

Accounting Manual
For
Small
Cities and Towns
in Minnesota



A joint publication of:
League of Minnesota Cities
Minnesota Association of Townships
Office of the State Auditor
Intergovernmental Information
Systems Advisory Council

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Accounting Manual for Small Cities and Towns in Minnesota



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TABLE OF CONTENTS

Forward	1
Introduction	2
Chapter 1 - The Accounting Process	5
Chapter 2 - Accounting Procedures	9
Receipts	10
Disbursements	15
Enterprise Funds	19
Payroll Accounting	20
Bond and Interest	23
Record of Investments	24
Reconcilement Procedures	24
Cash Control	25
Chapter 3 - Budgets	27
Chapter 4 - Financial Statements	31
APPENDICES	
Appendix A - Duties of City/Town Clerks	37
Appendix B - Chart of Accounts	41
Appendix C - Sample Forms	49
Appendix D - Sample Town Financial Statements	63
Appendix E - Sample City Financial Statements	69
Appendix F - Glossary	83

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Foreword

The original project, including the 1988 edition of this manual, was undertaken by the Office of the State Auditor and the League of Minnesota Cities in cooperation with the Minnesota Association of Townships. They received financial aid from the state government under a grant from the Intergovernmental Information Systems Advisory Council (IISAC).

This accounting manual was created to facilitate the designing of personal computer accounting software for cities and towns in Minnesota. This manual accounting system has been designed for small cities and towns, depending on their needs and complexity. The system is designed to facilitate a smooth transition from a basic manual system to a computer system.

The following individuals gave of their time and expertise by serving on the 1988 Computer Program Advisory Committee:

John Asmus, Intergovernmental Information Systems Advisory Council

Dan Elwood, City of Spring Valley

Ed Fuller, Office of the State Auditor

Constance Haberle, Minnesota Association of Townships

Ann Houle, League of Minnesota Cities

Linda Luoma, Great Scott Township

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Judy Uhde, City of Bayport

Jean Woorster, Rice Lake Township

Introduction

This accounting manual outlines a simple and effective system of records and procedures for use in small to medium sized towns and cities in Minnesota. The manual discusses the design of uniform accounting procedures that will benefit clerks and other officials who deal with a relatively low volume of transactions.

These procedures can provide several benefits:

- Assist in the preparation of
 - ▶ Interim financial reports,
 - ▶ Annual financial statements,
 - ▶ Budgets;
- Provide financial information necessary to the administrative functions of the mayor and council or town supervisors;
- Assist in the use of personal computers, spreadsheet templates, and accounting packages;
- Facilitate auditor's work;
- Reduce audit costs.

Several publications are available from the League of Minnesota Cities (LMC), the Minnesota Association of Townships (MAT) and the Office of the State Auditor (OSA) that contain additional information in areas covered by this manual. They may be helpful in answering any questions raised during the use of this manual.

1. Handbook for Minnesota Cities (LMC)
2. The Procedures for Paying City Claims (LMC)
3. Guidelines for Preparing City Budgets (LMC)
4. City Deposits and Investments (LMC)
5. The Auditing of Municipal Accounts (LMC)
6. Public Purpose Expenditures (LMC)
7. Township Officer's Handbook (MAT)
8. Minimum Reporting Requirements (OSA)
9. Minnesota Accounting and Financial Reporting Standards (OSA)

Accounting Manual For Small Cities and Towns

Additionally, the following publications are recommended for purchase from the publishers.

Codification of Governmental Accounting and Financial Reporting Standards and Original Pronouncements, as of June 30, 2000, 2000-2001 Edition, published by the Governmental Accounting Standards Board (GASB), 401 Merritt 7, P.O. Box 5116, Norwalk, CT 06856-5116.

Minnesota Legal Compliance Audit Guide for Local Government, published by the Office of the State Auditor, Suite 400, 525 Park Street, St. Paul, Minnesota 55103.

2001 GAAFR, published by the Government Finance Officers Association, 180 N. Michigan Avenue, Suite 800, Chicago, IL 60601-7476.

Duties of Clerks under Minnesota Statutes

Generally, the statutes provide for keeping a minute book, an ordinance book, and an account book in which all receipts and orders drawn upon the treasurer are recorded. The clerk is the designated custodian of records of the city or town and acts as the custodian of its seal and records, and does many other specific duties.

The complete text of Minnesota Statutes Sec. 412.151 duties of the city clerk, and the complete text of Minnesota Statutes Sec. 367.11 duties of the town clerk are in Appendix A.

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Chapter 1 The Accounting Process

Accounting is the recording, classifying, and summarizing of transactions in a useful manner, and interpreting the results.

Any accounting system should start with a budget, prepared and approved before the accounting period begins.

A system of accounts in which transactions are recorded and summarized on a current basis can immediately provide financial information to the mayor and council, or the board of supervisors concerning revenues, expenditures, comparisons to budget, and cash balances. The information is available on ledger accounts for immediate reference, or for the preparation of interim financial statements, and year-end financial statements. The information is auditable and can lead to significant savings in the costs of an audit.

Essential Accounting Tools

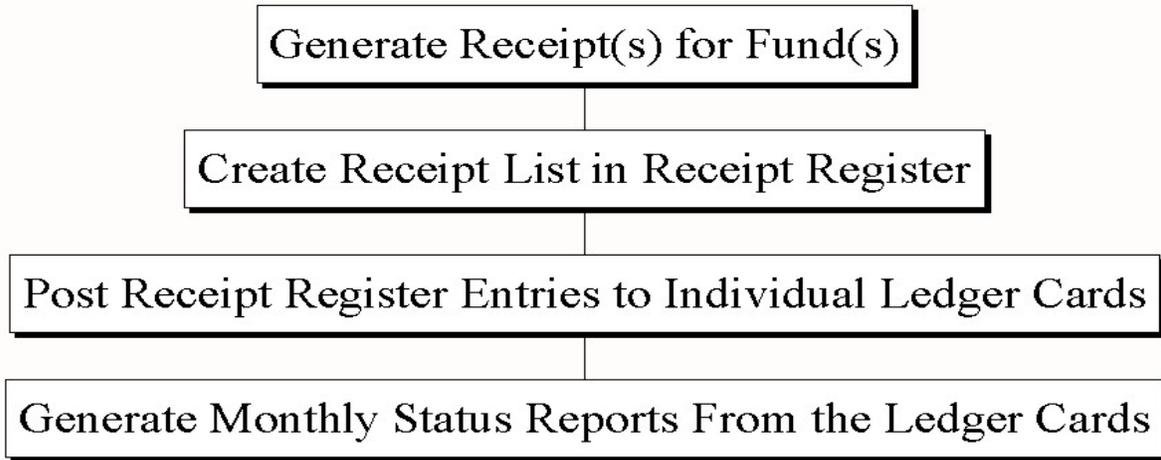
Revenues

1. Annual revenue budget (including account codes)
2. Blank pre-numbered receipts
3. Blank receipt register sheets
4. Blank receipt ledger cards
5. Blank revenue report form

Expenditures

6. Annual expenditure budget (including account codes)
7. Blank pre-numbered checks
8. Blank claims
9. Blank disbursement register sheets
10. Blank disbursement ledger cards
11. Blank disbursement report form

Revenue Process



Expenditure Process

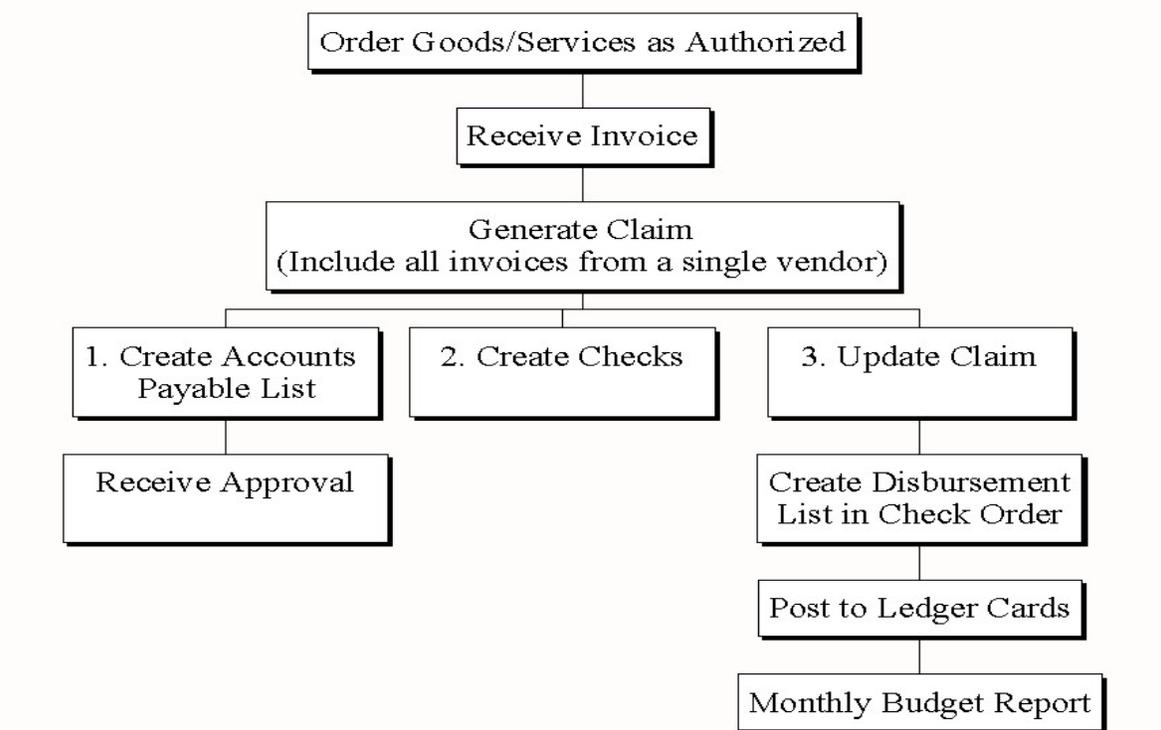


Figure 1

Funds

The General Fund is used in municipal finance administration for all financial resources that are not required to be accounted for in another fund. This encompasses the day-to-day operation of the governmental unit. Other fund types are used to help insure that certain receipts set aside for specific purposes will be used for the purposes intended. This may be either for control as in a water utility or municipal liquor store operation, or to comply with a legal requirement such as a tax levy authorized for a specific purpose.

