Introduction to QuickBooks for Sanitation Utilities

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TABLE OF CONTENTS

SECTION ONE: THE SETUP

What's a QuickBooks Company File? 15
When Do You Get Started? 16
What Date Should You Pick? 16
Make Your Decision 17

1 INSTALLING AND REGISTERING QUICKBOOKS 19
Installing QuickBooks 19
Registering QuickBooks 26
Checking Your Registration 28

2 CREATING A QUICKBOOKS COMPANY FILE 29
Creating Your Company in QuickBooks 29
Check Your Work! 44
Changing Your QuickBooks Preferences 47

3 CREATING A CUSTOMIZED ICON BAR 51
Deleting Icons from the Icon Bar 52
It's Your Turn! 53
Check Your Work! 53
Adding Icons to the Icon Bar 54
It's Your Turn 56
Check Your Work! 57
Adding Other Icons to the Icon Bar 57
Check Your Work! 59
It's Your Turn! 60
Check Your Work! 60

4 SETTING UP YOUR ACCOUNTING CATEGORIES 61

Deleting Accounts 62
It's Your Turn! 64
Check Your Work! 64
Income Accounts 65
Creating an Income Account 65
It's Your Turn! 67
Check Your Work! 67
Expense Accounts 68
Creating an Expense Account 68
It's Your Turn! 70
Check Your Work! 70
Bank Accounts 71
Creating a Bank Account 71
Check Your Work! 73
Accounts Receivable Accounts 74
Creating an Accounts Receivable Account 74
Check Your Work! 76
Creating an Accounts Receivable Subaccount for Your Water/Sewer Utility 76
Creating an Accounts Receivable Subaccount for Fuel Sales 78
Check Your Work! 80
It's Your Turn! 80
Payroll Liability Accounts 81
Creating Payroll Liability Subaccounts 81
It's Your Turn! 83
Check Your Work! 84
Accounts Payable Accounts 85
Check Your Work! 87
Employee Advances Account 88
Check Your Work! 90
Editing an Account Name 90

5 CREATING DEPARTMENTS IN YOUR FILE 91

Creating Classes for Departments 91
Creating Classes for Grants 93
It's Your Turn! 94
Check Your Work! 94

6 SETTING UP CUSTOMER SERVICES 95

Part 1 – Checking Your Accounts Receivable Accounts 95
Part 2 – Setting Up Your Water/Sewer Customers 96
It's Your Turn! 98
Check Your Work! 98
Part 3 – Finding Your Customers' Opening Balances 99
Part 4 – Entering Water/Sewer Services (Jobs) for Customers with Zero Balances 101
It's Your Turn! 103
Check Your Work! 104
Part 5 – Entering Water/Sewer Services (Jobs) for Customers with Opening Balances 105
It's Your Turn! 107
Check Your Work! 107
Find a Mistake?? 110
Part 6 – Classing the Invoices for Your Customers' Opening Balances 111
It's Your Turn! 113
Check Your Work! 113
Part 7 – Making a General Journal Entry to Move Opening Balances Out of Uncategorized Income 115
Part 8 – Creating Billable Items for Your Water/Sewer Utility 119
Setting Up a Monthly Water Rate 119
It's Your Turn! 121
Check Your Work! 121
Did you make a mistake? No problem! 122

Part 9– Creating Items to Handle NSF Checks 122
NSF Check Item 123
NSF Bank Fee Item 124

Part 10– Creating Items to Handle City Sales Tax on Water/Sewer Services 126
Sales Tax Item 126
Subtotal Item 127
Check Your Work! 128

7 SETTING UP A SYSTEM TO PAY BILLS 129
Setting Up a Vendor 129
Contract Labor 132
It's Your Turn! 135
Check Your Work! 135

8 SETTING UP PAYROLL 137
Subscribing to a Payroll Service 137
Setting Up Payroll Items 139
Viewing Your Payroll Items 139
Hiding a Payroll Tax Item 140
Setting Up Payroll Tax Items 141
Editing Federal Withholding 141
Editing Medicare Taxes—Employee and Company 143
Editing Social Security Taxes—Employee and Company 145
Setting Up the Alaska Unemployment Tax Payroll Item 146
Setting Up Payroll Deductions 152
Child Support Payroll Item 153
Employee Advances Payroll Item 158
Setting Up Wage Items 162
Hourly Wage Payroll Item 162
It's Your Turn! 166
Check Your Work! 166

Overtime Wage Payroll Item 167
It's Your Turn! 171
Check Your Work! 172
Stipend Payroll Item 173
Check Your Work! 180
Deleting a Payroll Item 181
Creating a Scheduled Payroll 182
Changing a Scheduled Payroll 183
Creating Scheduled Liability Payments 185
Creating Employees in QuickBooks 190
It's Your Turn! 194
Check Your Work! 194
Find a Mistake? 195
Entering Employee Year-to-Date Payroll Information 196

9 ENTERING THE BUDGET 199
Creating the Budget 199
It's Your Turn! 204
Check Your Work! 204

10 AFTER THE SETUP.... 207
The Final Proofreading 207
The Two Basic Reports in Accounting 208
The Profit & Loss Report 208
Dates of Reports are Crucial! 209
The Balance Sheet 211
Check Your Customers 213
Review the Item List and the Payroll Item List 214
Item List 214
Payroll Item List 215

SECTION TWO: DAY-TO-DAY

11 ENTERING AND PAYING BILLS 219

Entering Bills 220
Paying Bills 222
Reports to Track Your Bills 225

12 WRITING CHECKS 227

Writing a Check 227
Creating an Employee Advance Check 228
Voiding a Check 229
Looking in Your Check Register 231
Correcting a Mistake 231
Printing Checks 233

13 INVOICING YOUR CUSTOMERS EACH MONTH 235

Creating a Customized Invoice 235
Invoicing for Metered Water 237
Invoicing With a Sales Tax 237
It's Your Turn! 239
Check Your Work! 239
Calling Up a Memorized Report 242
Memorizing Customized Invoices 243
Creating a Water/Sewer Group for Memorized Invoices 243
Memorizing the Invoices 244
Creating Invoices from Memorized Transactions 247
Check Your Work! 247
Printing Invoices 248
Creating an Icon to Create Statements 250
Creating Statements 250
Protecting Customer Account Files 252
Receiving Cash and Check Customer Payments 253

Handling NSF Checks and NSF Bank Fees 256
Invoicing the Customer for the NSF Amount and Bank Fee 256
Subtracting the Bank Fee from the Checkbook 258
Handling an NSF Check with No Outstanding Invoice 260

14 FUEL PURCHASES 263

System of Controls for Selling Fuel 263
Setting Up Fuel Items--Diesel #1, Propane, Diesel and Gas 263
Setting Up the Fuel Job for Each Customer 265
Check Your Work! 267
Purchasing Fuel 268
Selling Fuel 269
Cash and Check Sales 269
Charge Sales 271
Receiving Payments for Invoiced Fuel 273
Controlling the Fuel Supply 275

15 MAKING DEPOSITS 277

Making a Deposit With No Outstanding Invoice 278
Depositing Payments from Invoiced Customers Into Undeposited Funds 282
Moving Customer Payments from Undeposited Funds to the Bank 283
Check Your Work! 285
Adding on to a Customer Payments Deposit 286
Transferring Money from the Safe to the Checking Account 287
Transferring Funds Between Bank Accounts 288
Preparing the Bank Deposit 288
Preparing Your File Copy of the Bank Deposit 288

16 MANAGING YOUR SAFE 289

Keeping Your Cash Safe 289
What Do You Do When You Spend Safe Money? 291
What Is in the Safe? 292
Customer Payments 292
Cashed Checks for Community Members 292
Cash and Checks Received from Other Community Services 292
Checks Received from Outside Sources 292
Petty Cash 292
What is the Opening Balance of Your Safe? 293
Reconciling the Balance in the Safe 296
Making a Journal Entry to Correct an Error in the Balance of the Safe Account 296

17 RUNNING THE PAYROLL 299

Calculating Employee Time 299
Managing Payroll Deductions 300
Creating Paychecks 301
Check Your Work! 306
Unscheduled Payroll Checks 307
Moving Stipend Wages to the Council Class 309
Using Payroll Deductions as Payments for Water/Sewer Services 311
Creating a Bank Account for Employee Utility Payments 312
Check Your Work! 314
Adding a Water/Sewer Payment Payroll Item 314
Setting Up the Employee Record with the Water/Sewer Payment Deduction 319
Adding Payroll Deduction to the Payment Method List 320
Creating a Paycheck with a Water/Sewer Payment as a Payroll Deduction 321

Applying the Water/Sewer Payment to the Employee's Customer Account 322
Calculating and Paying Payroll Liabilities 323
Paying the 941 Taxes 324
Check Your Work! 326
Creating and Maintaining Your Office Payroll Records 327
Printing Pay Stubs 328
Creating a Payroll Report 329
Preparing Payroll Tax Reports 330
941 Quarterly Reports 330
Alaska State Unemployment Quarterly Contribution Report 336
Preparing Year-end W-2 and W-3 Forms 339
Preparing Year-end Form 1099 and 1096 342

18 RECONCILING BANK ACCOUNTS 349
Before You Reconcile... 349
Reconciling an Account 349
What Checks Have Not Cleared? 353
What If the Beginning Balance Does Not Match? 353
What if You Want to Leave Before You Finish? 354
The First Time You Reconcile 355

19 SAFEGUARDING YOUR FILE 357
Backing Up Your Company File 357
Restoring the File from a Backup File 362
Closing Out Prior Periods 367

20 USING YOUR FINANCIAL SYSTEM 369
Retrieving Information from Your System 369
The Find Feature 369
Searching for Deposits 370

Checking the Bank Accounts and Accounts Receivable Balances 372
Finding Income and Expense Information for a Specific Department 376
Viewing the Profit & Loss In Two Different Ways 378
What Is the Difference between Cash Basis and Accrual Basis? 378
How the Cash Basis and Accrual Basis Reports Look 379
Why Do You Care About This? 381
Comparing Your Actual Income and Expenses with Your Budget 381
Getting Control of Your Water/Sewer Accounts 384
Using Your Accounts Receivable Reports 384
Consequences for Non-Payment 386
Periodic Tasks 387

Conclusion 389

THE SETUP

SECTION ONE

Installing & Registering QuickBooks

Creating A QuickBooks Company File

Creating a Customized Icon Bar

Setting Up Your Accounting Categories

Creating Departments in Your File

Setting Up Customer Services

Setting Up a System to Pay Bills

Setting Up Payroll

Entering the Budget

After the Setup...

A Word from the Authors:

In most businesses with departmental employees and banks down the street, there is an accepted standard for doing things. In accounting, this standard is set by the Generally Accepted Accounted Principles (GAAP). The situation in rural Alaska is quite different. The city office is often their bank and commercial banks are usually days away. In addition, there is usually only one person doing all of the accounting in these busy city offices. This unique environment often leads to a natural breakdown in the segregation of duties and as a result, some lack of accounting controls. This manual presents a few unorthodox approaches designed specifically to accommodate these unique situations. The authors do not recommend using these techniques in any other situation and they always recommend adherence to GAAP whenever possible.

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You are amazing. Every day at work you wear many hats. Sometimes you are a customer service representative, sometimes you are a bank teller, and sometimes you are a payroll master. You answer phones, coordinate community events and make preparations for Council meetings. You are at the center of your community's finances, and your job is both complex and important.

City offices are often an important hub in a community. As the bookkeeper for your community, you have access to a lot of information. You know what customers pay, who cannot pay, and who can pay but does not. You are often caught between a customer's needs and the directives of your Council. Every day at work, you make many decisions as to how to handle one situation or another.

Now, more than ever, your utility's and community's financial future depend upon the use of an efficient financial system. State and Federal agencies now want financial information from you before they will invest in your community. They want to know if customers are paying for their services, if the utility is paying its bills and how healthy the utility is financially. A good financial system will help you get all that information in minutes.

You are about to launch into an exciting project that will help you develop an efficient, easy-to-use system that will keep track of your utility's finances. This manual will guide you every step of the way. It will also give you some tips and tricks to use in maintaining the system day-to-day. You will start with installing and registering QuickBooks on your computer and finish with a complete accounting system for your utility. You will do all this with a company file created especially for your community or your utility.

What's a QuickBooks Company File?

QuickBooks organizes all the finances for a business into a file called a company file. Your water/sewer finances may be in a stand-alone utility with its own Federal Employer Identification Number, or you may have a water/sewer department within your city operating underneath the city's Federal Employer Identification Number. Your Federal Employer Identification Number—referred to as your EIN is the number that identifies your entity to the Internal Revenue Service (IRS). You can locate this number on past quarterly payroll reports, correspondence you have received from the IRS or the original notice the IRS sent you when they assigned you the EIN number.

If your community operates under one Federal Tax Identification number, you will set up your community's finances into one QuickBooks company file, and you will set up the Water and Sewer Utility as a department within your company file. This will allow you to keep track of the finances for other community services such as Garbage, Washeteria,

Cable TV, Electric and others. If you have a Water/Sewer Utility with its own EIN number, your QuickBooks company file will contain only the Water/Sewer Utility finances.

- **Write your EIN Number here: _____**

There's a lot your QuickBooks company file will do.

- It will keep track of the balances in your bank accounts and safe.
- It will automatically create invoices for you each month.
- It will tell you how much your customers owe you and keep track of their payments.
- It will tell you how much your community owes in bills and create checks to pay those bills with just a few clicks of the mouse.
- It will tell you how much money each one of your community's departments is making or losing.
- It will save you time.

When Do You Get Started?

Before diving into this project, you must pick a starting date. The Starting Date is the date you will begin tracking your finances in QuickBooks. This will be the beginning date that QuickBooks will have your complete financial information—payrolls, invoices, checks written and deposits received. No matter what date you choose to start your computerized accounting system, you will be using two systems—your manual system and your QuickBooks system—the first year.

What Date Should You Pick?

There are many things to consider when choosing a starting date. Whatever date you choose, you will need to devote a lot of time to the project. The more interruptions you have, the more time it will take, and the more likely that you will make errors. It would be best if you could shut down your office for several days. If that is impossible, could someone else in your office answer the phones and handle the customers? Pick a date where you will not feel pressured. Don't pick a July date if you will be in the middle of your fishing season. If December is crazy in your office, January 1 might not be the best choice. Also, consider the size of your community or utility. How many customers do you have? How many customer services do you offer? How many employees are on your payroll? The larger the community, the more time it will take you to set up your system.

Keeping all of this in mind, pick one of the following dates to start your new system.

JULY 1 – (BEGINNING OF FISCAL YEAR)

Advantages of a July 1 (Beginning of a Fiscal Year) Starting Date

- Your entire budget year would be in this file

Disadvantages of a July 1 (Beginning of a Fiscal Year) Starting Date

- Only one half of your payroll year will be in this file. You will have to combine information from both systems to produce W2, W3, 1099 & 1096 forms at year-end.

JANUARY 1 – (BEGINNING OF TAX YEAR)

Advantages of a January 1 (Beginning of Tax Year) Starting Date

- Your entire payroll year would be in this file

Disadvantages of a January 1 (Beginning of Tax Year) Starting Date

- Half of your budget year would be in this file. You would have to look at your old system and your new system together to get the full financial picture for your first fiscal year.

THE BEGINNING OF THE MONTH YOU ARE CURRENTLY IN OR THE BEGINNING DATE OF THE NEXT QUARTER

Advantages of using the beginning of the month you are in or the beginning date of the next quarter as a Starting Date

- You would be able to get your new system up and running soon.

Disadvantages of using the beginning of the current month or quarter as a Starting Date

- You would have to look at your old system and your new system together to get the full financial picture for your first fiscal year.
- Your payroll year would be incomplete. Therefore, at year-end, you would have to look at the old and the new system to create W-2s and other payroll reports.

Make Your Decision

Your Starting Date: _____

Whether your starting date is in the future, or it is today, take the time to gather the materials you will need for setting up your system:

- EIN Number
- Starting Date
- Your budget

- Customer List
- List of services your community offers
- Any customer records
- List of employees with their W-4s
- Bank Statements

If today is the day, then move on to the next chapter which will lead you through the process of installing and registering QuickBooks.

Good luck! You are on your way to creating a new financial system for your utility or your community.

1 INSTALLING AND REGISTERING QUICKBOOKS

Before you can create your QuickBooks Company you have to install and register the software. It also helps if you sign up for any payroll services well before you need to do a payroll in case there are any delays.

Installing QuickBooks

Put your QuickBooks CD-ROM in and let's get going!

The first screen you will see is the Welcome Screen

- Select **Guided Install.**

Chances are that you have purchased a **One Computer** copy of QuickBooks

- Select **One Computer.**
- Click **Next.**

The computer will whir for a while, and then bring you to the following screen.

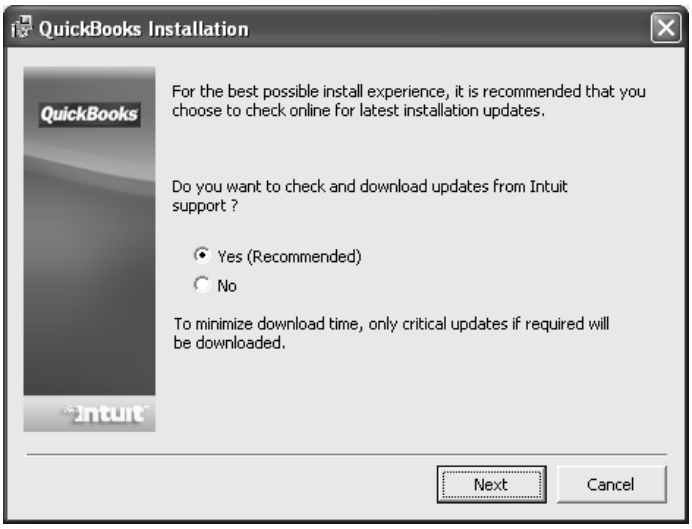
If you have access to the Internet,

- Click **Yes.**

If you don't have access to the Internet,

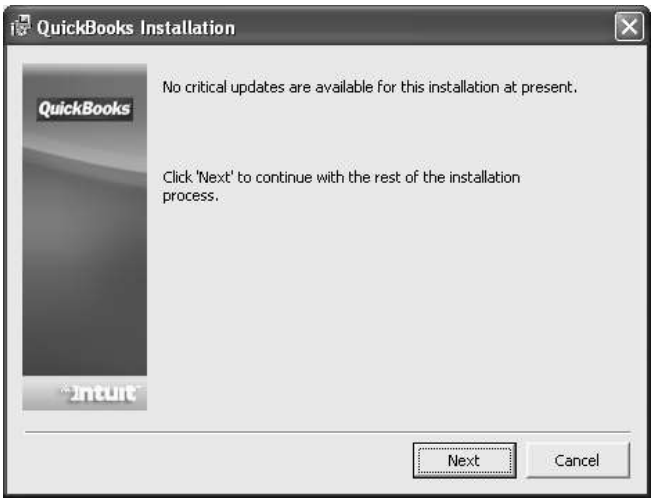
- Click **No.**

- Click **Next.**



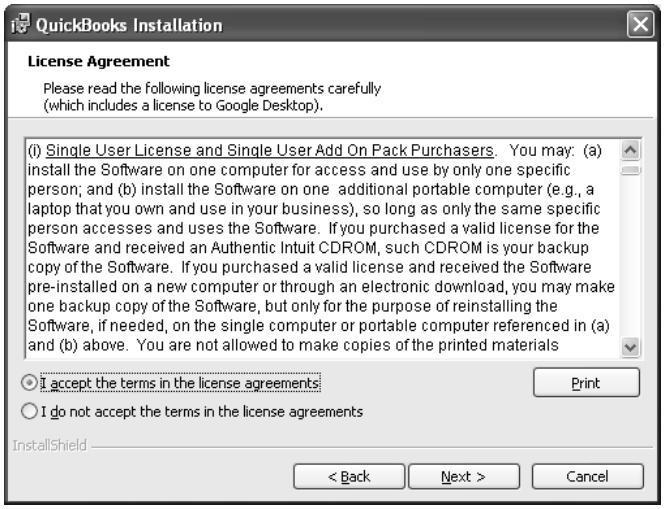
QuickBooks will either give you the following screen, or tell you that there are updates available. If there are updates, go ahead and install them now.

- Click **Next.**



QuickBooks will give you the following screen to let you know that the installation process is about to start.

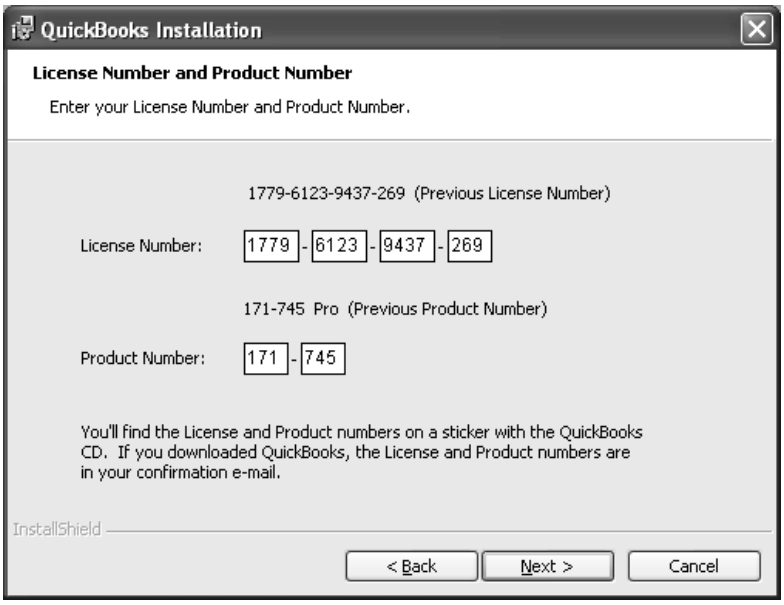
- You must select **I accept the terms in the license agreements** to continue the install.
- Click **Next.**



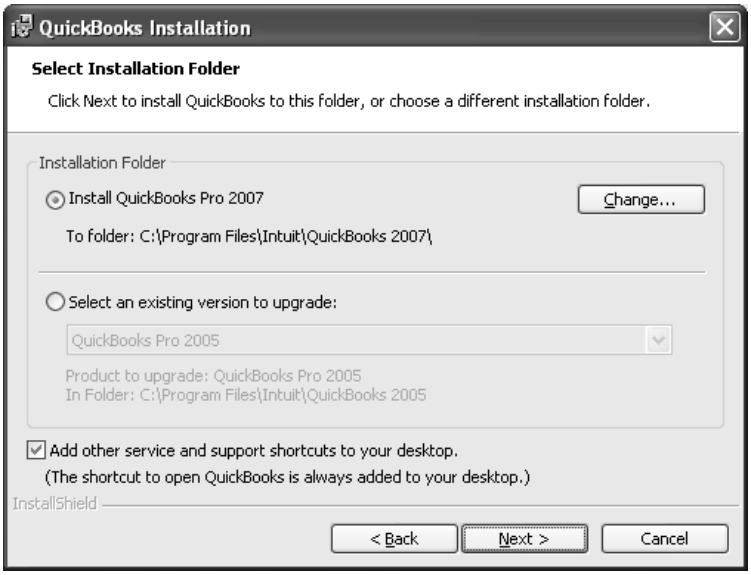
- Get out the envelope that your QuickBooks CD came in and type in the numbers from that envelope.
- Click **Next.**

DO NOT TYPE IN THE NUMBERS YOU SEE ON THE SCREEN BELOW.

