**QUICKBOOKS RECORDS WITH SUPPORTING EXCEL RECORDS FOR SMALL MUNICIPALITIES**

**cLASS TRACKING – FUND ACCOUNTING:**

**Purpose of Class Tracking (Fund Accounting)**

In QuickBooks, you can create classes (funds) that you assign to transactions to allow the Municipality to track revenue and expenditure account balances by Fund. Each municipality should create a separate fund for General Fund, for each special revenue fund and for each enterprise fund as required by the Municipal Accounting Manual.

However, most versions of QuickBooks records have been developed to record balance sheet accounts in one column and not by fund. In this narrative the municipality will have to create additional Excel records to record balance sheet cash assets on a fund basis.

It should be noted that records and the annual financial reports of small municipalities in South Dakota only need to be reported on the cash basis of accounting. In cash basis of accounting, the revenues are recorded to equal cash received and expenditures are recorded to equal the amount of checks issued and the balance sheet will only reflect cash balances. It should be understood for QuickBooks users that if you use the accounts receivable software for utilities or the payroll software the municipality will automatically be forced to record transactions on the accrual basis as the utility revenue will be equal to the billings – offset by receivables and the payroll will be equal to gross payroll-offset by liabilities. Therefore, each municipality using accrual records will need to decide either to use the accrual systems or how to replace the accrual records with cash basis accounting records. If a municipality chooses to record their transactions on the accrual basis, they would have to make adjustments annually to the accrual basis to reverse the accrual revenue entries back to cash basis or to pay off all the accrued payroll liabilities to reflect a cash basis financial statement presentation. If the municipality chooses to record transactions on the accrual basis to include non-cash transactions, the municipality should prepare the accrual financial statements which format usually applies to larger municipalities as provided in the Municipal Accounting Manual.

The records prescribed in this narrative have been designed on the cash basis of accounting using a combination of QuickBooks records and Excel records as follows.

**QuickBooks Pro - Instructions on Setting up Accounts for Fund Accounting:**

We have created a Power Point presentation based on QuickBooks Pro on setting up funds, cash basis balance sheet accounts, revenue accounts and expenditure accounts. **See Example No. 1.**

**QuickBooks Pro – Sample pdf Chart of Accounts:**

We have created a QuickBooks cash basis chart of accounts from the Municipal Accounting Manual for the balance sheet, revenues and expenditures in a pdf format **(See Example No. 2)**. The accounts may need to be modified on your QuickBooks software based on each individual municipality’s fund and account structure using the instructions from **Example No. 1.**

**QuickBooks Pro – Downloadable Excel Chart of Accounts:**

The chart of accounts of **Example No. 2** has been downloaded to an Excel format which is a downloadable version that can be downloaded as a new QuickBooks Account on the current QuickBooks software **(See Example No. 3).** After you download the Excel chart of accounts, you can still made additions or other changes to the chart of accounts by using the instructions from **Example No. 1.**

**Instructions to Download the Excel format Chart of Accounts to a New QuickBooks Account:**

1. Create a new QuickBooks Account. Once a new QuickBooks account is created you are ready to create your charts of accounts by importing the excel list provided from **Example No. 3**.
2. At the top of the screen it will say “File, Edit, View, List …”
3. Click on “Lists”.
4. Then choose “Charts of Accounts”.
5. At the bottom of the screen under charts of accounts there will be the word “Accounts” and a drop-down list. Click on the drop-down list. You will choose “Import from Excel”.
6. You will select a file. This name should be “New Charts of Accounts”. You will find this by browsing.
7. Put the excel file somewhere where it can be found easily.
8. Choose a sheet in this excel workbook.
9. Select a File Name. Browse and find your file name.
10. Choose a sheet in this excel workbook. Select sheet 1

You will NOT check the box that says this data file has header rows.

1. Continue down to DATA MAPPING.

Choose mapping from the drop-down box - you will “Add New”

Under mapping name, make name “New List”

Import Type I and leave the name “Account”

1. Under Import Data there are several categories. Excel sheet only has 2 columns.

Under Type - Choose Column B

Under Name - Choose Column A

1. Then Save

When the screen pops up with “Import” click on it and then choose “yes”

This should import charts of accounts.