Types of Funds

Governmental Funds

1. General Fund
2. Special Revenue Funds
 Cities: Library, CDBG, Park
 Towns: Road and Bridge, Fire, Cemetery
3. Capital Projects Funds
4. Debt Service Funds

Proprietary Funds

1. Enterprise Funds
2. Internal Service Funds

Fiduciary Funds

1. Trust and Agency Funds

Funds should be kept to a minimum number and should not be established merely for convenience in separating certain classes of receipts or disbursements. Maintain the minimum number of funds necessary to meet legal and operating requirements. The clerk should determine the funds necessary for financial operation of the town or city and should secure a resolution by the board or council authorizing their establishment.

Accounting Manual For Small Cities and Towns

Separate funds should be created under the following conditions:

1. **Special Revenue Fund:** As required by law or contractual agreement. When the law requires that a fund be created to administer certain receipts.
2. **Capital Projects Fund:** To receive and disburse the money from a bond issue. Bonds are authorized for specific purposes. The expenditure of the money obtained from a bond issue for other than authorized purposes is usually illegal. To help prevent illegal expenditures of money from a bond issue, the money should be placed in a separate fund. First, this designates bond proceeds for a specific purpose. Second, since each fund requires a separate accounting, a separate fund makes it easier to control expenditures of the money from a bond issue. A capital projects fund is temporary in nature. When the project for which the bonds were issued is completed any remaining money should be transferred to the debt service fund unless a different disposition is authorized by law.
3. **Enterprise Fund:** For each enterprise, such as water or sewer, operated by a town or city. Enterprise funds should be operated on a self-supporting basis. A separate fund makes it possible to determine the actual cost of operating the enterprise. This information can be used to determine a rate schedule for the utility as well as to control and manage revenues and expenses.

Bank Accounts

How many bank accounts should a city or town maintain? This can vary with circumstances and is always a matter of discretion for the city or town, but generally one bank account is sufficient. One account simplifies control of funds and makes the reconciliation of the bank balance much easier. A common, but not necessary, exception is a separate account for a municipal liquor store or another enterprise fund.

The city council or town board must designate the official depository for the funds at the beginning of each year. The depository so designated must furnish collateral for any funds on deposit in excess of the amount covered by insurance (\$100,000 currently). This is especially important because a number of depositories have failed as a result of deficient lending and borrowing policies.

Chapter 2 Accounting Procedures

Accounting Forms

The following forms have been designed to enable the clerk to fulfill the duties prescribed by statute:

1. **Receipt:** The original record of money received.
2. **Claim:** A form for the declaration of a claim against the city or town requesting payment.
3. **Order-Check:** The instrument whereby money is disbursed.
4. **Receipts Register:** The chronological record of all receipts.
5. **Disbursements Register:** The chronological record of all disbursements.
6. **Receipts Ledger:** The record in which receipts are classified by source.
7. **Disbursements Ledger:** The record in which the disbursements are classified by function or activity and object.
8. **Record of Bond Issue:** A record of bond maturities, interest, and fiscal charges payable.
9. **Record of Investments:** A record of bonds or certificates held for investment.
10. **Employee Earnings Record:** The record of earnings information for each employee.
11. **Payroll Register (Journal):** The record of time, earnings, deductions, and net pay for all employees by payroll period.

Receipts

Receipt forms should be in triplicate and pre-numbered by the printer. The original is given to the person making the payment. One copy is for the treasurer's records, and one copy is the clerk's record. If the offices of clerk and treasurer are combined as clerk/treasurer, only the original and one copy are needed.

A separate receipt should be issued for all money received, including amounts received by mail such as tax apportionments from the county treasurer and state shared taxes or grants from the state. In these cases the original receipt should be attached to the detailed statement accompanying the remittance and kept on file.

On page 11 is a sample form of a general receipt. This form provides spaces for all information pertaining to the receipt of the money. The information must be filled in at the time of the transaction and is necessary for making entries in the accounting records and for providing supporting documentation for all receipts. Issuing the receipt is the first step in the recording of receipts and should be done immediately upon receiving the payment.

The example on the following page has been filled in with an actual transaction. A total payment of \$12 was received from the Fowler Oil Co. for a cigarette license on February 3, 20XX. This payment was allocated to the General Fund (100), Licenses and Permits (Account 32180).

Cash received should be deposited intact with the treasurer or in the depository each day. If the money is deposited with the treasurer, it should be accompanied by the treasurer's copies of the receipts, and the treasurer should make out the daily deposit. If the money is deposited directly in the depository by the clerk, a copy of the deposit slip and the treasurer's copies of the receipts should be furnished to the treasurer.

General Town/City Receipt

Three part form pre-numbered by printer. Copies are for the following:

- ▶ Person making the payment
- ▶ to the treasurer
- ▶ bound in the receipt book retained by the clerk

Clerk's Office		
		No. <u>851</u>
		\$ <u>12.00</u>
<u>Lakeview</u> MN,		<u>February 3</u> 20 <u>XX</u>
Received From	<u>Fowler Oil Company</u>	
For	<u>Twelve and 00/100</u> ----- Dollars	
Fund	Account	Amount
100	32180	12.00
		_____ Clerk

Figure 2

Accounting Manual For Small Cities and Towns

Receipts Register

The receipts register is a chronological record of cash received. The recommended form for the register is shown below. It contains an amount column for the total amount of the cash received, and fund columns for the amounts attributable to each fund. The register provides the information needed to prepare the monthly or annual summaries of cash received by fund. Figure 3 is a sample section from a page of the register. Forms may be obtained from printers specializing in forms for municipalities.

RECEIPTS REGISTER

Month Of: February City/Town of Lakeview Page Reference No. 8

From Whom Received	For What Purpose	Date	Receipt Number	Amount		Account Number	General Fund		Fund	
Fowler Oil Company	Cigarette License	2/3	851	12	00	100-32180	12	00		

Figure 3

Good accounting procedures require that the clerk make entries promptly in the register and ledgers.

Using the same transaction through the recording of the receipt from Fowler Oil Co. to the receipts register (Figure 3): First enter the name of the person from whom the money was received, date and receipt number, and amount received.

Figure 3 shows that "Fowler Oil Co. " has been recorded. The next column is for a brief statement of the source (purpose) of the revenue. Here we have entered "Cigarette License" from the receipt form and, as on the form, this entry should be simple and to the point. In the next three columns the date, receipt number, and amount have been entered. The next column is for the fund (100) and account number (32180) of the receipt (100-32180). The next step is to enter the total in the appropriate fund column. The recommended chart of accounts is contained in Appendix B of this publication and is a condensed version of the chart of accounts for cities and towns. The larger, more complete chart of accounts is available from the Office of the State Auditor.

Accounting Manual For Small Cities and Towns

Receipts Ledger

The receipts ledger is designed to provide a classification of revenues by source for each fund. A ledger card is prepared for each major revenue source. The forms are sufficiently flexible so that they may be used for all funds. Figure 4 is a sample section from a page of the receipts ledger for the General Fund. Figure 5, on page 14, shows the entire procedure for recording the cash receipts example: receipt form, cash receipts register, and cash receipts ledger.

RECEIPTS LEDGER

General _____ Fund

Account No.	100-32180		Sheet No. <u>1</u>
Source	_____	Original Budget	144.00
Account Name	Cigarette License Fees	Revised Budget	_____
_____	_____	_____	_____
_____	_____	_____	_____

Date	Receipt No.	Received From	Amount Received		Month to Date Received		Year to Date Received		Budget Balance	
1/1/XX		Budget							144	00
2/3/XX	851	Fowler Oil Company	12	00	12	00	12	00	132	00

Figure 4

Accounting Manual For Small Cities and Towns

Disbursements

Forms designed to record disbursements are as follows:

1. Claims
2. Order-Checks
3. Disbursements Register
4. Disbursements Ledger
5. Subsidiary Payroll Records.

Claims

All payments must be supported by an approved claim. Claims should be prepared for every check to be issued. Claims should be approved by the city council or town board regularly and a list of the approved claims should be recorded in the minutes. After a claim has been approved a check should be prepared, the claim should be marked "PAID," and the date and check number entered on the claim and coded for posting.

Order-Checks

The prescribed order-checks should be pre-numbered so that it is possible to account for all order-checks drawn on the bank account. A sample order-check, including the endorsement statement printed on the reverse side, is shown in Figure 6. After obtaining the appropriate signatures, enter the order-check into the disbursements register.

ORDER CHECK			No. <u>7333</u>												
City of Lakeview, MN 55555		<u>February 15, 20XX</u>													
Received From	<u>Gopher Welding Supply</u>	\$ 12.90													
For	<u>Twelve and 90/100 -----</u>	Dollars													
<table border="1"><thead><tr><th>Fund</th><th>Account</th><th>Amount</th></tr></thead><tbody><tr><td>100</td><td>43100-210</td><td>12.90</td></tr><tr><td> </td><td> </td><td> </td></tr><tr><td> </td><td> </td><td> </td></tr></tbody></table>	Fund	Account	Amount	100	43100-210	12.90							_____ Mayor		
Fund	Account	Amount													
100	43100-210	12.90													
	_____ Treasurer														
	_____ Clerk														

The undersigned payee, in endorsing this order check, declares that the same is received in payment of a just and correct claim against the (City/Town) of _____ and that no part of such claim has heretofore been paid.

Back Side of Check

Figure 6

Accounting Manual For Small Cities and Towns

Disbursements Register

The disbursements register is a chronological record of disbursements. The recommended form is shown in Figure 7. This register contains columns for the payee, date, order-check number, amount paid, account number, and fund. The transaction to "Gopher Welding Supply " has been entered, showing the payee, date, check number, and amount. The account number column is for the fund (100), and account number (43100) street expenditures, and object code (210) supplies: (100-43100-210). Entries should be recorded promptly in order to provide the city council or town board with current financial information. The disbursements register shown in Figure 7 includes an example of the posted transaction.

DISBURSEMENTS REGISTER

Month February City/To Lakeview Page Reference No. 8

To Whom Drawn	Date	Check Number	Amount		Account Number	General Fund		Fund	
Gopher Welding Supply	2/15	7333	12	90	100-43100-210	12	90		

Figure 7

Accounting Manual For Small Cities and Towns

Disbursements Ledger

Disbursements ledgers are similar in function to receipts ledgers in that they provide a classification of the transaction. While receipts are classified by source, disbursements are classified by function, activity and object. Function relates to the purpose of the expenditure and activity relates to the specific work performed to accomplish the function. A sample of a recommended disbursements ledger card is shown in Figure 8.

