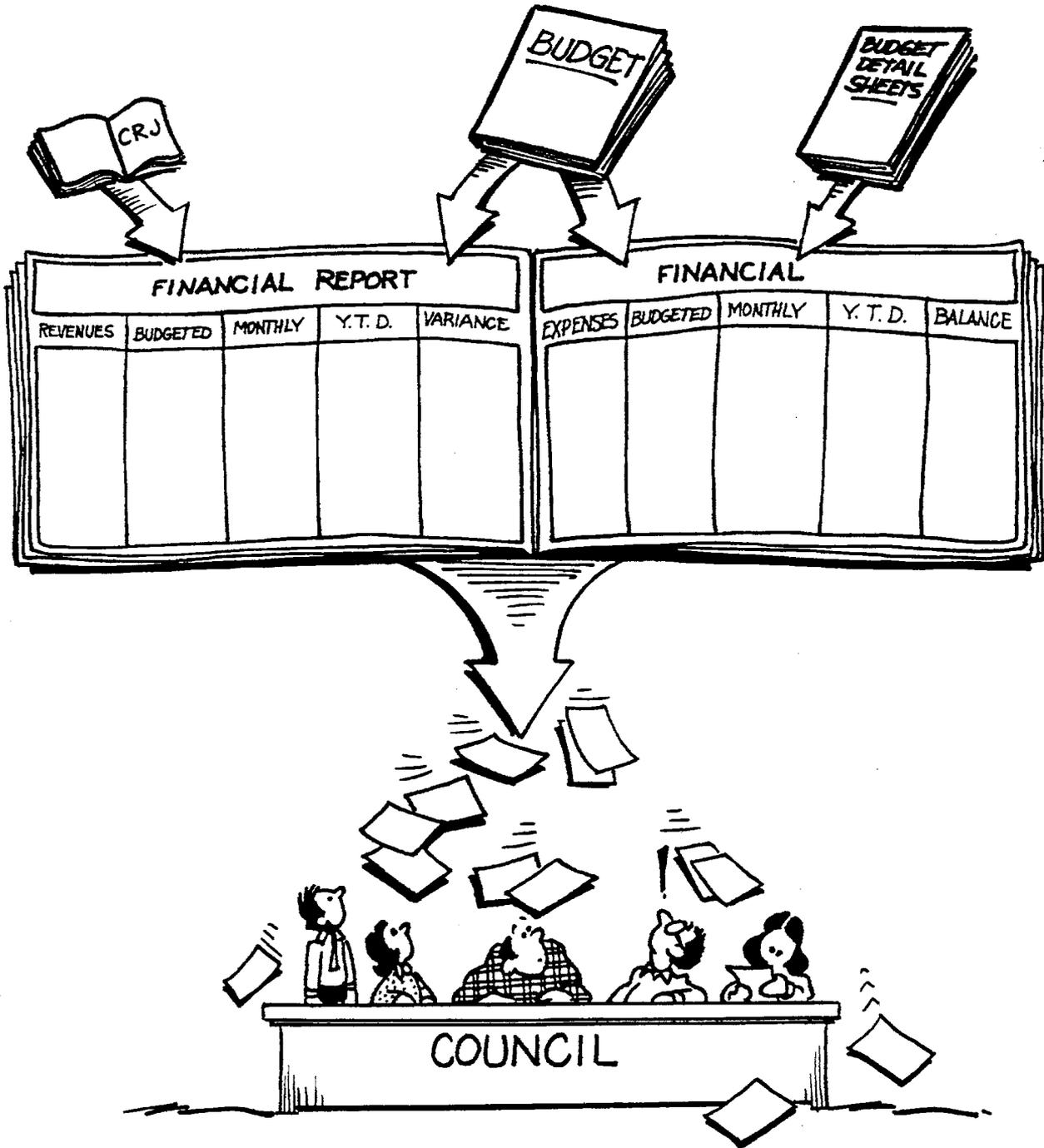
Revenues - Income received by the city. Cities receive money from local sources and from State and federal sources. Local sources include: fees for the use of city services, such as the dumping charge at the landfill, water/ sewer charges, and docking fees at the city dock; taxes, such as sales tax and property tax; and income from city enterprises, such as the profit from the bingo game, washeteria income, and payments from city electric utility customers.

Statement of Expenditures - A record of city expenses organized by the primary categories and subcategories of expenses from the Chart of Accounts.

Statement of Revenues - A record of city revenues organized by the primary categories of revenues from the Chart of Accounts.

Year-to-date (YTD) - The combined monthly revenues or expenses for the year.

MONTHLY FINANCIAL REPORTING



Chapter 12 Monthly Financial Statement

Overview

Reporting the financial situation of the city is important for good management and is a requirement of State law. Alaska Statute 29.20.500(4) requires the Manager or Mayor to “make monthly financial reports and other reports on municipal finances and operations as required by the governing body.”

The **Monthly Financial Statement** compares:

- ✓ Approved **Budget**.
- ✓ **Revenues** and **Expenditures** for the current month.
- ✓ Total revenues collected and expenses paid for the year (**year-to-date** or YTD).
- ✓ Remaining expenditures authorized in the budget.
- ✓ Budgeted revenues to be received.

The Monthly Financial Statement compares the budget to how the city spends or receives money.

If you're spending money faster than expected or not collecting revenues as expected; tell the Mayor and City Council. The budget may need to be changed, or spending may need to be cut back. If the council decides to make changes, the city's budget must be amended to reflect these changes. See Chapter 1, Budget, on how to amend a budget. If the budget is amended, the budget and the Monthly Financial Statement will reflect the changes.

The Monthly Financial Statement helps the City Council avoid financial problems. Without Monthly Financial Statements, the city won't know about financial problems until the bank accounts are empty.

Preparing a Monthly Financial Statement

The Monthly Financial Statement has three parts:

A **Statement of Revenues**.

A **Statement of Expenditures**.

A summary page.

Statement of Revenue Instructions

- ➔ Enter the month.
- ➔ Enter revenue categories and budget amounts in columns 1 & 2. This information comes from the city's approved budget. To save time, type this information on the form and make 12 copies, one for each month of the fiscal year. If the budget is amended, make copies of the change for the remaining months of the fiscal year.
- ➔ Enter in column 3 “Monthly Revenue” the monthly revenue received by category. For example, for the August statement, list all revenue received in August from the Cash Receipts Journal.
- ➔ Enter in column 4 “YTD Revenue” the year-to-date revenue received. Year-to-date revenue is found by adding the previous month's “YTD Revenue” to

the current month's "Monthly Revenue." For example, August's "YTD Revenue" added to September's "Monthly Revenue" equals September's "YTD Revenue." The "Monthly Revenue" received and the "YTD Revenue" are the same in the first month of the **Fiscal Year**.

➔ Check the YTD figure by adding all the individual months' "Monthly Revenues"

since the beginning of the Fiscal Year to the most recent month.

➔ Enter in column 5 "Expected Revenues" the amount of revenue still expected but not received. The expected revenues are figured by subtracting the amount in column 4 "YTD Revenues" from the amount in column 2 "Budget."

Notes

Statement of Expenditures Instructions

- ➔ Enter the month.
- ➔ Enter the expenditure categories and budget amounts in columns 1 & 2. This information comes from the city's approved budget.
- ➔ Enter in column 3 "Monthly Expenditures," the monthly expenditures by category. This information is from the Budget Detail Sheets.
- ➔ Enter in column 4 "YTD Expenditures" the year-to-date expenditures. Year-to-date expenditures are found by adding the previous month's "YTD Expenditures" to the current "Monthly Expenditures."
- ➔ Check the YTD figure by adding each month's "Monthly Expenditures" since the beginning of the fiscal year to the most recent month.

- ➔ Enter in column 5 "Balance" the budget balance by line item. The budget balance is figured by subtracting column 4 "YTD Expenditures" from column 2 "Budget."

If the city overspends on a line item, place the amount overspent in brackets []. If spending in a budget category is happening at a faster rate than anticipated, tell the Mayor and the council. For example, the Budget appropriates \$ 2,000.00 for electricity for the city office for the fiscal year. By the sixth month you've spent \$1,500.00; the money budgeted for a year's electricity appears not to be enough. The council needs to move money from other budget categories to the electricity line item, find more money or cut down on electricity use.

Remember, a budget amendment may be necessary.

Notes

Checking Account and Summary
Instructions

Section A:

Line A1. Enter the beginning fiscal year balance for the checking account.

To save time in the future, type this information on the form and make 12 copies.

Line A2. Enter YTD revenues for this month that were deposited into the checking account.

Line A3. Enter YTD expenses for this month from the checking account.

Line A4. The YTD cash balance for the checking account is:

$$A1 + A2 - A3 = A4.$$

Line A5. The change in cash balance so far this year is: $A4 - A1 = A5$.

Section B:

Line B1. Enter the checking account balance for the previous month. *Last month's financial report will have this information on line B4.*

Line B2. Enter revenues for this month deposited into the checking account.

Investment revenue is revenue that is "rolled over" into the investment account. If investment revenue is received by the city in the form of a check, it would be included as revenue in the checking account.

Line B3. Enter expenses from the checking account for this month.

Expenses of investments will normally not be deducted from the investments but from the checking account. However, if you have an investment account where sales commissions or other investment expenses are deducted you should report them on Line 3 and reduce the investment balance on Line 4.

Line B4. The ending cash balance for the checking account is:

$$B1 + B2 - B3 = B4.$$

Section C:

Line C1. The change in cash balance for the checking account this month is:

$$B4 - B1 = C1.$$

Summary

Line S1. Adding the investment account balance from the Investment Account Monthly Financial Report to the checking account balance (line B4) provides the Total Cash available.

Line S2. Enter the total cash encumbered by the City to pay bills this month.

Line S3. The cash available to the City next month is: $S1 - S2 = S3$.

City of _____

Monthly Financial Statement — Checking Account and Summary

Month of: _____, 19____

_____ Fund	Checking
Section A.	
A1. 07-01-9____ Balance	A1 _____
A2. Plus YTD Revenues (this month)	A2 _____
A3. Less YTD Expenditures (this month)	A3 _____
A4. Balance YTD: $A1 + A2 - A3 = A4$	A4 _____
A5. Change in Cash Balance this Year: $A4 - A1 = A5$	A5 _____
Section B.	
B1. Previous Month's Ending Balance	B1 _____
B2. Plus total revenue this month	B2 _____
B3. Less total expenditures this month	B3 _____
B4. Ending cash balance this month: $B1 + B2 - B3 = B4$	B4 _____
Section C.	
C1. Change in cash balance this month: $B4 - B1 = C1$	C1 _____
Summary	
S1. Total Cash (Investment Balance plus Checking Balance from B4 above)	S1 _____
S2. Total obligated payments	S2 _____
S3. Available moneys: $S1 - S2 = S3$	S3 _____

Investment Account Instructions

Section A:

Line A1. Enter the beginning fiscal year balance for the investment account.

To save time in the future, type this information on the form and make twelve (12) copies.

Line A2. Enter YTD revenues for this month that were deposited into the investment account.

Line A3. Enter YTD expenses for this month from the investment account.

Line A4. The YTD cash balance for the investment account is:

$$A1 + A2 - A3 = A4.$$

Line A5. The change in cash balance so far this year is: $A4 - A1 = A5$.

Section B:

Line B1. Enter the investment balance for the previous month. Last month's financial statement will have this information.

Line B2. Enter revenues for this month deposited into the investment account.

Investment revenue is revenue that is "rolled over" into the investment account. If investment revenue is received by the City in the form of a check, it is included as revenue in the checking account.

Line B3. Enter expenses from the checking account for this month.