If it says “Error Log” do you want to save – click “No”

**QUICKBOOKS BOOKS OF ORIGINAL ENTRY:**

**COLLECTIONS:**

All receipts should be recorded on the cash basis which means that revenue should be recorded equal to the cash received and deposited. All collections should be recorded (or referenced) by receipt number and recorded by fund and revenue account. The following QuickBooks revenue reports can be generated as indicated below. In addition, the receipts recorded on the following QuickBooks receipt journals are automatically recapped and summarized on the Profit and Loss Report which report is the document used to record the monthly revenue to the Excel Fund Cash Balance Record and to the Excel Revenue Budget Record.

**Receipt Journal by Class (Fund)**

Reports – Company & Financial – Profit and Loss – Choose appropriate dates for month – Total Income (Double Click) – Total by Class on Drop Down – Customize Report – Display – Columns – Select:

* Type
* Date
* Num
* Name
* Class (Fund)
* Balance Amount

Note: (left margin) will always be checked by default and that is fine. This will be true with every report created.

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort by Num (Excel – Data – Sort by Num). Create a total at the bottom of column “Original Amount”. Delete any unnecessary columns. You can always tweak this report to add or delete additional columns if needed. The total of the “Original Amount” column should be compared monthly with the grand total of the Profit and Loss Report and they should agree. Always remember to save the Excel spreadsheet after making updates.

Small town records are generally maintained on the cash basis of accounting. If the Municipality uses the QuickBooks Utility Billing Software the revenues will be recorded on the accrual basis of accounting in which utility billings will be recorded as revenue and offset by accounts receivable. Therefore, we suggest the Municipality set up the QuickBooks Utility Software in a separate account. This account will be independent of the revenue transactions of the QuickBooks accounting records and will create an accounts receivable general ledger control that can be balanced monthly to the individual accounts receivable records. This new account will also enable the Municipality to record the collections of the utility software as a cash revenue in the Profit and Loss Report in the QuickBooks accounting records.

**Deposit Detail Report (Use if a Monthly Receipt Journal by Class is Not Available**)

Reports – Custom Reports – Transaction Detail (Click) – Display – Choose Appropriate Dates for Month – Report Basis (Choose Cash) - Columns – Select:

* Type
* Date
* Num
* Name
* Account
* Class (Fund)
* Paid Amount

Filter Tab – Choose Account – Multiple Accounts – Select:

* Cash
* Checking
* Savings
* Certificates of Deposit
* Other Cash Accounts

Click OK – Filter – Transaction Type – Multiple Transaction Types – Deposit (Cash Basis) – Click OK – Filters – Include Split Detail – Click Yes – Filter – Choose Amount – Less than Zero – Click OK – Click Total by – Class (Fund) and which is located close to top of screen by date

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format. Delete any unnecessary columns. You can always tweak this report to add or delete additional columns if needed. The total deposits should be compared monthly with the grand total of the Profit and Loss Report and they should agree. Always remember to save the Excel spreadsheet after making updates.

This exported Deposit Report on a class (fund) basis will balance detailed deposits by receipt number order or date order which can be compared with bank deposits. If the revenue of the deposit report are comingled without a class/fund distinction, the created Excel Deposit Report should identify a fund for each account, be summarized by Fund and Account and be summarized on the monthly Profit and Loss Report.

**DISBURSEMENTS:**

All disbursements should be recorded on the cash basis which means than an expense is recorded equal to the amount of the check issued. All disbursements should be recorded (or referenced) by check number and recorded by fund, department and expenditure object account for governmental funds and by fund and expenditure object account for enterprise funds. The following expenditure reports can be generated as indicated below. In addition, the checks recorded on the following QuickBooks cash disbursement journals are automatically recapped and summarized on the Profit and Loss Report which report will be the document to monthly record the expenditures to the Excel Fund Cash Balance Record and to the Excel Expenditure Budget Record.