TYPE IN THE NUMBERS ON YOUR OWN CD!!!



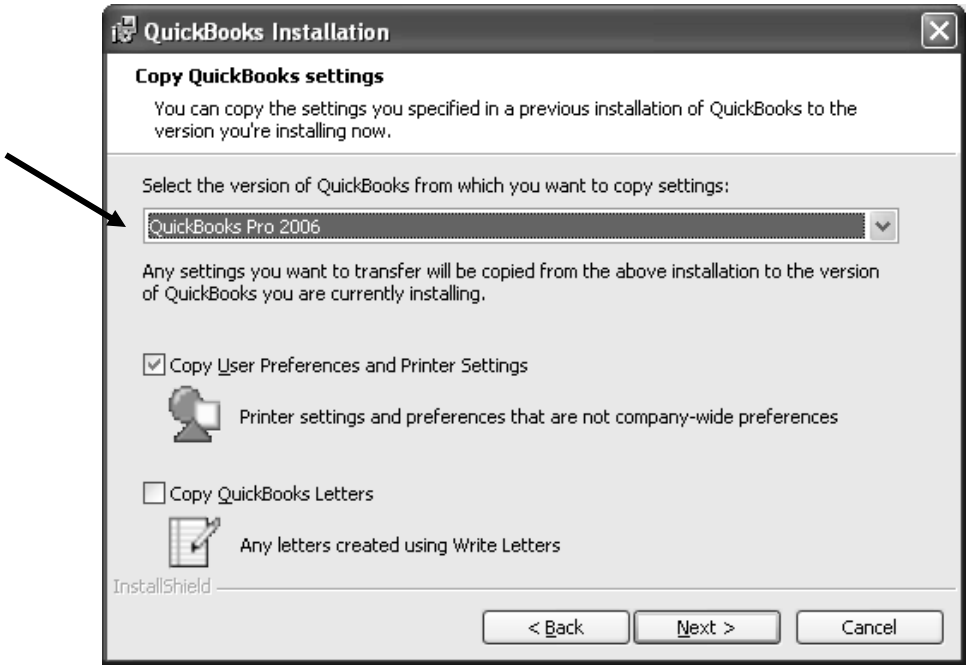
- Select the option to **Install QuickBooks Pro 2007.**
- Click **Next.**



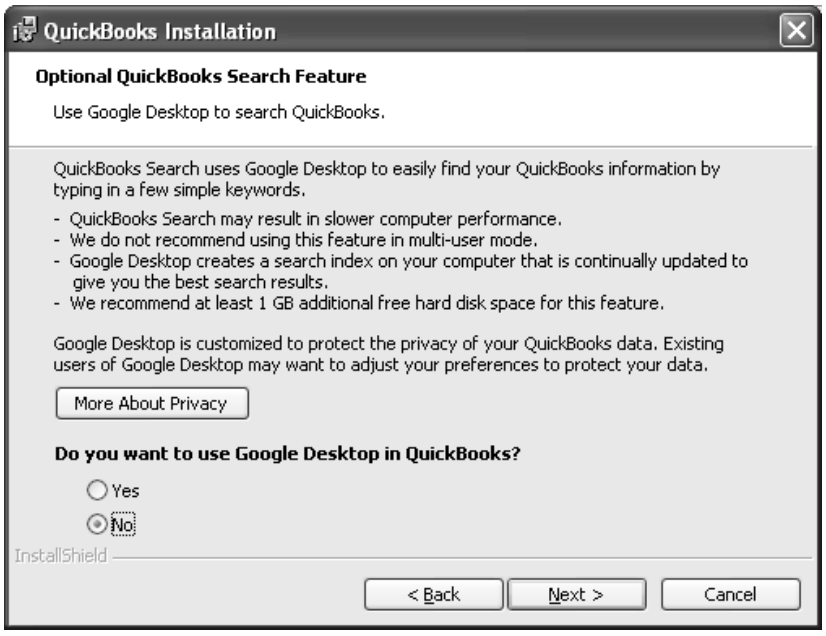
If you have a previous version of QuickBooks on your computer you can copy the settings from that version to 2007.

Use the drop-down menu to select any existing version of QuickBooks on your computer.

- Click **Next**.

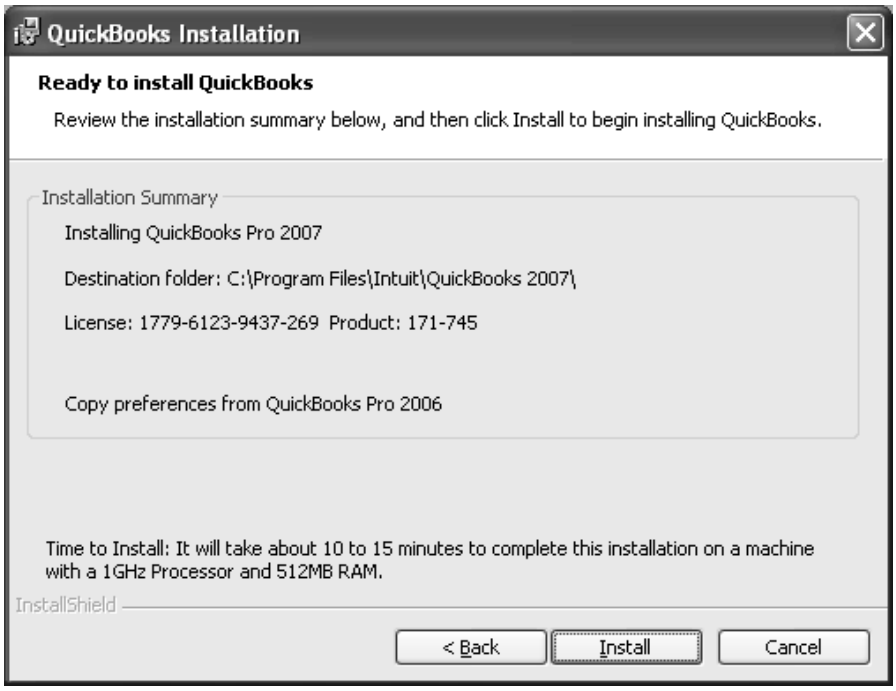


- Select **No** to the Google Desktop. It could slow your computer down.
- Click **Next**.

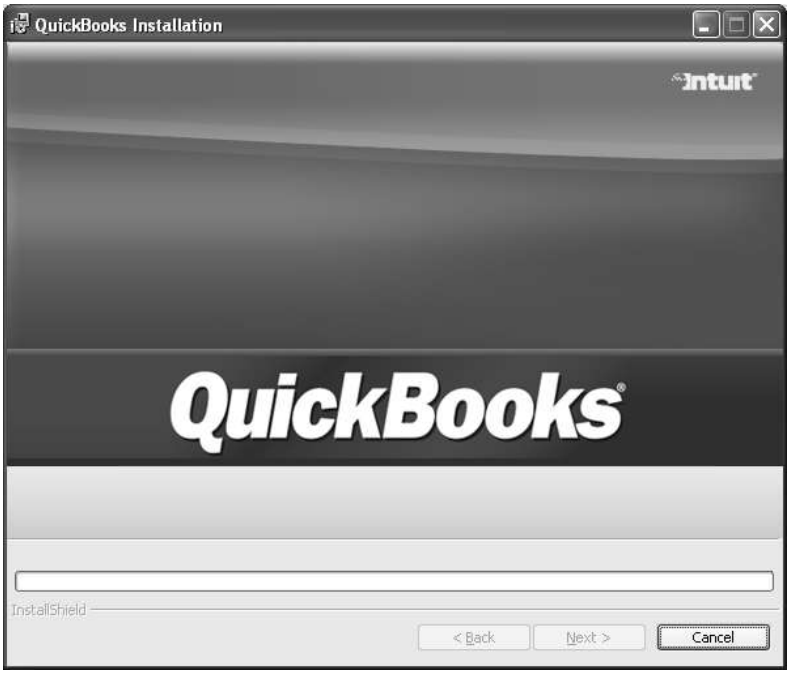


You are ready to install the QuickBooks program now!

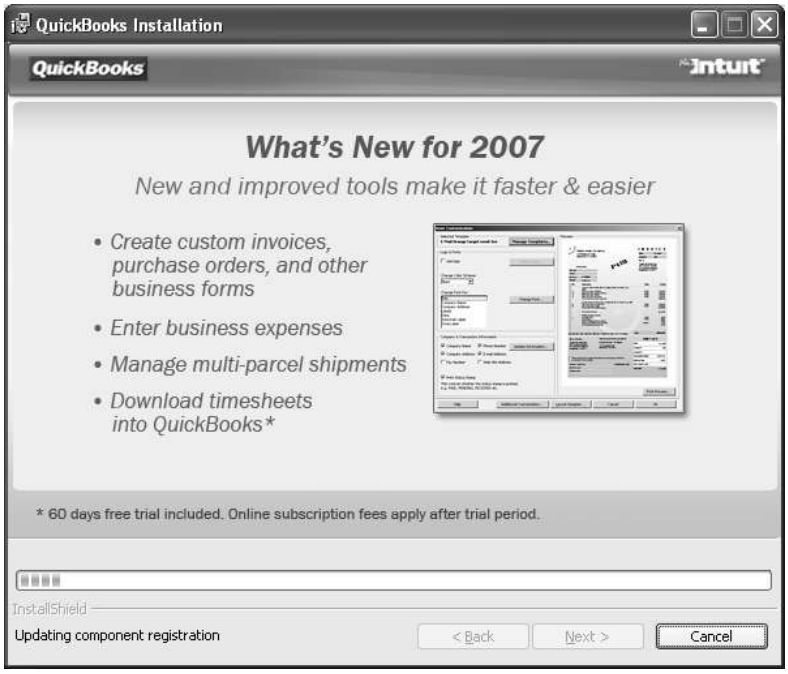
- Click **Install.**



The QuickBooks Installation program will launch.

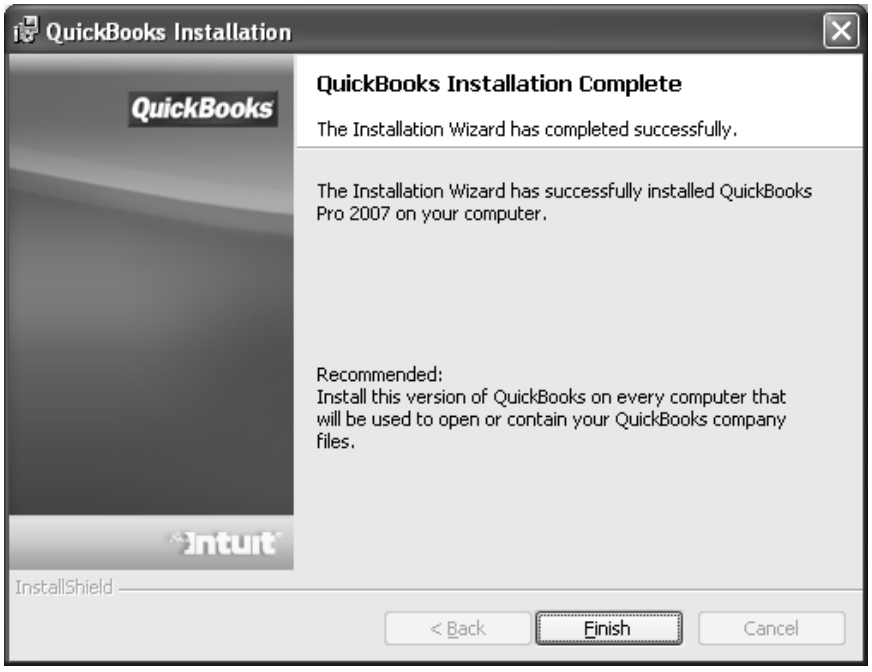


While QuickBooks is installing, it will show you a series of screens with information about QuickBooks. Just relax until your computer completes the installation process.



Finally, you will get a screen that tells you that your installation was successful!

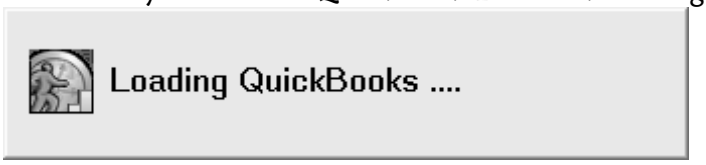
- Click **Finish.**



Registering QuickBooks

- Double Click on the QuickBooks Pro 2007 icon on your Desktop.

You will see this window on your screen. QuickBooks 2007 takes a long time to load.



This window may also pop up.

- Click **Close.**

QuickBooks will prompt you to Register when you first use it.

Go to the Help menu and click **Register QuickBooks**. If you don't see the Register QuickBooks option in the Help Menu, you have already registered. (See **Have You Registered?** on the next page).

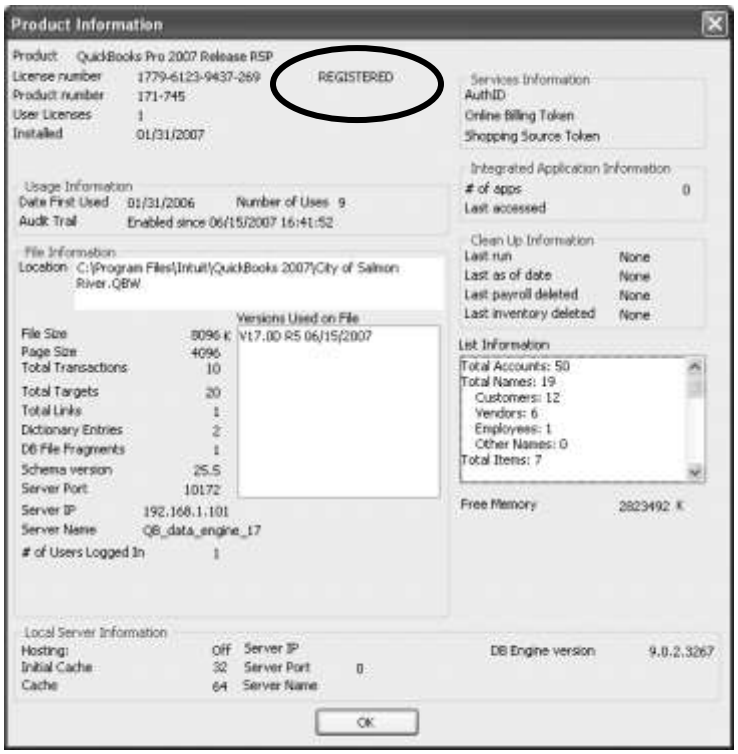
- Choose your registration method: **Online** or by **Phone.**
- To let QuickBooks check for the best method, click **Begin Registration**. You will be directed to either online or phone registration.
- To call Intuit to register, click **Skip online check and register by phone**.
- QuickBooks will display the phone number to use to register.
- Follow the prompts to complete the registration process.

NOTE: MAKE A NOTE OF THE ADDRESS AND PHONE NUMBER YOU USE FOR REGISTRATION. YOU WILL NEED THIS INFORMATION AGAIN IF YOU EVER NEED TO RE-REGISTER YOUR COPY OF QUICKBOOKS. KEEP IT WITH YOUR PASSWORD.

To update your registration information, call 1-888-246-8848 (1-888-2INTUIT) and select the option for Customer Service.

Checking Your Registration

- Press the **F2** key when QuickBooks is open.
- The Product Information window displays either **REGISTERED** or **UNREGISTERED** based on the registration status.



2 CREATING A QUICKBOOKS COMPANY FILE

There are a few things you need to gather before launching into the software and creating your company file. If you have not gathered them already, get them now before you start.

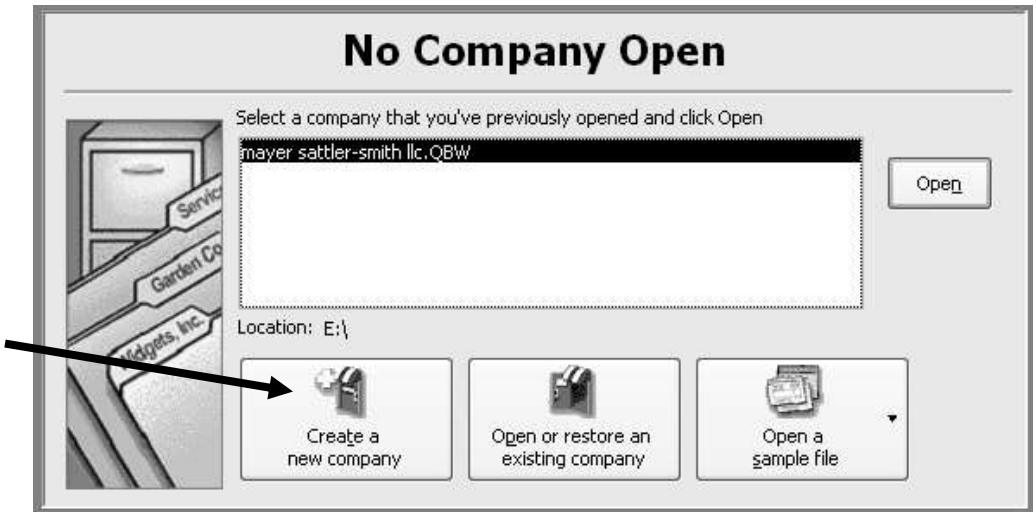
- EIN Number
- Starting Date
- Your budget
- Customer List
- List of services your community offers
- Any customer records
- List of employees with their W-4s
- Bank Statements

Creating Your Company in QuickBooks

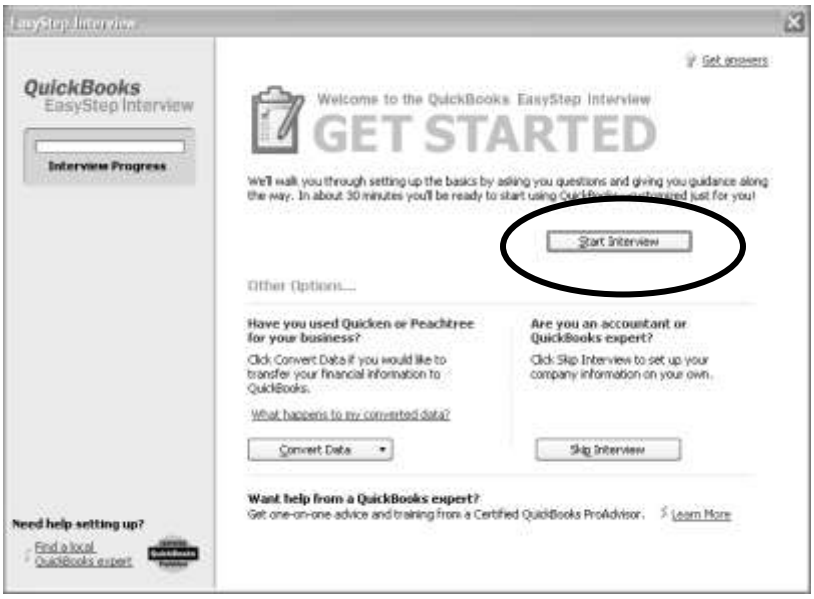
When you installed QuickBooks on your computer, an icon was placed on your desktop that looks like this:

- Double Click this icon to open QuickBooks and you will see the window below.

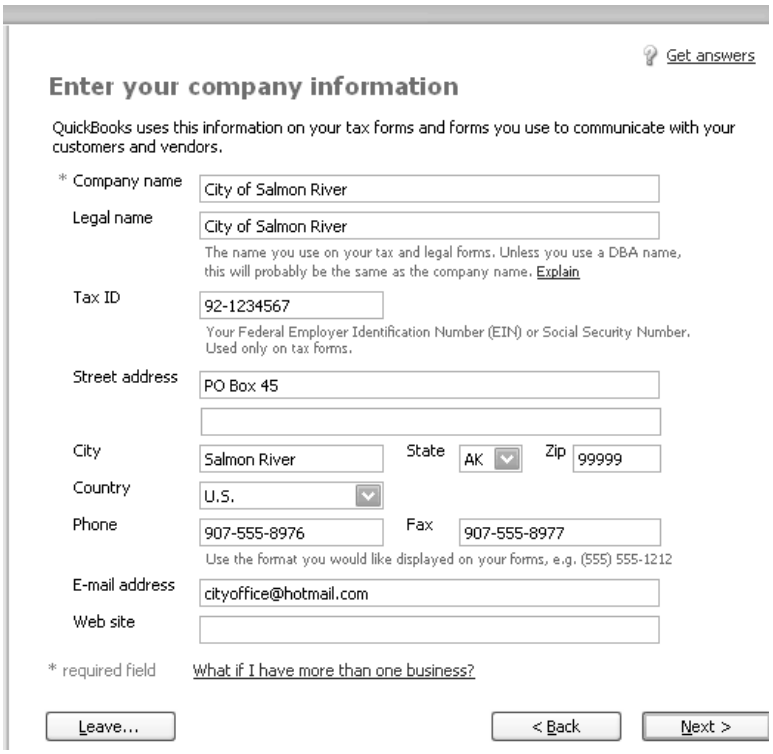
- Select **Create a new company.**



- Select **Start Interview.**



- On this screen, you will enter:
  Your Company Name
  Your Legal name is the same as your company name
  Your EIN Number
  Your Address
  Your Telephone, Fax and E-mail address (if you have one)
- Click **Next.**

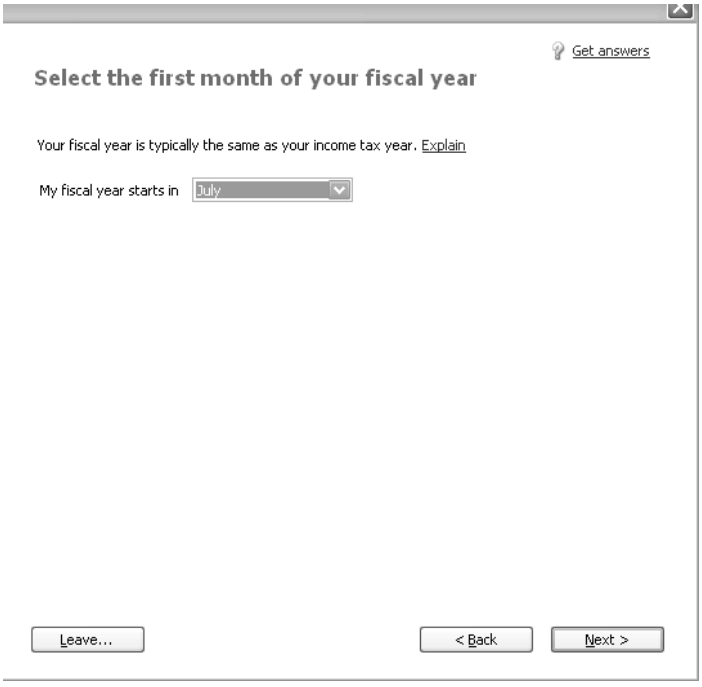


IMPORTANT! Do nothing to this screen except

- Click **Next.**

- Select **Other/None.**
- Click **Next.**

- Select the starting month of your FISCAL year. A fiscal year is the 12 month period which begins and ends your budgeting year. Your Fiscal year probably starts on July 1 of each year. If you do not know, ask someone in your office.
- Select **July** or the first month of your fiscal year from the drop-down menu.
- Click **Next.**



It is a good idea to password-protect your file. Think of a password that you can remember easily and **WRITE IT DOWN SOMEWHERE!!** Make sure that you let someone else in your office know where the QuickBooks password is located. If you are the only one to know the password, and you were unavailable, your financial system would be useless. The QuickBooks software company can unlock a password in a file, but it is costly, so write down the password and tell someone else where you keep it.