Expenses for the investment will normally not be deducted from the investment but from the checking account. However, if you have an investment account where sales commissions or other investment expenses are deducted you should report them on line B3 and reduce the investment account balance on line B4.

Line B4. The ending cash balance for the investment account is:

$$B1 + B2 - B3 = B4.$$

Line B5. The change in cash balance for the investment account this month is: $B4 - B1 = B5$.

City of _____

Monthly Financial Statement — Investment Account

Month of: _____, 19____

_____ Fund

Investment

Section A.

A1. 07-01-9 __ Balance A1 _____

A2. Plus YTD Revenues (this month) A2 _____

A3. Less YTD Expenditures (this month) A3 _____

A4. Balance YTD: $A1 + A2 - A3 = A4$ A4 _____

A5. Change in Cash Balance this year: $A4 - A1 = A5$ A5 _____

Section B.

B1. Previous Month's Ending Balance B1 _____

B2. Plus Total Revenue this month B2 _____

B3. Less Total Expenditures this month B3 _____

B4. Ending Cash Balance this month: $B1 + B2 - B3 = B4$ B4 _____

B5. Change in Cash Balance this month: $B4 - B1 = B5$ B5 _____

Checklists

The following checklists can be used to complete the tasks needed to prepare a monthly financial statement. The checklists provided include:

- ✓ A mid-month checklist for preparing mid-month checks and updating records.
- ✓ A month end checklist for preparing the end of month checks, updating records and completing a monthly financial statement.

Notes

Mid-Month Checklist

Write checks twice a month, on the 16th and at the beginning of the month for expenses from the previous month. This will save time and increase the efficiency of the bookkeeper.

Done By

1. Use check requests for writing checks. Refer to the budget to determine the department to be charged. _____
2. Record all checks in the Ekonomik Check Register and update the bank balance. _____
3. File check copies along with purchase order copies, check requests and vendor invoices in the proper alphabetical vendor file. _____
4. Prepare mid-month payroll (refer to payroll checklist). Enter all payroll checks that were written in the Ekonomik Check Register and update the bank balance. _____
5. Pay payroll taxes, FICA, withholding and ESC. _____
6. Calculate and update employee leave accrual forms. _____

Month End Checklist

Checks actually written at beginning of month
for previous month's expenses.

Done By

1. Use check requests for writing checks. Refer to the budget for determining the department charged to. _____

2. Record all checks in the Ekonomik Check Register and update the bank balance. _____

3. File check copies along with purchase order copies, check requests and vendor invoices in the proper alphabetical vendor file. _____

4. Prepare month end payroll (refer to payroll checklist). Enter all payroll checks in the Ekonomik Check Register and update the bank balance. _____

5. Calculate and update employee leave accrual forms. _____

6. Total Cash Receipts:
Refer to instructions on page 64. _____

7. Make a Deposit:
A. Make a deposit on the last day of the month. _____

8. Balance Ekonomik Check Register:
Refer to "Balancing the Ekonomik Check Register" on page 85. _____

Done By

9. Balance the Cash Receipts Journal:
Refer to Chapter 3, Cash Receipts System, page 58. _____
10. Prepare Bank Reconciliation:
Prepare the bank reconciliation in accordance
with the instructions on page 86. _____
11. Prepare Budget Detail Sheets:
Refer to **Budget Detail Sheet** instructions on
page 161. _____
12. Prepare the Monthly Financial Report:
- A. **Post** (transfer) the totals from the cash receipts
journal to the monthly financial report. _____
 - B. Post details from the budget detail
sheet (covered in the next section) to the
monthly financial report. _____
 - C. Compare the monthly financial report to
the approved budget, to make sure you are
staying within spending limitations. _____
 - D. Amend the budget if it appears that revenue
and/or expenditures are headed out of line
with the budget _____
13. Grants Accounting:
- A. Total and balance the grant cash receipts journal. _____
 - B. Total and balance the grant Ekonomik Check
register. _____
 - C. Prepare the bank reconciliation for the grant
checking account. _____
 - D. Prepare the grant budget detail sheet _____
 - E. Prepare the grant reports for all current grants. _____

Notes

Notes

Chapter 13

Formal Audits

Honorable Mayor and City Council
City of Pacific, Alaska

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the general purpose financial statements of the City of Pacific, Alaska. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Sincerely,

P. P. Jones

December 15, 1989

JONES & JONES
CERTIFIED PUBLIC ACCOUNTANTS
1200 Unknown Street, Suite 34
Anchorage, Alaska 99503

Independent Auditor's Report

Honorable Mayor and City Council
City of Pacific, Alaska

Ladies and Gentlemen:

We have audited the accompanying general purpose financial statements of the City of Pacific, Alaska, as of June 30, 1989, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Pacific, Alaska as of June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

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Terms Used In This Chapter

The following terms are used in this chapter . If you find other terms that you don't understand check with the central glossary beginning on page 1.

Audit - A professional examination of the activities of a city and the report based on that examination.

Auditor - A professional authorized to examine financial accounts.

Assets - The properties and valuables of an individual or organization

Accounts Payable - Money owed by the city for goods or services purchased.

Accounts Receivable - Money owed to the city that is expected to be collected in the future.

Cross-footed - Added row of figures. A row goes across the sheet. A column goes down the sheet.

Doubtful Accounts Receivable - Money owed to the city that is not expected to be collected by the city.

Excessed Inventory - Property no longer needed or obsolete.

Financial Audit - A type of audit that examines the financial affairs of an organization and determines whether the financial statements fairly represent its financial condition.

Formal Audit - Audit conducted by a Certified Public Accountant (CPA).

Footed - Added column of figures. A column goes down the sheet. A row goes across the sheet.

Ordinance - A law adopted by the city council by a formal procedure called for in State law. Municipal ordinances are the written laws of the city and are enforced by the city. Ordinances deal with criminal matters, officially adopt the city budget, and establish the powers and basic procedure of the city.

Resolutions - An official opinion or statement of the city council on a particular subject. A resolution is a formal, written expression adopted by the council at a city council meeting. Common uses of a resolution is to voice support for a project or issue, call attention to a problem affecting the community, or direct the city administration to do something.

Chapter 13 Formal Audits

Overview

If your city needs a formal **Audit** (done by a Certified Public Accountant) under the State Single Audit regulations, refer to 2 AAC 45.010 (Alaska Administrative Code). The Federal Single Audit requirements are contained in Office of Management and Budget (OMB) Circular A-128. Questions on the requirements of these audit regulations can be directed to Internal Audit Section, Division of Administrative Services, Department of Community and Regional Affairs in Juneau (465-4725) and the Office of Management and Budget, Division of Audit and Management Services, Office of the Governor (465-3568).

The Local Government Handbook, Chapter 3, Section 3, has some information on the Single Audit regulations but it is out of date because of recent changes in the requirements. The Handbook does have useful information on:

- ✓ What an audit is and its purposes.
- ✓ The responsibilities of the city and the **Auditor** in conducting an audit.
- ✓ How to select and hire an auditor to conduct a the city's audit.

To prepare for your auditor and decrease the cost of the audit, assign someone as the contact to be available to work with the auditor. This person needs to know your record keeping system. If the audit is done in the community, set up a space for the auditor to work. Follow the pre-audit checklist in this section to gather information the auditor needs.

If you send the records to the auditor, send copies of your records not originals. You still need someone as the contact person to work with the auditor.

What You Can Expect In An Audit Report

The report on an audit conducted by a Certified Public Accountant will include several items. These items are briefly described below to help cities make sure their auditor has provided them with an acceptable audit report.

1. Auditor's Report or Opinion Statement.

This report is usually in the form of a letter from the auditor to the City Council and Mayor. The report briefly describes what has been audited and what the auditor's procedures and responsibilities are. The report will also include a paragraph in which the auditor states an opinion about the city's financial statements and records.

If the city is maintaining its accounting records properly, the auditor's opinion paragraph will state that "in the auditor's opinion the city's financial statements are presented fairly." Sometimes a part of the city's accounting records are not being maintained properly. In these situations the auditor will express what is known as a qualified opinion. This opinion is usually given when the auditor states that "except for" a certain condition, it is their opinion that

the financial statements are fairly presented. A third type of situation is when the auditor does not express an opinion about the financial statements. This is the worst type of situation possible and usually occurs when the city has not been properly maintaining their accounting records in a number of different areas. In this situation, the auditor will generally state that they “do not express an opinion on the financial statements.”

2. Financial Statements.

The Auditor’s Report or Opinion Statement is usually followed by the city’s Financial Statements. There are usually two types of financial statements included here, although sometimes the auditor may also include a third statement. The two most common statements are:

Balance Sheet — This is a statement listing the city’s assets, liabilities and fund balances. The preparation of this financial statement is beyond the scope of this manual, and cities should ask their auditor to help them in preparing this statement.

Statement of Revenues, Expenses and Changes in Fund Balances — This statement is primarily derived from the year-end financial reports prepared by the city for the three funds. However, some additional information is also included and cities should ask their auditor to help in preparing this statement.

3. Notes to the Financial Statements.

The section following the city’s financial statements will usually be entitled “Notes to the Financial

Statements.” This text will be prepared by the auditor and will describe the city’s accounting systems and procedures. The auditor is also required to make certain disclosures in this section concerning the city’s financial operations.

4. Supplementary Financial Statements.

This section may or may not be included. If included, this section will contain any additional or detailed financial statements which the city might prepare. For example, the first set of financial statements in the audit report might include expenses summarized by expense function codes (departments). If the city prepares detailed financial reports for each department by expense object code, these reports or financial statements might be included in this section of the auditor’s report.

5. Management Letter.

A management letter is usually a separate report prepared by the auditor. In this report the auditor makes recommendations concerning the city’s accounting records or procedures which the auditor think could be improved. The city should attempt to act upon the auditor’s recommendations as these may lead to better accounting by the city. The city should be sure, when signing their contract with the auditor, that it requires the auditor to provide this information.

Two other reports may be completed, if State or federal single audits are required. The general content of these reports are briefly described on the next page.

6. Federal Single Audit Reports.

This is a series of letters and statements issued by the auditor if a city is required to have a federal single audit completed. These letters include: a schedule (i.e., listing) of the federal grants received by the city during the fiscal year, an opinion statement on the federal schedule, several reports on compliance with federal grant requirements, a schedule of non-compliance and reports on internal controls. The schedule of non-compliance will list any instances the auditor discovers in which the city has not complied with federal or grant requirements. These should be of great concern to the city.

7. State Single Audit Reports.

The auditor will prepare these reports if the city is required to have a State single audit completed. The contents of the State single audit reports are quite similar to the federal single audit reports.