When disbursements are posted to a disbursements ledger the relationship between the actual amount disbursed and the budgeted amount can readily be determined.

When the entries in the disbursements register have been completed, checked, and balanced, the clerk should post from the register to the ledger. Posting should be done on a regular basis, at least monthly. It is not necessary to post in detail, but rather a summary posting of totals by fund, account number, and object may be made. A monthly recap may be prepared in the disbursements register, summarizing transactions for the month by fund and account. This can then serve as the posting source to the ledgers.

DISBURSEMENTS LEDGER

General _____ Fund

Account No. 100-43100-210 Sheet No. 1

Activity Street Maintenance Original Budget 1,800

Object Operating Supplies Revised Budget _____

Date	Check No.	Description	Amount Disbursed		Month to Date Disbursed		Year to Date Disbursed		Budget Balance	
1/1/XX		Budget							1,800	00
2/15/XX	7333	Gopher Welding Supply	12	90	12	90	12	90	1,787	10

Figure 8

Accounting Manual For Small Cities and Towns

DISBURSEMENTS The Flow of Disbursement Transactions

1. CLAIM

CLAIM		Claim Number: 7333
City of Lakeview	To: Gopher Welding Supply 100 Ash Street Lakeview, Minnesota 55555	County of Washington
100-43100-210	2/12/20XX	Gopher Welding Supply
Audited and Allowed in the sum of <u>\$12.90</u>		_____ Mayor
		_____ Clerk
DISTRIBUTION OF EXPENSE		
Fund	Account Number	Amount
100	43100-210	12.90
		Paid by order check number <u>7333</u> Filed in my office this 15th day of February 20XX
		_____ Clerk
DECLARATION		
I declare under penalties of law that this account, claim of demand is just and correct and that no part of it has been paid.		
_____ Date	_____ Signature of Claimant	

2. ORDER CHECK

ORDER CHECK		No. <u>7333</u>
City of Lakeview, MN 55555	February 15, 20XX	
Received From <u>Gopher Welding Supply</u>	\$ 12.90	
For <u>Twelve and 90/100</u>	Dollars	
Fund	Account	Amount
100	43100-210	12.90
		_____ Mayor
		_____ Treasurer
		_____ Clerk

The undersigned payee, in endorsing this order check, declares that the same is received in payment of a just and correct claim against the (City/Town) of _____ and that no part of such claim has heretofore been paid.

Back Side of Check

3. DISBURSEMENTS REGISTER

Month Of: February 20XX City/Town of Lakeview Page Reference No. 8

To Whom Drawn	Date	Check Number	Amount	Account Number	General Fund	Fund
Gopher Welding Supply	2/15	7333	12 90	100-43100-210	12	90

4. DISBURSEMENTS LEDGER

General _____ Fund

Account No. 100-43100-210 Sheet No. 1

Activity Street Maintenance Original Budget 1,800

Object Operating Supplies Revised Budget _____

Date	Check No.	Description	Amount Disbursed	Month to Date	Year to Date	Budget Balance
1/1/XX		Budget				1,800 00
2/15/XX	7333	Gopher Welding Supply	12 90	12 90	12 90	1,787 10

Figure 9

Accounting Manual For Small Cities and Towns

Enterprise Funds

Enterprise funds account for activities that are usually financed and operated in a manner similar to private business enterprises or when it is important to control or measure costs. The accrual basis of accounting as used for business enterprises is also recommended for municipal enterprise funds. Examples of enterprise funds are water, sewer, and municipal liquor operations. Individual types of enterprise services should be accounted for in separate funds. This separation is necessary to determine the cost of providing each service and to assure that the resources of one enterprise are not used by another.

The financial statements of the enterprise fund should include a balance sheet, an operating statement and a statement of changes in financial position. The operating statement shows the operating revenues, (user charges), operating expenses (including depreciation), operating income, non-operating revenues and expenses, and net income. See Figure 10 below.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS	
<u>Water Fund</u>	
Operating revenues	82,817
Operating expenses	84,643
Operating Income	<u>(1,826)</u>
Non-operating revenues (expenses)	
Interest Income	6,821
Miscellaneous Income	<u>520</u>
Total non-operating revenues (expenses)	<u>7,341</u>
Income before operating transfers	<u>5,515</u>
Operating transfers out - Transfers	(10,000)
Free service provided	<u>(1,573)</u>
Total operating transfers out	<u>(11,573)</u>
Net Income	<u>(6,058)</u>
Retained earnings January 1.....	<u>954,555</u>
Retained earnings - December 31	<u>948,497</u>

Figure 10

Payroll Accounting

The following forms have been designed to record the payroll.

1. Payroll Register (Journal)
2. Order-Check
3. Employee's Earning Record

Payroll Register (Journal)

The payroll register is a record of all payroll checks written for a payroll period. The recommended form is shown in Figure 11. This register contains columns for the name of employee, hours worked, gross earnings, deductions, net pay, date, and order-check number. When the payroll has been completed order-checks should be written for each employee in the amount of the net pay and to the proper agencies for amounts withheld at the appropriate time, in accordance with the applicable rules and regulations. The register should be balanced before any checks are issued. The order-check number should then be recorded in the payroll or disbursements register. The gross earnings should be posted to the appropriate function or activity in the disbursements ledger as indicated by the account number. Only the total gross earnings for all employees should be posted in the disbursements ledger along with the beginning and ending order-check numbers.

PAYROLL REGISTER

Period from 20 to 20 Sheet No. of Sheets

Name	Hours		Earnings			Less PERA	Taxable Wages	Deductions					Net Amount	Date	Check No.
	Reg	O.T.	Regular	O.T.	Gross			Federal W.H. Tax	FICA	State W.H. Tax					

Figure 11

Accounting Manual For Small Cities and Towns

Order-Check

A special order-check has been designed to provide the employee with a record of gross pay, deductions, and net pay as shown in Figure 12. If your check does not follow this design, a separate statement of earnings and deductions should be provided to the employee.

ORDER-CHECK									
								No. 0000	
City of _____, MN 55555				_____ 20__					
Pay to									
The order of _____								\$ _____	
_____ Dollars									
For <u>Payroll</u>									

				Mayor					

				Treasurer					

				Clerk					
Period	Hours		Gross Pay	Deductions					Net Pay
	Reg	OT		W.H. TAX	Retire				

Figure 12

Accounting Manual For Small Cities and Towns

Employee's Earnings Record

A record of each employee's salary, deductions, and net pay must be kept in order to prepare required federal and state quarterly payroll returns, and the required year-end forms, as well as the "W-2" form at the end of the calendar year. The form shown in Figure 13 has been designed to provide this information. A separate sheet should be kept for each employee with the name and Social Security number shown at the top of the page. The necessary quarterly or year-end information is obtained by totaling and balancing the columns. Net pay plus ALL withholdings equals the gross pay.

EMPLOYEE'S INDIVIDUAL EARNINGS RECORD

Name _____ Social Security Number _____
 Address _____ Date Employed _____
 _____ Date Terminated _____
 PERA Plan _____

INCOME TAX DATA

Effective Date _____ Single _____
 No. of Withholdings _____ Married _____
 Additional Withholdings _____
 Hourly Rate of Salary _____

	Hours		Earnings			Deductions					Net Amount	Date	Order Check No.
	Reg.	O.T.	Reg.	O.T.	Gross	Federal	P.E.R.A.	F.I.C.A.	State				
						W.H. Tax			W.H. Tax				
1													
2													
3													
4													
5													
6													
7													
													Total for Quarter
													Totals Year-to- date
1													

Figure 13

Bond and Interest

Record of Indebtedness

Bonds are issued to provide money for construction or improvements. When bonds are issued, the clerk should establish a capital projects fund to ensure that the proceeds received are disbursed only for the intended purpose. A debt service fund should be established to record the receipts designated for bond payments, and the bond and interest payments.

Statutory cities may issue certificates of indebtedness for tax anticipation purposes (Minn. Stat. Sec. 412.261), and for certain equipment purchases (Minn. Stat. Sec. 412.301). Towns can issue certificates for any lawful purpose (Minn. Stat. Sec. 366.095).

Bond and Interest Record

The bond and interest record form is shown on page 58. This record contains all the information relating to the bond or certificate of indebtedness issues and should be filled in when the information becomes available.

Bond Maturity Record

The bond maturity record provides a record of all payments of principal, interest, and fiscal agent fees during the period in which the bonds are to be retired. As each payment is made, the date of payment should be entered in the last column. The bond maturity record should be kept current so that the Statement of Indebtedness (Form D1) can be prepared and returned to the county auditor.

BOND MATURITY RECORD

Date Due	Bond Numbers	Principal Due	Interest Due	Total Due	Paying Agent Charges	Date Paid

Figure 14

Record of Investments

Towns and cities should review their immediate cash needs throughout the year and invest any idle funds to provide additional revenue. Investments should be kept simple and should of course be in compliance with Minnesota Statutes. This means investing in passbook savings, certificates of deposit, or other authorized short-term investments. Safety of principal and availability are primary considerations. Collateral is required whenever investments exceed the \$100,000 FDIC coverage for bank CDs, just as in the case of FDIC and checking accounts. The excess amount must be protected by a bond or collateral, which at market value is at least 10 percent more than the excess deposit.

A record of all investments should be kept to maintain control over investments and to ensure that the city or town receives the correct interest payments as they become due. A record of investments should have columns for the date purchased, description of the investment, date of maturity purchase price, date sold, and the proceeds when sold. All investment transactions must be recorded in the disbursements register or receipts register at the time the investment is purchased or sold. A sample form for the recording of investments is included in Appendix C, on page 57.

Reconciliation Procedures

The receipts register and the disbursements register should be totaled and balanced at the end of each month. The total column in each register should equal the totals of all the fund columns (crossfoots). Year-to-date running totals of cash receipts and disbursements are very important, and provide control over the entire accounting system. Once the totals are accurately balanced, they may be posted to the cash control (Figure 15). Next the columns on the receipts and disbursements ledgers should also be totaled. Totals of the receipts *ledgers* should equal the totals in the receipts *register*. Likewise, totals of the disbursements *ledgers* should also equal the totals in disbursements *register*. The receipts and disbursements registers and ledgers should also be balanced by fund.

