CTAS News & Notes

Why did I receive this Newsletter?

One of the responsibilities of the Office of the State Auditor is to assist cities and townships in keeping good accounting records. To help fulfill this responsibility, this newsletter is being sent to all the cities under 2,500 in population, in addition to all townships in Minnesota.

Accounting and Financial Reporting for Cities and Towns

The State Auditor's Office has developed a number of tools to assist cities and towns in accounting and financial reporting. First, and foremost, is the Small City and Town Accounting System software (CTAS). CTAS is designed to help local governments perform their bookkeeping duties.

For local governments that are not using CTAS, the Auditor's Office has developed a set of electronic reporting tools. There is a reporting tool for Cities reporting according to Generally Accepted Accounting Principles (GAAP) and one for cities reporting on a cash basis. A similar set of tools is available for townships.

In addition, within this newsletter is the information on year-end procedures for cities and towns, whether the books are kept manually or on a computer.

About CTAS

CTAS is an award winning accounting software package from the Office of the State Auditor. This is a time-tested package with over 1,200 local governments currently using the software.

- **It Eliminates** the manual method of financial reporting and bookkeeping by recording your transactions on a personal computer.

- **Is Designed** for small cities and towns to keep their accounting records on computer.

- **Follows** accounting procedures outlined in the Accounting Manual for Small Cities and Towns in Minnesota.

CTAS performs the following tasks:

- **Receipts and Disbursements** - Tracks receipts and disbursements. Prints the registers and ledgers.

- **Claims** – This module provides a complete set of tools to accomplish all of the tasks for claims, including check printing.

- **Financial Statements** - Prepares interim & year-end financial statements.

- **Payroll** - Calculates the taxes and withholdings for each employee. Provides the information for filing the reports. Prints payroll registers for each pay period.

- **Training** - One day of instruction, including actual hands-on practice.

- **Telephone Support** - The Helpline is available from 8:00 a.m. - 3:00 p.m. Monday thru Friday.

Forms and Due Dates

Below are the Office of the State Auditor's reporting forms and due dates for the cities and towns:

Cities

1. City Summary Budget Data Reporting Form – Due: January 31

2. Local Government Lobbying Costs Reporting Form – Due: January 31

3. Financial Reporting Form for Cities Reporting on a Cash Basis – Due: March 31

4. Financial Reporting Form for Cities Reporting in Accordance with Generally Accepted Accounting Principals – Due: June 30

Towns

1. Financial Reporting Form for Towns Reporting on the Cash Basis – Due: March 1

2. Financial Reporting Form for Towns Reporting in Accordance with Generally Accepted Accounting Principals – Due: June 30

Beginning later this year, most forms will be filed electronically. Instructions on completing and filing the reporting forms will be sent in time to meet the reporting deadlines.

Year-end Financial Statements and Audit Report Requirements

Minnesota Statutes define the reporting requirements for towns and cities. Summarized below are the requirements:

Cities

1. Cities under 2,500 in population with a separate clerk and treasurer – Cash basis financial statements are due March 31.

2. Audit reports prepared in accordance with Generally Accepted Accounting Principals (GAAP) are due June 30.

3. Cities under 2,500 in population with audit reports prepared on the Cash basis are due March 31.

4. Cities under 2,500 in population with a combined clerk-treasurer position with total revenues less than $158,850 – must have an audit once within every five-year period.

5. Cities under 2,500 in population with a combined clerk-treasurer position with total revenues in excess of $158,850 – must have an audit every year.

6. Cities over 2,500 in population – must have an audit report prepared in accordance with GAAP. The audit report is due in our office by June 30.

Towns

1. Towns under 2,500 in population with a separate clerk and treasurer – should prepare cash basis financial statements.

2. Towns under 2,500 in population with a combined clerk-treasurer position with total revenues less than $158,850 – must have an audit once within every five-year period.

3. Towns under 2,500 in population with a combined clerk-treasurer position and total revenues in excess of $158,850 – must have an audit every year.

4. Towns over 2,500 in population with annual revenues less than $670,500 – must file a reporting form on the modified accrual basis of accounting.

5. Towns over 2,500 in population with annual revenues over $670,500 – must have an audit report prepared in accordance with GAAP. The audit report is due in our office by June 30.

Manual Accounting

Year-end Closing Procedures

Presented below are a few guidelines to assist finance officers in completing the year-end procedures.

In December:

1. Coordinate the approval and payment of all legal claims for the current year.

2. Collect, record and deposit all monies in the bank.

3. Pay and record all approved claims.

4. If your city or town will be audited, contact your auditor for any special instructions.

Year-end Procedures:

1. Finish entering all transactions for the year.

2. Prepare a list of accounts receivable & accounts payable (Schedule 7). (MN Stat. § 471.698)

3. Analyze each ledger account to detect any information that is not complete, correctly entered or properly classified.

4. Review registers to detect any receipt, claim or check that has not been recorded.

5. Prepare a year-end schedule (Schedule 8) of investments. Reconcile the schedule with statements from banks or other financial institutions.