**Monthly Disbursement Journal by Class (Fund)**

Reports – Company & Financial – Profit and Loss – Choose appropriate dates for month – Go to Total Expense on Profit and Loss – Double Click – Customize Reports – Display Tab – Columns – Select:

* Type
* Date
* Num
* Source Name
* Class (Fund)
* Balance

Report Basis will be Cash. Click on dropdown box Total By – Class. Sort by – Default.

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format. Sort by Num (Excel – Data – Sort by Num). Create a total at the bottom of column “Original Amount”. Delete any unnecessary columns. You can always tweak this report to add or delete additional columns if needed. The total of the “Original Amount” column should be compared monthly with the grand total of the Profit and Loss Report and they should agree. Always remember to save the Excel spreadsheet after making updates.

**Check Detail Report**

Reports tab – Banking – Check Detail – Choose the months for the audit period (for example 01/01/2021 to 12/31/2021) – Customize Report – Display tab make sure the following items are checked: (Do this on an annual and monthly basis)

* Type
* Num
* Date
* Name
* Memo
* Item
* Account
* Paid Amount
* Class
* Split
* Original Amount

The Check Detail Report should be completed in check number order for purposes of internal accounting control.

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

**Adjustments:**

Errors found in the posting of receipts and disbursements should be corrected and dated in the month the error was found. If you find an error made in a previous month, do not adjust the original receipt or check as this type of adjustment would distort any monthly reports previously issued. Instead, record a new receipt or a new check to properly adjust the original error. On the receipt or check voucher document, be sure to reference the specific receipt number or check number in error and describe the nature of the error for future reference.

**QUICKBOOKS SUMMARY REPORTS AND SUMMARY EXCEL REPORTS:**

**Profit & Loss Report by Class (Fund)**

Reports – Company and Financial – Profit and Loss by Class - Select appropriate dates

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort further if necessary. Always remember to save the Excel spreadsheet after making updates.

The Profit and Loss Report will segregate the revenue accounts and expenditure accounts by fund. This report will be used to record the monthly revenues and expenditures to the Excel Fund Cash Balance Record and the Revenue and Expenditure Budget record.

**Annual Profit & Loss Report by Month**

Reports – Company & Financial – Click over to Profit & Loss Standard –

Choose the months for the audit period (for example 01/01/2021 to 12/31/2021) –

Show Columns by **Month**

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort further if necessary. Always remember to save the Excel spreadsheet after making updates.

The Profit and Loss Report is a summary report of all accounts by monthly and year to date totals.

The Profit and Loss Report will segregate the revenue accounts and expenditure accounts by fund. This report will be used to record the monthly revenues and expenditures to the Excel Fund Cash Balance Record and the Revenue and Expenditure Budget record.

**Annual Profit & Loss Detail Report**

Reports – Company & Financial – Click over to Profit & Loss Detail –

Choose the months for the audit period (for example 01/01/2021 to 12/31/2021) –

Customize Report – Display – Select:

* Type
* Date
* Num
* Name
* Memo
* Account
* Class
* Clr
* Split
* Amount
* Balance

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort further if necessary. Always remember to save the Excel spreadsheet after making updates.

The Profit and Loss Report is a monthly detailed transaction report of all receipts and disbursements.

The Profit and Loss Report will also segregate the revenue accounts and expenditure accounts by fund. This report will be used as detailed support to record the revenues and expenditures to the Excel Fund Cash Balance Record and the Revenue and Expenditure Budget record.

**The Profit and Loss Detail Report should be maintained for audit purposes as it provides a detail of all revenue and expenditure transactions.**

**DLA Fund Cash Balance Record - Excel (See Example 4):**

The Fund Cash Balance Record represents a monthly general ledger control of total cash (including certificates of deposit, savings, etc**.)** by fund. The postings to this record should be made monthly from the Profit and Loss Report receipts and disbursement totals by fund and also gives a mechanism to record interfund transfers of cash which will be recorded like a revenue or expenditure in the Profit and Loss Report. This record should be balanced monthly to actual cash assets through the monthly cash reconcilement process and compared with the total cash assets of the Balance Sheet Report. **See Example No. 8**

If a separate fund is established for utility deposits, construction funds, Water Fund Utility Surcharges, Sewer Fund Utility Surcharges or other restricted deposits, the Fund Cash Balance Record would represent a general ledger control which would be balanced monthly to individual subsidiary records or loan agreements, etc.