The clerk's cash balance must also be reconciled with the bank balance at the end of each month. Compare cancelled order-checks to the clerk's disbursements register and make a list of outstanding checks. Also, compare deposits with the receipts register and make a list of the deposits-in-transit. The bank balance plus the deposits-in-transit minus the total outstanding checks should equal the clerk's balance less any bank charges. This can be accomplished by using the cash control shown in Figure 15.

Accounting Manual For Small Cities and Towns

Cash Control

A cash control account should be maintained on a monthly basis. The running cash balance should be reconciled to the bank account monthly. A recommended format for the cash control is shown in Figure 15.

CASH CONTROL

	Capital						Total	Less	Plus	Total Per Bank Statement
	General	Debt Service	Projects	Water	Sewer	Reserve		Deposits in Transit	Checks Outstanding	
Balance January 1, 20XX	51,361.96	12,294.36	27,760.45	59,943.86	47,067.12	27,859.26	226,287.01	1,288.80	3,728.36	228,726.57
January Receipts	1,312.00	0.00	326.23	2,875.00	3,200.00	0.00	7,713.23			
Total	52,673.96	12,294.36	28,086.68	62,818.86	50,267.12	27,859.26	234,000.24			
January Disbursements	15,225.74	0.00	326.23	2,779.86	3,494.52	326.23	22,155.58			
Balance January 31	37,445.22	12,294.36	27,760.45	60,039.00	46,772.60	27,533.03	211,884.86	893.46	1,858.54	212,809.74
February Receipts	1,009.00	0.00	483.54	2,676.25	2,973.60	0.00	7,142.39			
Total	38,454.22	12,294.36	28,243.99	62,715.25	49,746.20	27,533.03	218,987.05			
February Disbursements	15,827.34	0.00	483.54	2,783.36	4,799.12	483.54	24,331.90			
Balance February 28	22,626.88	12,294.36	27,760.45	59,976.45	44,947.08	27,049.49	194,655.15	1,342.74	2,379.25	195,691.66

Figure 15

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Chapter 3 Budgets

Although budgets are not required by law for townships or most cities of under 2,500 population, they are essential to good fiscal management by the council or town board. Without a budget the governing body can only make general estimates of expenditures and revenue required for the next year. This can result in either levying more taxes than necessary or in not providing enough revenue to carry out municipal functions.

In order for the governing body to determine the amount of expenditures needed to carry out municipal activities in the next year, it is recommended that these amounts be based on past experiences. Anticipated revenue for the coming year can be estimated on the basis of revenue received in the past and on projections by the Minnesota Revenue Department. The historical information is found in the clerk's records. Unless the city or township has a finance director, it is usually the clerk's duty to prepare the budget.

Budget Preparation

State law provides that property tax levies must be certified to the county auditor by October 25 each year. In order for the governing body to determine the amount of taxes to levy, budget preparation for the coming year should begin about three months before October 25. Under the "Truth in Taxation Law," cities of over 2,500 population must adopt proposed budgets and certify them to the county auditor by August 1, so their budget preparation should begin in April.

The first step in budget preparation is to list all sources of revenue and all expenditures by function. Columns should be provided for the preceding year, the current year and the next year for which the budget is being prepared. The amounts for the preceding year should be taken from that year's annual financial statement. The amounts for the current year should be the budgeted amounts since actual amounts are not yet available. The amounts for the next year will be the budgeted revenue and expenditures determined by the council. (See sample form, page 29.) Only some of the revenue sources and expenditure categories are listed. Others may be added as necessary.

After the clerk has prepared the forms and supplied the information for the first two years, the budget should be presented to the council or town board for its determination of amounts required for each expenditure item for the next year. The governing body may prefer that department heads prepare budget requests that the clerk assembles into the preliminary budget. Whichever method is used, the expenditure amounts are added to arrive at the total. The revenues should also be reviewed and the anticipated amount from each source entered on the form. The total amount together with the anticipated balance or deficit from the current year will be the amount available to meet the budgeted expenditures. If projected expenditures exceed the anticipated revenues, the governing body must decide which expenses should be lowered or how to raise revenue to balance the budget. Of course,

Accounting Manual For Small Cities and Towns

if projected revenues exceed expenditures, a reduction may be made in the amount of property taxes to be levied.

Although the foregoing has dealt only with the general fund, the same procedures should be followed with each of the other funds. The council or town board may also want to prepare and adopt a multi-year capital expenditure program and budget. This would match available resources with proposed public improvements, facilities, and needed equipment.

When the budget has been completed for all funds and the property tax levy has been determined, the governing body should hold a public hearing. Although a hearing is required by law only for cities over 2,500 in population, it is a good idea to get citizen input. After adoption of the final budget and tax levy, the clerk should send the total tax levy to the county auditor. Cities over 2,500 population must also certify compliance with the "Truth in Taxation Law" to the Minnesota Department of Revenue.

Using the adopted budget, the clerk should prepare periodic reports for the city council or town board showing budgeted amounts and expenditures to date for each category. This allows the governing body not only to compare actual expenditures to the budget, but also to adjust budget amounts if necessary.

Further information on budgeting is contained in the League of Minnesota Cities publication, "*Guidelines for Preparing City Budgets*," and the towns can refer to the "*Township Officer's Handbook*" by the Minnesota Association of Townships. These publications are updated annually.

Accounting Manual For Small Cities and Towns

City Summary Budget Statement

The purpose of this report is to provide summary 20X2 budget information concerning the City of Lakeview to interested citizens. The budget is published in accordance with Minn. Stat. Sec. 471.6965. This budget is not complete: the complete budget may be examined at (title of city office, address). The city council approved this budget on (date)

Table 1
Governmental Funds 20X2 Adopted Budgeted

Budgeted Governmental Funds	20X0 Actual	20X1 Budget	20X2 Adopted
Revenues			
Property Taxes	\$ _____	\$ _____	\$ _____
Special Assessments	_____	_____	_____
Licenses and Permits	_____	_____	_____
Intergovernmental Revenues	_____	_____	_____
Federal	_____	_____	_____
State	_____	_____	_____
County	_____	_____	_____
Other Local Units	_____	_____	_____
Charges for Services	_____	_____	_____
Fines and Forfeits	_____	_____	_____
Interest on Investments	_____	_____	_____
Miscellaneous	_____	_____	_____
Total Revenues	_____	_____	_____
Other Financing Sources			
Proceeds from Borrowing	_____	_____	_____
Transfers from Other Funds	_____	_____	_____
Expenditures			
Current			
General Government	_____	_____	_____
Public Safety	_____	_____	_____
Streets and Highways	_____	_____	_____
Sanitation	_____	_____	_____
Health	_____	_____	_____
Culture and Recreation	_____	_____	_____
Urban & Economic Development & Housing	_____	_____	_____
Miscellaneous	_____	_____	_____
Total Current Expenditures	_____	_____	_____
Debt Service - Principal	_____	_____	_____
Interest and Fiscal Charges	_____	_____	_____
Total Capital Outlay	_____	_____	_____
Total Expenditures	_____	_____	_____
Other Financing Uses			
Transfers to Other Funds	_____	_____	_____
Increase (Decrease) in Fund Balance	_____	_____	_____
Property Tax Levy Requirement to Fund this Budget	_____	_____	_____

Figure 16

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Chapter 4 Financial Statements

City and town clerks are required to prepare an annual financial statement and present it to the town board or city council. The financial statements allow the governing body to review the financial condition of the city or town. It is recommended that interim financial reports be prepared for the town board or city council to allow them to review the financial condition of the city or town on a current basis.

Interim Financial Statements

Interim financial reports can be used to control current operations, determine the compliance with budgetary limitations, and to anticipate changes in the financial condition of the town or city. Interim reports should be prepared monthly, however, the small number of transactions in some towns or cities may make a bimonthly or quarterly report more practical. Figure 18 on page 33, is an example of an interim financial report.

Annual Financial Report

The explanation of schedules in this book covers the minimum reporting requirements for cities under 2,500 in population for cities reporting on a cash basis. It is recommended that towns use the sample financial statement shown in Appendix D, beginning on page 63, as a basis for preparing their annual financial report.

Schedule 1

Schedule 1 is a statement by fund of the receipts, disbursements, balances, and investments. This summary should contain all the funds, including enterprise funds. The clerk's balance on January 1 should agree with the December 31 balance of the preceding year.

Schedule 2

Schedule 2 is a statement of receipts, disbursements, transfers in and out, and balances in the fund at the beginning and end of the year. In this schedule, receipts are classified by source and disbursements are classified by function and activity. Statements for the general fund, special revenue funds, debt service funds, and capital projects funds should be included in this schedule.

Accounting Manual For Small Cities and Towns

Schedule 3 and 4

The statement of the enterprise funds should be prepared on an accrual basis of accounting. Schedules 3 and 4 are the balance sheet and operating statement for each enterprise fund.

Schedule 5

Schedule 5 is a statement of orders issued by object classification, showing the total amount paid during the year to each vendor or employee. Cities that publish the minutes of city council meetings showing to whom and for what purpose orders are drawn need not include Schedule 5 in their annual financial statement.

Schedule 6

Schedule 6 is the statement of indebtedness by type of debt. Each bond issue or certificate of indebtedness should be listed separately. Other long-term indebtedness (i.e. installment purchase contracts, contracts for deed, notes at the bank) should also be included on this schedule.

Schedule 7

Schedule 7 is a schedule of accounts receivable and accounts payable. List the receivables, cash not received during the current year, and payables, bills not paid until the following year, as of the end of the year.