6. Reconcile the December/ January bank statement.

7. Prepare "Schedule 1 - Statement of Receipts, Disbursements and Fund Balances" for all funds.

8. Prepare "Schedule 2 - Receipts and Disbursements by Fund" for each fund.

9. Prepare "Schedules 3, 4 and 5" as required for enterprise funds.

10. Prepare "Schedule 6 – Statement of City Indebtedness."

11. Balance each report, cross checking the total receipts and disbursements.

12. Correct the registers, ledgers and financial statements as needed.

13. Bind the final and complete set of the following reports for permanent retention: Receipt Ledgers, Receipt Registers, Disb. Ledgers, Disb. Registers, Year-end & Interim Financial Statements.

For more information on the reporting requirements for cities reporting on a cash basis, request a copy of the <u>Reporting and Publishing Requirements for Cities Reporting on a Cash Basis</u> from the Auditor's Office at (651) 297-3688. This manual may also be downloaded from the State Auditor's website.

CTAS Accounting

Year-end Closing Procedures

The CTAS system is a cash basis system and requires no closing journal entries. Thus, closing the books is a simple process. Presented below are a few guidelines to help the user in completing the year-end procedures.

In December:

1. Coordinate the approval and payment of all legal claims for the current year.

2. Collect, record and deposit all monies in the bank.

3. Pay and record all approved claims.

4. If your city or town will be audited, contact your auditor for any special instructions.

Year-end Procedures:

1. Finish entering all transactions for the year.

2. Cities are required to prepare a list of accounts receivable & accounts payable (Schedule 7). (MN Stat. § 471.698)

3. Run receipt and disbursement registers for the final month of the year.

4. Print ledgers of all accounts from the beginning of the year.

5. Analyze each ledger account to detect any information that is not complete, correctly entered or properly classified.

6. Review registers to detect any receipt or check that has not been recorded.

7. Prepare or print a schedule of investments. Reconcile the schedule with statements from banks or other financial institutions.

8. Print a cash control report. Reconcile the bank statement to the cash control report.

9. Print "Schedule 1 - Statement of Receipts, Disbursements and Fund Balances" for all funds.

10. Print "Schedule 2 - Receipts and Disbursements by Fund" for each fund.

11. Balance each report, cross checking to be sure that the total receipts and disbursements are correct.

12. Correct and rerun the registers, ledgers and financial statements as required.

13. Bind the final and complete set of the following reports for permanent retention: Receipt Ledgers, Receipt Registers, Disb. Ledgers, Disb. Registers, Year-end and Interim Financial Statements.

14. Make final **backup** copies of the data. Document, date and retain the copies as a permanent record. Remember to store one set of backup copies off-site.

Audited Financial Statements

Present the Cash Receipt and Disbursement Ledgers and Registers, the Cash Control Reports, and the Year-end Financial Statements to the auditor. These records will serve as the starting point for the audit.

The auditor may want a copy of the data to use on their computer. Use the backup utility in CTAS to provide the auditor with a copy of the data. If you need assistance in providing these copies, please call the Helpline.

In addition, The Office of the State Auditor requires all audit reports to be filed electronically using the Adobe Acrobat format (PDF).

CTAS Year-end Procedures

CTAS is designed to account for multiple years in the same database. Therefore, the year-end processing is quite simple. The procedures for completing the year-end processing are as follows:

1. In CTAS, click on the Admin icon.

2. Click on the Year-end Processing tab.

3. Click on the Run button.

This will change the current fiscal year from 2006 to 2007. Also, the 2007 beginning balances will be calculated.

Tax Tables

The tax tables, in the payroll system, must be updated.

The Federal tax table information is entered from the Circular E issued by the Internal Revenue Service. The tax table from the Circular E is the table for the Annual Payroll.

The State of Minnesota tax tables can be found on the Department of Revenue's website www.taxes.state.mn.us. The formula method contains the information for CTAS.

When the information for the tax tables becomes available, it will be posted in the CTAS section of the State Auditor's website.

Training

The State Auditor's Office offers training sessions on CTAS. This is a basic course designed for those users that have limited or no experience using CTAS. Registered users are notified of the training dates in the CTAS newsletter.

These sessions are held at the State Auditor's Office in St. Paul. A training session is scheduled for November 2, 2006. The training session begins at 9:00 a.m. and will end at approximately 1:00 p.m. Lunch is on your own after the training session.

