



# CTAS News & Notes

## Small City & Town Accounting System (CTAS)

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### 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. Prepares and prints payroll registers for each pay period.
- **Training** - One day of instruction, including actual hands-on practice.
- **Telephone Support** - The Helpline is available from 8:00a.m. - 3:00p.m. Monday thru Friday.

## Forms and Due Dates

Below are the OSA 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

## 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 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 \$150,000 – 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 \$150,000 – 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 \$150,000 – 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 \$150,000 – 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.

## **CTAS Upgrade Scheduled for March**

The CTAS Diamond Edition (Version 6) will be available March 2005.

For the 2004 reporting year, CTAS users will not be required to report electronically. Users are encouraged to use the electronic reporting tool to report the 2004 financial information.

## **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 Reporting and Publishing Requirements for Cities Reporting on a Cash Basis 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 on diskettes. Document, date and retain the diskettes 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 copies of the data to use on their computer. If you need assistance in providing these copies, please call the Helpline.

**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 2004 to 2005. The 2004 beginning balances will be updated to the 2005 beginning balances.

**Caution:** Backup up your data first, because, once the 2004 beginning balances have been updated to 2005, the 2004 beginning cash balances are erased.

Therefore, the **FINAL** copy of Schedule 1 **must** be run before completing the year-end processing. This will not delete the receipts and disbursements.

## **W-2 Forms**

Based on our review, the W-2 forms, for the Laser/Inkjet printer, have not changed for 2004.

The CTAS system uses the standard W-2 format. You should be able to purchase them from a local office supply store.

## **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](http://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 December 2, 2004. The training session begins at 9:00a.m. and will end at approximately 1:00p.m. Lunch is on your own after the training session.

Please call Ms. Billi Sanders at (651) 297-3684 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 OSA reserves the right to cancel a training session if registrations do not exceed three.

Ms Sanders will be available after the training session to answer detailed questions concerning CTAS and your local government.

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.

## **Electronic Reporting**

### **Electronic reporting is here!**

All cities and towns reporting in accordance with Generally Accepted Accounting Principles must report electronically. The electronic reporting tool will be available for download from the State Auditor's website. A postcard will be sent to the appropriate cities and towns notifying them the reporting tool

is available.

In addition, a similar tool is available for cities and town reporting on a cash basis. Although electronic reporting is not required, it is strongly encouraged.

Due to the delay in the upgrade, users will have an additional year before electronic reporting is required. However, CTAS users reporting on a cash basis are encouraged to use the electronic reporting tool.

More information will be available at the Minnesota Association of Township's Annual Conference in St. Cloud. Also, information will be mailed to the small cities and towns.



## **Clipboard**

▶ REMEMBER TO BACKUP YOUR DATA!

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

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

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

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

## **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.

### **☉ New Reporting and Publishing Requirements.**

Cities reporting on a cash basis, where no audit is required, have been sent a new reporting manual. The basic financial statements remain basically unchanged. However, a summary financial statement can be published in the newspaper. The prescribed format for the summary financial statement is included in this manual.

Cities reporting on a cash basis, where an audit is required, will receive a new reporting and publishing manual within the next few weeks.

In addition, a manual for cities reporting according to GAAP is being considered. This will also include new publishing requirements that relate to GASB 34.

### **☉ Township Training**

I will be presenting a session on CTAS at the Township Annual Conference. The conference will be held in St. Cloud on

November 18, 2004. For more information on the conference, please call M.A.T. at 1-800-228-0296 or go to [www.mntownships.org](http://www.mntownships.org). See you there.

### **☉ Loading CTAS on a new computer**

When loading CTAS on a new computer, start with the CTAS V5 for Windows original CD. The updates do not contain the system files required to run CTAS. Windows XP users should select Windows NT 4.0 as the operating system.

### **☉ Testing the CTAS Upgrade**

A group of users will be needed to test the upgrade to CTAS. The testing will take place in January and February. The CTAS Advisory Group will test the new version, but an additional three or four people will be needed.

The testing will require users to provide feedback to the programmers. This will be by meetings and/or teleconferences.

Users should have knowledge of all of the CTAS modules. If you are interested in testing the new version, send an email to the CTAS email address.

### **☉ 2003 Township Financial Reporting Forms**

Currently there are 9 townships that have not filed a reporting form for 2003. This information was due in our office by March 1. The reporting form should be completed and sent to the State Auditor immediately.

The towns that have not reported are:

<b><u>Township</u></b>	<b><u>County</u></b>
Beaver	Roseau
Blue Hill	Sherburne
Clinton	St. Louis
Dale	Cottonwood
Deerwood	Kittson
Dewey	Roseau
Graham	Benton
Rhinehart	Polk
Whitefield	Kandiyohi

If you need additional forms, please call Ms. Deb Schultz at (651) 297-3688.