Accounting Manual For Small Cities and Towns

Name of City
Interim Financial Report
General Fund
For the Period Ended February 28, 20X2

Revenues	Budget	Month	Year-to-date	Budget Remaining	Percent
Property Taxes	\$	\$	\$	\$	%
Special Assessments					
Licenses and Permits					
Intergovernmental Revenues					
Federal					
State					
County					
Other Local Units					
Charges for Services					
Fines and Forfeits					
Interest on Investments					
Miscellaneous					
TOTAL REVENUES					
Expenditures					
Current					
General Government					
Public Safety					
Streets and Highways					
Sanitation					
Health					
Culture and Recreation					
Urban Redevelopment & Housing					
Economic Development					
Miscellaneous					
Total Current Expenditures					
Capital Outlay					
Debt Service - Principal					
Interest and Fiscal Charges					
Total Expenditures					
Other Financing Sources (Uses)					
Proceeds from Borrowing					
Transfers from Other Funds					
Transfers to Other Funds					
Beginning Cash Balance					
Ending Cash Balance	\$	\$	\$	\$	\$

Figure 17

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Appendix A

Duties of City/Town Clerks

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Duties of the City Clerk

Minnesota Statutes Section 412.51 Duties of Clerk

Subdivision 1. Listed; fees; deputy; absence. The clerk shall give the required notice of each regular and special election, record the proceedings thereof, notify officials of their election or appointment to office, certify to the county auditor all appointments and the results of all city elections. The clerk shall keep (1) a minute book, noting therein all proceedings of the council; (2) an ordinance book to record at length all ordinances passed by the council; and (3) an account book to enter all money transactions of the city including the dates and amounts of all receipts and the person from whom the money was received and all orders drawn upon the treasurer with their payee and object. Ordinances, resolutions, and claims considered by the council need not be given in full in the minute book if they appear in other permanent records of the clerk and can be accurately identified from the description given in the minutes. The clerk shall act as the clerk and bookkeeper of the city, shall be the custodian of its seal and records, shall sign its official papers, shall post and publish such notices, ordinances and resolutions as may be required and shall perform such other appropriate duties as may be imposed by the council. For certified copies, and for filing and entering, when required, papers not relating to city business, the clerk shall receive the fees allowed by law to town clerks; but the council may require the clerk to pay such fees into the city treasury. With the consent of the council, the clerk may appoint a deputy for whose acts the clerk shall be responsible and whom the clerk may remove at pleasure. In case of the clerk's absence from the city or disability, the council may appoint a deputy clerk, if there is none, to serve during such absence or disability. The deputy may discharge any of the duties of the clerk, except that deputy shall not be a member of the council.

Subd. 2. Delegation; audit. The council by ordinance may delegate all or part of the clerk's bookkeeping duties to another officer or employee. The officer or employee who by ordinance is made responsible for the clerk's bookkeeping duties shall furnish a fidelity bond conditioned for the faithful exercise of duties. The council may provide for the payment from city funds of the premium on the official bond. If the bookkeeping functions of the clerk are delegated to the city treasurer, the council shall provide for an annual audit of the city's financial affairs in accordance with the minimum procedures prescribed by the state auditor. A copy of the ordinance shall be provided to the state auditor

Duties of the Town Clerk

Minnesota Statutes Section 367.11

It shall be the duty of the town clerk:

- (1) to act as clerk of the town board and keep in the clerk's office a true record of all of its proceedings;
- (2) unless otherwise provided by law, to have custody of the records, books, and papers of the town and file and safely keep all papers required by law to be filed in the clerk's office;
- (3) to record minutes of the proceedings of every town meeting in the book of town records and enter in them at length every order or direction and all rules and regulations made by the town meeting;
- (4) to file and preserve all accounts audited by the town board or allowed at a town meeting and enter a statement of them in the book of records;
- (5) to record every request for a special vote or special town meeting and properly post the requisite notices of them;
- (6) to post, as required by law, fair copies of all bylaws made by the town, and make a signed entry in the town records, of the time when and the places where they were posted and record in full all ordinances passed by the town board in an ordinance book;
- (7) to furnish to the annual meeting of the town board of audit every statement from the county treasurer of money paid to the town treasurer, and all other information about fiscal affairs of the town in the clerk's possession, and all accounts, claims, and demands against the town filed with the clerk; and
- (8) to perform any other duties required by law.

Appendix B

Chart of Accounts

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Chart of Accounts

Account Structure

The basic account structure has three dimensions: fund, account, and object code. Three digits are assigned to the fund, five to the account, and three to the object code.

The basic structure in the Chart of Accounts is organized as follows:

	<u>Fund</u>	<u>Account</u>	<u>Object</u>
Assets	xxx	1xxxx	
Liabilities	xxx	2xxxx	
Revenues	xxx	3xxxx	
Expenditures	xxx	4xxxx	xxx

Funds

Governmental Funds

- 100 General Fund
- 200 Special Revenue Funds (200 through 299)
- 300 Debt Service Funds (300 through 399)
- 400 Capital Projects Funds (400 through 499)

Proprietary Funds

- 600 Enterprise Funds (600 through 699)

Fiduciary Funds

- 800 Trust and Agency Funds (800 through 899)

Accounting Manual For Small Cities and Towns

Revenues and Other Financing Sources

- 31000 General Property Taxes
- 31800 Other Taxes
- 31900 Penalties and Interest on Delinquent Taxes
- 32000 LICENSES AND PERMITS
- 32100 Business Licenses and Permits
- 32200 Non-Business Licenses and Permits
- 33000 INTERGOVERNMENTAL REVENUES
- 33100 Federal Grants and Aids
- 33400 State Grants and Aids
- 33401 Local Government Aid
- 33402 HACA (Homestead Credit)
- 33403 Mobile Home Homestead Credit
- 33418 State Aid for Streets
- 33423 Disparity Reduction Aid
- 33600 GRANTS AND AIDS FROM LOCAL GOVERNMENTAL UNITS
- 33610 County Grants and Aids for Highways
- 33620 Other County Grants and Aids
- 33630 Grants and Aids From Other Local Governments
- 34000 CHARGES FOR SERVICES
- 34100 General Government
- 34200 PUBLIC SAFETY
- 34201 Police
- 34202 Fire Protection
- 34205 Ambulance Revenues
- 34300 HIGHWAYS AND STREETS
- 34400 SANITATION DEPARTMENT
- 34500 HEALTH DEPARTMENT
- 34700 CULTURE-RECREATION
- 34900 OTHER CHARGES
- 35000 FINES AND FORFEITS
- 35100 Fines
- 35200 Forfeits
- 36100 SPECIAL ASSESSMENTS
- 36101 Principal
- 36102 Penalties and Interest
- 36200 MISCELLANEOUS REVENUES
- 36210 Interest Earnings
- 36220 Rents and Royalties
- 36230 Contributions and Donations from
- 39200 OPERATING TRANSFERS
- 36290 Sale of Investments

For more extensive revenue classifications, you may refer to the complete Chart of Accounts available from the Office of the State Auditor upon request.

Accounting Manual For Small Cities and Towns

Expenditures and Other Financing Uses

- 41000 GENERAL GOVERNMENT
- 41100 Legislative (Council or Board)
- 41300 Executive (Mayor, Manager)
- 41400 Clerk
- 41500 Financial Administration
- 41600 Legal Services
- 41900 Other General Government
- 42000 PUBLIC SAFETY
- 42100 Police
- 42130 Traffic Control
- 42200 Fire
- 42800 Other Protection
- 43000 PUBLIC WORKS
- 43100 Highways, Streets and Roadways
- 43125 Ice and Snow Removal
- 43126 Road and Bridge Equipment
- 43130 Bridges, Viaducts and Grade Separations
- 43160 Street Lighting
- 43200 Sanitation
- 43220 Street Cleaning
- 43230 Waste Refuse Collection
- 43240 Waste (Refuse) Disposal
- 43250 Sewage Collection and Disposal
- 43251 Sanitary Sewer Construction
- 43252 Sanitary Sewer Maintenance
- 43253 Sanitary Sewer Cleaning
- 43260 Weed Control
- 45000 CULTURE-RECREATION
- 45100 Recreation
- 45200 Parks
- 45509 Branch Libraries
- 46100 CONSERVATION OF NATURAL RESOURCES
- 46102 Shade Tree Disease Control
- 46103 Other Natural Resources
- 47000 DEBT SERVICE
- 49000 MISCELLANEOUS EXPENDITURES
- 49010 Cemetery
- 49200 Unallocated Expenditures
- 49240 Insurance - Unallocated
- 49300 Other Financing Uses
- 49350 Purchase of Investments

For more extensive expenditure classifications, you may refer to the complete Chart of Accounts available from the Office of the State Auditor upon request.

Character and Object Classifications

Object Codes

Object Number	Current Expenditures
	<u>Personal Services</u>
100	Wages and Salaries
110	Other Pay
120	Employer Contributions for Retirement
130	Employer Paid Insurance
140	Unemployment Compensation
150	Worker's Compensation
160	Liability Insurance for Employees
	<u>Supplies</u>
200	Office Supplies
210	Operating Supplies
220	Repair and Maintenance Supplies
240	Small Tools and Minor Equipment
250	Merchandise for Resale
	<u>Other Services and Charges</u>
300	Professional Services
320	Communication
330	Transportation
340	Advertising
350	Printing and Binding
360	Insurance
380	Utility Services
400	Repairs and Maintenance - Contractual
410	Rentals
420	Depreciation
430	Miscellaneous

Character and Object Classifications (continued)

Object Number

Capital Outlay

510	Land
520	Buildings and Structures
530	Improvements Other than Buildings
540	Heavy Machinery
550	Motor Vehicles
560	Furniture and Fixtures
570	Office Equipment and Furnishings
580	Other Equipment
590	Books
599	Leasehold Improvements

Debt Service

600	Principal
610	Interest
620	Fiscal Agents' Fees

Other Financing Uses

Transfers

710	Residual Equity Transfers
720	Operating Transfers
730	Interfund Loans
800	Investments Purchased
810	Refunds and Reimbursements

For more extensive character and object classifications, you may refer to the complete Chart of Accounts available from the Office of the State Auditor upon request.