The Fund Cash Balance Record could be used as a monthly report to the governing board and included as part of the published minutes.

The Fund Cash Balance Record should be saved each month.

**Profit and Loss Revenue & Expenditure Budget Record**

Reports – Budgets – Budget vs. Actual – FY\_ \_-Profit & Loss by Account and Class – Account by Month – Finish

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort further if necessary. Always remember to save the Excel spreadsheet after making updates.

Note that the budget vs. actual record for tax revenue will also result in a taxes receivable general ledger control record.

This record is a month and year to date record comparison of budgeted and actual revenue and expenditures.

**Another option is to use a Revenue and Expenditure Budget Record prepared by the Department of Legislative Audit as follows:**

**DLA Revenue and Expenditure Budget Record- Excel (See Example 5):**

SDCL 9-21-9 requires that expenditures be limited to appropriated amounts. Neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for in the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.

The Revenue and Expenditure Budget Record is a record which is designed to compare the total budgeted revenue and expenditures for each individual fund and account to the actual year-to-date revenue and expenditures. The budgeted expenditures for municipalities should be held to the department level. Therefore, if an object budget is over-expended, there is no violation of budget overdrafts if the total department budget is not overdrawn. This revenue comparison is necessary in which to measure that budgeted revenue approximates actual revenue. If the budgeted revenues on an ongoing basis are overstated as compared with actual revenue the available financing might not be sufficient to provide for the budgeted expenditures and will result in cutting budgeted expenditures or applying more of the available cash balance. This record also provides a history for future planning of actual revenue and expenditures by fund and account.

The Revenue and Expenditure Budget Record contains a page tab for each fund and the revenue and expenditure accounts have been set up to generate a monthly balance of revenue over (under) expenditures and a change in fund balance if desired.

The Revenue and Expenditure Budget Record contains a column in which to record the Adopted Budget (Column c) amounts for each revenue and department expenditure account. The next column (Column D) is for Budget Amendments in which contingency transfers, budget supplements and automatic supplemental budgets approved by the governing board are recorded. Note that automatic supplements for grants received may have the effect of amending both the budgeted revenues and expenditures. The worksheet also contains a column (Column E) for the Final Budget which is the total of the Adopted Budget and the Budget Amendments. If needed, a total of budgeted revenue over (under) budgeted expenditures is provided which will indicate the projected change in cash balances.

Columns F through Q are the columns for January through December in which to record the actual revenues and expenditures from the monthly Profit and Loss Reports.

Column R represents the year-to-date totals for each revenue and expenditure account.

Column S represents the Budget Balance of revenue and expenditure and will indicate if the year-to-date revenue and expenditures is greater or less than amounts budgeted. Remember that the municipality is not allowed to overspend the expenditures at a department level and should authorize a contingency transfer or budget supplement prior to incurring a budget overdraft.

The Revenue and Expenditure Budget Record should be reviewed with the governing board monthly.

The Revenue and Expenditure Budget Record should be saved each month.

**Balance Sheet Report**

Reports – Company & Financial – Click over to Balance Sheet Standard – Choose the ending date for the audit period (for example 12/31/2021)

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort further if necessary. Always remember to save the Excel spreadsheet after making updates.

As this record does not allow you to control balance sheet accounts by Fund, you will need to establish and maintain an Excel Fund Cash Balance Record by fund. This QuickBooks record will then be balanced monthly in total to the reconciled bank balances and the Excel Fund Cash Balance Record.