Notes

CITY OF PACIFIC, ALASKA
 Financial Statements and Compliance
 Reports
 June 30, 1989

CITY OF PACIFIC, ALASKA

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JONES & JONES
 CERTIFIED PUBLIC ACCOUNTANTS
 1200 Unknown Street, Suite 34
 Anchorage, Alaska 99503

Independent Auditor's Report

Honorable Mayor and City Council
 City of Pacific, Alaska

Ladies and Gentlemen:

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Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Pacific, Alaska as of June 30, 1989, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Honorable Mayor and City Council
 City of Pacific, Alaska

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the general purpose financial statements of the City of Pacific, Alaska. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Sincerely,

J. P. Jones

December 15, 1989

Pre-Audit Checklist

Copies:

Done by

Make copies of the following for the auditor:

1. Budget plus all amendments. _____
2. Minutes of all council meetings during the fiscal year. _____
3. **Resolutions** and **Ordinances** passed during the fiscal year. _____
4. All grant reports as of the end of the fiscal year. _____
5. Bank reconciliations as of the end of the fiscal year. _____
6. Federal and Employment Security Division payroll tax reports for the last quarter of the fiscal year. _____
7. Inventory control sheet with notes about missing or **Excessed Inventory**. _____

Accounting Records:

Complete and reconcile the following accounting for all months during the fiscal year:

1. Cash Receipts Journals. _____
2. Ekonomik Check Registers (general fund and grants). _____
3. Cash Disbursements Worksheets (general fund and grants). _____
4. Payroll Journal (balanced, footed, and cross-footed). _____
5. Monthly Bank Reconciliations. _____
6. Monthly Financial Statements. _____

Files:

1. Set up a work space for the auditor. _____
2. Make information about the fiscal year easily accessible. _____
3. File paid invoices in the appropriate vendor file. _____
4. Keep all unpaid invoices in a separate file. _____

End of Fiscal Year Checklist

Done by

Annually

1. Perform year-end work. See separate schedule if an audit is necessary.
2. Perform the annual inventory. See Inventory section.
3. Begin using new Ekonomik Check Registers and files on the first day of the new fiscal year.

Checklist for Last Day of the Year

Use this checklist during the last week of the fiscal year to complete the tasks for an audit and provide the council with an inventory of the city assets.

General Tasks

Done by

1. Make a deposit on the last working day of the year. The only cash-on-hand for the General Fund is cash to make change for customers. _____
2. Count the bingo cash-on-hand. _____
3. Use a separate count sheet for each cash box. See a Year-end Cash Count sheet on page 266. _____
4. Pay all bills to reduce the amount of **Accounts Payable** at the end of the fiscal year. _____
5. Inventory all fuel on hand. Dip tanks and/or count drums. List the location of the fuel, the number of gallons, cost per gallon, and total cost. Temperature correct fuel gallons to 60 degrees. See Chapter 11, General Fund Enterprises. _____
6. Inventory any items that are frequently sold, such as candy, pop, cigarettes. _____

Grants:

1. Make sure grant files are neat and orderly. Refer to Appendix A, Filing System, for instructions. _____
2. Keep a copy of each Monthly Grant Report for each open grant. **Very Important!** _____
3. List grant revenues for the year showing the date of receipt, grant name, grant number, and amount. See example on the top of page 264. _____

Done by

Lists:

1. Prepare lists for:

A. All bank accounts, including grant bank accounts.

See example on the bottom of page 264.

B. **Accounts Receivable** at the end of the fiscal year:

✓ Water/Sewer

✓ Cable TV

✓ Rentals and leases

✓ Contracts (airport maintenance, AVEC, etc.)

✓ Any other accounts receivables

Show on the list how old each debt is.

See example on the top of page 265.

C. List **Doubtful Accounts Receivable**; accounts that you will probably never collect. Include name of account and amount.

D. List Accounts Payable at the end of the fiscal year. Accounts payable are amounts owed to vendors for goods and services received before the end of the fiscal year, but not paid until after the end of the fiscal year.

NOTE: If you pay as many bills as possible before the end of the fiscal year, this listing will be very small.

Use the following format to list your accounts payable. See example on the bottom of page 265.

<u>Payable to</u> (Name of Co.)	<u>Payable When</u>	<u>Amount Due</u> (as of 6/30)	<u>Budget Category</u>	<u>Budget Amount</u> (Funds available)
------------------------------------	---------------------	-----------------------------------	------------------------	---

E. List leave time payable at the end of the fiscal year. This is how much each employee would be paid for vacation if they'd quit work at the end of the fiscal year.

Example Showing Grant Revenues for the Fiscal Year

City of Pacific
 Schedule of Grant Revenues
 For the Year Ending
 June 30, 1995

	1	2	3	4	5	6	7
Date Received	Grant Name	Grant Number	Amount				
1 11/14/94	Erosion Control	87-162	12133.50				
2 12/18/94	Erosion Control	87-162	4335.50				
3 01/26/95	Erosion Control	87-162	16950.00				
4 02/23/95	Water/Sewer	86-431	9624.50				
5 04/21/95	Office Building	89-104	34500.00				
6	Renovation						
7							

Example Showing All Bank Accounts

City of Pacific
 Schedule of Bank Accounts
 June 30, 1995

	1	2	3	4	5	6	7
Bank	Account Name	Account Number	Balance				
			6/30/95				
1 N.B.A.	General Fund Checking	101-97-311	2100.13				
2 N.B.A.	Grant Fund Checking	01-831423	25000.00				
3 N.B.A.	Elect. Utility Checking	01-831475	32010.20				
4							
5							

Example Showing Accounts Receivable

City of Pacific
 Schedule of Accounts Receivable - Water Sewer
 For the Year Ending
 June 30, 1995

		1	2	3	4	5	6	7
	Name	Total Amount Due	June 95 Portion Due	May 95 Portion Due	April 95 Portion Due	Prior Portion Due		
1	J. Adams	100.00	50.00	50.00				
2	D. Allen	250.00				250.00		
3	C. Armstrong	50.00	50.00					
4	J. Austin	50.00	50.00					
5	A. Bluk	150.00	50.00	50.00	50.00			
6	Pacific School	1500.00	1500.00					
7								
8	Total	2100.00	1700.00	100.00	50.00	250.00		
9								
10	The totals should	A =	B +	C +	D +	E		
11	balance.							
12								

Example Showing Accounts Payable

City of Pacific
 Schedule of Accounts Payable
 For the Year Ending
 June 30, 1995

		1	2	3	4	5	6	7
	Payable To	Payable When	Amount Due as of 6/30/95	Budget Cate- gory	Budget Amount Funds Avail			
1	Yukon Office Sup.	7/30/90	143.20	01-20-410	105.00			
2	Bate Fuel Co.	8/15/90	1450.00	03-90-330	1450.00			
3	Ace Hardware	8/30/90	50.00	03-90-350	50.00			
4	Best Travel	7/15/90	100.00	01-10-210	80.00			
5	JJ Construction	9/30/90	1550.00	02-91-340	1550.00			
6	U.S. Post Office	9/01/90	15.00	01-20-420	15.00			
7								
8	Total		3308.20		3250.00			
9								
10								

Year-end Cash Count

Date _____

Coins

Pennies	x	.01		
Nickels	x	.05		
Dimes	x	.10		
Quarters	x	.25		
Half Dollars	x	.50		
Total of coins				

Currency

Dollars	x	1		
Fives	x	5		
Tens	x	10		
Twenties	x	20		
Fifties	x	50		
Hundreds	x	100		
Total of currency				00

Grand Total of coin and currency

--	--

Signature of Counter _____

Signature of Witness _____

Notes

Notes

Appendix A

Filing System

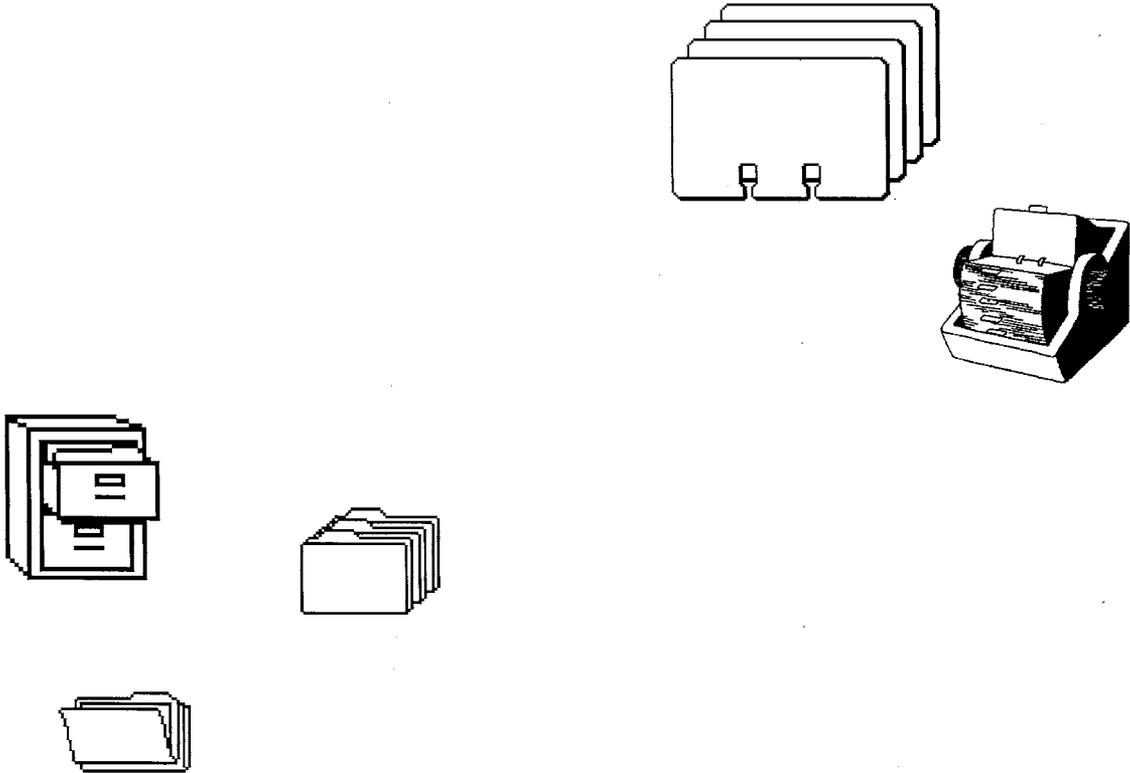


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Terms Used In This Appendix

The following terms are used in this appendix. If you find other terms that you don't understand check with the central glossary beginning on page 1.

ACCO Fasteners - Metal prongs used to attach loose paper to a file folder.

Accounts Receivable - Money owed to the city that is expected to be collected in the future.

Chart of Accounts - A series of numbers that classify expenses and revenues. The Chart of Accounts is used to organize financial transactions into meaningful records.

Closed files - Files that are not active and information is no longer placed in the file.

Contractual Agreement - An agreement between two or more parties that is usually written and enforceable by law.

Correspondence - Communication by letter.

Customer Files - Customer Files contain the billing statements. The customer files are set up alphabetically.

Customer Ledger Cards - Customer Ledger Cards keep track of each customer's account. The Customer Ledger Card is an on-going account of customer charges, payments made, and balance due.

Filing system - A method and procedure for setting up and maintaining records.

Fiscal year - A specific twelve month period that the city budgets for and prepares the annual financial reports on.

Grant Agreement - An agreement between an organization providing grant money and the recipient of the money. The agreement is a contract to provide money based on the condition that certain actions be taken by the recipient.

Hanging files - A file designed to hold multiple manila folders. A hanging file is designed to hang from a metal frame in the file drawer.

Invoice - A bill for goods that lists the goods shipped and the cost of each item.

Invoicing - The act of billing for goods shipped.

Terms Used In This Appendix (continued)

Manila file - A file folder made of heavy stock paper.

Monthly Vendor Statement - A monthly statement from the vendors servicing the city showing current charges, payments and balance owed by the city.

Municipal Assistance - State of Alaska program that provides funding for local governments.

Open files - All files that are active and information continues to be placed in the file.

Payment Vouchers - Written authorizations to issue checks (authorized check requests).

Personal Property - Property such as merchandise, machinery and equipment, furniture and fixtures, and other property that is not attached to the land.

Personnel Files - Files containing information required by law on each employee. These files are organized by employee name and Social Security number.

Personnel Payroll Files - Payroll information for each employee. These files are organized by employee name and Social Security number.

Posting File - The Posting File keeps the Customer Ledger Cards organized in a card file, usually a steel desktop file box with alphabetical index guides.