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Appendix C
Sample Forms

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Accounting Manual For Small Cities and Towns

Claim Number _____		
CLAIM		
City/Town of _____		County of _____
Date : _____ 20__		
To _____		
Address _____		

Audited and Allowed in the Sum of _____		
_____ Mayor		
_____ Clerk		
Distribution of Expense		
Fund	Account Number	Amount
Paid by Order-Check Number _____		
Filed in my office this _____		
day of _____, 20__		
_____ Clerk		
DECLARATION		
I declare under penalties of law that this account, claim or demand is just and correct and that no part of it has been paid.		
_____ Date		_____ Signature of Claimant

Accounting Manual For Small Cities and Towns

EMPLOYEE'S INDIVIDUAL EARNINGS RECORD

Name _____ Social Security Number _____

Address _____ Date Employed _____

_____ Date Terminated _____

INCOME TAX DATA

PERA Plan _____

Effective Date			
No. of Exemptions			
Additional Withholding			
Hourly Rate of Salary			

_____ Single _____ Married

	Hours		Earnings			Deductions					Net Amount	Date	Order Check No.	
	Reg.	O.T.	Reg.	O.T.	Gross	Federal	P.E.R.A.	F.I.C.A.	State					
						W.H. Tax			W.H. Tax					
1														
2														
3														
4														
5														
6														
7														
														Total for Quarter
														Totals Year-to-date
1														
2														
3														
4														
5														
6														

Accounting Manual For Small Cities and Towns

BOND AND INTEREST PAYMENT RECORD	
Title of Issue	_____
Amount of Issue	\$ _____
Date of Issue	_____
Date of Sale	_____
Term	_____
Purchaser	_____

Price	\$ _____
Interest Rates	_____

Net Interest Rate	_____ %
Principal Due	\$ _____
Interest Due	\$ _____
Denominations	_____

Paying Agent/Registrar	_____

Redemption	_____
Rating	_____
Bond Buyer's Index (BBI)	_____
Legal Opinion	_____

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Appendix D

Sample Town Financial Statements

The following statements are not a complete set of the required financial statements. For a complete set of recommended financial statements please refer to the *Minimum Reporting Requirements for Cities Reporting on a Cash Basis* publication issued by the Office of the State Auditor

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Accounting Manual For Small Cities and Towns

SCHEDULE 1

TOWN OF LAKEVIEW
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, BALANCES, AND INVESTMENTS
For the Year Ended December 31, 20__

Fund Name (a)	Clerk's Balance Jan. 1	Receipts	Sale of Investments	Transfers In	Disburse- ments	Purchase of Investments	Transfers Out	Clerk's Balance Dec. 31	Investments Balance Dec. 31
General Fund	\$2,688	\$9,788	\$10,000	---	\$9,051	\$12,000	\$1,000	\$425	\$42,000
Special Revenue Funds									
Road and Bridge	930	19,722	---	---	18,679	---	---	1,973	30,000
Fire	991	5,902	---	1,000	5,868	---	---	2,025	3,000
Total	\$4,609	\$35,412	\$10,000	\$1,000	\$33,598	\$12,000	\$1,000	\$4,423	\$75,000
				(b)			(b)		(c)

- NOTES: (a) Funds shown are for illustrative purposes only. All funds of the town should be shown.
 (b) Total Transfers In (for all funds) must equal total Transfers Out (for all funds).
 (c) Enter the total of certificates of deposit, investments, and savings accounts.

Accounting Manual For Small Cities and Towns

SCHEDULE 2

TOWN OF LAKEVIEW
GENERAL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Property Taxes	\$5,289	\$5,434	\$145
LICENSES AND PERMITS			
Business (Liquor, Cigarette, etc.)	25	28	3
Non-business (Building Permits, etc.)	250	225	(25)
TOTAL LICENSES AND PERMITS	<u>275</u>	<u>253</u>	<u>(22)</u>
INTERGOVERNMENTAL			
State Grants			
Local Government Aid	178	178	---
HACA	1,322	1,322	---
TOTAL INTERGOVERNMENTAL	<u>1,500</u>	<u>1,500</u>	<u>---</u>
CHARGES FOR SERVICES			
General Government (Filing Fees & Town Hall Rent)	100	104	4
MISCELLANEOUS			
Interest on Investments	2,000	2,259	259
Insurance Refund	---	238	238
TOTAL MISCELLANEOUS	<u>2,000</u>	<u>2,497</u>	<u>497</u>
TOTAL RECEIPTS	<u>\$9,164</u>	<u>\$9,788</u>	<u>\$624</u>
OTHER FINANCING SOURCES			
Sale of Investments	10,000	10,000	
Transfers From Other Funds	---	---	
TOTAL OTHER FINANCING SOURCES	<u>10,000</u>	<u>10,000</u>	
TOTAL RECEIPTS AND OTHER SOURCES	<u>\$19,164</u>	<u>\$19,788</u>	
DISBURSEMENTS			
GENERAL GOVERNMENT			
Town Board	\$3,500	\$3,250	\$250
Clerk and Treasurer	2,000	1,864	136
Elections	800	760	40
Assessor	850	850	"---
Legal	175	50	125
Town Hall	1,000	992	8
TOTAL GENERAL GOVERNMENT	<u>8,325</u>	<u>7,766</u>	<u>559</u>
SANITATION	600	600	---
CULTURE AND RECREATION			
Library	200	200	---
Park	350	325	25
TOTAL CULTURE AND RECREATION	<u>550</u>	<u>525</u>	<u>25</u>
MISCELLANEOUS	---	160	(160)
TOTAL DISBURSEMENTS	<u>9,475</u>	<u>9,051</u>	<u>424</u>
OTHER FINANCING USES			
Purchase of Investments	10,000	12,000	
Transfers to Fire Fund	---	1,000	
TOTAL OTHER FINANCING USES	<u>10,000</u>	<u>13,000</u>	
TOTAL DISBURSEMENTS AND OTHER USES	<u>19,475</u>	<u>22,051</u>	

Accounting Manual For Small Cities and Towns

SCHEDULE 2

TOWN OF LAKEVIEW
ROAD AND BRIDGE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Property Taxes	\$12,000	\$13,677	\$1,677
INTERGOVERNMENTAL			
State Grants			
HACA	1,925	1,925	---
Gas Tax	1,243	1,243	---
TOTAL INTERGOVERNMENTAL	<u>3,168</u>	<u>3,168</u>	<u>---</u>
CHARGES FOR SERVICES			
Road and Bridge	1,000	1,292	292
MISCELLANEOUS			
Interest on Investments	1,800	1,259	(541)
Insurance Refund	---	326	326
TOTAL MISCELLANEOUS	<u>1,800</u>	<u>1,585</u>	<u>(215)</u>
TOTAL RECEIPTS	<u>\$17,968</u>	<u>\$19,722</u>	<u>\$1,754</u>
OTHER FINANCING SOURCES			
Sale of Investments	---	---	
Transfers From Other Funds	---	---	
TOTAL OTHER FINANCING SOURCES	<u>---</u>	<u>---</u>	
TOTAL RECEIPTS AND OTHER SOURCES	<u>\$17,968</u>	<u>\$19,722</u>	
DISBURSEMENTS			
ROAD AND BRIDGE			
Wages	\$1,500	\$1,417	\$83
Supplies	1,950	2,643	(693)
Road Signs	200	118	82
Equipment Repair	500	358	142
Snow and Ice Removal	1,950	2,643	(693)
Capital Outlay			
Bridge Repair	7,500	7,500	---
Snowplow	4,500	4,000	500
TOTAL ROAD AND BRIDGE	<u>18,100</u>	<u>18,679</u>	<u>(579)</u>
TOTAL DISBURSEMENTS	<u>18,100</u>	<u>18,679</u>	<u>(579)</u>
OTHER FINANCING USES			
Purchase of Investments	---	---	
Transfers to Other Funds	---	---	
TOTAL OTHER FINANCING USES	<u>---</u>	<u>---</u>	
TOTAL DISBURSEMENTS AND OTHER USES	<u>\$18,100</u>	<u>\$18,679</u>	

Accounting Manual For Small Cities and Towns

SCHEDULE 2

TOWN OF LAKEVIEW
FIRE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Property Taxes	\$4,200	\$4,426	\$226
INTERGOVERNMENTAL			
State Grants			
Local Government Aid	178	178	---
HACA	783	783	---
TOTAL INTERGOVERNMENTAL	<u>961</u>	<u>961</u>	<u>---</u>
CHARGES FOR SERVICES			
Fire Calls	300	350	50
TOTAL CHARGES FOR SERVICES	<u>300</u>	<u>350</u>	<u>50</u>
MISCELLANEOUS			
Interest on Investments	100	150	50
Insurance Refund	---	15	15
TOTAL MISCELLANEOUS	<u>100</u>	<u>165</u>	<u>65</u>
TOTAL RECEIPTS	\$5,561	\$5,902	\$341
OTHER FINANCING SOURCES			
Sale of Investments	---	---	
Transfers From General Fund	---	1,000	
TOTAL OTHER FINANCING SOURCES	<u>---</u>	<u>1,000</u>	
TOTAL RECEIPTS AND OTHER SOURCES	\$5,561	\$6,902	
DISBURSEMENTS			
PUBLIC SAFETY			
FIRE			
Contract	\$3,500	\$4,368	(\$868)
Capital Outlay			
Shared Purchase of Truck	1,500	1,500	---
TOTAL PUBLIC SAFETY	<u>5,000</u>	<u>5,868</u>	<u>(\$868)</u>
TOTAL DISBURSEMENTS	<u>5,000</u>	<u>5,868</u>	<u>(\$868)</u>
OTHER FINANCING USES			
Purchase of Investments	---	---	
Transfers to Other Funds	---	---	
TOTAL OTHER FINANCING USES	<u>---</u>	<u>---</u>	
TOTAL DISBURSEMENTS AND OTHER USES	<u>5,000</u>	<u>5,868</u>	

Appendix E

Sample City Financial Statements

The following statements are not a complete set of the required financial statements. For a complete set of required financial statements please refer to the *Minimum Reporting Requirements for Cities Reporting on a Cash Basis* publication issued by the Office of the State Auditor.