- Type in the password you choose.
- Type it again.
- Click **Next.**

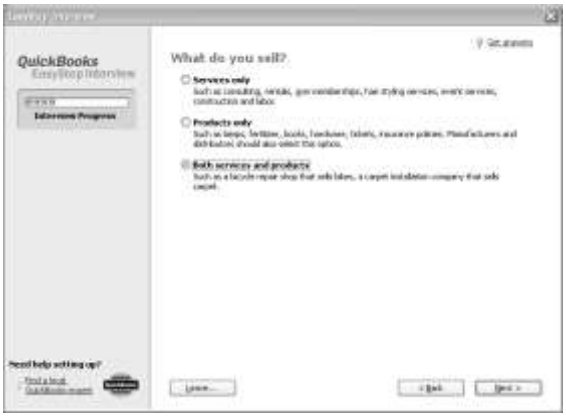
- Click **Next** on this screen to create your company file.

QuickBooks will create your company file and ask you to save it.

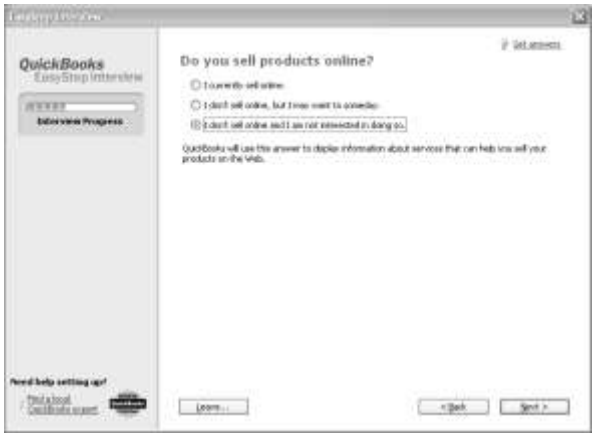
- Click **Save.**

- Do nothing to this screen.
- Click **Next.**

- Check the **Both services and products** button.
- Click **Next.**



- Check the **I don't sell online and I am not interested in doing so** button.
- Click **Next.**



EVEN IF YOUR COMMUNITY CHARGES SALES TAX, click the **No** button!! This screen is for setting up a **state sales tax**, which doesn't exist in Alaska.

- Click **Next.**

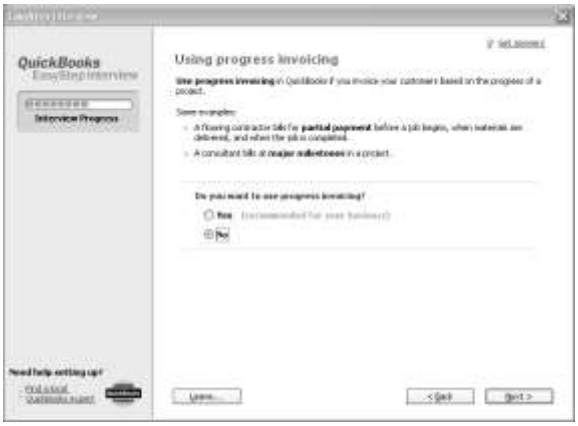
- Click **No** for creating estimates.
- Click **Next.**

- Click **Yes** to use sales receipts.
- Click **Next.**

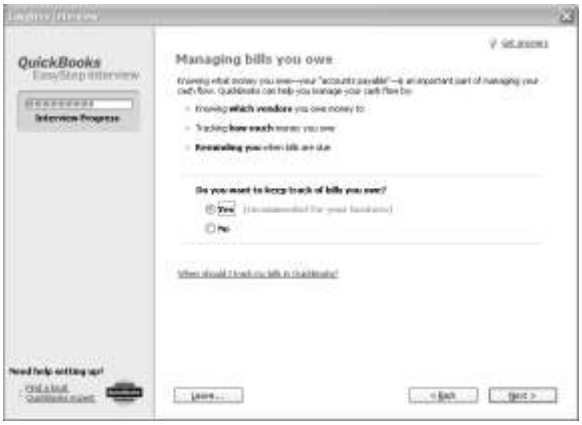
- Click **Yes** to use statements.
- Click **Next.**

- Click **Yes** to use invoices.
- Click **Next.**

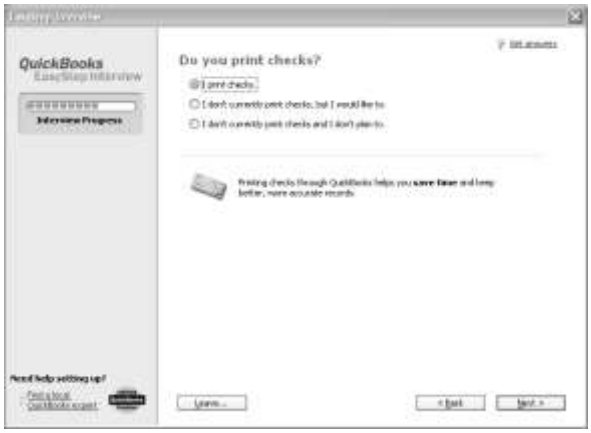
- Click **No** to using progress invoicing.
- Click **Next.**



- Click **Yes** to keep track of bills you owe.
- Click **Next.**



- Click **I print checks** to use that feature in QuickBooks. Click the last option if you handwrite your checks.
- Click **Next.**

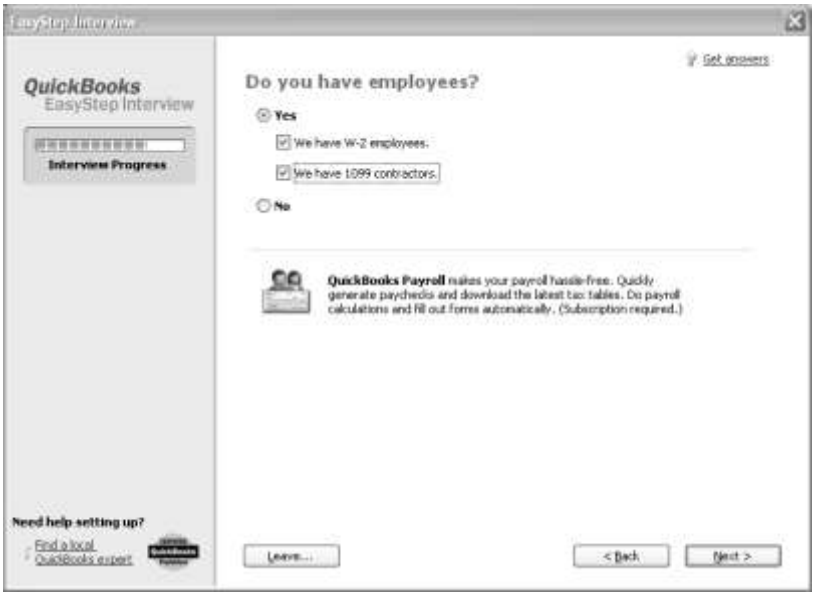


- Click **No** to tell QuickBooks that you don't track inventory.
- Click **Next.**

- Click the last option to tell QuickBooks that you don't accept credit cards.
- Click **Next.**

- Click **No** to skip the time-tracking feature in QuickBooks.
- Click **Next.**

- Click **Yes** to tell QuickBooks that you do process payroll.
- Check the **We have W-2 employees** box so that QuickBooks will automatically create your W-2s at the end of the year for all of the employees on your payroll.
- Check the **We have 1099 contractors** box if you have any contract laborers that work for your community and do not get paid through your payroll.
- Click **Next.**

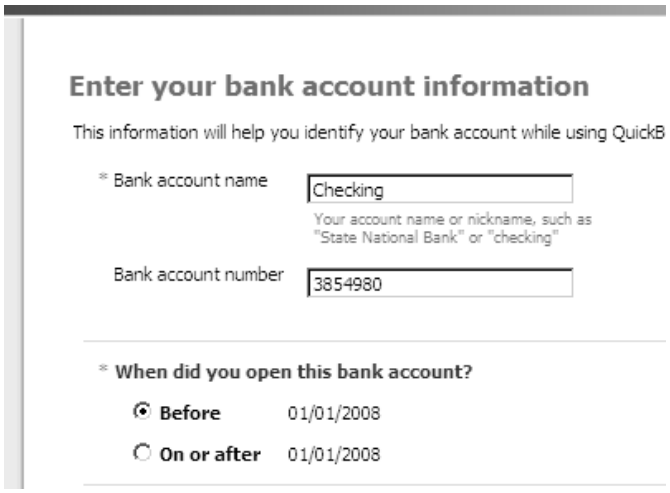


- Do nothing with this screen.
- Click **Next.**

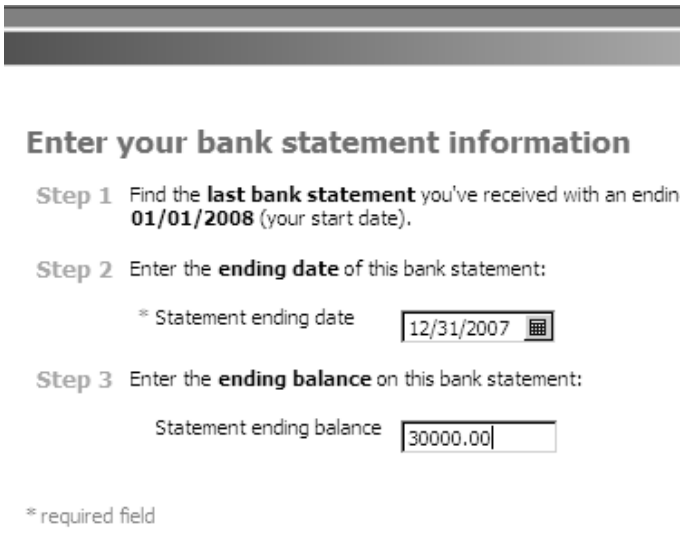
- The **Starting Date** which you decided upon on page 17 is entered on this screen.
- Click the **Beginning of the Fiscal Year** box if you have decided to start your company at the beginning of your fiscal year, **OR**
- Click the second button and enter the QuickBooks starting date you selected.
- Click **Next.**

- Click **Yes** to enter in a bank account.
- Click **Next.**

- Enter a name for your bank account (for example, Wells Fargo Checking).
- Type in the account number.
- Select **Before.**
- Click **Next.**



- What **Starting Date** did you select?
- What is the date of the last bank statement prior to your Starting Date? For example, our Starting Date is January 1. We want the bank statement dated December 31. If your Starting Date is July 1 then the June 30 bank statement is the one you want.
- Enter the ending date of the bank statement just prior to your Starting Date
- Enter the ending balance from that bank statement. This will become the beginning balance for your QuickBooks company file.
- Click **Next.**



- If you have no other bank accounts, click **Next**.
- If you have other bank accounts to add, you may do so now. Make sure that you enter in balances from bank statements with the same ending date as above. All your bank balances must be as of the same date.
- Click **Next.**

QuickBooks will give you a sample set of the income and expense accounts. **YOU DO NOT WANT THESE ACCOUNTS**.

- Uncheck all the **accounts** that have been checked. You do this by placing your mouse on the check mark and clicking once.
- Click the check mark in front of each account to uncheck it. Remember to go all the way to the bottom of the list and uncheck all the accounts.
- Click **Next.**

You've done it! You now have a company file in QuickBooks.

- Click **Finish.**

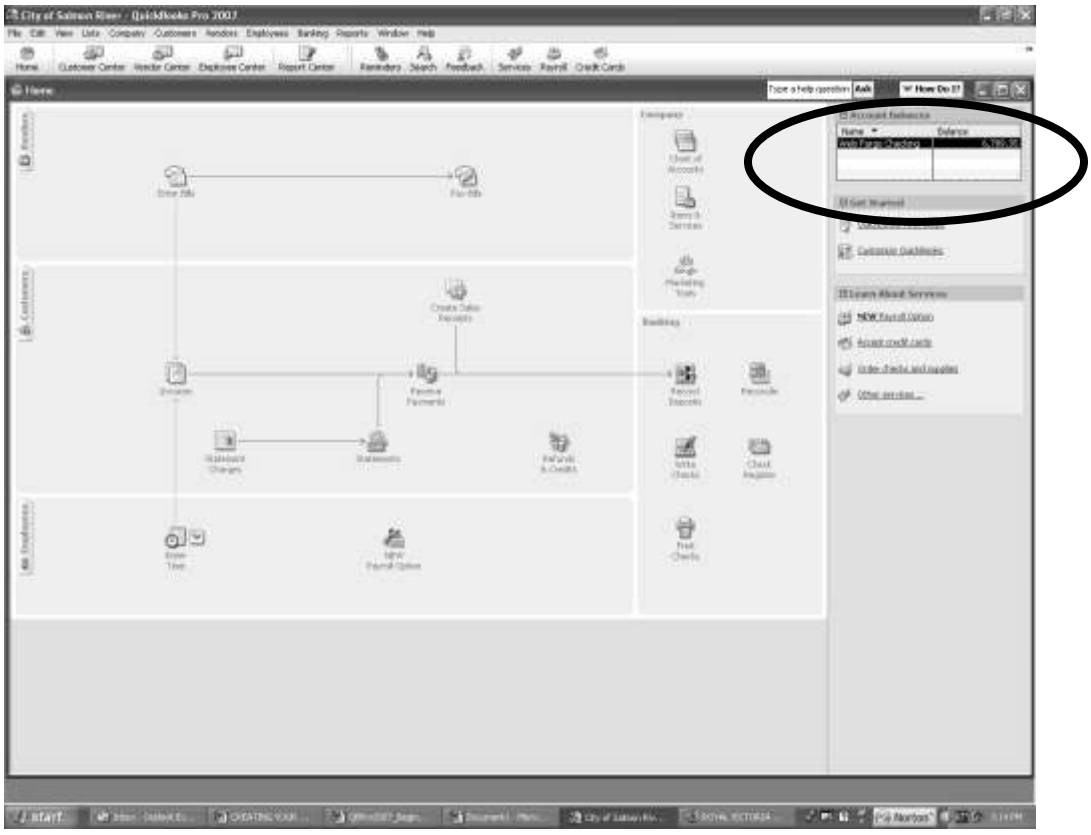
QuickBooks now gives you a screen that offers you tutorials in QuickBooks. You can always come back and view these tutorials at a later date, but right now you want to start entering information into your company file.

- Click **Begin Using QuickBooks.**

NOTE: If you think you are interested in the QuickBooks tutorials at a later date, you can check the box in the lower left corner to show this screen whenever you start QuickBooks.

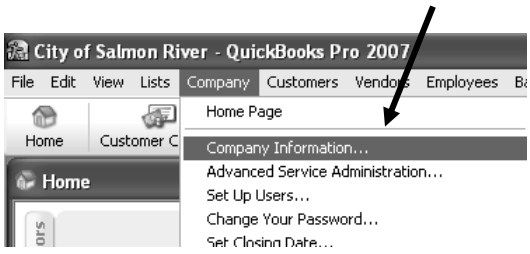
Check Your Work!

You are now in the Home screen. Do you see your correct bank balance at the top right corner?

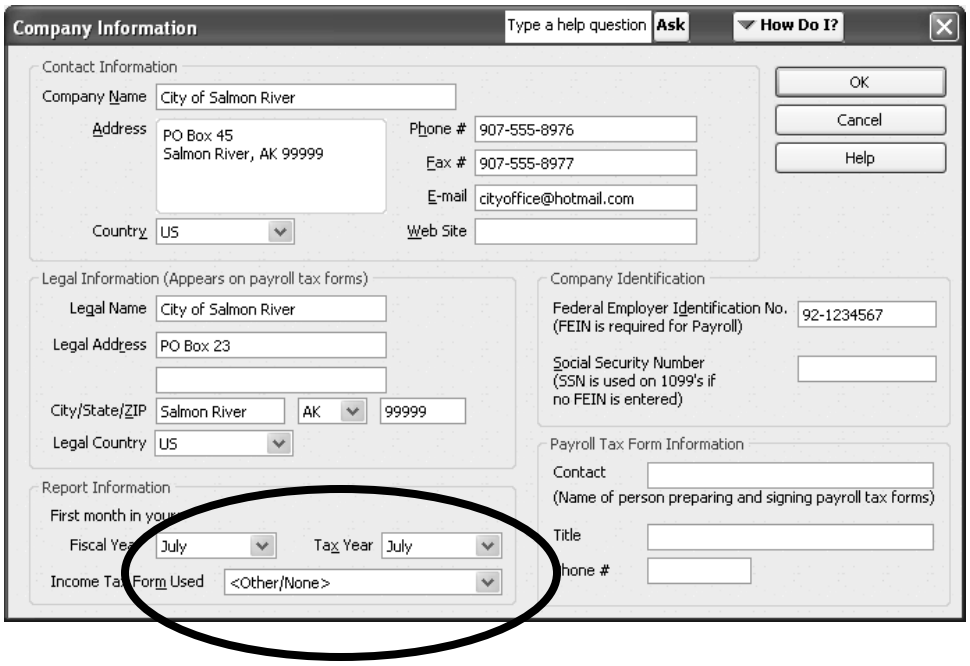


Check your company information by doing the following:

- Click **Company**---the fifth menu choice at the top of the screen.
- Select **Company Information.**

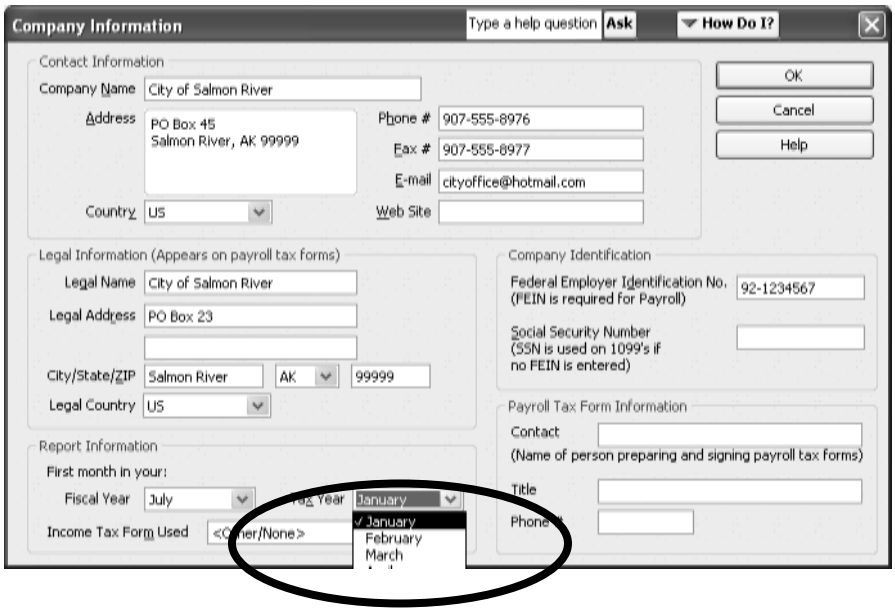


This screen will show you much of the information you entered. Check to make sure the information is correct. Even if the information is perfect, **DO NOT** click **OK**, because you have one change to make.



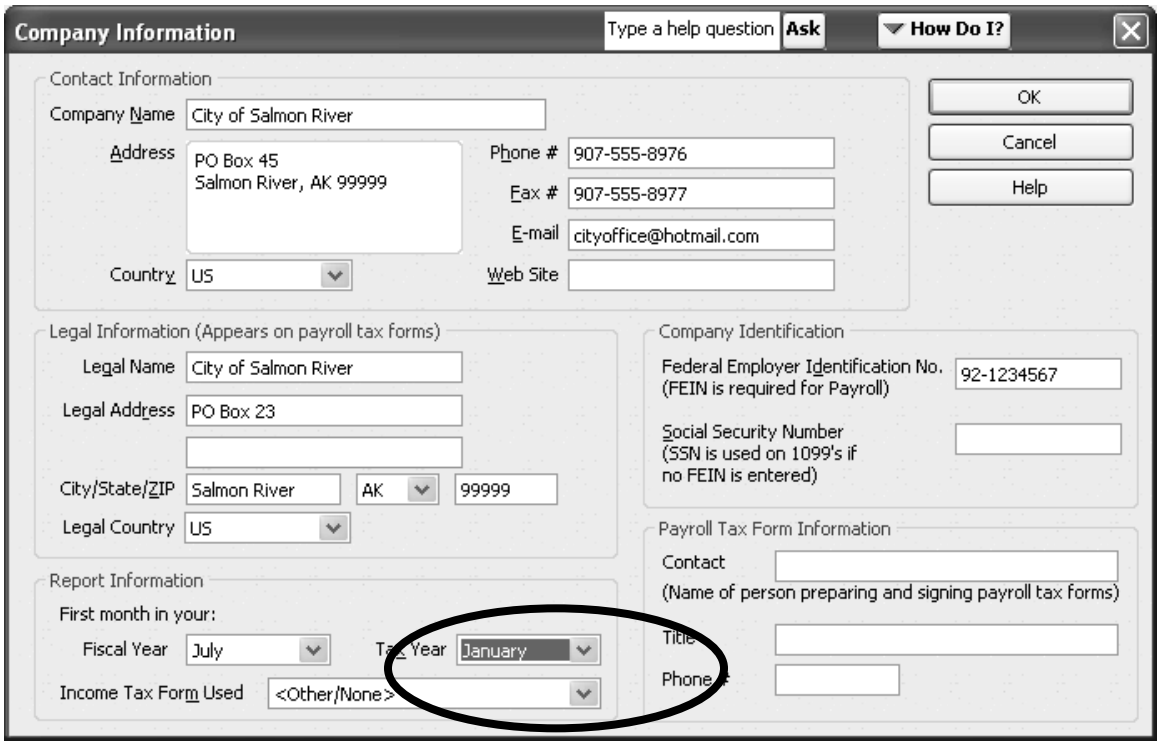
Look in the box labeled **Report Information**. Is your fiscal year correct? If your fiscal year starts in any month other than January, QuickBooks assumes that your tax year starts there too. That is not the case. The tax year for all of us is the calendar year, January through December. You need to change this option.