Purchase Agreements - Contract to purchase goods or services from a vendor. (See Contractual Agreement)

Purchase Order (PO) - An order and authorization to purchase goods or services. A purchase order is the first step in the purchasing of items or services and is the source document for checks written to vendors.

Real Property - Land, buildings, and other permanent structures located on the land.

Retention Schedule - Instructions on what files to keep and for what period of time.

Sales tax - Tax levied by cities based on a percentage of total sales occurring within the city.

Terms Used In This Appendix (continued)

Sales Tax Delinquent Notice - Notice to local merchants that the sales tax revenues they are to collect and give to the city is past due.

Sales Tax Report - Record of sales tax receipts. Report presented to the city council by the Mayor or Manager.

Service Contracts - Contract with a vendor to provide services to the city.

State Revenue Sharing - State of Alaska funding program for communities. The program provides money to cities based on their population and the municipal powers assumed by the city.

Vendor - Seller of goods or services.

W-4 Form - IRS tax form used to declare an employee's tax status and withholding allowances. A W-4 form must be on file for every employee of the city.

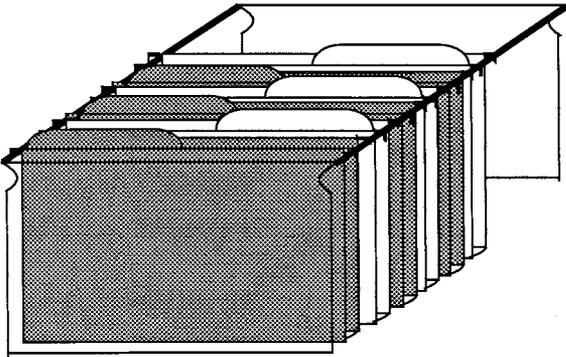
Appendix A Filing System

A filing system organizes documents, accounting records, and other written information in an orderly manner so you can find them easily and quickly. You should be able to get information easily from the files. For more information on filing, read the Local Government Handbook, Administration of Local Government, Chapter 2, Section 1.

File Format

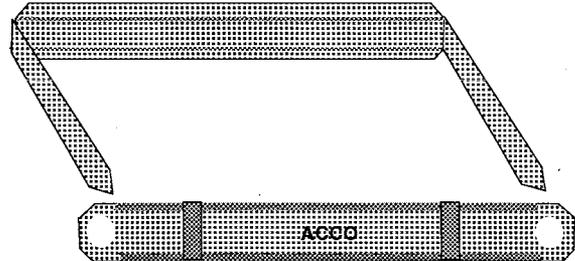
Set up files using **Manila File** folders to hold documents. These folders are then placed in **Hanging File** folders:

Hanging File: Each file should have a hanging file that fits into the file drawer. Type the name of the file on the tab. The hanging folder holds the file and is used year after year.



Manila File: Manila file folders (legal size) hold filed documents or other information. Type the name of the file on the label. The file name is the same as the hanging folder. Make sure the **Fiscal Year** is also on the label.

Use **ACCO Fasteners** to attach documents to the file folders.

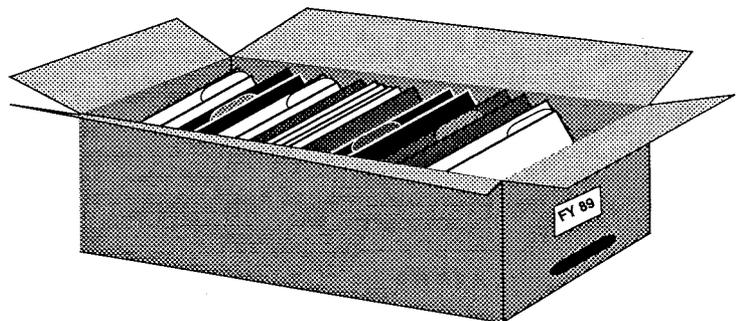


Grant Files

Grant files are considered “open” or “closed.” An open grant file is active. A closed grant file is a completed grant and no longer active. If a grant file closes during a fiscal year, keep it with the rest of the open grant files for that year. Store it with the closed grant files at the end of the fiscal year.

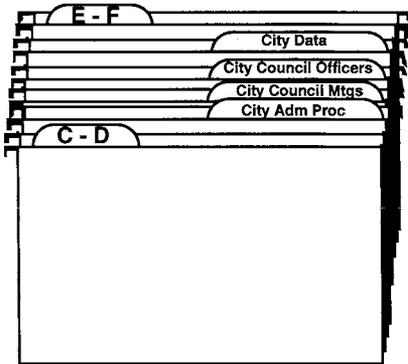
Filing by Fiscal Year

File folders, except the permanent hanging file folders, are filed by fiscal year. Keep files for the current fiscal year in the metal filing cabinet drawers. Files for prior fiscal years should be stored in cardboard filing boxes and placed in a safe, dry, easily accessed room or building. Label each box of files.



File Description by Type

Group files by type in alphabetical order.



Keep the following groups of files:

Contractual Agreements

There are two types of contractual agreements:

1. Contracts that cause an expense to the city.
2. Contracts that generate revenue for the city.

Contracts causing an expense are filed in the Vendor Files. Contracts that provide revenue are filed in the Revenue Files.

Each contractual agreement should have a separate file and be filed alphabetically.

Keep a master file of the original contract documents in a fire safe location and a photocopy in the contract files.

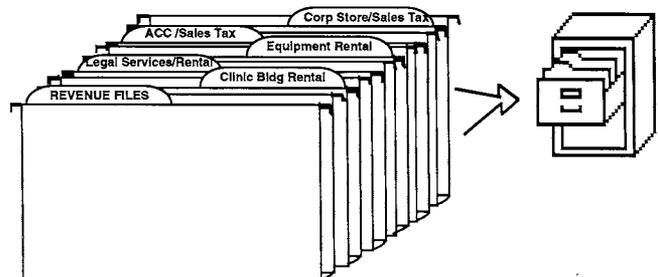
Revenue Files

Revenue files are arranged by revenue categories from the **Chart of Accounts**. Note the Chart of Account's number (Revenue Object Code) on the file label. Keep all information about that revenue in the file. Keep a copy of all checks received in the correct file, arranged by

date received. If you get revenue from more than one source in the overall revenue category, file the information alphabetically by source in a hanging file for the revenue category. For example: the city gets revenue from Health Clinic and Post Office rental. The Health Clinic information is in a file before the file for Post Office rental in the hanging file for Building Rental 906.

Here's a list of revenue files:

- **Building Rental Agreements:** Information on rentals of city buildings or land. Use a separate file for each rental source.
- **Equipment Rental:** Use one hanging file for all equipment rentals and separate manila files for each piece of equipment rented out.
- **Sales Tax Revenues:** Use a separate file for each business paying sales tax. File copies of sales tax reports, payment vouchers, delinquent notices, and any information related to sales tax from that business.
- **Municipal Assistance:** Keep copies of checks and correspondence in this file.
- **State Revenue Sharing:** Keep copies of the application, checks, determination letters, important reporting dates, and correspondence in this file.



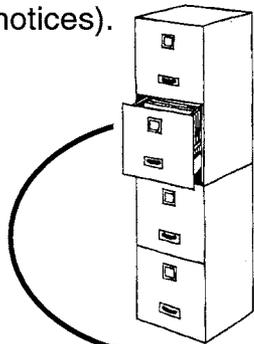
Customer Files

Set up customer files for water/sewer, cable TV, or any other business you bill customers for and may have unpaid amounts to be collected (accounts receivable). "Accounts receivable" is money owed the city for goods sold on credit. Label a hanging file for each business or service and keep manila files alphabetically by customer name inside the hanging file.

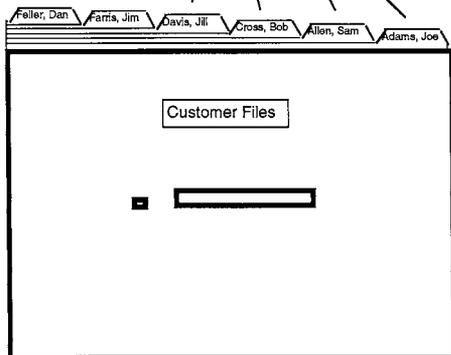
Set up customer files alphabetically with:

- ✓ Customer billing statement file.
- ✓ Customer ledger card.
- ✓ Posting File.

- **Customer billing statement file:** Use a separate file cabinet drawer for **Customer Files**. Set up individual files for each customer. File a copy of each month's Billing Statement and any correspondence relating to the account (past due notices).

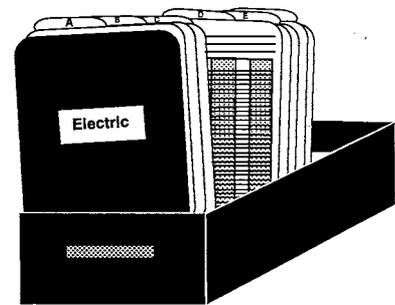
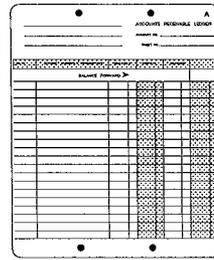


Customer Billing Statement Files
(Alphabetically by Name)



- **Customer ledger card:** A **Customer Ledger Card** is the record for each credit customer. It shows the amount owed for purchases on credit. The Customer Ledger Card is a record of the customer's account. The Customer Ledger Card has the following information:

- ✓ Customer's name and mailing address.
- ✓ Account name (water/sewer, cable TV, fuel, etc.).
- ✓ Date of billing statements.
- ✓ Date payments were made.
- ✓ Amount of charges and payment amounts.
- ✓ Any unpaid balance on the customer's account.



- **Posting File:** The **Posting File** keeps the Customer Ledger Cards organized in a card file, usually a steel desktop file box with alphabetical index guides.

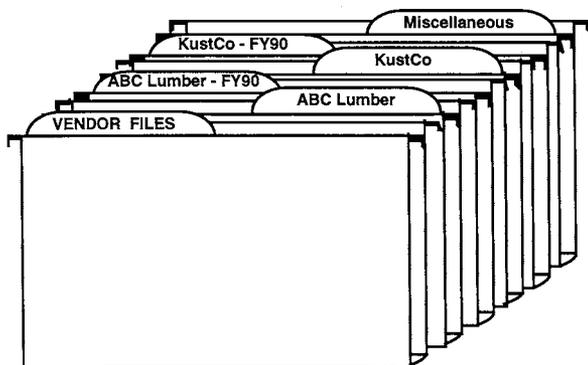
Billing Statements, Customer Ledger Cards, and Posting Files are commercially available.

Vendor Files

A **Vendor** is someone who sells something. Vendor Files keep information about individuals or companies you buy things from. The files have the name of the vendor (seller) typed on the manila file and they're placed in the hanging file alphabetically. Each Vendor File has copies of checks written to that vendor, the Check Request, **Invoices**, and other related documents. The documents in the Vendor File that relate to a purchase should be attached to the check in the following order:

1. Check copy.
2. Check request.
3. Invoices, monthly vendor statements and other documents substantiating the payments.
4. **Purchase Order** copy.

Set up a file for each vendor getting more than one payment during the year. Use a file folder labeled "Miscellaneous Vendors" for vendors that get only one payment during the year. This is the only time more than one vendor is filed in one file.