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Accounting Manual For Small Cities and Towns

SCHEDULE 1

CITY OF LAKEVIEW
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, BALANCES, AND INVESTMENTS
For the Year Ended December 31, 20__

Fund Name (a)	Clerk's		Sale of Investments	Transfers In	Disburse- ments	Purchase of Investments	Transfers Out	Clerk's Investments	
	Balance Jan. 1	Receipts						Balance Dec. 31	Balance Dec. 31
General Fund	\$16,815	\$206,171	\$11,979	\$10,000	\$180,104	\$20,000	\$6,200	\$38,661	\$80,767
Special Revenue Funds									
Ambulance Fund	648	18,417	1,141	----	7,261	4,031	----	8,914	15,707
Park Improvement Fund	25,000	8,038	----	----	28,312	----	----	4,726	15,212
Debt Service Funds									
City Hall Debt Service	5,607	27,339	----	----	32,834	----	----	112	----
Street Improvement Debt Service	17,351	11,416	----	----	11,945	----	----	16,822	26,302
Capital Projects Funds									
Fire Hall	495	458,218	100,000	----	271,279	----	----	287,434	----
Street Improvement Construction	----	474,456	----	----	435,564	----	----	38,892	25,000
Enterprise Funds									
Water Fund	42,609	96,021	----	6,200	100,068	1,654	----	43,108	47,075
Sewer Fund	15,572	43,260	----	----	36,622	11,000	----	11,210	108,852
Liquor Fund	23,374	142,473	----	----	132,712	8,810	10,000	14,325	15,000
Total	\$147,471	\$1,485,809	\$113,120	\$16,200	\$1,236,701	\$45,495	\$16,200	\$464,204	\$333,915
				(b)			(b)		(c)

- NOTES: (a) Funds shown are for illustrative purposes only. All funds of the city should be shown.
 (b) Total Transfers In (for all funds) must equal total Transfers Out (for all funds).
 (c) Enter the total of certificates of deposit, investments, and savings accounts.

Accounting Manual For Small Cities and Towns

SCHEDULE 2

CITY OF LAKEVIEW
GENERAL FUND
STATEMENT OF RECEIPTS
For the Year Ended December 31, 20__

RECEIPTS

TAXES

General Property Tax		
Current, Delinquent, Penalties and Interest	\$68,364	
TOTAL TAXES		\$68,364

LICENSES AND PERMITS

Business (Liquor, Cigarette, etc.)	2,195	
Non-business (Building Permits, etc.)	105	
TOTAL LICENSES AND PERMITS		2,300

INTERGOVERNMENTAL

State Grants		
Local Government Aid	74,195	
HACA	28,550	
Fire Relief Aid	2,661	
Other (Airport)	4,336	
TOTAL INTERGOVERNMENTAL		109,742

CHARGES FOR SERVICES

General Government (Filing Fees & City Hall Rent)	92	
Public Safety	3,712	
Parks and Recreation	3,922	
Other (Cemetery)	1,292	
TOTAL CHARGES FOR SERVICES		9,018

FINES AND FORFEITS

County Court		4,128
--------------	--	-------

MISCELLANEOUS

Interest on Investments	5,591	
Insurance Claims	1,652	
Refunds Received	717	
Sale of Property	4,659	
TOTAL MISCELLANEOUS		12,619

TOTAL RECEIPTS		\$206,171
-----------------------	--	-----------

OTHER FINANCING SOURCES

Sale of Investments	11,979	
Transfers From:		
Liquor Fund	10,000	
TOTAL OTHER FINANCING SOURCES		21,979

TOTAL RECEIPTS AND OTHER FINANCING SOURCES		\$228,150
---	--	-----------

CITY OF LAKEVIEW
GENERAL FUND
STATEMENT OF DISBURSEMENTS
For the Year Ended December 31, 20__

DISBURSEMENTS

GENERAL GOVERNMENT

Mayor and Council		
Current	\$1,720	
Finance-Municipal Clerk/Treasurer		
Current	11,864	
Capital Outlay	1,840	
Elections		
Current	760	
Assessor		
Current	2,790	
Independent Accounting and Auditing		
Current	4,000	
Legal		
Current	925	
City Hall, General Government Buildings		
Current	<u>8,258</u>	
TOTAL GENERAL GOVERNMENT		\$32,157

PUBLIC SAFETY

Police Protection		
Current	35,999	
Capital Outlay	621	
Fire Protection		
Current	9,015	
Capital Outlay	412	
Protective Inspection		
Current	368	
Civil Defense		
Current	334	
Animal Control (Dog Catcher)		
Current	<u>453</u>	
TOTAL PUBLIC SAFETY		47,202

STREETS AND HIGHWAYS (Including Storm Sewers)

Streets and Alley		
Current	17,271	
Capital Outlay - Construction	23,456	
Capital Outlay - Equipment, Buildings, Etc.	1,540	
Snow and Ice Removal		
Current	3,430	
Street Lighting		
Current	<u>10,555</u>	
TOTAL STREETS AND HIGHWAYS		56,252

Accounting Manual For Small Cities and Towns

DISBURSEMENTS (Continued)

SANITATION		
Recycling		
Current	5,600	
Capital Outlay	4,200	
Weed Eradication		
Current	5,100	
Capital Outlay	<u>2,800</u>	
TOTAL SANITATION		17,700
CULTURE AND RECREATION		
Library		
Current	4,875	
Capital Outlay	1,474	
Recreational Activities, Facilities, Community Buildings		
Current	3,495	
Capital Outlay	2,229	
Parks and Boulevards		
Current	5,249	
Capital Outlay	<u>3,252</u>	
TOTAL CULTURE AND RECREATION		20,574
MISCELLANEOUS		
Airport		
Current	2,560	
Capital Outlay	3,000	
Other (Cemetery)		
Current	<u>659</u>	
TOTAL MISCELLANEOUS		<u>6,219</u>
TOTAL DISBURSEMENTS		<u>\$180,104</u>
OTHER FINANCING USES		
Purchase of Investments	20,000	
Transfers to Water Fund	<u>6,200</u>	
TOTAL OTHER FINANCING USES		<u>26,200</u>
TOTAL DISBURSEMENTS AND OTHER FINANCING USES		\$206,304

Note: Insurance, benefits, workers compensation etc. should be allocated to the proper functional category to which it applies.

CITY OF LAKEVIEW
SPECIAL REVENUE FUND
PARK IMPROVEMENT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS

INTERGOVERNMENTAL	
State Park Grant	\$7,662
MISCELLANEOUS	
Interest on Investments	<u>376</u>
TOTAL RECEIPTS	<u>\$8,038</u>

DISBURSEMENTS

CULTURE AND RECREATION	
Parks	
Current	1,540
Capital Outlay	<u>26,772</u>
TOTAL DISBURSEMENTS	<u>\$28,312</u>

CITY OF LAKEVIEW
SPECIAL REVENUE FUND
AMBULANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS

INTERGOVERNMENTAL

Local Grants	
County	\$7,000
Township	1,000

CHARGES FOR SERVICES

User Fees	4,698
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MISCELLANEOUS

Sale of Property	694
Refunds and Reimbursements	840
Donations	<u>4,185</u>

TOTAL RECEIPTS	<u>\$18,417</u>
----------------	-----------------

OTHER FINANCING SOURCES

Sale of Investments	<u>1,141</u>
---------------------	--------------

TOTAL RECEIPTS AND OTHER FINANCING SOURCES	<u>\$19,558</u>
--	-----------------

DISBURSEMENTS

PUBLIC SAFETY

Ambulance	
Current	4,977
Capital Outlay	<u>2,284</u>

TOTAL DISBURSEMENTS	<u>\$7,261</u>
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OTHER FINANCING USES

Purchase of Investments	<u>4,031</u>
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TOTAL DISBURSEMENTS AND OTHER FINANCING USES	<u>\$11,292</u>
--	-----------------

CITY OF LAKEWIEW
CITY HALL DEBT SERVICE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS

TAXES

General Property Tax
Current, Delinquent, Penalties and Interest \$17,286

INTERGOVERNMENTAL

State Grants and Aids
HACA 5,667

MISCELLANEOUS

Interest on Investments 4,386

TOTAL RECEIPTS \$27,339

DISBURSEMENTS

DEBT SERVICE

Principal 15,000
Interest 17,810
Fiscal Charges 24

TOTAL DISBURSEMENTS \$32,834

CITY OF LAKEVIEW
FIRE HALL CAPITAL PROJECTS FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended December 31, 20__

RECEIPTS

MISCELLANEOUS

Contributions	\$105,192
Interest on Investments	<u>3,026</u>

TOTAL RECEIPTS \$108,218

OTHER FINANCING SOURCES

Sale of Investments	100,000
Borrowing - Sale of Bonds	<u>350,000</u>

TOTAL OTHER FINANCING SOURCES \$450,000

TOTAL RECEIPTS AND OTHER SOURCES \$558,218

DISBURSEMENTS

PUBLIC SAFETY

Fire	
Capital Outlay	
Building Construction	231,279
Land	<u>40,000</u>

TOTAL DISBURSEMENTS \$271,279

Accounting Manual For Small Cities and Towns

SCHEDULE 4

CITY OF LAKEVIEW
WATER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
For the Year Ended December 31, 20__

Operating Revenues*	
Metered Water Sales	\$69,483
Bulk Water Sales	2,933
Connection Fees	<u>2,720</u>
Total Operating Revenues	<u>\$75,136</u>
Operating Expenses	
Salaries and Wages	12,705
Health and Life Insurance Contributions	1,688
Insurance	4,086
Supplies	1,497
Heat, Light, and Power	7,401
Depreciation	37,040
Repairs and Maintenance	<u>11,027</u>
Total Operating Expenses	<u>\$75,444</u>
Operating Income (Loss)	<u>(\$308)</u>
Nonoperating Revenues (Expenses)	
Interest on Investments	6,817
Taxes (Excluding HACA)	1,563
Special Assessments (Include penalties & interest)	11,848
State - HACA	657
Interest Expense	(36,393)
Fiscal Agent Fees	<u>(210)</u>
Total Nonoperating Revenues (Expenses)	<u>(\$15,718)</u>
Net Income (Loss) Before Operating Transfers	<u>(\$16,026)</u>
Transfer From the General Fund	<u>\$6,200</u>
Net Income (Loss)	<u>(\$9,826)</u>
RETAINED EARNINGS, JANUARY 1	\$165,776
RETAINED EARNINGS, DECEMBER 31	\$155,950

*Enter actual sales only. Do not include State sales tax.