Please call Ms. Deb Schultz at (651) 297-3688 to register for the training session. The resources available for training require that we have a maximum of eight people for a session. Due to the time and resource commitment, the Office of the State Auditor reserves the right to cancel a training session if registrations do not exceed three.

The training session will be held at the State Auditor's Office, Suite 500, 525 Park Street, St. Paul, MN. Directions to our location may be obtained from the Office of the State Auditor's website. Parking is available across the street in the Bethesda Ramp.

The Helpline

This column will answer the questions the Helpline receives frequently.

Transferring the CTAS System and Data from One Computer to Another

Here are the steps to transfer the CTAS program and your data from one computer to another:

Using the Old Computer:

Backup your data using the backup utility in CTAS.

Using the New Computer:

1. Install CTAS on the new computer using Version 6.0.8. If you do not have a 6.0.8 CD, the system can be downloaded from the website.

2. Start CTAS and click the Restore button on the Welcome screen.

3. Insert the backup diskette, CD, etc. into the computer.

4. Click the Run Restore and follow the on screen directions. Note: If you are not using a diskette, click the Browse button and select the appropriate drive.

5. After the restore is completed, click the Continue button. The CTAS system with your information is now loaded.

Enter a Transfer Between Funds

Transfers are used to move resources from one fund to another. The CTAS system requires the use of specific numbers for transfers. The receipt account number is 39200 and the disbursement account number is 49360.

The entries for transferring money from the General Fund (100) to the Road and Bridge Fund (201) is as follows:

Into the Road and Bridge Fund:
Receipt Number: TRF1006
Account No.: 201-39200

Out of the General Fund:
Check Number: TRF1006
Account No.: 100-49360-720

The TRF1006 is the number I assigned to this transaction. The TRF is my abbreviation for transfers. The number 1006 is the month and the date. This way, unless there is more than one transfer in a month, the receipt and disbursement numbers will not be duplicated.

Also, I use the same number for both the receipt and disbursement to make it easy to track the transaction.

Using the assigned number will ensure that the transfers are shown in the transfer column of Schedule 1 of the financial statements. The transfer of money to or from a savings account should be recorded as a purchase or sale of an investment.

Recording a Purchase or Sale of an Investment (a deposit or withdrawal from a savings account)

The transfer of money from the savings account to the checking account is defined as a sale of an investment in accounting terms.

To record the transfer of money from the savings to the checking (sale of investment), click the Add Button in the receipts section.

Then follow these steps:

1. For the receipt number, a code can be used, such as SI1006, for a sale of investment. I used 1006 to show the month and year of the withdrawal.

2. Then enter the date, the name of the bank from which the withdrawal was made, the amount of the withdrawal, and a description.

3. Enter the allocation of funds for the sale of the investment using 36290 as the account number and record the transaction.

To record the transfer of money from the checking to the savings (purchase of investment), click the Add Button in the disbursements section.

Then follow these steps:

1. For the check number, a code can be used, such as PI1006, for a purchase of investment. I used 1006 to show the month and year of the deposit.

2. Then enter the date, the name of the bank into which the deposit was made, the amount of the deposit, and a description.

3. Enter the allocation of funds for the purchase of the investment using 49350 as the account number and record the transaction.

Bottom of the Ninth
By David Kazeck

This column is designed to give you my perspective on CTAS and related accounting issues. I hope you find this column interesting.

⊖ Current Version of CTAS

The current version of CTAS is 6.0.8. If you have an earlier version of the CTAS software, you cannot file your year-end report using CTAS. The update for Version 6.0.8 can be downloaded from the State Auditor's website.

⊖ Township Training

The Office of the State Auditor will be presenting a session on CTAS at the Township Annual Conference. The conference will be held in Duluth on November 16, 2006. For more information on the conference, please call M.A.T. at 1-800-228-0296 or go to www.mntownships.org.

⊖ Data Security

The Office of the State Auditor uses a software program, Truecrypt, to encrypt data that contains private information. This software requires a password in order to access the data.

In addition, all computers are cable locked. CTAS users should review their security needs and take the steps they feel are appropriate.

⊖ CTAS Computer Checks and Envelopes

The three vendors that can provide checks and window envelopes for the CTAS system are:

> Rose Virnig
> American Business Forms
> (320) 763-5535
> (800) 862-3690

> Paul Schmidt
> Victor Lundeen Corp
> (218) 736-5433
> (800) 346-4870

> Eugene Dufault
> Dufault Business Forms
> (218) 281-3903
> (800) 950-4649

⊖ Email

A quick note about the advantages of using email. A number of users do the town or city business in the evening or on weekends when the Helpline is not available. By using email, a response to the questions is generally sent by 8:00 a.m. the next business day.