- Click on the drop-down menu and select **January** for the beginning month in the **Tax Year** box.



Your completed screen should look like this.

- Click **OK**.



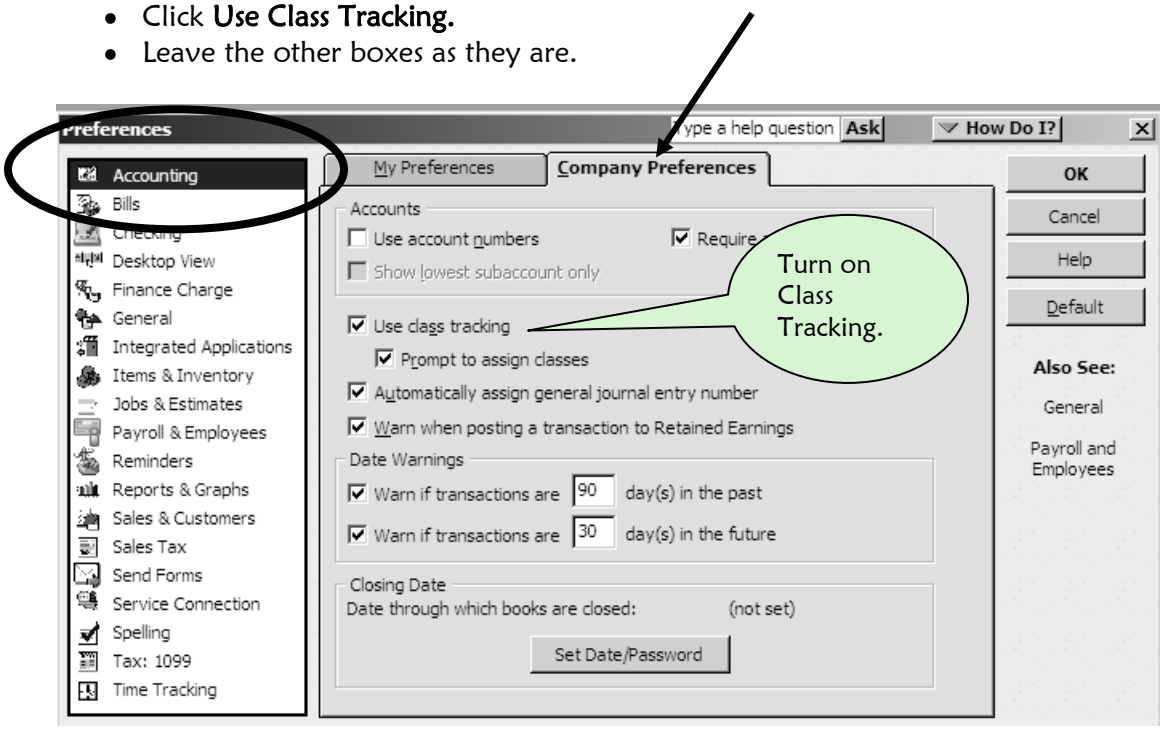
Now you are back in the **Home** Screen.

Changing Your QuickBooks Preferences

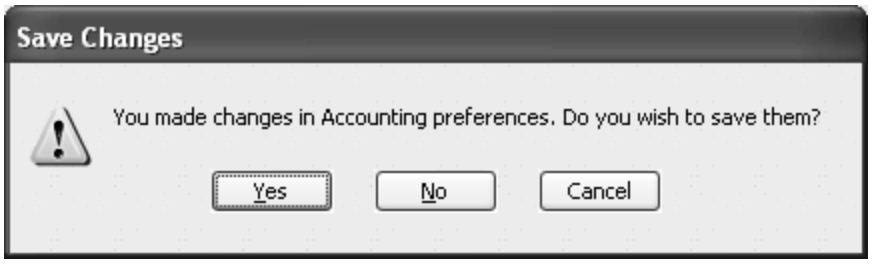
When you were creating your company file, you described what type of accounting system you wanted. You told QuickBooks you wanted to be able to prepare invoices, enter in bills, and do a payroll. These setups are called **Preferences**. There are many more Preferences that you can add, delete or change in the setup features of your file. In this section, you are going to add a few.

- Click **Edit.**
- Click **Preferences.**

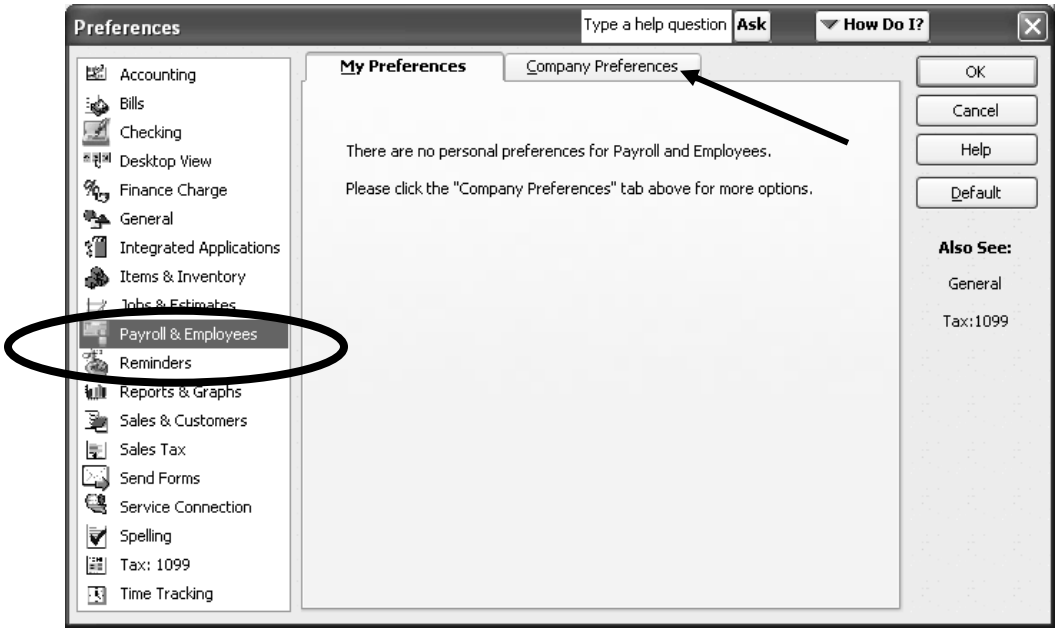
- Click **Accounting.**
- Click the **Company Preferences** tab.
- Click **Use Class Tracking.**
- Leave the other boxes as they are.



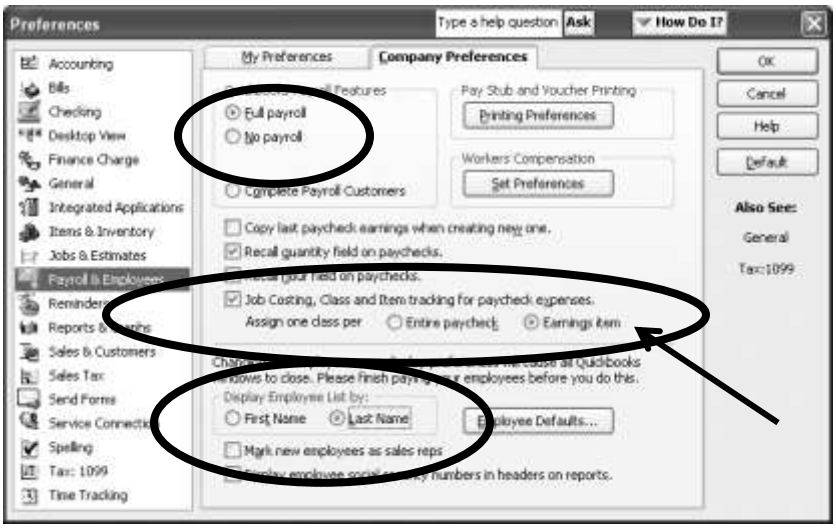
- Click on **Payroll & Employees** at the left side of the screen.
- QuickBooks will ask you if you want to save the change you made in **Accounting preferences**.
- Click **Yes**.



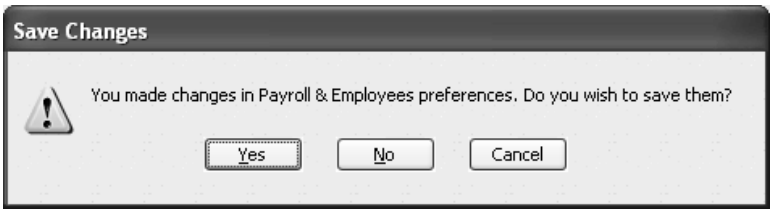
- Now click on the **Company Preferences** tab at the top of the screen.



- Select **Full Payroll** if it is not already selected.
- Select **Assign one class per Earnings Item.**
- Select **Last Name** for **Display Employee List by.**

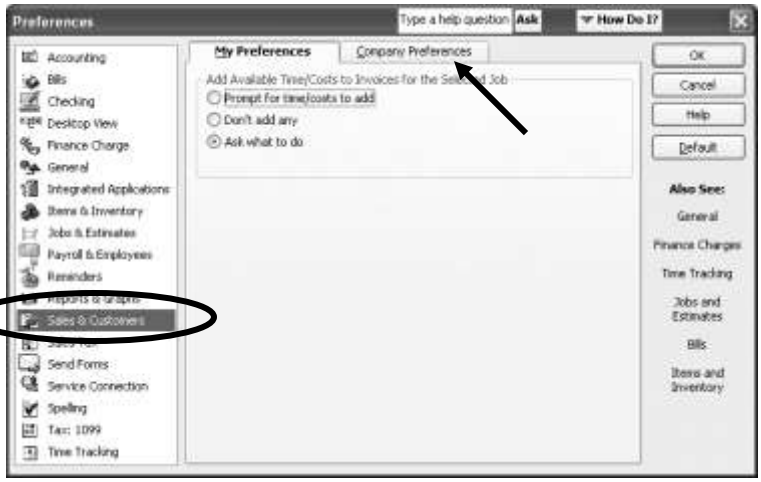


- Finally, click on **Sales and Customers** at the left part of the screen.
- Click **Yes** to save the changes you made in **Payroll & Employee preferences**.

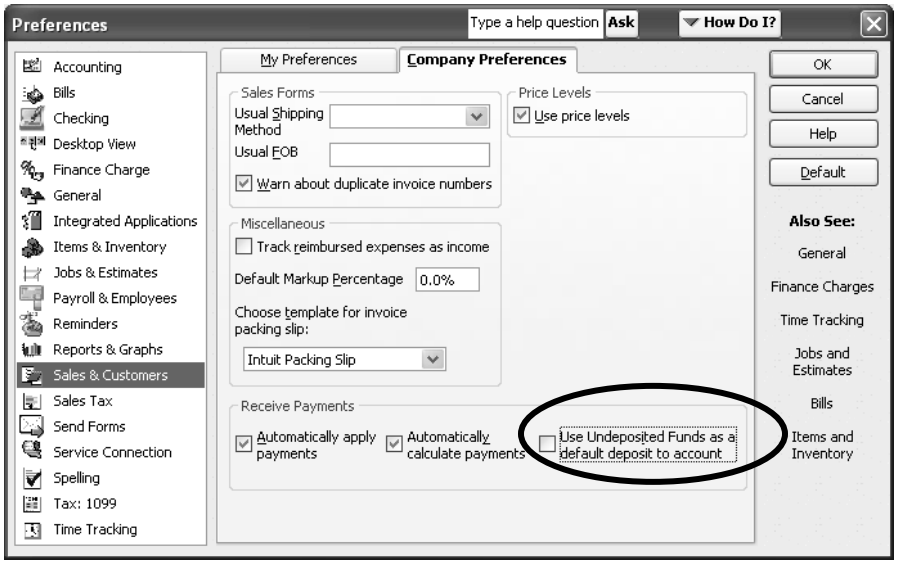


- Click **OK** at the next message.

- Select the **Company Preferences** tab.



- Uncheck the box at the lower right that says **Use Undeposited Funds as a default deposit to account.**
- Click **OK.**

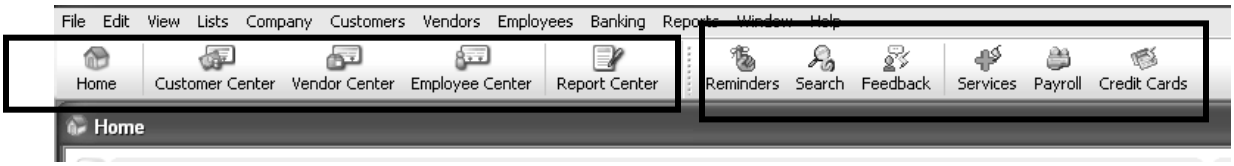


Congratulations, your QuickBooks Company is now set up!

3 CREATING A CUSTOMIZED ICON BAR

Icons let you perform QuickBooks tasks with the click of a mouse. You can select the tasks you perform most often in QuickBooks and set them up at the top of your screen as picture icons. Whenever you want to perform that task, click on the picture.

QuickBooks gives you the following icon bar:



In this chapter, you will learn how to change this **Icon Bar** so that it best serves your Water/Sewer Utility. Look at the **Icon Bar** at the top of your screen.

The Icons on the left side take you to the major areas of QuickBooks.

- Home
- Customer Center
- Vendor Center
- Employee Center
- Report Center

The icons on the right side allow you to perform tasks **within** the major areas of QuickBooks. You may customize these to fit your financial needs. When you set up QuickBooks, you are given the following icons.

- Reminders
- Search
- Feedback
- Services
- Payroll—the only icon command in this list that you will keep
- Credit Cards

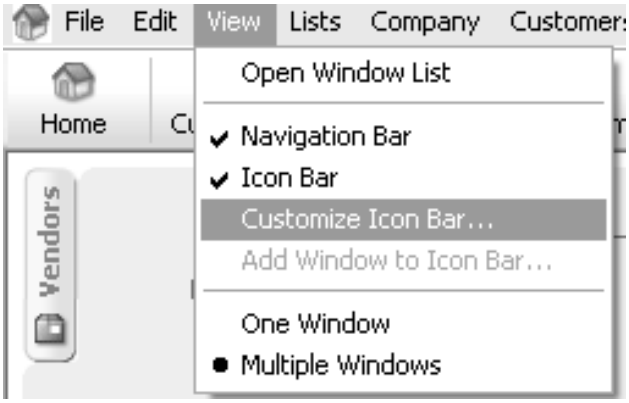
You will delete all of these icons except for Payroll. Then you will add icons that will help you with the tasks specific to your Water/Sewer Utility.

Deleting Icons from the Icon Bar

First, you will delete icons from the **Icon Bar** that will be of no use to you.

Step 1

- Click the **View** menu at the top of the screen.
- Select **Customize Icon Bar.**



Step 2

- Highlight **Credit Cards** in the **Icon Bar Content** box.
- Click **Delete.**
- Highlight **Reminders.**
- Click **Delete.**
- Click **OK.**

It's Your Turn!

Using Steps 1 and 2 above, delete **Search, Feedback, (space) and Services** from your Icon Bar. You will keep **Payroll**.

Check Your Work!

After you have finished, your **Customize Icon Bar** screen should look like this:

Your window should now have Payroll as its only option. If it doesn't, select Cancel and start over.

- Click **OK.**

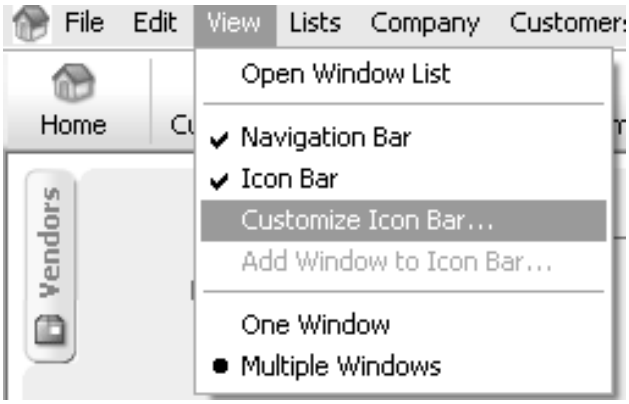
You will now create the following icons for the QuickBooks tasks most frequently used in a Water/Sewer utility.

Invoice	Creates invoices for your customers
Payment	Receives Payments when a customer pays an invoice
Check	Brings up the check writing screen
Bill	Enters a bill you received from a vendor
Pay Bills	After entering a bill from a vendor, you must pay the bill in this screen
Bank Account	Takes you to the Wells Fargo Check Register
Accnt	Brings up Your **Chart of Accounts**—the list of categories for all your finances
Find	Allows you to search for names, check numbers, amounts and accounts
Backup	Backs up your company file
Deposit	Allows you to make bank deposits to any of your bank accounts

Adding Icons to the Icon Bar: Create Invoices, Bills, Chart of Accounts, Find, Write Checks, Use Register and Backup

Step 1

- Click the **View** menu at the top of the screen.
- Select **Customize Icon Bar.**



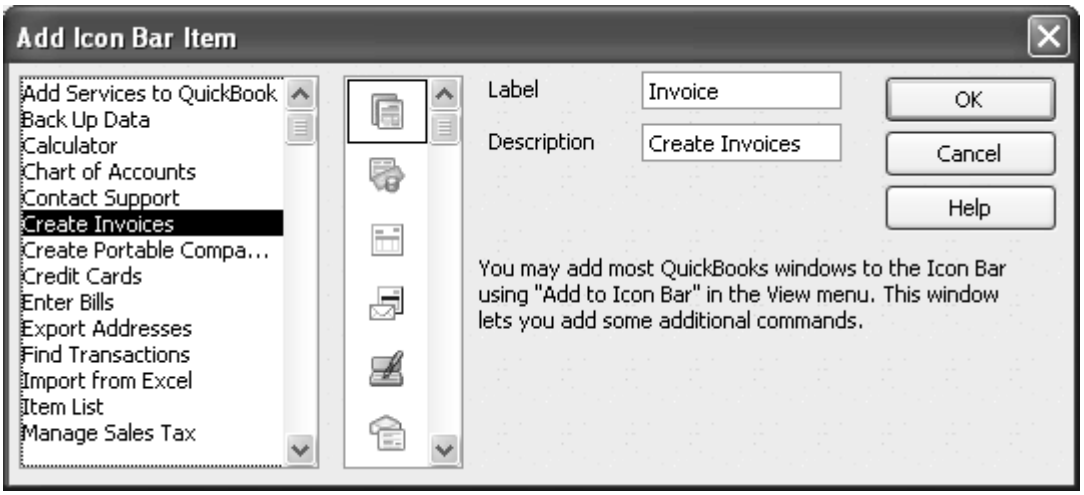
Step 2

- Click **Add.**

Step 3

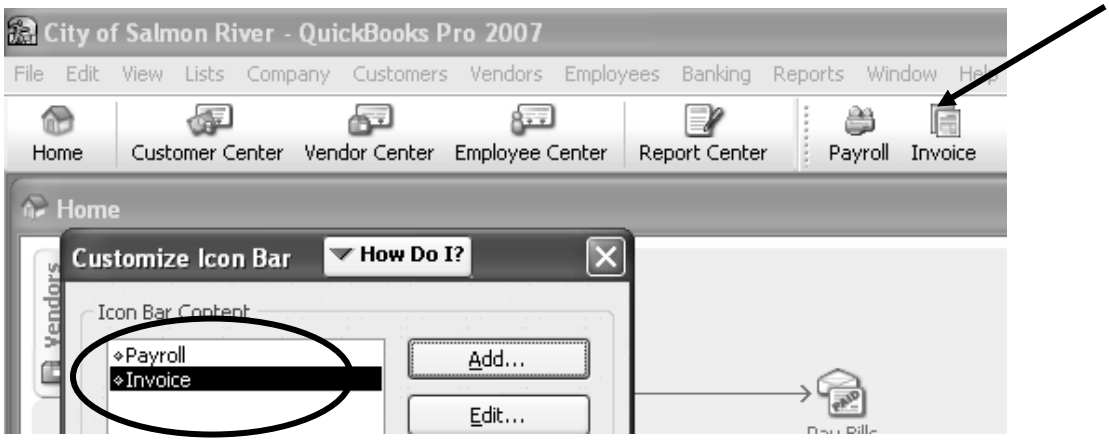
A list comes up with a selection of the possible icons for adding to your bar. You will add two.

- Highlight **Create Invoices** in the list of icons.
- Press **OK.**



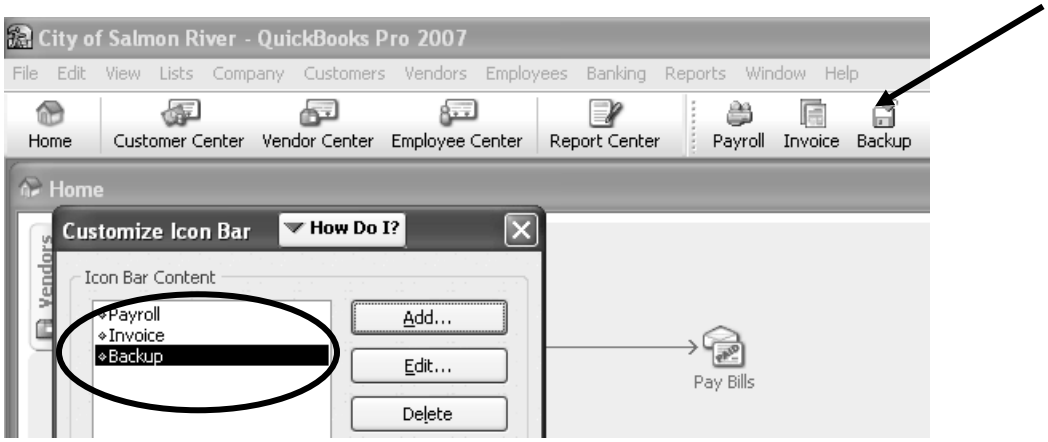
QuickBooks added **Invoice** to your **Icon Bar** at the top, and it now appears in the list of icons in the **Customize Icon Bar** Menu box.

In the future, when you wish to create a customer invoice, click the **Invoice** icon and QuickBooks will take you directly to the Invoice screen.