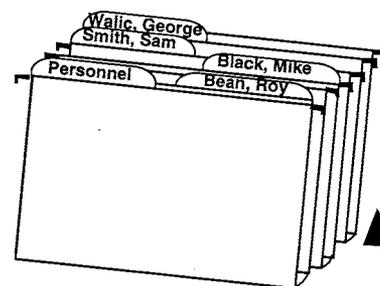
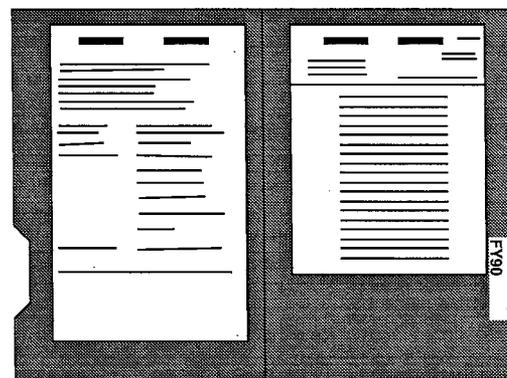
Expense Files

Set up a file for each contract or agreement the city enters into that requires city payments. These include:

- ✓ Loan Agreements
- ✓ **Purchase Agreements**
- ✓ **Service Contracts**

Employee Payroll Files

Set up a Payroll File for each employee. This is different from an employee's Personnel File, which contains confidential information. The employee's Payroll File is used to figure payroll. The employee's name is on the hanging file and the manila file folder. Use ACCO fasteners on both sides of the manila folder. The left side has the permanent information, such as the most current **W-4 Form**, pay rate authorization, and other relevant payroll information. The right side has a copy of each payroll check with the time card attached and authorized leave slips. Set up a new file for each fiscal year. Put the permanent information in the new file.



Bookkeeping Files

Keep bookkeeping files in the bookkeeper's desk. These files have information important to the day-to-day transactions the bookkeeper handles.

1. Bank Files:

- ✓ **Bank Reconciliation Files** contain completed bank reconciliations with the monthly Bank Statement attached and are filed by month.
- ✓ **Cancelled Check Files** contain cancelled checks in numerical order.
- ✓ **Bank Deposit files** contain Deposit Slips in chronological order.

2. Department Budget Detail Sheets: Use a separate file for each department's Budget Detail Sheets, arranged by month.

3. Monthly Financial Statement files: File the Monthly Financial Statements by the month they were reported to the council.

4. Budget Files: File the approved budget, budget worksheets, budget amendments, and other information about the budget.

5. Federal Payroll Tax file: Keep copies of federal deposits, including federal tax deposit worksheets, copies of quarterly reports (Form 941), copies of IRS notices about federal payroll taxes, letters from or to the IRS about payroll taxes, and copies of all checks paying taxes.

Use one hanging file labeled "Federal Payroll Tax File" and 2 manila file folders.

1. IRS file includes:

- ✓ Copies of IRS notices, check copies for payments or receipt copies for refunds.
- ✓ Copies of correspondence with the IRS.

2. Form 941 file includes:

- ✓ Quarterly report form 941.
- ✓ Copies of checks and federal tax deposit worksheets with the form 941 they support.

6. Employment Security Tax file: Keep copies of Employment Security Division (ESD) rate determination notices, quarterly reports, checks with the quarterly Employment Security Contribution (ESC) report worksheet attached, notices from the ESD, and correspondence. Use a hanging file labeled "Employment Security Tax File" with 2 manila file folders.

1. ESD file containing:

- ✓ Copies of ESD rate determination notices, copies of ESD notices, check copies (for payments), or receipt copies (for refunds).
- ✓ Copies of correspondence.

2. ESC file containing:

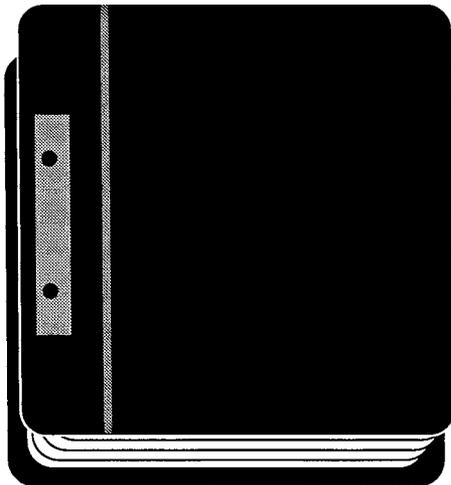
- ✓ Quarterly ESC reports.
- ✓ Check copies for payments made and ESC quarterly report worksheets attached to the quarterly ESC report they support.

7. **Workers' Compensation files:** These files hold the Workers' Compensation Insurance policy, copies of checks sent for the payments on the policy, check requests, payment notices, copies of reports filed, and correspondence.

8. **Insurance files:** These files hold the liability insurance policy, copies of checks sent for the payments on the policy, check requests, payment notices, copies of reports filed, and correspondence.

9. **Payroll Records files:** These files hold the W4's, copies of individual Pay Records, and time cards. File alphabetically by last name. Use a separate file for the Payroll Journal sheets.

10. **Numeric Check file:** These files hold the second copy of the three part check; filed by month. This is usually a **Post Binder**.



11. **Numeric Purchase Order file:** This file holds the third copy of the POs arranged by PO number. This file ensures that all POs can be accounted for and no unauthorized POs have been issued.

12. **Numeric Billing Statement file:** This file holds the third copy of the 3-part billing statement. The file is used to account for all billing statements and make sure that unauthorized billing of customers has not occurred.

Set up new files at the beginning of every fiscal year.

Correspondence Files

Keep correspondence filed in the individual files and in a Correspondence File by month. For example: file a letter to the IRS in the Federal Payroll Tax file and a copy in the Correspondence File.

Grant Files

There are two categories of Grant Files: **open and closed**.

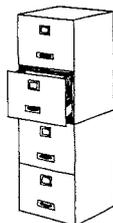
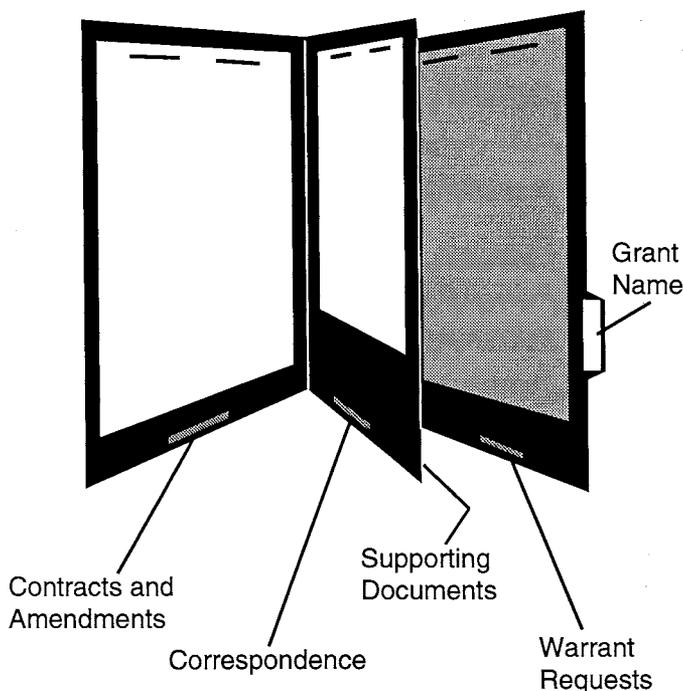
Open files (active grant files) are grants where work remains to be done to satisfy the grant agreement or payments from the grantor have not been received.

Closed files (inactive grant files) are grants that are completed with final payments received and final close-out reports done. If a grant is closed during a fiscal year, keep it with the rest of the files until the end of the

year. At the end of the year, store it with the closed grant files.

Setting up Grant Files:

- Use a separate file folder for each grant. Use a legal (8 1/2 by 14 inch) multi-leafed folder with ACCO fasteners. File the Grant Agreement and amendments on the first leaf labelled "Contracts and Amendments." File all correspondence on the second leaf labelled "Correspondence." File grant receipts, budgets, bids and supporting documents on the third leaf labelled "Supporting Documents." File invoices requesting grant payments to the city, grant worksheets, and monthly financial reports on the fourth leaf labelled "Warrant Requests."



- Use a separate section in the file drawer for each grant. File the legal folder just described first.
- Use a separate section for Vendor Files, filed behind the grant folder. Set up the Vendor Files the same way as the General Fund's Vendor Files (see page 277).
- Use the last file for payments from the Grant Fund to other Funds, check copies and check request forms.

Retention Schedule for Files

The Alaska State Archives has a booklet titled "Alaska Local Government General Records **Retention Schedules**." We've copied some information relating to financial records from this booklet and presented it on the next few pages.

A retention schedule identifies how long records should be kept. To find how long to keep files and records examine the tables that follow.

For example, to find 'Audit Reports,' (A-5), look under section "A, Accounting and Finance," and under that section find "Audit Reports," look across and there is a "P" to indicate that audit reports are permanent files.

The legend provides information on the contents of the booklet as well as how long to retain the documents.



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT

CENTRAL ADMINISTRATION: FINANCE AND ACCOUNTING FUNCTIONS
SCHEDULE A

Item	Series Title & Description	Retention Period		Remarks
		Office	Total	
A-1	Annual Final Operation & Capital Budget Official plan and policy for the expenditure of funds approved by the governing body.		P	
A-2	Budget Workpapers Includes drafts, instructions, worksheets, preliminary budgets, and agency requests.		2	
A-3	Annual Estimates of Revenue General review of anticipated funds available used in budget preparation.		2	
A-4	Annual Financial Reports Report prepared by the Chief Fiscal Officer summarizing financial condition, activity, and balances.		P	
A-5	Audit Reports Reports prepared either by external or internal sources showing results and recommendations.		P	
A-6	Books of Original Entry General ledger/journal, revenue ledger/journal, expenditure ledger/journal.		P	
A-7	Subsidiary Ledgers and Journals Accounts receivable, accounts payable, daily cash receipts, cash disbursements.		7	



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT
 CENTRAL ADMINISTRATION: FINANCE AND ACCOUNTING FUNCTIONS

SCHEDULE A (continued)

Item	Series Title & Description	Retention Period			Remarks
		Office	Storage	Total	
A-8	Receipts Official documentation of payment for goods or services, fines, fees, and permits.			7	
A-9	Banking Records Bank statements, cancelled checks, check stubs or copies, deposit slips, check registers, and reconciliation worksheets.			7	
A-10	Bond and Coupon Register Numeric listing of bonds and coupons.			7	
A-11	Cancelled Bonds and Coupons Proof of issuance and payments to individual bondholders.			7	
A-12	Bond Sale Records and Transcripts			P	
A-13	Bills of Sale Official documentation of transaction between government agency and buyers.			7	
A-14	Vouchers Official authorization to pay a claim or bill.			7	
A-15	Paid Bills and Invoices			7	
A-16	Travel Requests and Vouchers Official documentation of travel requests, authorization, and cost of reimbursement.			7	



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT

CENTRAL ADMINISTRATION: FINANCE AND ACCOUNTING FUNCTIONS
SCHEDULE A (continued)

Item	Series Title & Description	Retention Period			Remarks
		Office	Storage	Total	
A-17	Savings Account Records Passbooks, statements, and reconciliations.			7	
A-18	Monthly or Quarterly Financial Management Reports			7	
A-19	Contract Files Official documentation of selection of contractor and issuance of the contract. May include requests for proposals with affidavits of publication, evaluation of responses, notices of award, contract negotiations, original signed contracts, correspondence, and payment records.			T+7	T = expiration of contract and final payment.
A-20	Responses to RFPs (not selected)			1 or A	A = audit
A-21	Grant Files Official documentation for receipt of grant funds from either State or Federal agencies. Should include grant applications, budgets, project narrative, plans of work, progress reports, records of matching or in-kind contributions, and correspondence. Individual contents will depend on regulations of source agency.			T+3	Total retention time may depend on regulations of source agency.
A-22	Grant Application (not successful)			1	