**Balance Sheet Detail Report**

Reports – Company & Financial – Click over to Balance Sheet Detail –

Choose the dates for the audit period

Customize Report button – Display – Select:

* Type
* Date
* Num
* Name
* Memo
* Account
* Class (Fund)
* Clr
* Split
* Amount
* Balance

Once the report is created, save the report by using the Memorize Tab and assign an appropriate name which will save this customized report settings for future months.

Export this spreadsheet into an Excel format and sort further if necessary. Always remember to save the Excel spreadsheet after making updates.

As this record does not allow you to control balance sheet accounts by Fund, you will need to establish and maintain an Excel Fund Cash Balance Record by fund **(Example No. 4)** which balance will be compared to the total QuickBooks cash balance and to the total cash balance of the monthly reconciled bank balances.

**This detailed balance record should be maintained for audit purposes as it provides a detail of all balance sheet transactions.**

**DLA Individual Payroll and Leave Record-Excel (See Example No. 6):**

If you do not use the QuickBooks Payroll Software, this Excel Spread sheet does provide a good control of Payroll expenditures and leave records by employee. The individual payroll and leave records provide a format in which to record the detail payroll and withholdings, vacation leave and sick leave by employee for a calendar year. The record can be a valuable tool to prepare the quarterly and yearly tax remittances and related forms. The worksheet has been set up to identify each employee through an individual page tab.

**DLA Accounts Receivable Record for Utilities – Excel (See Example No. 7):**

This record represents an option for municipalities who do not have a computerized accounts receivable software program for enterprise funds such as Water Fund, Sewer Fund and Garbage Department (GF) where the municipality bills and collects fees for these services. The record could also be used for municipalities who are on the self-billing system to record payments. The Accounts Receivable Record represents a record with a page tab for each month in which records the receivable by name with a column for beginning accounts receivable, new billings and late fees, amount of payments and an ending balance of accounts receivable for the month. The worksheet also provides columns in which to record the receipt number to support payments and columns to compute the water consumption. The billings total should agree with the bills computed for the month and the collections should agree with the monthly deposits of utility collections. The ending accounts receivable for each month should be copied to the next month’s page tab to establish the beginning accounts receivable balance.

The Accounts Receivable Record should be reviewed with the governing board monthly to address delinquent accounts.

The Accounts Receivable Record should be saved each month.

**FLOW OF QUICKBOOKS AND EXCEL ACCOUNTING RECORDS:**

1. Post revenue/collections to QuickBooks Receipt Journal/Deposit Reports
2. Collections automatically post to the Profit and Loss Reports
3. Collections automatically post to the Balance Sheet Reports
4. Record the Individual QuickBooks Utility Collections to the Accounts Receivable Subsidiary Accounts Receivable Record and Accounts Receivable General Ledger Control
5. Post expenditures/disbursements to QuickBooks Check Register/Disbursement Reports.
6. Disbursements automatically post to the Profit and Loss Reports
7. Disbursements automatically post to the Balance Sheet Reports
8. Post payroll checks individually to the Excel Individual Payroll Records
9. Profit and Loss Reports
10. Record the QuickBooks Profit and Loss Reports revenue and expenditures to the Excel Fund Cash Balance Record by fund
11. Record the QuickBooks Profit and Loss Reports revenue by fund and account to the Excel Revenue and Expenditure Budget Record
12. Record the QuickBooks Profit and Loss Reports expenditures by fund, department and expenditure object account to the Excel Revenue and Expenditure Budget Record
13. Excel Fund Cash Balance Record
14. Compare the total QuickBooks Balance Sheet Reports monthly to the total of the Excel Fund Cash Balance Record
15. Post the Excel Fund Cash Balance Record to the Excel Monthly Bank Cash Reconciliation Worksheet monthly and reconcile any variances between the two records monthly
16. Report the reconciled Excel Fund Cash Balance Record transactions to the governing board monthly as a summary monthly report
17. Use the Excel Fund Cash Balance Record at year end to prepare Exhibit I of the Annual Financial Report and compare the total Exhibit I Cash Balance to the Exhibit II ending year Cash Balance.
18. Excel Revenue and Expenditure Budget Record – QuickBooks Revenue and Expenditure Budget Record (posted from Profit and Loss Report automatically)
19. Post the adopted budget revenue and expenditures to the Revenue and Expenditure Budget Record
20. Record budget adjustments for Contingency Transfers and Budget Supplements as the budget adjustments are approved by the governing board.
21. Use the Excel Revenue and Expenditure Budget Record at year end to prepare Exhibit II of the Annual Financial Report by fund, revenue account and expenditure account and compare the total Exhibit II year end cash balance to the Exhibit I Cash Balance.
22. QuickBooks/Excel Accounts Receivable General Ledger Control
23. Compare the Accounts Receivable General Ledger Control total monthly to the Accounts Receivable Subsidiary Records.