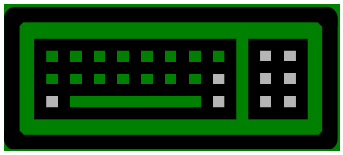


- Click **Add** again.
- This time select **Backup Data** from the list.
- Click **OK.**

Your screen and icon should now look like this.



- Click **OK.**



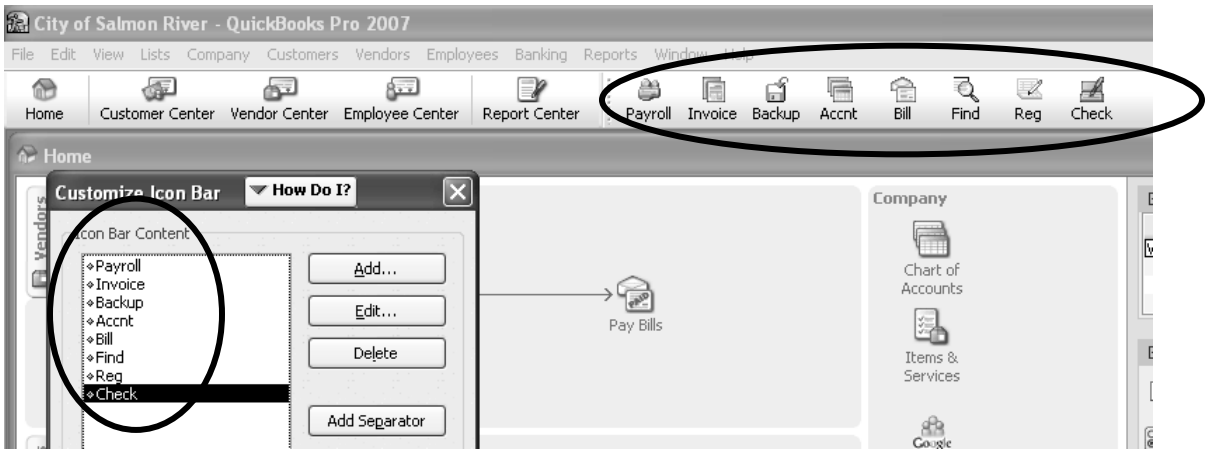
It's Your Turn!

Performing Steps 1 through 3 above, continue until you have added the following icons to your menu bar:

- **Chart of Accounts**
- **Enter Bills**
- **Find Transactions**
- **Use Register—your bank account register (scroll down to the end to find this in the list)**
- **Write Checks (also scroll down to the end of the list)**

Your screen should now look like the one below.

- Finally, click **OK** to finish adding icons.



Check Your Work!

You can easily check to see if the icons work by clicking on them one at a time to see if they bring up the right screen. If they don't, delete the one that doesn't work and create it again.

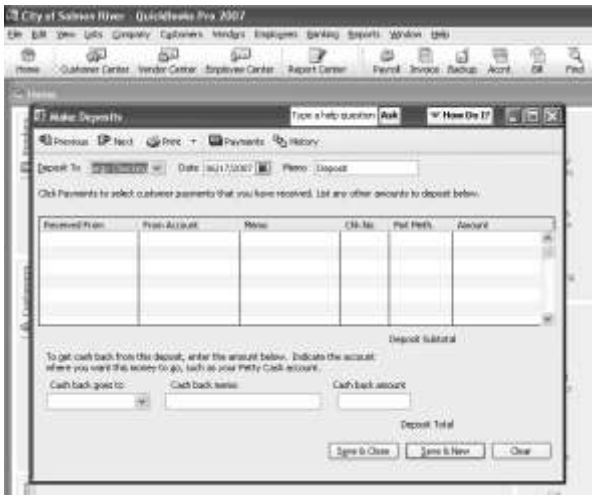
Adding Other Icons to the Icon Bar: Making Deposits, Receive Payments, Pay Bills

You can also make an icon for any other task in QuickBooks that is not in the **Add Icon Bar Item** list. Just click through the task command itself, and then tell QuickBooks to add it to the **Icon Bar**.

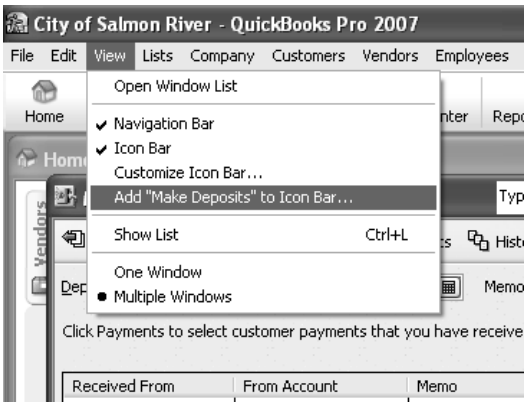
For example, **Make Deposits** is not on the **Add Icon Bar Item** list of tasks that you just worked with, and you surely want to make lots of deposits. To add it to your **Icon Bar**, just

- Click **Banking** at the top.
- Click **Make Deposits** in the drop down menu.

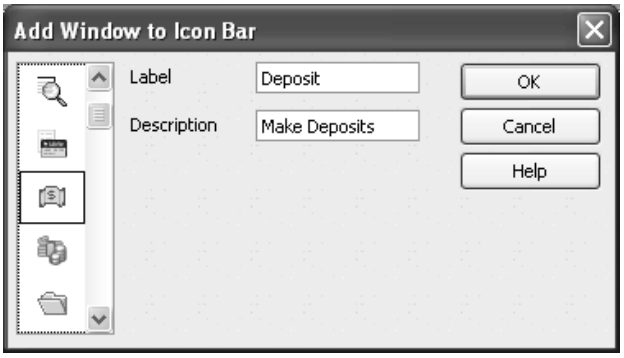
The **Make Deposits** window appears:



- Click the **View** menu.
- Highlight and click on **Add "Make Deposits" to Icon Bar**.



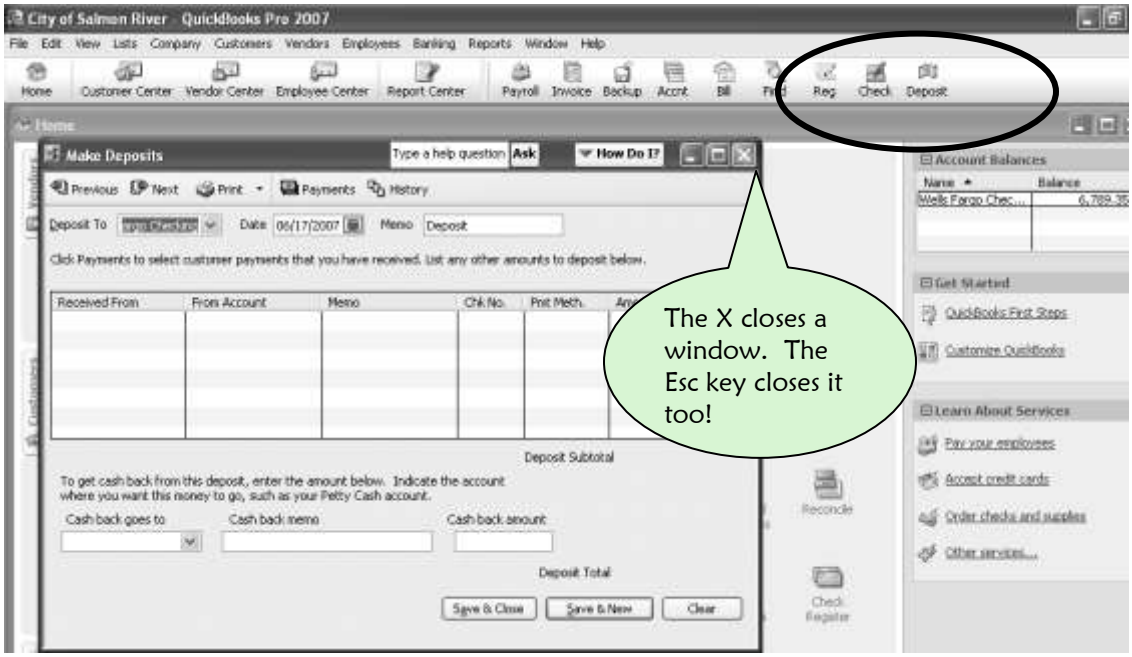
- Select the icon you want to use from the picture list at the left.
- Click **OK.**



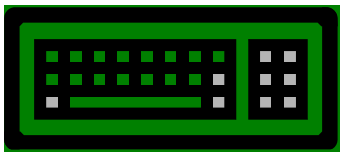
QuickBooks adds that task to the **Icon Bar**. You can add an icon to your **Icon Bar** for any QuickBooks task that you use frequently.

Check Your Work!

Did QuickBooks add **Deposit** to the **Icon Bar**?



Finally, get rid of the **Make Deposits** window by pressing the **Esc** key in the upper left of your keyboard or the **X** in the upper right corner of the **Make Deposits** window.



It's Your Turn!

Here are the commands to add the rest of the icons to your Bar.

Receive Payments

- Click **Customers** in the drop down menu at the top.
- Click **Receive Payments** which will bring up the **Receive Payments** window.
- Click the **View** menu, then highlight **Add Receive Payments to the Icon Bar.**
- Select the icon you want to use from the list at the left.
- Click **OK.**

Pay Bills

- Click **Vendors** in the drop down menu at the top.
- Click **Pay Bills,** which will bring up the **Pay Bills** window.
- Click the **View** menu.
- Highlight **Add Pay Bills to the Icon Bar.**
- Select the icon you want to use from the list at the left.
- Click **OK.**

Do you have the icons you want now?

Get rid of any extra windows you have by pressing the **Esc** key or the X in the upper right hand corner of the window you wish to close.

Check Your Work!

Try out every icon to see that they work. Just click them and see if they bring up the right screen. It they don't, delete them and try again.

4 SETTING UP YOUR ACCOUNTING CATEGORIES

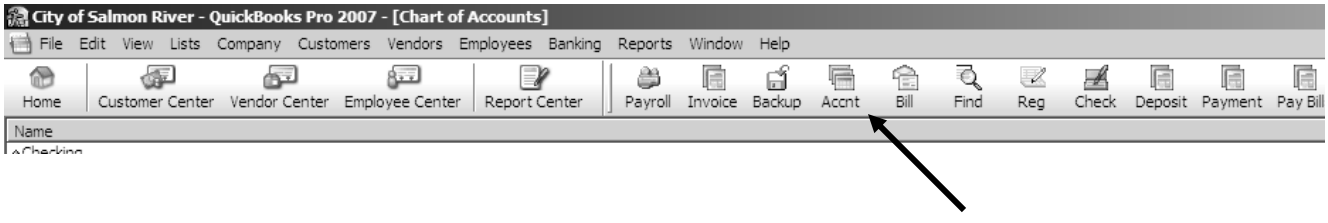
Your **Chart of Accounts** is the complete list of categories that relate to the finances of your Water/Sewer Utility. Think of it as a filing system for all of your financial transactions. Your transactions will all be separated into similar groups such as: Income, Postage, Office Supplies, and Payroll Expenses.

The six types of accounts that you will use in your **Chart of Accounts** are called:

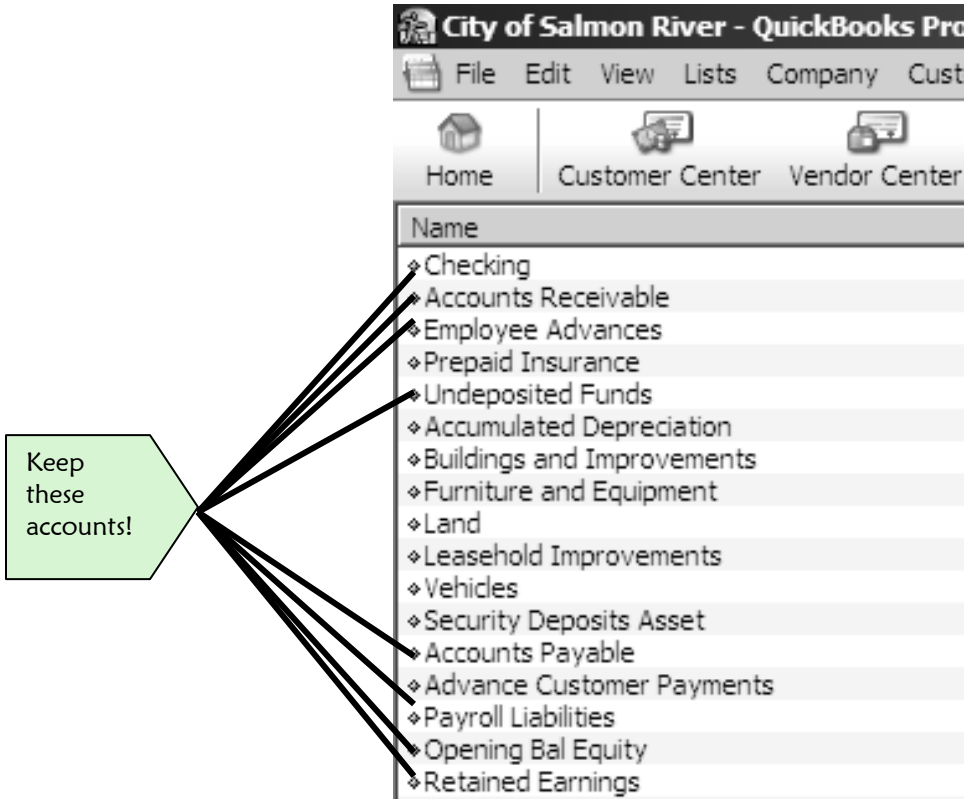
- **Bank**
- **Accounts Receivable**
- **Other Current Liabilities**
- **Equity**
- **Income**
- **Expenses**

Let's look at the **Chart of Accounts** that QuickBooks gave you when you created your company file.

- Click the **Accnt** icon on your **Icon Bar.**



Below is the **Chart of Accounts** that was imported into QuickBooks into our new company file. Do not worry if your list is not the same as this one. The **Chart of Accounts** given to you in a new Company File can vary from computer to computer. The first task is to get rid of accounting categories that will not be useful to you at this time.



Deleting Accounts

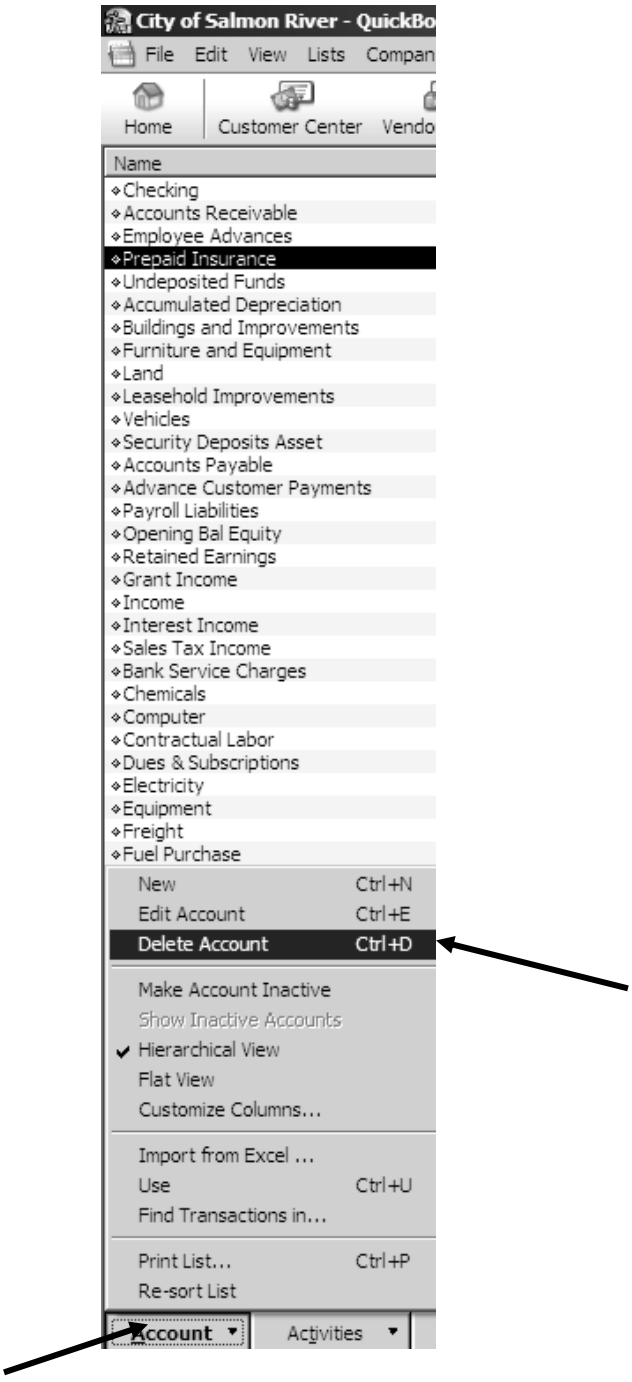
Before continuing on with this chapter, take a few moments to look at **your** Chart of Accounts. You are going to delete every account **EXCEPT** the ones listed below:

- Checking
- Accounts Receivable
- Employee Advances
- Undeposited Funds
- Accounts Payable
- Payroll Liabilities
- Opening Balance Equity
- Retained Earnings
- Payroll Expenses

Don't worry if you are missing some of these accounts. You will learn how to create them in this chapter.

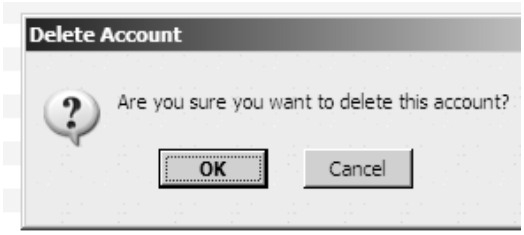
Step 1

- Highlight **the account you want to delete** by clicking it once.
- At the bottom of the **Chart of Accounts** screen, click **Account.**
- Click **Delete Account.**
- You may also use **Ctrl-D** as a shortcut to delete an account.



Step 2

- Click **OK.**

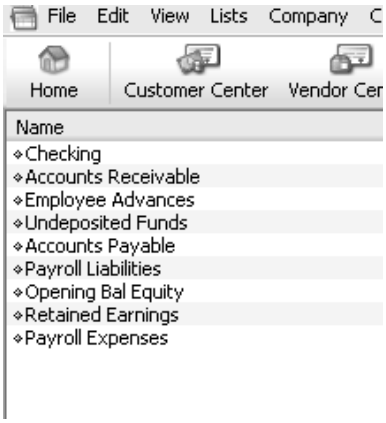


It's Your Turn!

Now repeating Steps 1 and 2, delete the accounts you have identified that you will not need in your file.

Check Your Work!

Your **Chart of Accounts** should now look like the following example.



Income Accounts

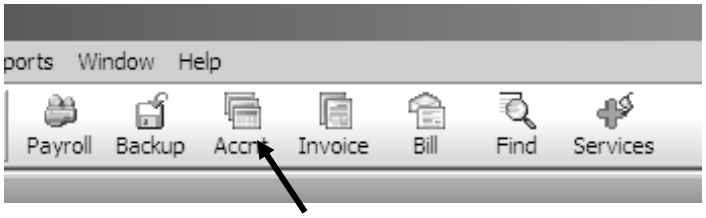
Use income accounts to track all of your money coming in. Examples of income accounts are:

- Customer payments for Water/Sewer services
- Customer purchases of fuel and propane
- Grant money
- State of Alaska money
- Sales Tax money

Creating an Income Account

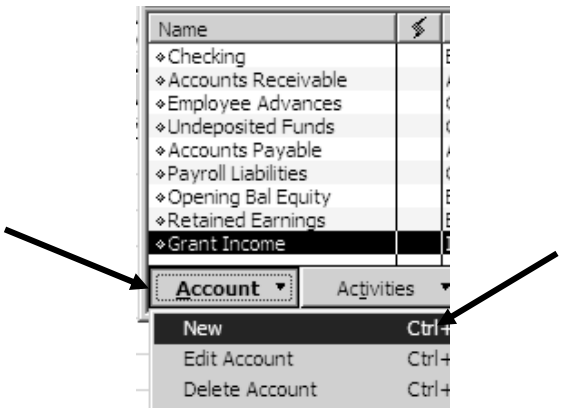
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

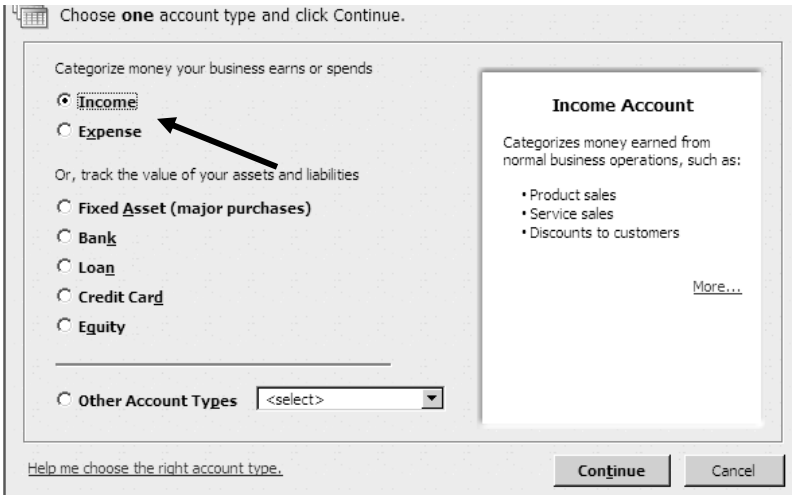
- Click **Account** at the bottom left of that screen.
- Click **New.**



Step 3

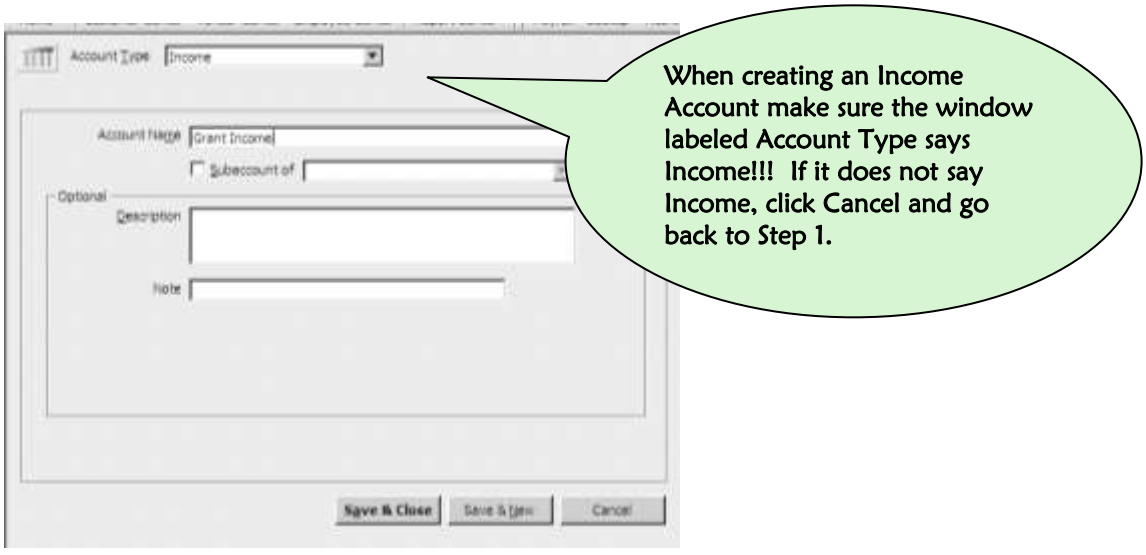
- Select **Income** as the account category or type.
- Click **Continue.**

IF YOU ARE CREATING AN INCOME ACCOUNT, THE ACCOUNT TYPE MUST BE INCOME!!!