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT
 CENTRAL ADMINISTRATION: FINANCE AND ACCOUNTING FUNCTIONS

SCHEDULE A (continued)

Item	Series Title & Description	Retention Period			Remarks
		Office	Storage	Total	
A-23	Financial Support Records for Contracts and Grants: May include workpapers, spreadsheets, summaries, and other data reflecting the expenditure of contract or grant funds.			A	A = completion of source agency audit.
A-24	Employee Withholding Exemptions (W-4)			4	
A-25	Employer Copy of W-2 (Federal Withholding Tax Statement)			4	
A-25	Payroll Policies and Procedures			P	
A-26	Records of Attachments, Garnishments, or Levies against salaries or wages.			T+7	T = satisfaction or termination of employment.
A-27	Timesheets or Timecards Daily, weekly, or monthly record of time, including overtime.			3	Retain 3 years only if kept as a separate series.
A-28	Employee Earnings Record Shows gross earnings, deductions, and net pay to each employee.			50	
A-29	Payroll Deduction Authorization and Lists			7	
A-30	FICA and Unemployment Insurance Reports			4	
A-31	Savings Bond Accounting Records			50	



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT

CENTRAL ADMINISTRATION: FINANCE AND ACCOUNTING FUNCTIONS
SCHEDULE A (continued)

Item	Series Title & Description	Retention Period			Remarks
		Office	Storage	Total	
A-32	Payroll Warrant Register Shows check number, employee name, net amount, and cost center coding.			50	
A-33	Individual Payroll Case Files Documents related to the employees salary, may include payroll action forms, PERS/TRS/SBS enrollment and transaction forms, etc.			T+10	T = termination of employment.
A-34	Billing Statements Statements for services or taxes due.			7	
A-35	Fund Investment Records Includes buy/sell orders, confirmations, safekeeping advices, and ledgers.			7	

Notes

Appendix B

Inventory and Property Control

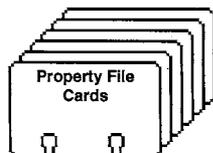


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Master Inventory Control Sheet	298

Terms Used In This Appendix

The following terms are used in this appendix. If you find other terms that you don't understand check with the central glossary beginning on page 1.

Appraisal - An estimation of the value of property conducted by any individual. Appraisals are only as good as the judgment and experience of the individual conducting the appraisal.

Assets - The properties and valuables of an individual or organization.

Chief Administrative Officer - City official with primary responsibility for the operations of the city services and personnel. Under Title 29 the chief administrative officer is either the Mayor or the City Manager.

Excessed inventory - Property no longer needed or obsolete.

Fund balance - The amount of money in a Fund. Typically, the Fund balance is reported in a city's audit to indicate how much the Fund's revenue exceeds the expenses charged to that Fund.

Independent appraisal - An estimation of the value of property conducted by an individual considered qualified and not associated directly with the city.

Inventory - A detailed list of things in the city's possession. Also, the process of completing such a list.

Liabilities - Debts that an organization or individual owes. An obligation to pay for something.

Personal Property - Property such as merchandise, machinery and equipment, furniture and fixtures, and other property that is not attached to the land.

Physical inventory - The inspection and description of property or items in the possession of the city.

Property control - A system of records and procedures for managing personal and real property owned by a city. The system includes procedures to ensure that property is not used incorrectly or disposed of without authorization.

Property disposal - Liquidation of property held by the city either through sale or scrap. Disposal of property follows a procedure adopted by the council.

Terms Used In This Section (continued)

Improvements - An addition to land or building that improves the value.

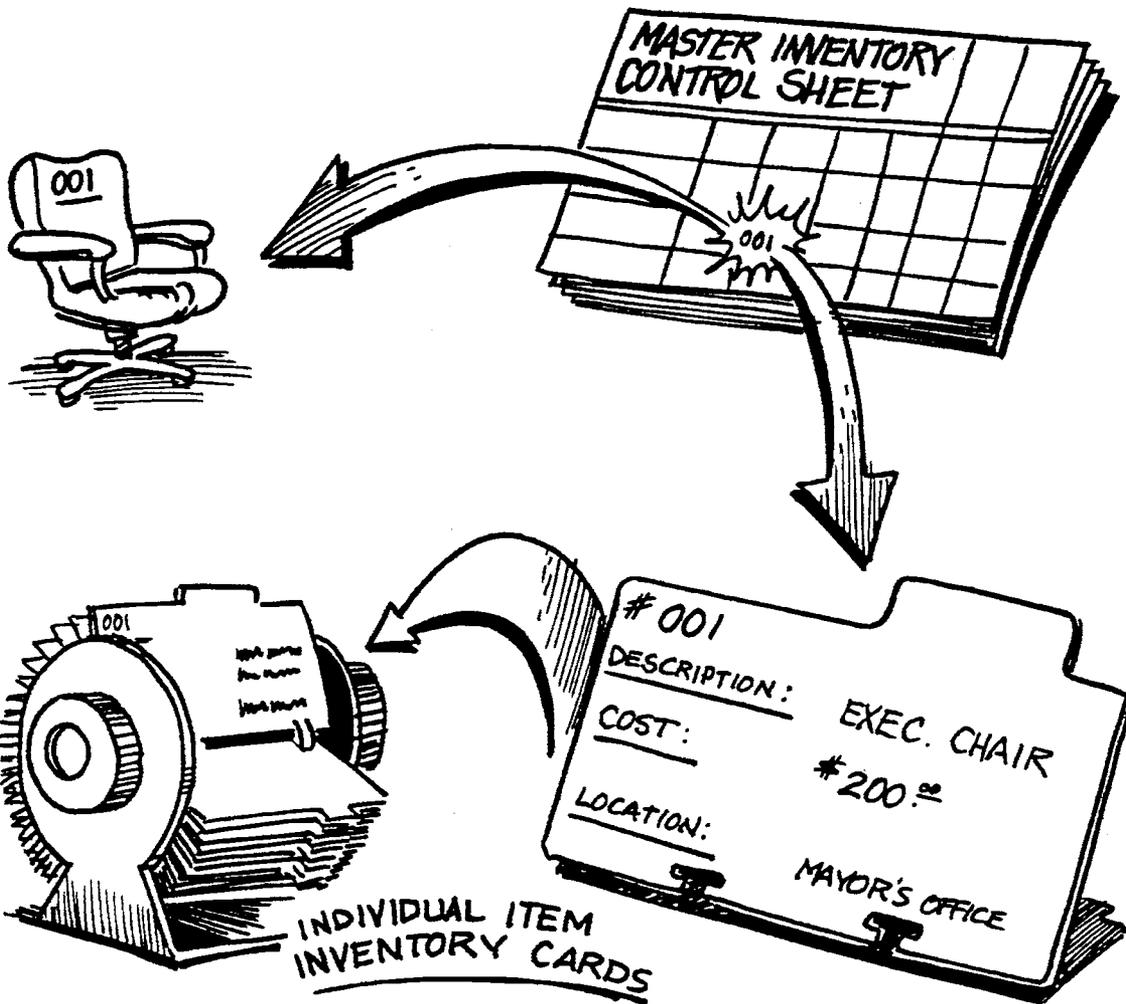
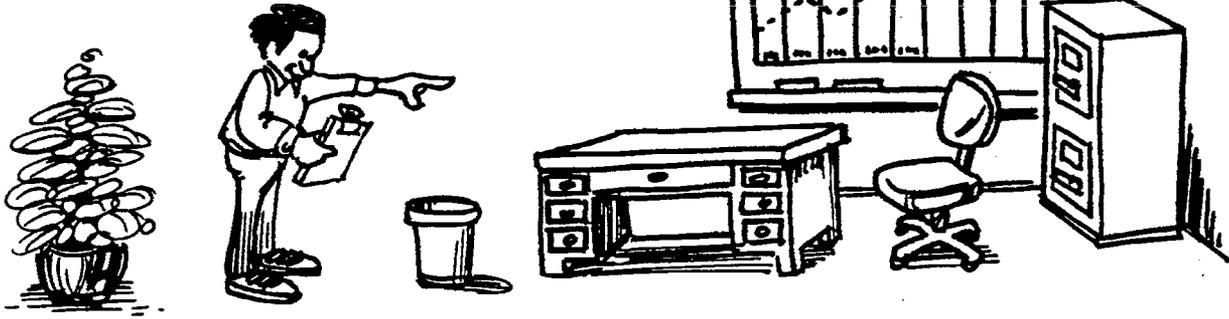
Real Property - Land, buildings, and other permanent structures located on the land.

Rolodex - Apparatus to file 3 1/2 inch by 5 inch cards.

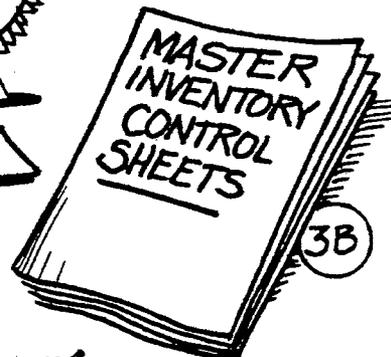
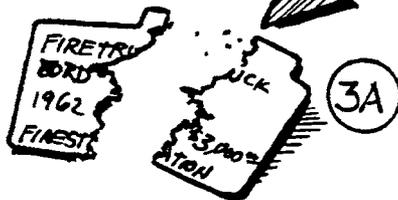
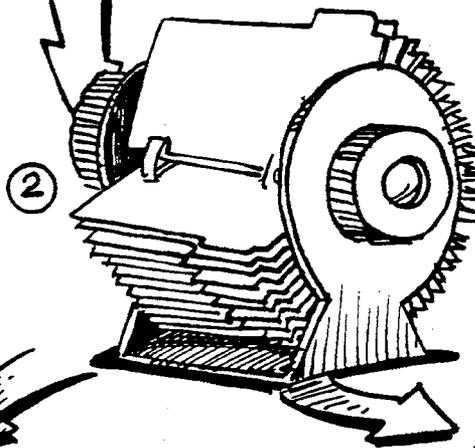
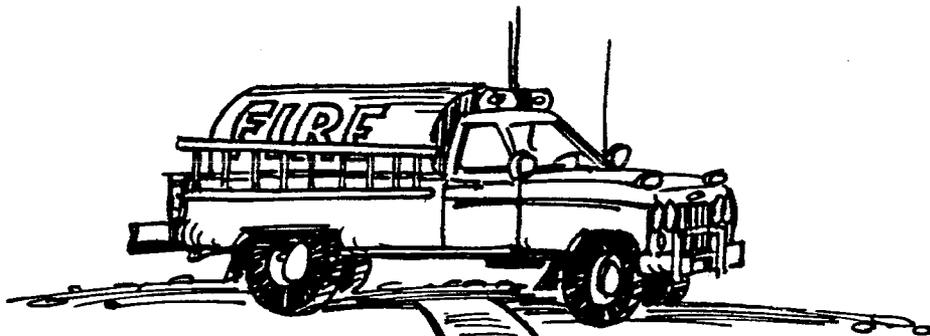
INVENTORY

PHYSICAL INVENTORY

CITY ADMINISTRATION CONDUCTS AN ANNUAL INVENTORY.



INVENTORY #2



● INVENTORY CARD IS DESTROYED WHEN PROPERTY IS DISPOSED OF.

- ADD ITEMS PURCHASED.
- DELETE ITEMS SURPLUSED, OR OTHERWISE DISPOSED OF.