CITY OF LAKEVIEW
 STATEMENT OF ORDERS ISSUED
 For the Year Ended December 31, 20__

PERSONAL SERVICES	
John Jones	\$9,162
Pete Smith	1,190
Rose McGinter	1,019
Craig Svenson (Attorney)	1,528
Wanda Tabert	1,050
Brad Lepper	11,050
OTHER SERVICES (other than personal)	
Northwestern Bell	2,991
Northern States Power	8,385
Jerry's Sanitation Service	8,976
MATERIALS AND SUPPLIES	
General Oil Company	3,410
Great Plains Supply	4,544
Hansman Plumbing & Heating	1,128
Kern's Machinery	2,265
OTHER CHARGES (e.g. rent, insurance, etc.)	
Bison Insurance Company	1,040
Employee Benefit Fund	1,103
County Sheriff - Police Protection	3,393
CAPITAL OUTLAY (permanent improvements, property)	
Hal's Asphalt & Cement Company	20,956
Johnson & Sons Construction	396,279
DEBT REDEMPTION	
First National Bank	32,834
Lakeview State Bank	66,603
OTHER	
Peterson Distributing Company	50,296
Van Dyke Distributing	36,059
Jasper Brewery	42,129
TOTAL	\$707,390

Accounting Manual For Small Cities and Towns

SCHEDULE 6

CITY OF LAKEVIEW
STATEMENT OF CITY INDEBTEDNESS
For the Year Ended December 31, 20__

BONDED INDEBTEDNESS	INTEREST RATE	ISSUE DATE	FINAL MATURITY DATE	OUTSTANDING			OUTSTANDING
				JAN. 1, 20__	ISSUED IN 20__	PAID IN 20__	DEC. 31, 20__
General Obligation *							
City Hall	5.0-5.4	3/1/__	3/1/__	335,000	0	15,000	320,000
Fire Hall	8.0-8.67	5/8/__	5/8/__	0	350,000	0	350,000
Total General Obligation				<u>\$335,000</u>	<u>\$350,000</u>	<u>\$15,000</u>	<u>\$670,000</u>
Tax Increment Bonds							
Development District				0	0	0	0
Total Tax Increment				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Assessment Bonds							
Elm Street Improvement	5.25-5.8	7/20/__	7/20/__	50,000	0	5,000	45,000
Birch Street Improvement	8.15-9.2	3/13/__	3/13/__	500,000	0	0	500,000
Total Special Assessment Bonds				<u>\$500,000</u>	<u>\$0</u>	<u>\$5,000</u>	<u>\$545,000</u>
General Obligation Revenue Bonds							
Water Utility	5.0	10/24/__	10/24/__	\$510,000	\$0	\$20,000	\$490,000
Revenue Bonds							
Municipal Liquor Store				0	0	0	0
Other (Identify)				0	0	0	0
Total Revenue Bonds				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL BONDED INDEBTEDNESS				<u>\$1,395,000</u>	<u>\$350,000</u>	<u>\$40,000</u>	<u>\$1,705,000</u>
OTHER LONG-TERM INDEBTEDNESS							
Installment Purchase Contracts	10.0	4/23/__	4/23/__	\$41,956	\$0	\$2,596	\$39,360
SHORT TERM INDEBTEDNESS							
Tax Anticipation Certificates				0	0	0	0
Other (Identify)				0	0	0	0
TOTAL SHORT TERM INDEBTEDNESS				<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CITY INDEBTEDNESS				<u>\$1,436,956</u>	<u>\$350,000</u>	<u>\$42,596</u>	<u>\$1,744,360</u>
				[a]		[b]	[c]

NOTE:

[*] Special Assessment Bonds and Revenue Bonds with General Obligation banking should not be classified as General Obligation Bonds.

[a] The Jan. 1 balance should agree with the Dec. 31 balance of the prior year.

[b] Amounts paid should agree with the amounts shown as principal paid on Schedules 2 and 4.

[c] Bonds maturing January 1, that are paid on or before December 31, should not be included in the balance outstanding at December 31.

CITY OF LAKEVIEW
STATEMENT OF ACCOUNTS RECEIVABLE
For the Year Ended December 31, 20__

<u>FUND</u>	<u>SOURCE OF REVENUE AND PURPOSE</u>	<u>AMOUNT</u>
General	Recreation Fees	\$230
Water	Customer User Charges	399
Ambulance	User Fees	<u>250</u>
TOTAL		<u>\$879</u>

CITY OF LAKEVIEW
STATEMENT OF ACCOUNTS PAYABLE
AND CONTINGENT LIABILITIES
For the Year Ended December 31, 20__

<u>FUND</u>	<u>VENDOR NAME</u>	<u>ITEM AND PURPOSE</u>	<u>CLAIM NUMBER</u>	<u>AMOUNT</u>
General	Carlson Electric	Repair Wiring	4096	\$106
General	Decker Supply Co.	Office Supplies	4112	75
General	Xcel Energy	December Electricity	4115	496
General	Qwest	December Telephone	4116	122
General	General Oil Company	December Fuel	4118	257
Liquor	Peterson Distributing	Liquor	4121	1,127
Liquor	Van Dyke Distributing	Liquor	4123	1,437
Water	Great Plains Supply	Water Meters	4125	1,442
Water	Kern's Machinery	Pump Repairs	4126	1,096
Sewer	LeBlanc Construction	Sewer Main Repair	4127	<u>2,734</u>
TOTAL				<u>\$8,892</u>

Appendix F

Glossary

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Glossary

Accounting System: A complete set of records and procedures that are used to record, classify, and report information on the financial condition and operations of an entity.

Account: A grouping of transactions that have similar characteristics. Taxes are an example of a revenue account.

Accounts Payable: A liability account reflecting amounts on account owed to private persons or organizations for goods and services received by a government.

Accounts Receivable: An asset account reflecting amounts due on account from persons or organizations for goods or services furnished by a government.

Accrual Basis of Accounting: The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods or services are received (whether cash is paid at that time or not). The accrual method of accounting is used for proprietary (enterprise) funds such as water or sewer, municipal liquor stores, and similar self-supporting entities.

Activity: A specific and distinguishable unit of work or service performed for the purpose of accomplishing a function for which the government is responsible.

Bond: A written promise to pay specified sum of money (principal or face value) at a specified future date (maturity date) along with periodic interest paid at a specified percentage of principal (interest rate). Bonds are long-term debt.

Budget: A plan of financial operation estimating proposed expenditures and the means of financing them, usually for a single year.

Cash Basis of Accounting: A basis of accounting under which transactions are recognized only when cash changes hands.

Chart of Accounts: A system of numbering accounts, entries, claims, receipts so that the symbol used reveals certain required information.

Claim: An itemization and declaration of a claim or demand against the city or town, requesting payment for goods or services, stating under the penalties of law that the claim or demand is just and correct and not previously paid. Claims are covered under Minn. Stat. Sec. 471.38-471.41 (Charter Cities and Towns) and Minn. Stat. Sec. 412.271 (Statutory Cities).

Disbursements: Payments in cash.

Accounting Manual For Small Cities and Towns

Disbursements Register: A chronological or consecutive record of payments in cash, entered from the claims at the time the claim and order is prepared.

Expenditures: Where accounts are kept on the cash basis, expenditures are recognized only when cash payments are made (cash disbursements). Where the modified accrual basis of accounting is used, the cost of the goods received or services rendered are recognized as expenditures, whether cash payments have been made or not.

Financial Statements: Summary statements of financial resources or cash flows prepared at the end of an accounting period from the ledgers. (Balance sheets, statements of revenues, expenditures and changes in fund balances, or statements of cash receipts and disbursements)

Functional Classification: Expenditure classification according to the principal purposes for which expenditures are made. Examples are public safety, streets and highways (road and bridge).

Fund: An accounting entity with a self-balancing set of accounts recording all financial transactions for specific activities that are segregated in accordance with special regulations, restrictions or laws. Examples are the general fund, library fund, road and bridge, and debt service.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards and guidelines covering financial accounting and reporting. GAAP encompass the conventions, rules and procedures defining accepted accounting practice at a particular time. GAAP provide a standard for financial statement presentation. The primary authoritative body for applying GAAP to state and local government is the Governmental Accounting Standards Board (GASB) and its publications.

General Obligation Bonds: Bonds that are backed by the full faith and credit (taxing authority) of the issuing government.

Governmental Fund Types: Governmental funds include the general fund, special revenue funds, capital projects funds, and debt service funds.

Interim Financial Statements: A financial statement prepared before the end of the current fiscal year and covering only financial transactions for the current year to date.

Intergovernmental Revenues: Revenues from other governments in the form of grants, entitlements, shared revenues, or payments in lieu of taxes.

Internal Control: A plan of organization for purchasing, accounting, and other financial activities that provides for the segregation of duties so that no single employee handles a financial transaction from beginning to end; proper authorizations from responsible officials before key steps in processing transactions are completed; and records and procedures arranged appropriately to facilitate effective control.

Accounting Manual For Small Cities and Towns

Invoice: A detailed list of goods shipped or services rendered with an accounting of all costs.

Ledger: A group of accounts in which financial transactions of the entity are recorded.

Modified Accrual Basis of Accounting: The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash except for material and available revenues that should be accrued to reflect taxes levied and revenues earned.

Object Code: Object of expenditure classification is based on the categories of goods and services purchased. Objects of expenditure include: personal services (salaries and wages), contracted services, supplies and materials, and capital outlays.

Operating Budget: Plans for current expenditures and the proposed means of financing them. The annual operating budget is the means by which most acquisition, spending, and services of a government are controlled. Even where not required by law, annual operating budgets are essential to sound financial management and should be adopted.

Order-Check: An order-check is the method used for disbursing funds in the cities and towns in Minnesota. The order is drawn upon the treasurer by the mayor (chairman) and clerk. When signed by the treasurer, it becomes a check. All disbursements of city funds shall be made by an order drawn by the mayor and clerk upon the treasurer, under Minn. Stat. Sec. 412.271. Town order-checks are covered under Minn. Stat. Sec. 367.18.

Receipts: Cash received.

Receipts Register: A chronological or consecutive record of cash received, entered from the receipt form on a daily basis.

Revenue: The term designates an increase to a fund's assets that does not increase a liability, does not repay a previous expenditure, does not cancel certain liabilities and does not increase contributed capital.

Revenue Budget: The planned sources of revenue for funding the expenditures in a budget.
(See Budget, Operating Budget)

Source of Revenue: Revenues are classified according to their source or point of origin. Examples are state or federal grants, taxes, charges for services.

Statement: A monthly abstract or report by a vendor recapping invoices issued, payments received and balance due for an account for goods or services provided to a city or town.

Accounting Manual For Small Cities and Towns

Vendor: A business or individual who provides goods or services to an entity, and bills for their services when the goods have been delivered, or when the services are completed.

Year End Financial Statement: Financial statement prepared at the end of an accounting period (year-end) after the books have been closed for that period. It is an important document summarizing the transactions for the accounting period, for use by the elected officials, the city management, and the public.