Step 4

- Check that the **Account Type** is **Income.**
- Name your income account **Grant Income.**
- Type the name in the field labeled **Account Name.**
- Click **Save & Close.**



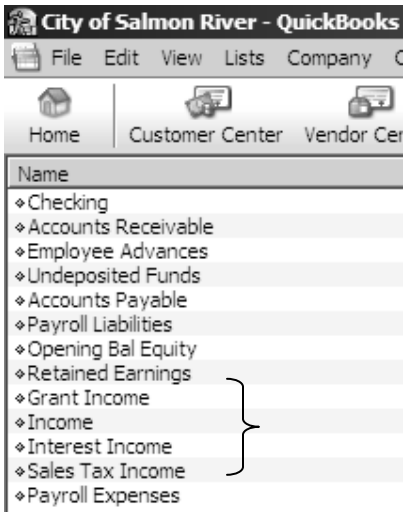
It's Your Turn!

Now repeating Steps 1 through 4, create the following three income accounts using the names below. After creating one account, you may click **Save and New** between accounts to avoid Steps 1 through 3.

- **Interest Income**
- **Sales Tax Income**
- **Income**

Check Your Work!

When you are finished, your account list of income accounts should look like the following:



Expense Accounts

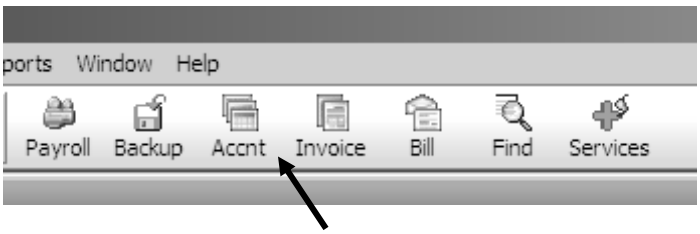
Use expense accounts to track all of your money going out. Some examples of expense accounts are:

- Payroll Expenses (QuickBooks gave you this account automatically in the setup).
- Payroll Taxes
- Utility necessities such as fuel, electricity, and office supplies
- Employee costs such as travel, training, and per diem

Creating an Expense Account

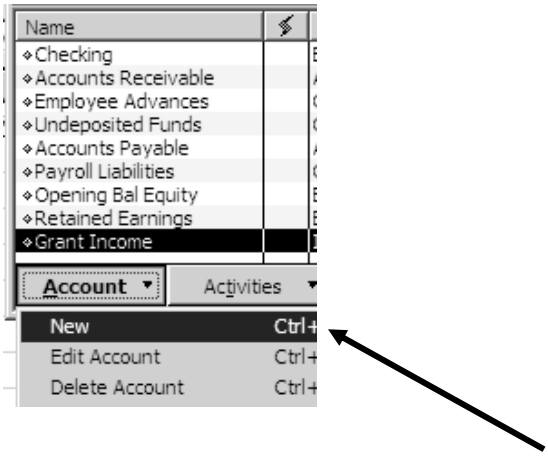
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

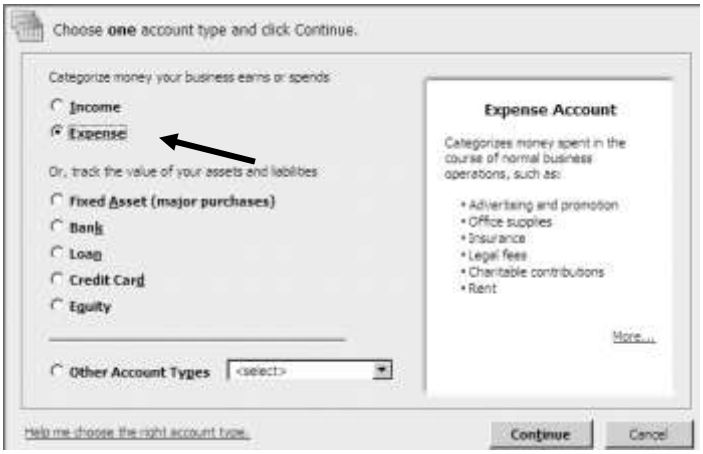
- Click **Account.**
- Click **New.**



Step 3

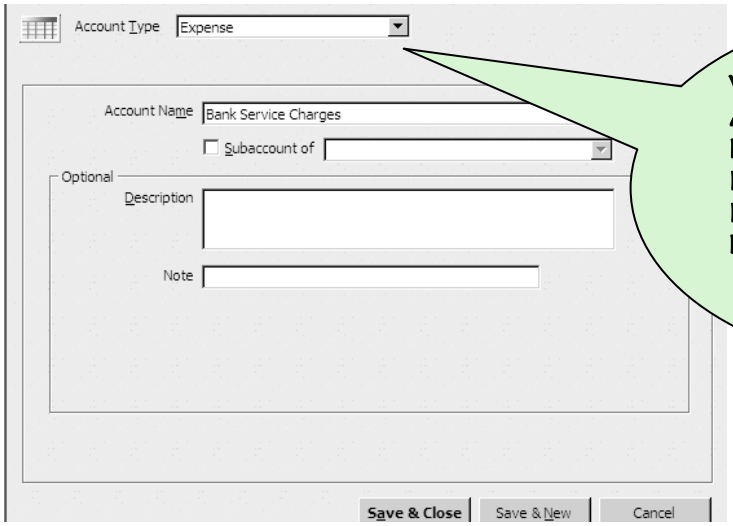
- Select **Expense** as the account category or type.
- Click **Continue.**

IF YOU ARE CREATING AN EXPENSE ACCOUNT, THE ACCOUNT TYPE MUST BE EXPENSE!!!



Step 4

- Name your expense account **Bank Service Charges.**
- Type the name in the field labeled **Account Name.**
- Click **Save & Close.**



When creating an Expense Account make sure the window labeled Account Type says Expense!!! If it does not say Expense, click Cancel and go back to Step 1.

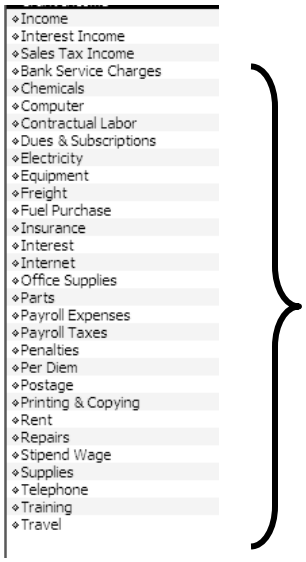
It's Your Turn!

Now repeating Steps 1 through 4, create the following expense accounts using the names below. After creating one account, you may click **Save and New** between accounts to avoid Steps 1 through 3.

- Chemicals
- Computer
- Contractual Labor
- Dues & Subscriptions
- Electricity
- Equipment
- Freight
- Fuel Purchase
- Insurance
- Interest
- Internet
- Office Supplies
- Parts
- Payroll Taxes
- Penalties
- Per Diem
- Postage
- Printing & Copying
- Rent
- Repairs
- Stipend Wage
- Supplies
- Telephone
- Training
- Travel

Check Your Work!

When you are finished, your account list of expense accounts should look like the following:



Bank Accounts

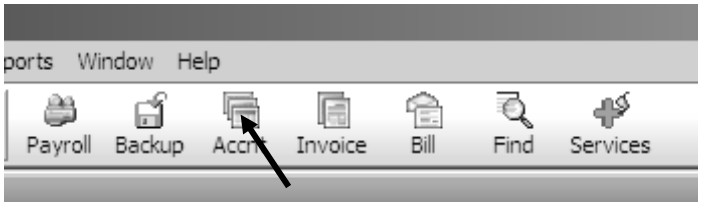
You have already created your **Checking Account** in the setup. Your QuickBooks checking account holds the checks and deposits for a bank account outside your community. Maybe it is Wells Fargo or First National Bank of Alaska, or a different bank.

Your most important bank, however, is located right **inside** your community. Because your community is located in rural Alaska, it is likely that you do not have a bank nearby. Therefore, most of your cash and checks are going in and out of a **Safe**, a **Cash Bag**, or maybe even a desk drawer. Whatever your community uses, this is really your community's **BANK**. This is where most of your community's business takes place. Therefore, you must track the cash going in and out of this bank, and you must know the amount of cash on hand at all times.

Creating a Bank Account

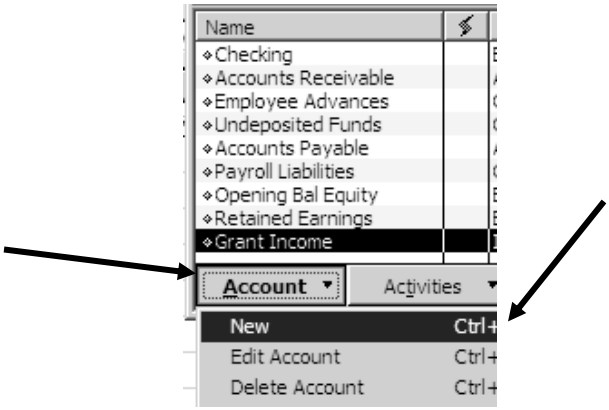
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

- Click **Account.**
- Click **New.**



Step 3

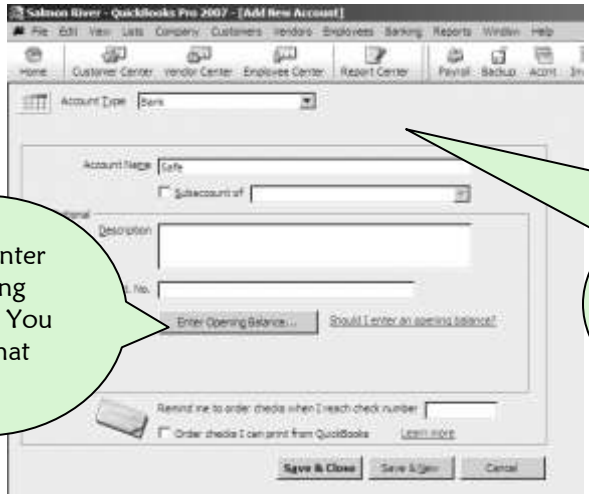
- Select **Bank** as the account **type**.
- Click **Continue.**

IF YOU ARE CREATING A BANK ACCOUNT, THE ACCOUNT TYPE MUST BE BANK!!!

Step 4

- Check that the **Account Type** is **Bank.**
- Name your community bank account **Safe.**
- Type the name in the field labeled **Account Name.**
- Click **Save and Close.**

If your community uses something other than a Safe, pick a name for your community bank that is meaningful to you. Some communities have named this account **Cash Bag** or **Cash Drawer**.



Do not enter an opening balance. You will do that later.

When creating a community Bank Account make sure the window labeled Account Type says Bank!!! If it does not say Bank, click Cancel and go back to Step 1.

Check Your Work!

Your **Chart of Accounts** list should look like the list below. Notice that the **Safe** bank account follows the other bank account, **Checking**.

Accounts Receivable Accounts

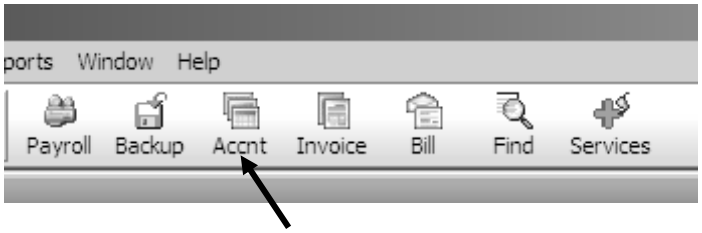
Think of Accounts Receivable as the file box or cabinet where you keep all of your customers' invoices, payment histories and customer balances. They are separated by service—Water/Sewer, Landfill, Cable. Pay close attention to this section. This setup is different from your Bank, Income, and Expense account setups.

Creating an Accounts Receivable Account

You should already have this account in your **Chart of Accounts**, but if you don't, follow along. If you do have this account already, skip to the next section—**Creating an Accounts Receivable Subaccount for your Water/Sewer Utility**.

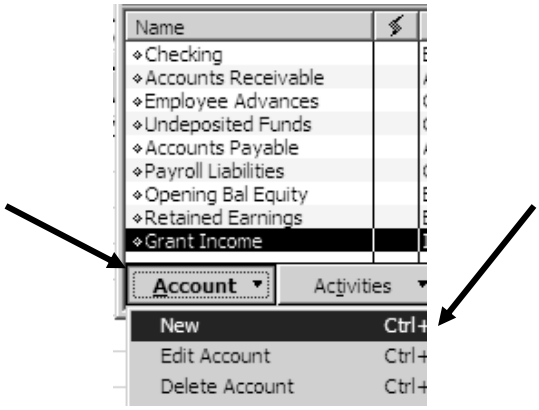
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A**.



Step 2

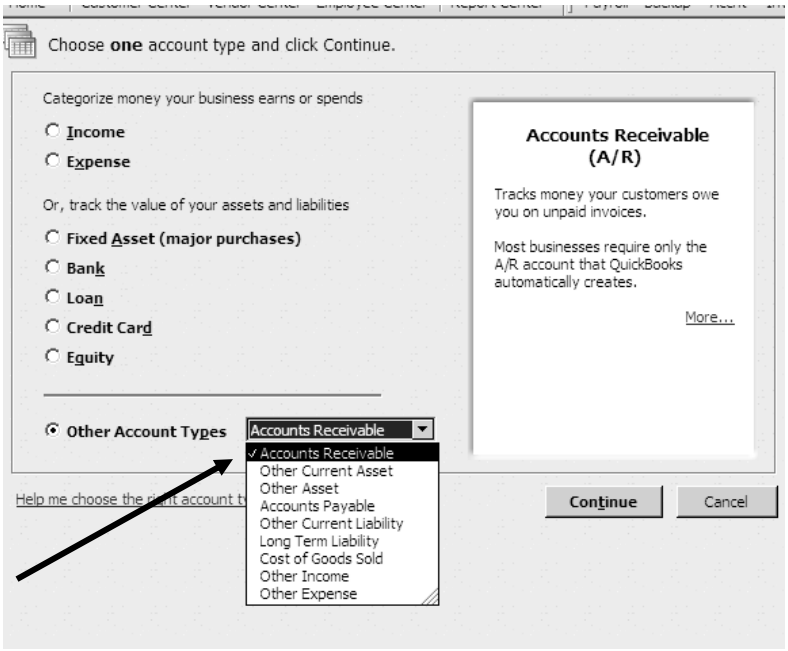
- Click **Account.**
- Click **New.**



Step 3

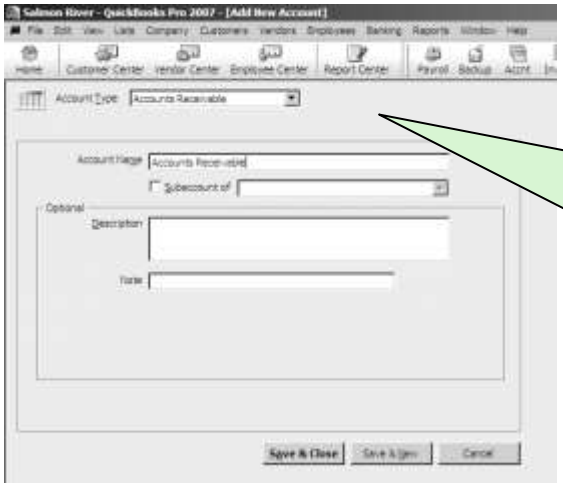
- Select the **Other Account Types** button
- Select **Accounts Receivable** as the account **type.**
- Click **Continue.**

IF YOU ARE CREATING AN ACCOUNTS RECEIVABLE ACCOUNT, THE ACCOUNT TYPE MUST BE ACCOUNTS RECEIVABLE!!!



Step 4

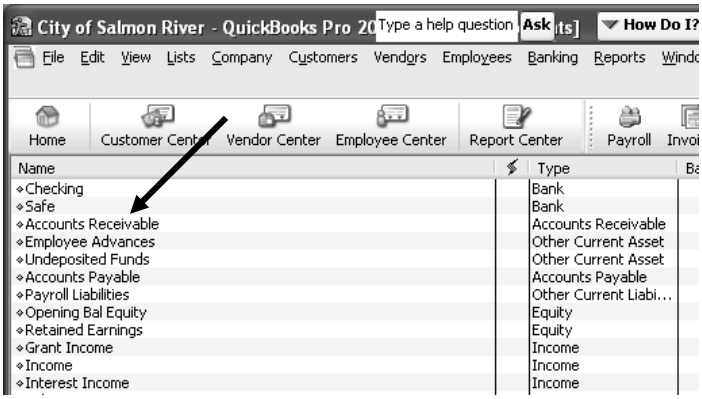
- Name your accounts receivable account **Accounts Receivable.**
- Type the name in the field labeled **Account Name.**
- Click **Save and New.**



When creating an Accounts Receivable account make sure the window labeled Account Type says Accounts Receivable!!! If it does not say Accounts Receivable, click Cancel and go back to Step 1.

Check Your Work!

Your **Chart of Accounts** list should look like the list below. Notice that **Accounts Receivable** is immediately **after** your bank accounts.



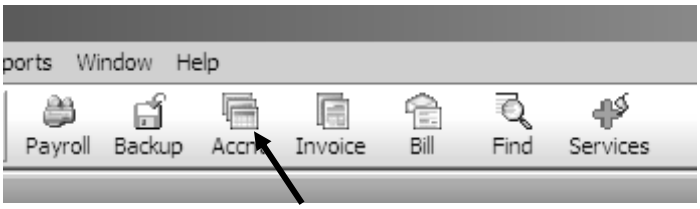
There's More……..

You have just set up what is called the **parent account** for Accounts Receivable. Now you will set up an accounts receivable subaccount for **each** service for which your community invoices.

Creating an Accounts Receivable Subaccount for Your Water/Sewer Utility

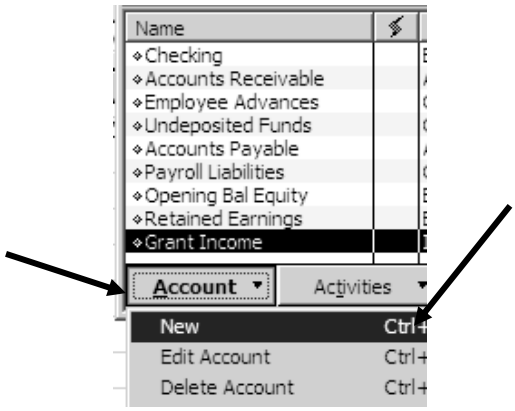
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

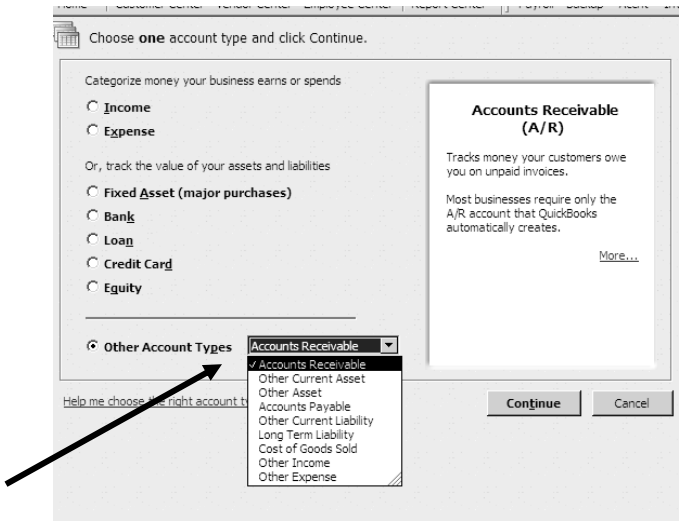
- Click **Account.**
- Click **New.**



Step 3

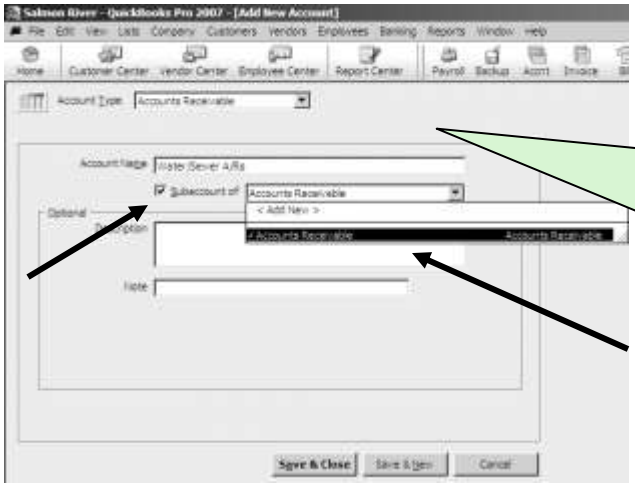
- Select the **Other Account Types** button
- Select **Accounts Receivable** as the account **type.**
- Click **Continue.**

IF YOU ARE CREATING A WATER/SEWER ACCOUNTS RECEIVABLE SUBACCOUNT, THE ACCOUNT TYPE MUST BE ACCOUNTS RECEIVABLE!!!



Step 4

- Name your accounts receivable subaccount **Water/Sewer A/R.** A/R is an abbreviation for Accounts Receivable.
- Type the name in the field labeled **Account Name.**
- Click the little box labeled **Subaccount of.**
- Select **Accounts Receivable** from the drop-down menu.
- Click **Save & Close.**



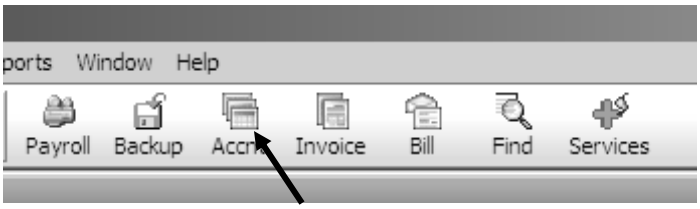
When creating an Accounts Receivable Account make sure the window labeled Account Type says Accounts Receivable!!! If it does not say Accounts Receivable, click Cancel and go back to Step 1.