Appendix B Inventory and Property Control

Overview

Property Control involves keeping track of all **Personal Property** (movable) and **Real Property** (non-movable) owned by the city. This is done by completing an **Inventory** and updating it each year. Overall responsibility for control of property is the **Chief Administrative Officer's** job. This person is either the Mayor or City Manager.

Equipment the city owns is inventoried if it exceeds a certain value and has an expected life beyond one year. These limitations keep administrative costs down. Communities set the equipment value limits depending on how much equipment they own. Large communities may not inventory equipment below \$500 in value and small communities may set the limit at \$50.

Real property owned by the city is land, buildings, and improvements to land other than buildings (boardwalks, roads, bridges). Items with a usable life of greater than one year are usually inventoried by the city. A yearly inventory should be made of each of these items.

Complete a **Rolodex** card for each item of real property purchased, obtained, or constructed. Leave space to write the cost or value of the item.

The cost of any land bought by the city is recorded as the amount paid for it. The cost includes any fees paid, such as for attorneys, surveying, and title search. If land is donated to the city, the value is determined by an **Appraisal**. This amount is recorded as the cost of the land on the Rolodex card for that piece of land.

When filling out a Rolodex card for a building bought by the city, the purchase price of the building is listed as the cost. Additional costs, such as title search or legal fees, would also be included.

Many cities build their own buildings and facilities with grants. Keep a good record of all costs of the construction; including labor, materials, contracted services. Include these costs on the Rolodex card when the building is completed.

The city may not have records for all of the buildings built by the city. Try to get an independent appraisal of these buildings. The appraisal tells the city the value of the building. Enter this amount on the Rolodex card for the building.

If someone donates a building, have an appraisal done. Use this value on the Rolodex card. If someone donates both land and a building, a separate card should be made for the land and the building.

Include the cost of **Improvements** or additions to buildings on the building's Rolodex card.

Sometimes cities build improvements other than to buildings. This would include building boardwalks, sidewalks, roads and bridges. The costs of these improvements should be recorded on Rolodex cards.

The price of equipment or furniture should be included on the equipment Rolodex cards. Include freight and installation, if not included in the purchase price.

If someone donates equipment, get an appraisal of the equipment. This value would then be recorded on the Rolodex card.

If the city purchased equipment or furniture in the past and no longer knows how much the items cost, estimate the value. List this amount on the Rolodex card.

When the city has an audit, the auditors will review the property Rolodex cards. Keep good records on how the amounts were determined.

Call the nearest Municipal and Regional Assistance Division, DCRA office for help when determining the value of property owned by the city. Their knowledge of neighboring communities will be useful.

Inventory

Setting up an Inventory Control System

If you don't have an inventory control system, set one up.

Step One: Do a Physical Inventory using the Master Inventory Control Sheet on page 298.

Step Two: Classify property by type, such as, office furniture and equipment, transportation equipment, tools. A detailed classification includes specific categories, such as, janitorial, office-related, and recreational equipment.

Step Three: Assign a permanent identification number to each piece of equipment. Attach stickers to the equipment or permanently mark it in some way. Markings may be done by using metal or embossed tape. Label each item with a number as you inventory it. The

numbers identify the item. These numbers may be used again after the equipment is disposed of.

Setting up a Permanent Property File

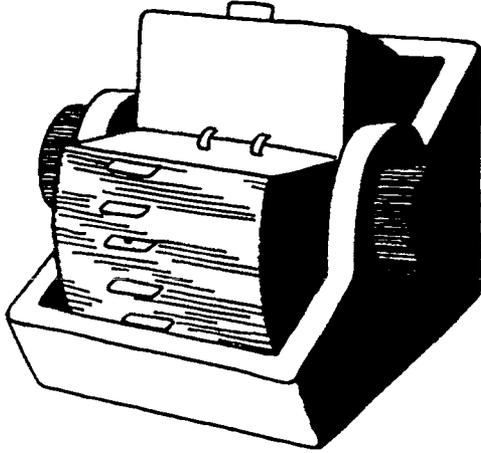
Use a Rolodex file card system with tabs to identify departments and grants. File the cards alphabetically. Each time you obtain property fill out the information card and file it in your Rolodex behind the proper department or grant tab. When someone needs this information, copy it and re-file the original.

Buy a rubber stamp with the information shown in the following example of a Rolodex card. Each time you purchase property, stamp a blank card, fill out the information for each subject category, and place the card in the proper section of your Rolodex card file.

Information on the Rolodex file cards includes:

<p><i>Date Acquired</i></p> <p><i>Check # purchased with</i></p> <p><i>Vendor purchased from</i></p> <p><i>Description of Article</i></p> <p><i>Serial #</i></p> <p><i>Property # (Permanent identification # you assigned to it)</i></p> <p><i>Cost</i></p> <p><i>Location of the item</i></p> <p><i>Assigned Department</i></p>
--

Much of this information is on the purchase documents. After listing the information on the card, keep records up-to-date.



Property Inventory File

List the property on an inventory sheet and keep it in a permanent Inventory file. This sheet is kept in case the Rolodex file cards are lost.

Do an annual inventory to make sure property records are correct and property is where it should be. Using a copy of the master inventory sheet, locate the property and check its condition. Make sure it's where it's supposed to be. Date the Permanent Property Control sheet and sign it.

Missing Items

If you can't find something on your inventory sheet, check with staff to see if they know where it is. If it's valuable, report the loss to the Village Public Safety Officer (VPSO) or city police. Keep a list of missing inventory for your auditor.

Property Disposal

The property control person also disposes of obsolete, worn-out, or unusable items. The city council sets up a process of how and under what conditions equipment is to be replaced or disposed of. Generally items with some value are sold at public auction. Check your ordinances for procedures on **Property Disposal**.

A copy of the Retention Schedule for purchasing and property management functions is on the following pages.

Notes



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT
 CENTRAL ADMINISTRATION: PURCHASING AND PROPERTY MANAGEMENT FUNCTIONS
 SCHEDULE C

Item	Series Title & Description	Retention Period			Remarks
		Office	Storage	Total	
C-1	Bid Files Should include specifications, invitation to bid or request for quotation, responses, bid abstract.			7	
C-2	Purchase Requisitions Requests by operating departments for goods or services.			7	
C-3	Purchase Orders Official documentation of purchase transactions for goods or services not on contract.			7	
C-4	Purchase Contracts Official documentation regarding the purchase of goods and services resulting from a formal bid.			7	
C-5	Leases (municipality is Lessee) Should include specifications, invitation to bid or requests for proposals, responses, evaluations, abstracts, lease agreements, payment records, and correspondence.			T+7	T = expiration of lease.
C-6	Leases (municipality is Lessor) Should include lease agreements, payment records, and correspondence.			T+7	T = expiration of lease.



GENERAL RETENTION SCHEDULE FOR LOCAL GOVERNMENT
 CENTRAL ADMINISTRATION: PURCHASING AND PROPERTY MANAGEMENT FUNCTIONS
 SCHEDULE C (continued)

Item	Series Title & Description	Retention Period			Remarks
		Office	Storage	Total	
C-7	Logs, Purchase Requisition, Bid, and Purchase Order: Listings in numeric order showing document number, date, amount, department, and vendor.			7	
C-8	Property Inventories			T	Retain current listings only.
C-9	Warranties and Guarantees on Equipment			T	T = after equipment item is dropped from the inventory.
C-10	Deeds to Municipal Real Property			T+10	T = after property is sold or transferred.
C-11	Titles to Municipal Vehicles and Equipment			T	T = after vehicle is sold or transferred.
C-12	Supply Requisitions Inter-department requests for supplies stocked in central stores.			3	
C-13	Equipment Maintenance Records Documents repair and maintenance of office equipment. (See also Public Works Section for vehicles.)			T	T = after equipment item is dropped from the inventory.
C-14	Surplus Property Sale Records Documents the disposal of property declared to be excess or surplus.			7	

Notes

Notes

Appendix C

Travel Policies and Procedures

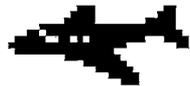


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Terms Used In This Appendix

The following terms are used in this appendix. If you find other terms that you don't understand check with the central glossary beginning on page 1.

General Fund - One of three Funds used in this Model Financial Record Keeping System. The General Fund serves as the accounting unit to organize transactions associated with general business of the city. The General Fund usually has the most transactions of all the Funds.

Grants Fund - One of the three Funds used in this Model Financial Record Keeping System. The Grants Fund serves as the accounting unit to organize transactions associated with grants.

Travel advance - Payment for travel expenses provided to city officials or employees before the trip begins.

Travel Authorization (TA) Form - A form that serves as evidence of permission for an employee or official to travel on city business. Properly signed a TA form authorizes an individual to receive reimbursement for travel expenses or per diem.

Travel Expense Form - A form used to describe and detail travel expenses for official city business. The form is the basis for determining the amount of reimbursement that employees and officials will receive for city travel.

Travel Status - Time that an official or employee is traveling for city business and is eligible to receive per diem or reimbursement for travel expenses.

Travel Policies and Procedures - Official procedures and principles to be followed by city officials and employees while traveling on city business.

Trip Report - Written description of activities and accomplishments of city officials and employees while traveling on city business. Each official and employee completes a trip report prior to being paid for travel expenses.

Overheading - Airline industry term for a flight being unable to land at an intended destination, usually due to weather.

Per Diem - An allowance or fixed amount payment for daily expenses while an employee or official is on travel status.

Appendix C Travel Policies and Procedures

Overview

Travel Policies and Procedures provide reimbursement for actual and necessary travel expenses of employees or representatives of the city while on official city business. These expenses must be properly accounted for and charged to the **General Fund** or **Grants Fund**.

If you already have travel policies and procedures, examine them to make sure control and record keeping procedures are similar to those described here. If you don't, consider adoption of procedures like the following ones.

Definitions

Employee: Means a full-time or part-time paid city worker.

Official: Means an elected representative holding current city office (city council and Mayor).

Travel Status: Travel status is the time an employee or official is considered traveling on official business and eligible for travel cost reimbursement or **Per Diem**. Employees or city officials are on travel status from the time they leave their work station or residence. Travel status continues as they travel to a destination for conducting city business by the most practical and economical route until they return to their work station or residence.

Travel Expenses:

- ✓ **Transportation:** Commercial carrier fares, charter airfare, vehicle mileage allowances when using a personal vehicle, taxi fare, and other essential transportation expenses incurred on official business.
- ✓ **Other:** Charges for business telephone calls, parking fees, emergency purchases of supplies, and other charges to complete official business. *Fines for traffic or parking violations aren't reimbursed.*
- ✓ **Per Diem:** Per diem is a flat daily rate of payment to an employee or official to cover costs of lodging and meals when an employee stays overnight while traveling on official business.

Travel Authorization

Official travel must be authorized in writing before travel begins and must be budgeted for in the approved city budget.

Travel authorization is granted by either the:

- ✓ Chief Administrator (Mayor or Manager) for employees or officials.
- ✓ Governing Body (city council majority) for travel by the Chief Administrator (Mayor or City Manager) and, for all travel outside of Alaska by any employee or official.

Emergency Travel may be granted for any employee or official by the Chief Administrator for urgent business in the interest of the city without receiving city council approval. A complete written explanation of the reason for the travel

and results of the trip will be submitted to the city council at the first regular scheduled council meeting following the completion of emergency travel.

Travel by employees and officials is authorized after completion and approval of a **Travel Authorization (TA) Form**. The TA form is filled out by the traveling employee or official. The completed form is sent to the approving authority.

The TA form and instructions are on pages 308 and 309.

Routing of Travel

All travel is done by the most direct route possible and the most economic way. Different travel arrangements may be allowed only when authorized by the approving authority.