**CASH RECONCILING RECORDS:**

**QuickBooks Cash Reconciliation by Account - QuickBooks**

Reports – Banking – Previous Reconciliation – Choose Account on drop-down – Type of Report (Detail) – Include Transactions cleared plus any changes made to those transactions since the reconciliation – Display

**DLA Cash Reconciliation Worksheet – Excel (See Example No. 8):**

The Cash Reconciliation Worksheet has been provided as a format in which to compare monthly total cash balances by fund with the confirmed cash balances of the authorized bank accounts. Page tabs are used to record the monthly cash reconcilements. The cash balances by fund should come from the Fund Cash Balance Record **(See Example No. 4)**.

The Cash Reconciliation Worksheet could be used as a monthly report to the governing board.

The Cash Reconciliation Worksheet record should be saved each month.

**DLA Sample Claim Vouchers (See Example No. 9):**

A claim voucher should be prepared for all expenditures. Vouchers must be coded for the appropriate fund(s) and expenditure classification(s). Two declarations are shown on the lower part of the voucher. The first declaration is for the claimant’s signature and it must be signed under perjury for personal services performed by employees, travel reimbursements and contracted services. Claims for supplies and materials may be signed by the finance officer or appropriate authorized agent of the municipality under the second declaration.

A check list for auditing claim vouchers by the Finance Officer or other designated official before they are approved for payment should include but not be limited to the following items: Mathematical accuracy; Legality; Proper supporting documents; Properly itemized; Properly verified; Sales tax charged; Discounts available.

**Additional notes about QuickBooks reports:**

* If you need more detail about what makes up a particular number in a report double click that number. For example, if you want to know the details of the total income on a Profit and Loss Report, double click the amount that represents total income. QuickBooks will then display a ‘Transaction Detail by Account’ for all the transactions that are included in the total income. This works with most numbers within most reports in QuickBooks.
* In QuickBooks, you are able to sort the data on a report by one column. If you need to sort by more than one item (i.e., class, then account), you can export the report into excel. Once you have the report displayed in QuickBooks, click on the Excel down arrow, create new worksheet, in new workbook, export. If you already have a workbook set up and want to add a new tab (i.e., a separate tab for each month or class, etc.) for a particular report, click on Excel down arrow, update existing worksheet, select appropriate workbook, select sheet (you want to place data in), export. (Hint: the workbook must be set up with the worksheet tabs named in order to select the sheet and insert the data.)

**QuickBooks and Excel Examples Included in Preceding Narrative**

Example No. 1 QuickBooks Pro for Municipalities – Quick Course on Setting up Chart of Accounts for Fund Accounting

Example No. 2 QuickBooks Pro Sample pdf Chart of Accounts for Municipal Balance Sheet, Revenues and Expenditures

Example No. 3 QuickBooks Pro Downloadable Excel Chart of Accounts

Example No. 4 DLA Fund Cash Balance Record – Excel

Example No. 5 DLA Revenue and Expenditure Budget Record – Excel

Example No. 6 DLA Individual Payroll and Leave Record – Excel

Example No. 7 DLA Accounts Receivable Record for Utilities – Excel

Example No. 8 DLA Cash Reconcilement Worksheet – Excel

Example No. 9 Sample Claim Voucher Form