Creating an Accounts Receivable Subaccount for Fuel Sales

Create this account only if your office handles the sale of fuel.

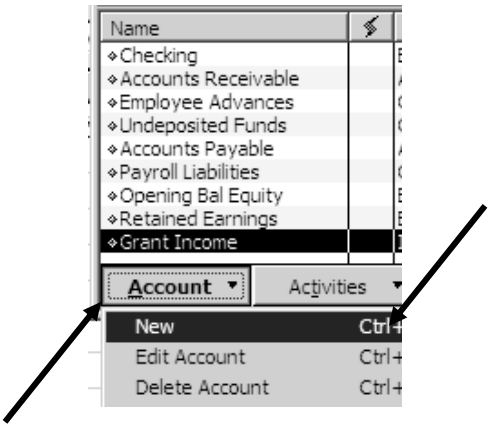
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

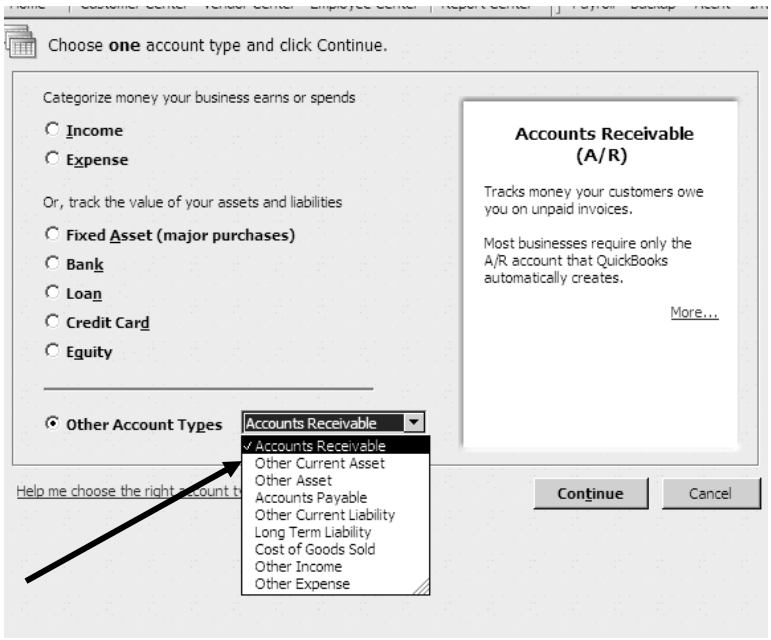
- Click **Account.**
- Click **New.**



Step 3

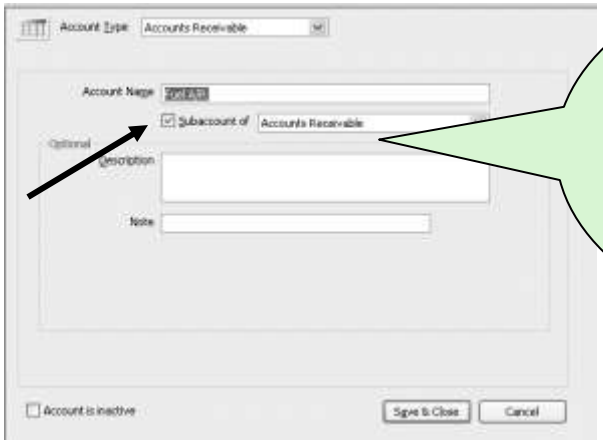
- Select the **Other Account Types** button.
- Select **Accounts Receivable** as the account **type.**
- Click **Continue.**

IF YOU ARE CREATING A FUEL ACCOUNTS RECEIVABLE SUBACCOUNT, THE ACCOUNT TYPE MUST BE ACCOUNTS RECEIVABLE!!!



Step 4

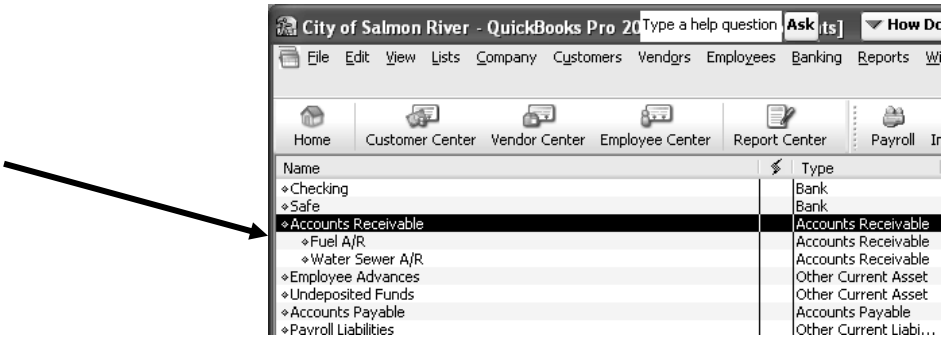
- Name your accounts receivable subaccount **Fuel A/R.** A/R is an abbreviation for Accounts Receivable.
- Type the name in the field labeled **Account Name.**
- Click the little box labeled **Subaccount of.**
- Select **Accounts Receivable** from the drop-down menu.
- Click **Save & Close.**



When creating an Accounts Receivable Account make sure the window labeled Account Type says Accounts Receivable!!! If it does not say Accounts Receivable, click Cancel and go back to Step 1.

Check Your Work!

Notice in the example below that your subaccounts, **Water/Sewer A/R** and **Fuel A/R** are attached to **Accounts Receivable** and indented in the list.

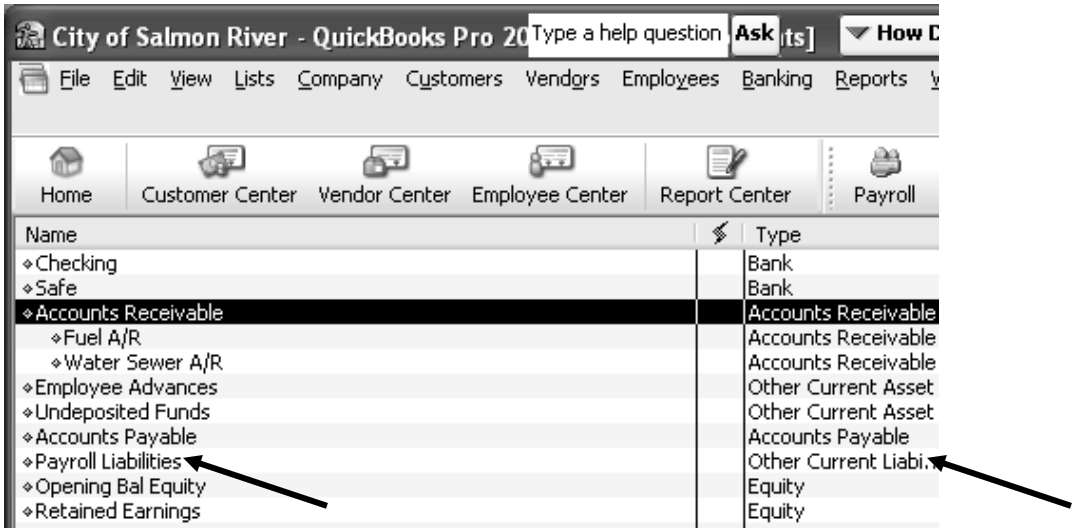


It's Your Turn!

Create an **Accounts Receivable** subaccount for every service for which your utility or community invoices.

Payroll Liability Accounts

When you set up your QuickBooks Company in the previous chapter, you were given an account for Payroll Liabilities. Notice that the **Type** of this account is **Other Current Liability.**

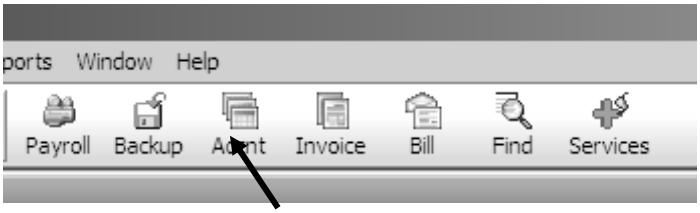


Current liability accounts keep track of the money that your utility **owes.** Unpaid payroll taxes are one example of money that your utility owes. Every time you create a paycheck, you owe payroll taxes for that employee. QuickBooks puts these unpaid taxes into current liability accounts. When you pay the payroll taxes, these current liability accounts are decreased. In this section, you are going to make a separate account for each of your payroll taxes and payroll deductions. All of these individual accounts will be **subaccounts** of **Payroll Liabilities.**

Creating Payroll Liability Subaccounts

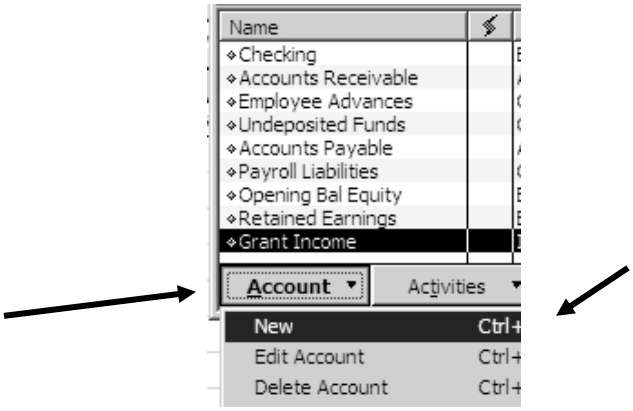
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

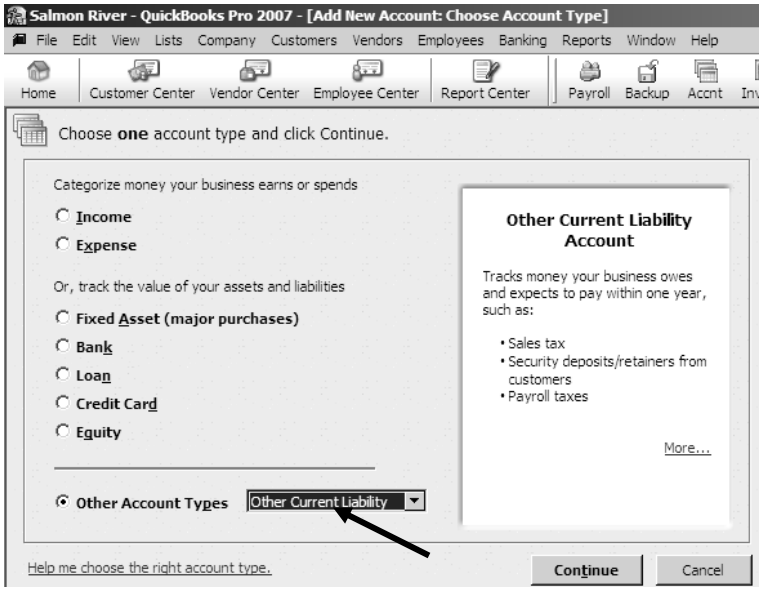
- Click **Account.**
- Click **New.**



Step 3

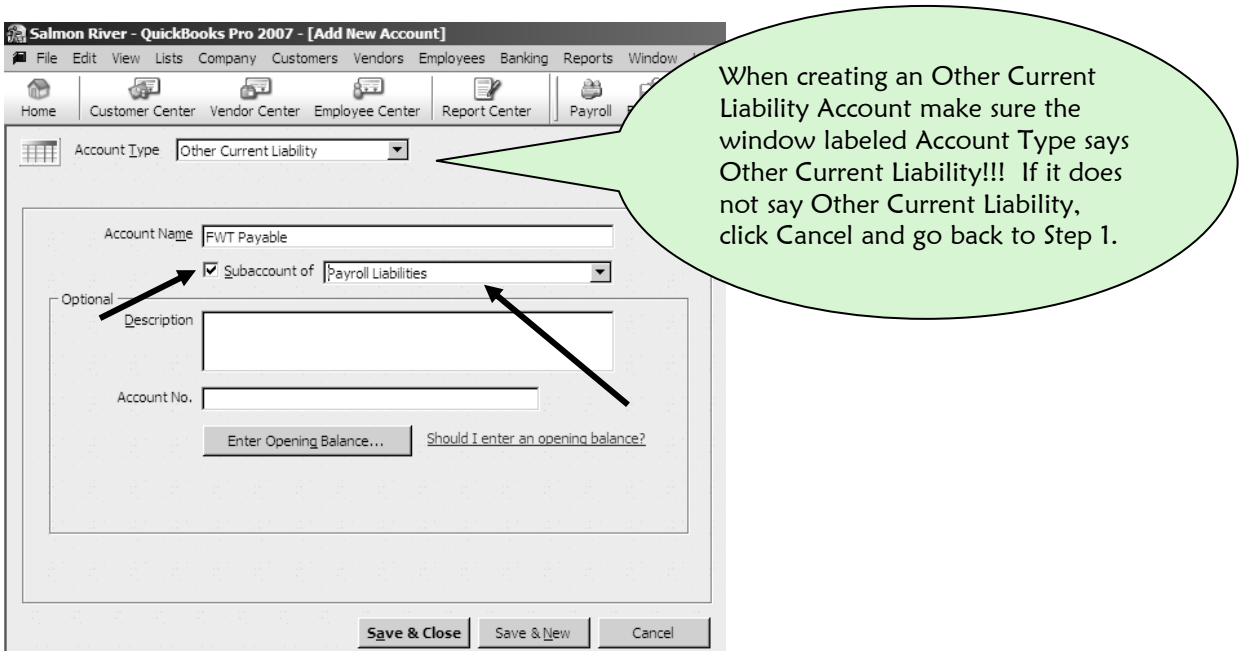
- Select the **Other Account Types** button.
- Select **Other Current Liability** as the account **type.**
- Click **Continue.**

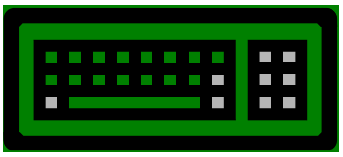
IF YOU ARE CREATING AN OTHER CURRENT LIABILITY ACCOUNT, THE ACCOUNT TYPE MUST BE OTHER CURRENT LIABILITY.



Step 4

- Name your other current liability subaccount **FWT Payable** (This is an abbreviation for Federal Withholding Taxes Payable).
- Type the name in the field labeled **Account Name.**
- Click the little box labeled **Subaccount of.**
- Select **Payroll Liabilities** from the drop-down menu.
- Click **Save and New.**





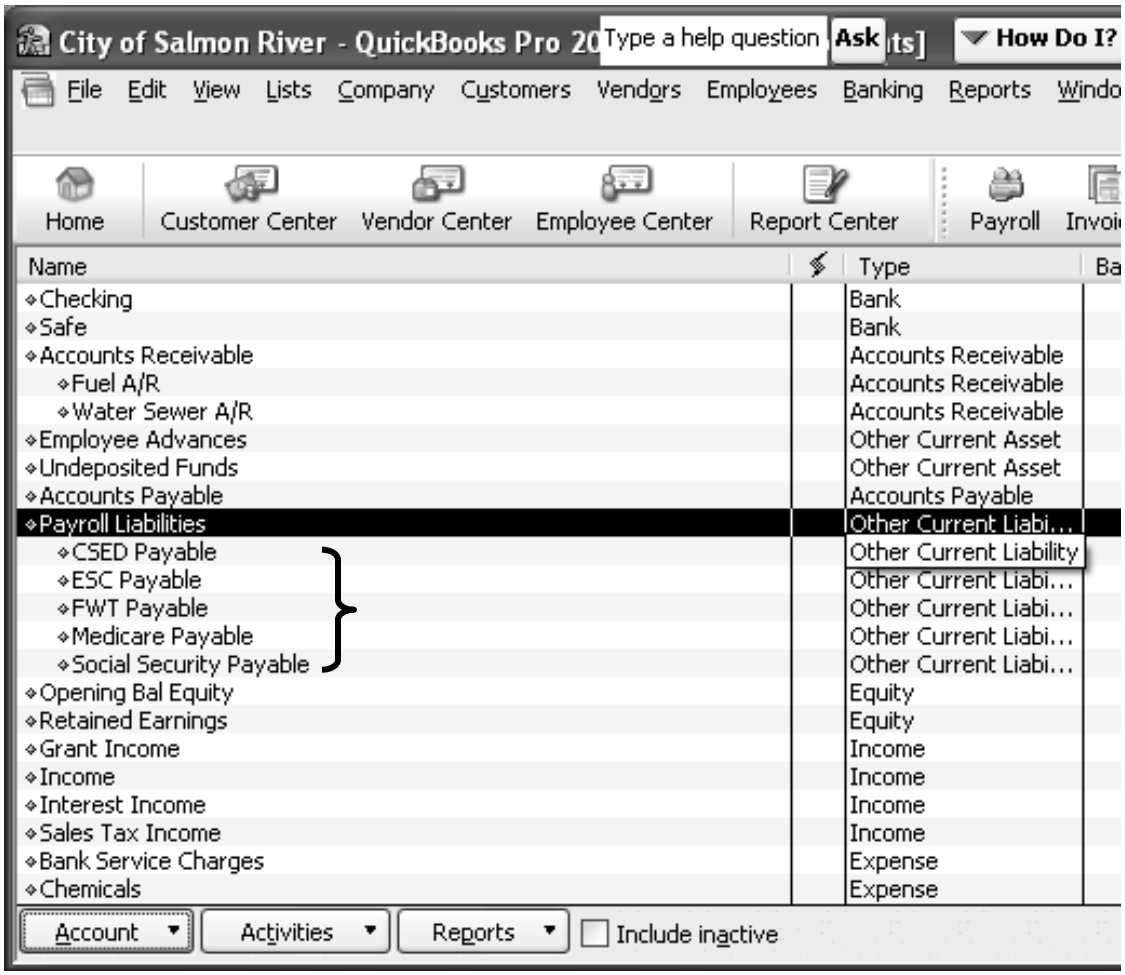
It's Your Turn!

Now repeating Steps 1 through 4, create the following payroll liability subaccounts using the names below. After creating one account, you may click **Save and New** between accounts to avoid Steps 1 through 3.

- **Social Security Payable**
- **ESC Payable**
- **Medicare Payable**
- **CSED Payable (Create this if one or more of your employees pays Child Support)**

Check Your Work!

Your **Chart of Accounts** list should look like the list below. Notice that the **Payroll Liability** subaccounts immediately follow **Payroll Liabilities** and are indented.



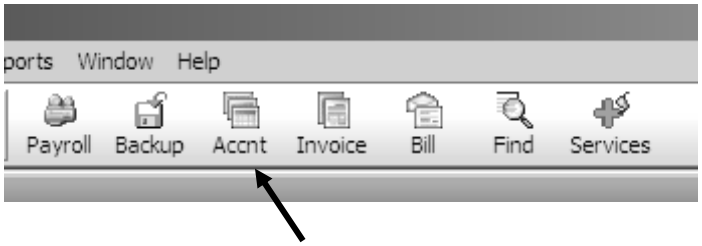
Accounts Payable Accounts

You can think of **Accounts Payable** as the place in QuickBooks where all your unpaid bills from vendors are kept. Because your utility will pay this money to your vendors, the **type** of this account is **Accounts Payable**.

You should already have this account in your **Chart of Accounts**. If you do not, follow along, otherwise, you can move on to page 88.

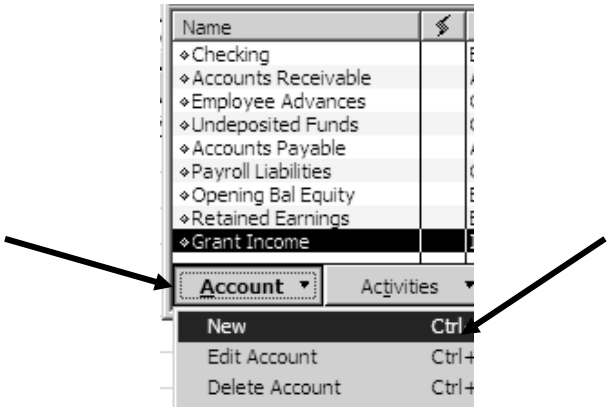
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Step 2

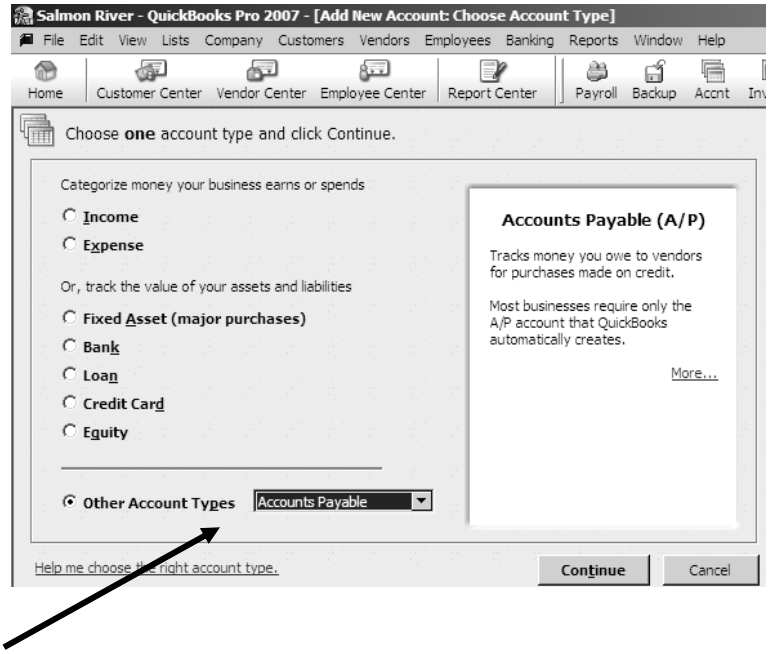
- Click **Account.**
- Click **New.**



Step 3

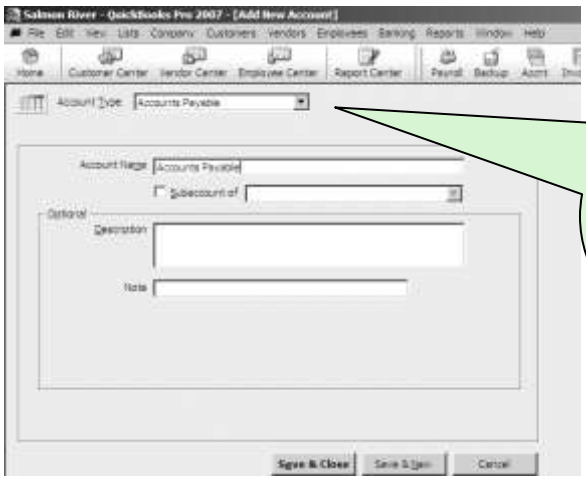
- Select the **Other Account Types** button.
- Select **Accounts Payable** as the account **type.**
- Click **Continue.**

IF YOU ARE CREATING AN ACCOUNTS PAYABLE ACCOUNT, THE ACCOUNT TYPE MUST BE ACCOUNTS PAYABLE!!!