Travel for Employee Convenience

If an employee or official travels on official business by an indirect route for their own convenience, extra expenses are paid by the employee or official. The city reimburses the employee or official for expenses based on charges for traveling the most direct and economic route. Annual Leave or Leave Without Pay (LWOP) is used by employees for the time required away from work to take an indirect travel route.

Air Transportation

Travel requests must be made in sufficient time to purchase air transportation at discounted rates, if available. If alternative carriers are available, the least expensive carrier will be used.

The city will pay the travel vendor (airline, air charter, car rental firm) for the cost of the transportation before the employee begins the travel. If it's not possible for the city to pay for the transportation ahead of time, the employee will be expected to pay the costs. The employee will be reimbursed for the transportation costs when travel is completed and all required documentation is turned over to the city.

Privately Owned Vehicles

When an employee's or official's own vehicle is used, the employee will be reimbursed at an approved rate of 25¢ per mile. *Using a private vehicle for official business must be approved on the Travel Authorization form.*

Rental Vehicles

When an employee rents a vehicle during travel on official business, the vehicle rental must be approved in advance. The least expensive rental available must be used. Rental vehicles must not be used for personal business. A copy of the rental agreement is attached to the Travel Expense form (described later) to get reimbursed for the rental costs.

Liability and collision insurance must be taken when renting a car.

Per Diem Allowances

Per diem is a guaranteed daily rate of payment to an individual on travel status. Per diem starts when the individual leaves the city on official business and ends when the employee or official could have reasonably been expected to return to the city. Per diem is based on the length of absence on official business and whether

overnight lodging is required. The per diem rates are established by the city council by resolution and include rates for half-day travel, full-day travel, and overnight travel. Employees and officials on travel status less than six hours are paid at the half-day rate. Travel status of more than six hours will be paid at the full-day rate. Overnight rate is paid for any day or part of a day that requires the employee or official to stay overnight.

Advance Payment for Per Diem

Advance payments for per diem or meal allowances must be approved and given to the accounting staff 3 days before the date of departure to get an advance payment. Advance payments are based on the estimated amount of per diem the employee will accrue during the travel. Advance payments are limited to eighty percent (80%) of the amount estimated to be paid to the traveler.

The accounting staff uses the Travel Expense form to figure the total amount of per diem owed to the traveler based on actual dates and times of travel. Cash expenses are reimbursed with the final per diem payment. The advance payment is subtracted from the total amount owed to the employee or official to figure the final amount due the traveler.

If the advance payment is greater than the total amount of per diem, the traveler must reimburse the city for the difference within 14 days of completing the trip.

The failure of a traveler to reimburse the city may result in the amount being deducted from the employee's or official's next travel payment or from the employee's wages.

An employee or official traveling on city business may be reimbursed for actual expenses if all of the following conditions are met:

- ✓ Receipts for claimed costs are submitted.
- ✓ The costs are considered reasonable and necessary to the city's business.
- ✓ Approval for payment of actual expenses is given at time of travel authorization.
- ✓ Use of per diem is not sufficient to cover the costs of the travel needed to complete the city business.

Overheading

When travel is delayed due to **Overheading**, per diem will be paid for the extra time involved in the delay.

If the airline or charter service pays any of the lodging and meals costs because of overheading or delay, per diem will be paid only up to the original arrival time.

Travel Expenses

When travel is completed, the employee fills out and submits a **Travel Expense Form** within 5 working days of the end of the trip. A **Trip Report**, receipts for cash expenses, vehicle rental agreements, and the airline or charter air service ticket or receipt must also be submitted and should be attached to the completed Travel Expense form when submitted to the accounting staff. The Travel Expense form and instructions are on pages 310 and 311.

Copies of airline tickets or charter air service tickets showing the traveler's name, the date or dates of the travel, and the origin and destinations of the travel are required. Cash expenses over \$10.00 not covered by per diem must have a receipt or invoice attached to the Travel Expense form in order to be reimbursed. Vehicle rental agreements must also be attached to the Travel Expense form.

Trip Report Required

Employees must write a Trip Report. A copy must be sent to the approving authority, another copy is to be attached to the Travel Expense form when submitted for reimbursement. Travel costs will not be made unless a Trip Report is completed. The Trip Report includes all of the following information:

- ✓ Purpose of the trip.
- ✓ Persons contacted during the trip.
- ✓ Tasks performed or work accomplished during the trip.
- ✓ Observations and any recommendations of the traveler resulting from the travel activities.

City Officials must also complete a written trip report unless the governing body of the city agrees to accept a verbal report. A record of the verbal report will be included in the council minutes at the meeting the trip report is given.

Notes

Travel Authorization

Travel Authorization Number _____

Name of Traveler _____

Title _____

Social Security Number _____

Time and date travel begins _____

Destination(s) _____

Time and date of return _____

Purpose of travel _____

Name and address of air carrier _____

Cost of Ticket(s) _____

Estimated per diem & other costs _____

Reimbursement for expenses requested Yes No

Advance Requested Yes No Rental Vehicle Requested Yes No

Source of funds for travel _____



Travel Approved

Signature

Date

Signature

Date

Instructions for Travel Authorization Form

Travel Authorization Number - Pre-assigned number designated by the accounting staff.

Name of Traveler - The name of the official or employee who is traveling.

Title - Official's or employee's title.

Social Security Number - Official's or employee's Social Security number.

Time and date travel begins - The time and date the employee starts the travel.

Destination(s) - The destination or destinations of the traveler. Indicate any personal travel during the requested official travel. An explanation of the personal travel should be attached including the times and dates the personal travel will begin and end.

Time and date of return - The time and date that the traveler expects to return to work or home following the completion of the travel.

Purpose of Travel - The purpose of the travel and how it relates to the business of the city.

Name and address of air carrier - Name(s) and address(es) of the airline or air charter company that will be used. List all airlines to be used.

Cost of Ticket(s) - The cost of all the tickets. List all tickets and amounts separately.

Estimated per diem and other costs - Per diem expenses are based on the number of full days of travel. Estimate any other expected costs. Other costs include such items as taxi fare, car rentals and parking fees.

Per Diem Advance Requested - Check "yes" to get an advance payment. Send the approved Travel Authorization form to the bookkeeper in order to get the advance check.

Source of Funds for Travel - Identify the source of moneys (a specific grant, a specific contract, or the general funds). The purpose of the travel determines the source of funds. List all sources and amounts of funds.

Signature of Approval Authority - The signature and date of approving authority.

Travel Expense

TRIP REPORT MUST BE ATTACHED FOR REIMBURSEMENT

Travel Authorization Number _____

Name & Title of Traveler _____

Social Security Number _____

Traveler's Certification: I certify the facts stated here or on supporting documents are correct and follow established travel policies and procedures.

Traveler's Signature _____ Date _____



Actual Expenses

<u>Times and Dates</u>	<u>Explanation</u>	<u>Per Diem</u>	<u>Cash Expenses</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____



To Be Completed By Accounting Staff Only

Subtotals \$ _____ \$ _____

Total \$ _____

Less Travel Advance \$ _____

Final Payment \$ _____

Check Number _____ Date _____

Account Code(s) _____

Instructions for Travel Expense form

Travel Authorization Number - The travel authorization number as listed on the approved Travel Authorization (TA) form. These numbers are assigned by the accounting staff. Attach the approved TA form to the completed Travel Expense form.

Name & Title of Traveler - The traveler's name and title.

Social Security Number - The traveler's Social Security number.

Traveler's Signature - The signature of the traveler is certification that the information is true and follows the travel policies and procedures.

Actual Expenses - The traveler records the actual expenses paid for by the traveler. Include the time and date travel started, dates traveler was in travel status on official business, and the time and date that the traveler returned from the trip. Use the Explanation column to tell what happened on the dates listed. For example, "1:00 PM 6/28/94 — left the office, traveled to the airport, and traveled to Kotlik by private air charter." "Per Diem" is based on the number of full days the traveler was traveling. The bookkeeping staff checks this column based on the times and dates of travel. The traveler lists any "Cash Expenses" while traveling in the final column. For example, amounts paid for car rentals, taxi fares, and parking fees. Meals or

lodging aren't listed here; they're covered by the per diem paid to the traveler. Explain cash expenses in the "Explanation" column. The traveler must attach receipts or invoices for any cash expenses over \$10.00 to the Travel Expense form.

The rest of the form is completed by the bookkeeping staff.

- ✓ The bookkeeper figures the amount of per diem due the traveler and writes it on the form.
- ✓ Subtotals - The bookkeeper subtotals the "Per Diem" and the "Cash Expenses" columns.
- ✓ Total - The bookkeeper adds the amounts from the "Per Diem" and "Cash Expenses" columns and enters the amount as the "Total" payment for the travel.
- ✓ Less Travel Advance - If the traveler received an advance per diem payment it is subtracted from the "Total" amount.
- ✓ Final Payment - This is the amount owed to traveler. The traveler may owe the city if the per diem advance payment exceeds the "Total" amount.
- ✓ Check Number and Date - Enter the check number and date of the final payment to the traveler. This provides a cross reference to the accounting records and the cancelled checks.
- ✓ Account Code(s) - Account code from the Chart Of Accounts to be charged. List all account codes and amounts.

Vehicle Mileage

Travel Authorization Number _____

Name & Title of Traveler _____

Social Security Number _____

Traveler's Certification: I certify the facts stated here or on supporting documents are correct and follow established travel policies and procedures.

Traveler's Signature
Date



Actual Mileage

Times and Dates	Explanation	Ending Odometer	Beginning Odometer	Total Miles



To Be Completed By Accounting Staff Only

Total miles driven on business _____

Multiply by Reimbursement Rate X _____

Total Mileage Reimbursement \$ _____

Check Number _____ Date _____

Account Code(s) _____

Instructions for Vehicle Mileage form

Travel Authorization Number - Travel authorization number listed on the approved Travel Authorization (TA) form. These numbers are assigned by the accounting staff. Attach the approved TA form to the Vehicle Mileage form.

Name & Title of Traveler - The traveler's name and title.

Social Security Number - The traveler's Social Security number.

Traveler's Signature - The signature of the traveler is certification that the information is true and follows the travel policies and procedures.

Actual Mileage - The traveler records actual mileage traveled. The traveler includes the time and date travel started, dates traveler was in travel status on official business, and the time and date that the traveler returned from the trip. Use the "Explanation" column to tell what happened on the dates listed. For example, "10:30 AM — left the office and drove from Anchorage to Homer in own vehicle." "Ending Odometer" is the reading from the vehicle's odometer at the end of the trip. "Beginning Odometer" is the reading from the vehicle's odometer at the beginning of the trip. "Total Miles" is *Beginning subtracted from Ending*. The bookkeeping staff checks this

column based on the times and dates of travel and the entries in the "Ending" and "Beginning" columns.

The rest of the form is completed by the bookkeeping staff.

The bookkeeper verifies the amounts in the "Total Miles" column by checking the math.

Total miles driven on business - The bookkeeper adds up all the figures in the "Total Miles" column.

Multiply by Reimbursement Rate - The traveler will be paid the Reimbursement Rate for every mile they traveled. The Reimbursement Rate is established by the council.

Total Mileage Reimbursement - The bookkeeper multiplies the number in the "Total Miles" column by the Reimbursement Rate and writes the amount on this line. This is the total dollar amount owed to the traveler for driving their own vehicle on the trip.

Check Number and Date - Enter the check number and date of the final payment to the traveler. This provides a cross reference to the accounting records and the cancelled checks.

Account Code(s) - Account code from the Chart Of Accounts to be charged. List all account codes and amounts.

Notes