Step 4

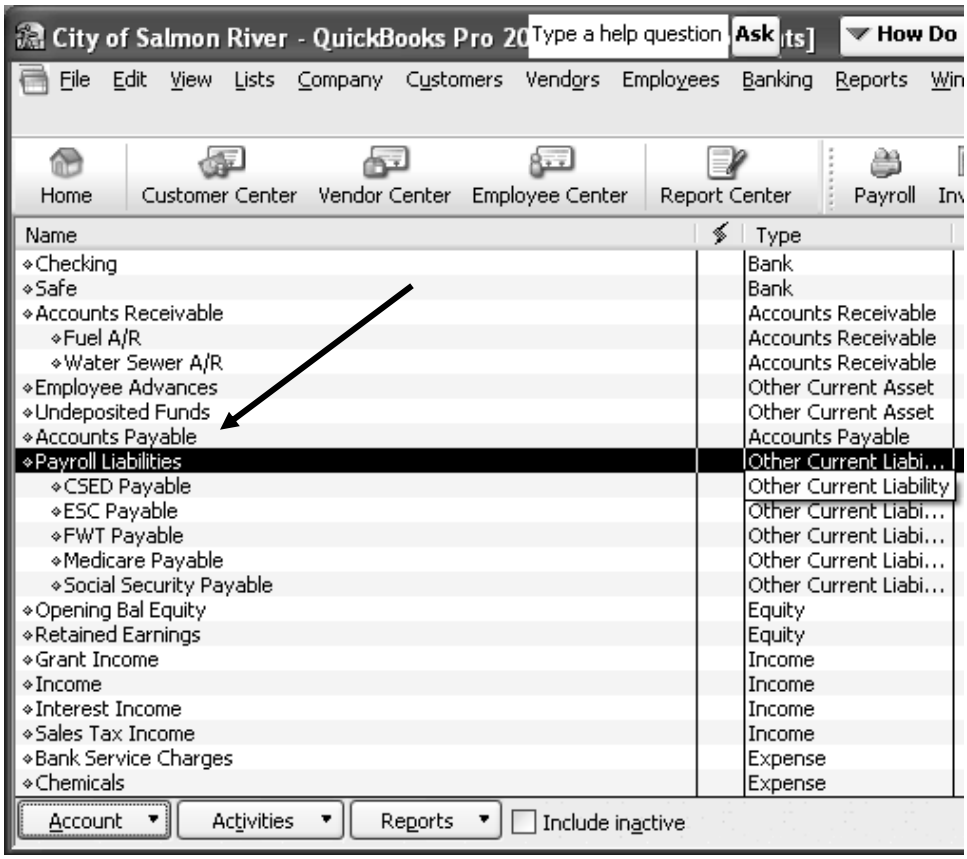
- Name this new account **Accounts Payable.**
- Type the name in the field labeled **Account Name.**
- Click **Save & Close.**



When creating an Accounts Payable subaccount make sure the window labeled Account Type says Accounts Payable!!! If it does not say Accounts Payable, click Cancel and go back to Step 1.

Check Your Work!

Your **Chart of Accounts** list should look like the list below. Notice that **Accounts Payable** follows **Undeposited Funds.**

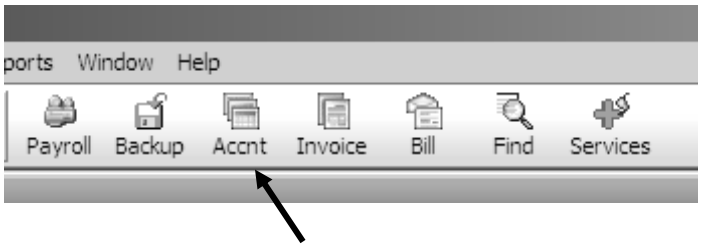


Employee Advances Account

If you did not receive an Employee Advances account in your setup, here are the instructions for creating it.

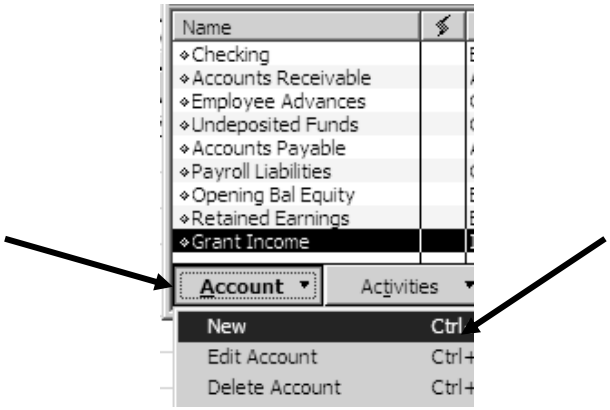
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



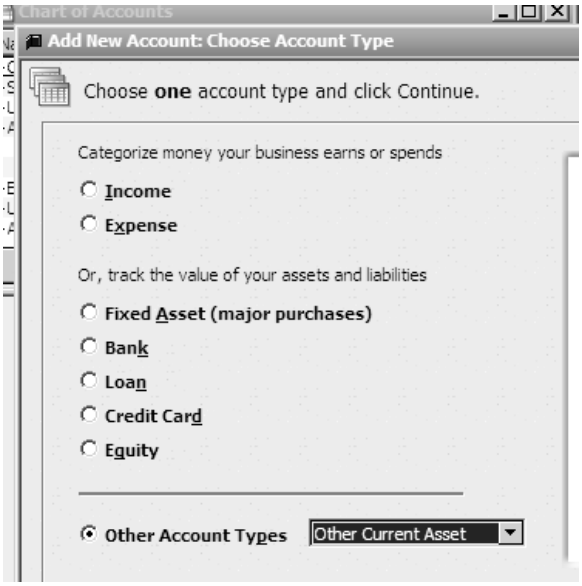
Step 2

- Click **Account.**
- Click **New.**



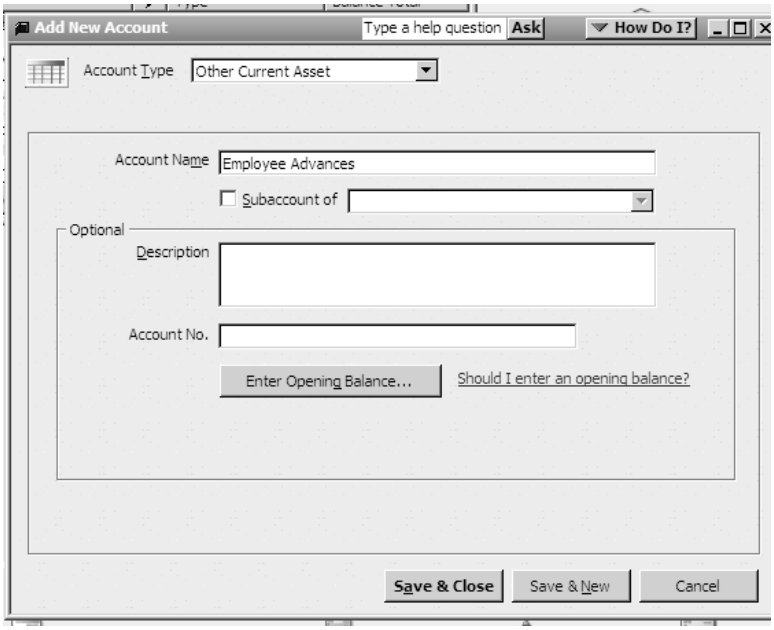
Step 3

- Select the **Other Account Types** button.
- Select **Other Current Asset.**
- Click **Continue.**



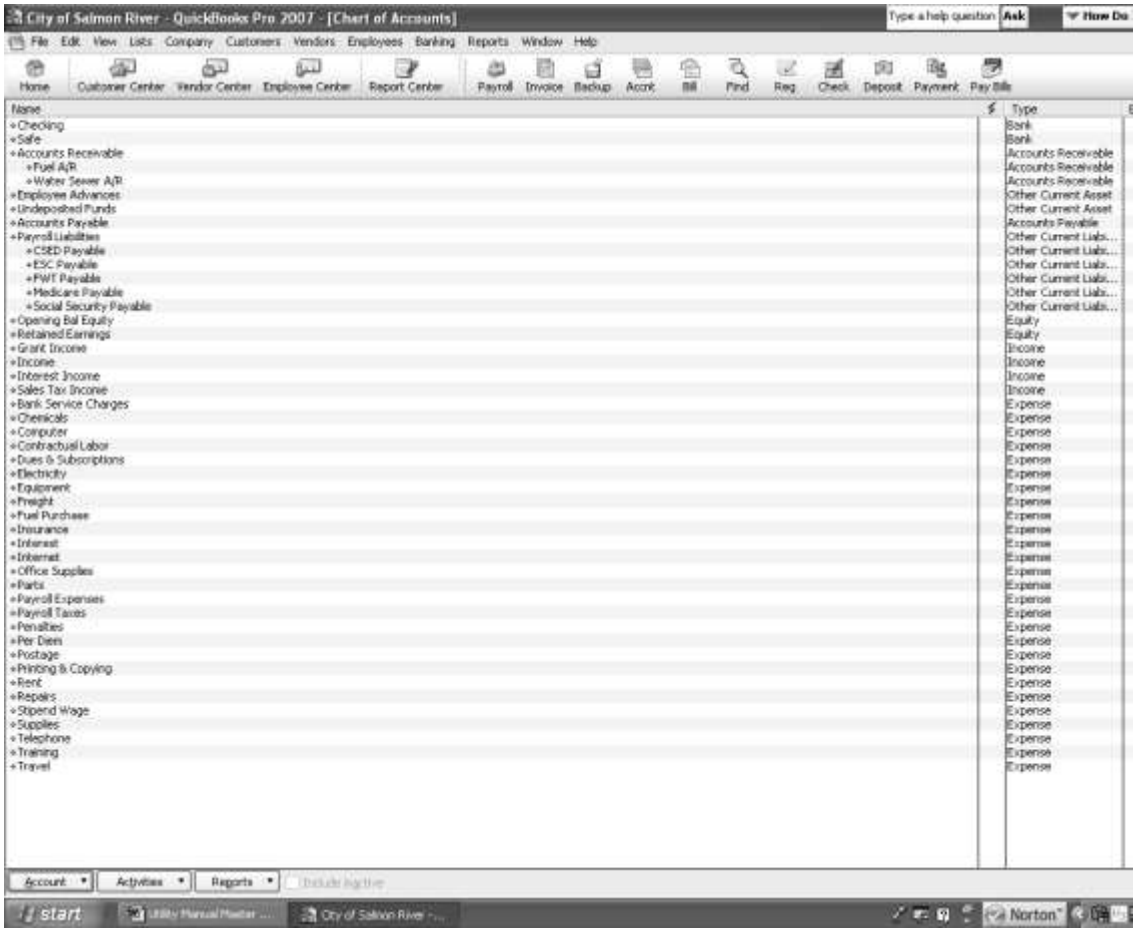
Step 4

- Name this account **Employee Advances.**
- Type the name in the field labeled **Account Name.**
- Click **Save & Close.**



Check Your Work!

Your **Chart of Accounts** list will resemble the list below. Your list may vary—with different bank accounts and Accounts Receivable Subaccounts—customized for your own utility or city services.



Editing an Account Name

- Highlight the account you want to edit.
- Click **Account** at the lower left.
- Click **Edit Account.**
- Make your changes.
- Click **Save & Close**.

5 CREATING DEPARTMENTS IN YOUR FILE

Your utility's finances revolve around the budget. Each department has its own budget. Inside of each department's budget are categories that match the income and expense categories that you just set up, such as payroll, payroll taxes, and office supplies to name a few. Each of your departments will be represented in QuickBooks by a **Class** name.

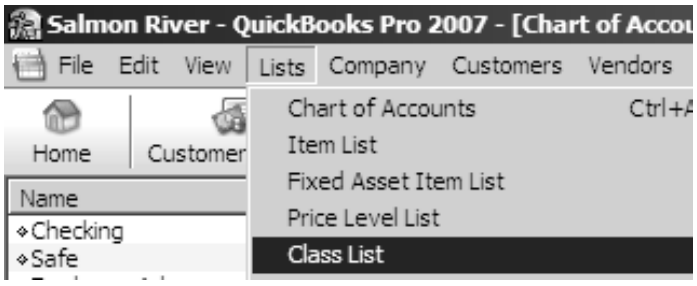
When setting up classes, always keep your budget in mind. You want to set up a separate class for each budget sheet – or department—that you have. Some of your departments may be—Water/Sewer, Fuel, Streets and Roads, Admin & Finance, and Clinic.

It is easy to set up a class for each department.

Creating Classes for Departments

Step 1

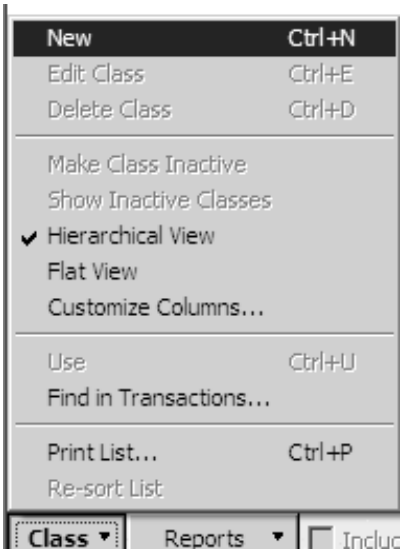
- Click **Lists** on your Menu Bar at the top of your screen.
- Click **Class List.**



NOTE: If you do not have Class List as a menu choice option, see page 47 to set up this feature.

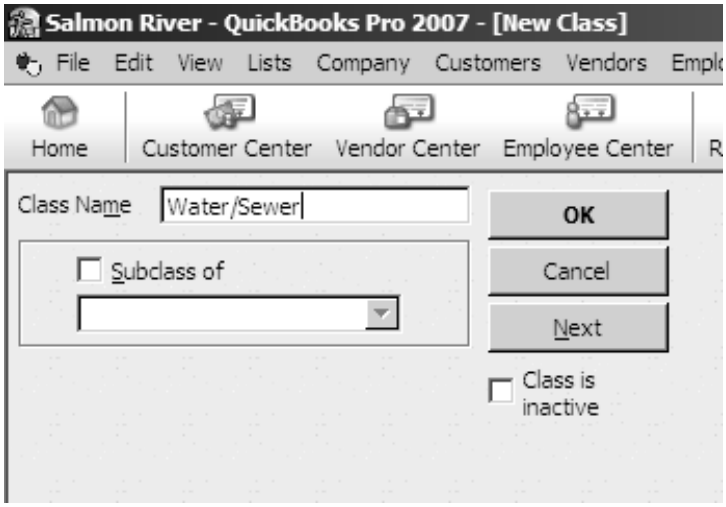
Step 2

- Click **Class** (bottom left of your screen).
- Click **New.**



Step 3

- Name your class **Water/Sewer.**
- Type the name in the field labeled **Class Name.**
- Click **OK.**

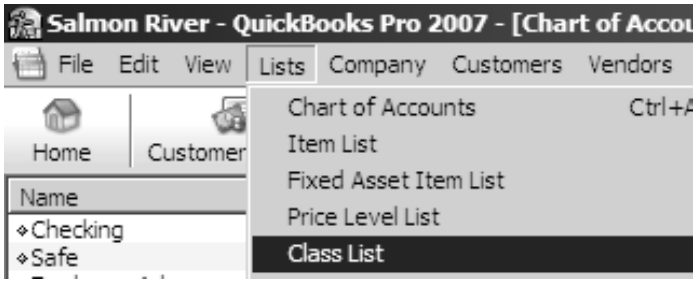


Creating Classes for Grants

Grants are another source of funds that you will track. You want to know at any point in time during the life of the grant how much of the grant has been funded and how much of it you have spent. Setting up a grant as a class lets you create reports that will list its income and expenses.

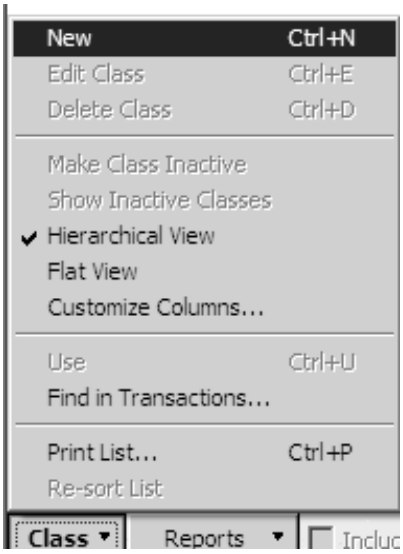
Step 1

- Click **Lists** on your Menu Bar at the top of your screen.
- Click **Class List.**



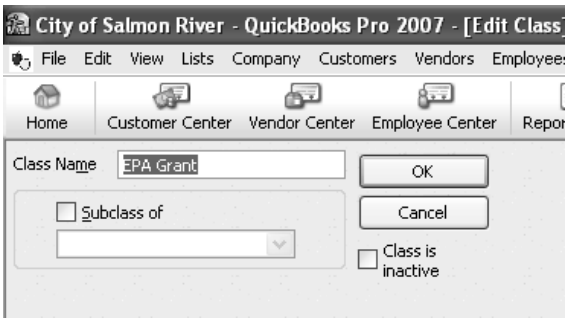
Step 2

- Click **Class** (bottom left of your screen).
- Click **New.**



Step 3

- We named our example class—**EPA Grant.**
- Type the name in the field labeled **Class Name.**
- Click **OK.**



It's Your Turn!

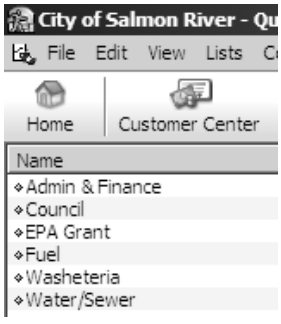
Now repeating Steps 1 through 3, create a class for your departments and grants.

Some examples are:

- **Admin & Finance**
- **Fuel**
- **Washeteria**
- **Council**

Check Your Work!

When you have finished, your **Class** list should have a list of your departments and grants. It will be a simple list of names like the list below.



6 SETTING UP CUSTOMER SERVICES

In this chapter you will learn how to set up your Water/Sewer customer billing system. It is not difficult to do, but it requires time and concentration. It is highly recommended that you set aside several hours to do this without interruption. That means, get someone else to answer your phone and have someone else handle your day-to-day disturbances.

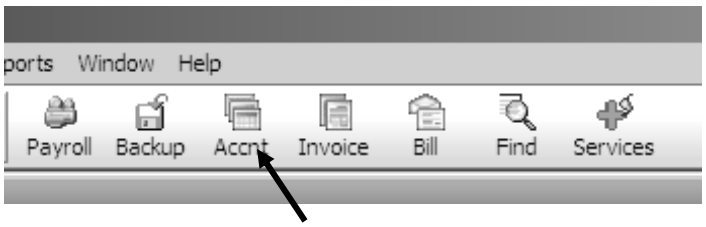
There are ten separate parts of this system to set up.

Part 1 – Checking Your Accounts Receivable Accounts

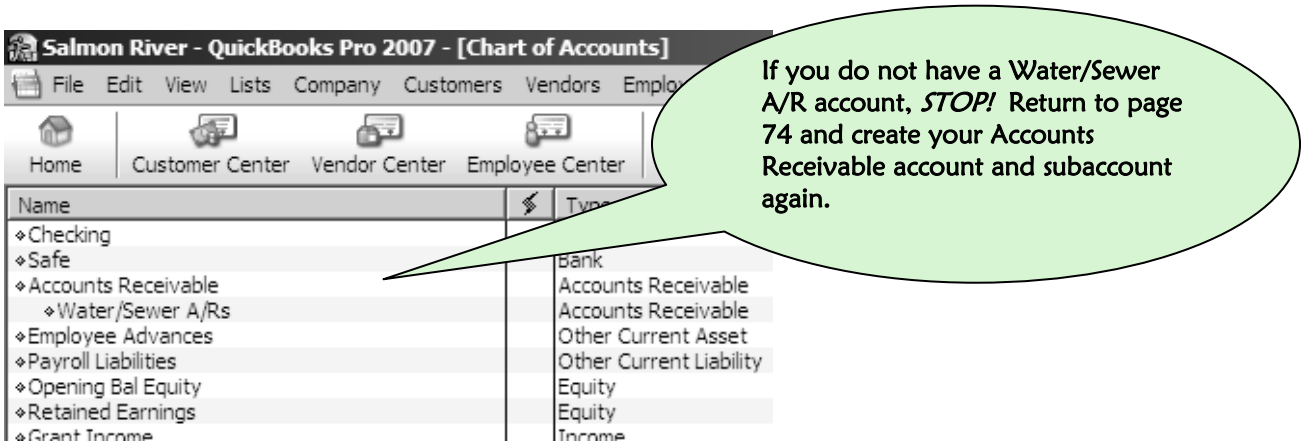
This part should have been completed in **Chapter 4 – Setting Up Your Accounting Categories**. Let's check to make sure you have already done this.

Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



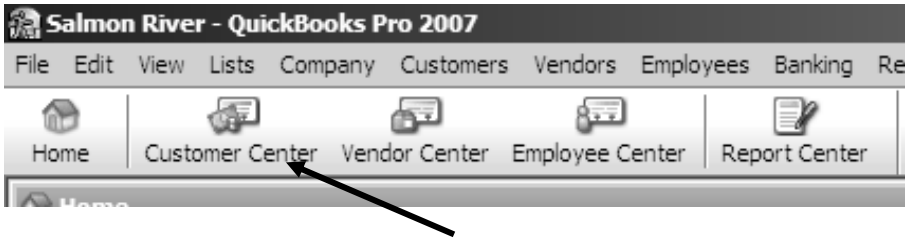
In your list of accounts, you should have an account called **Accounts Receivable** and directly underneath and indented there should be a subaccount **Water/Sewer A/R.**



Part 2 – Setting Up Your Water/Sewer Customers

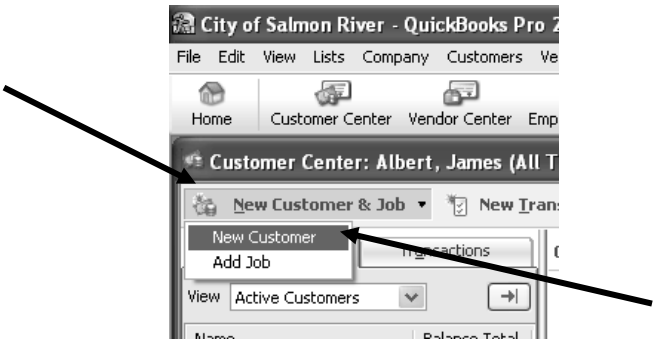
Step 1

- Click **Customer Center.**



Step 2

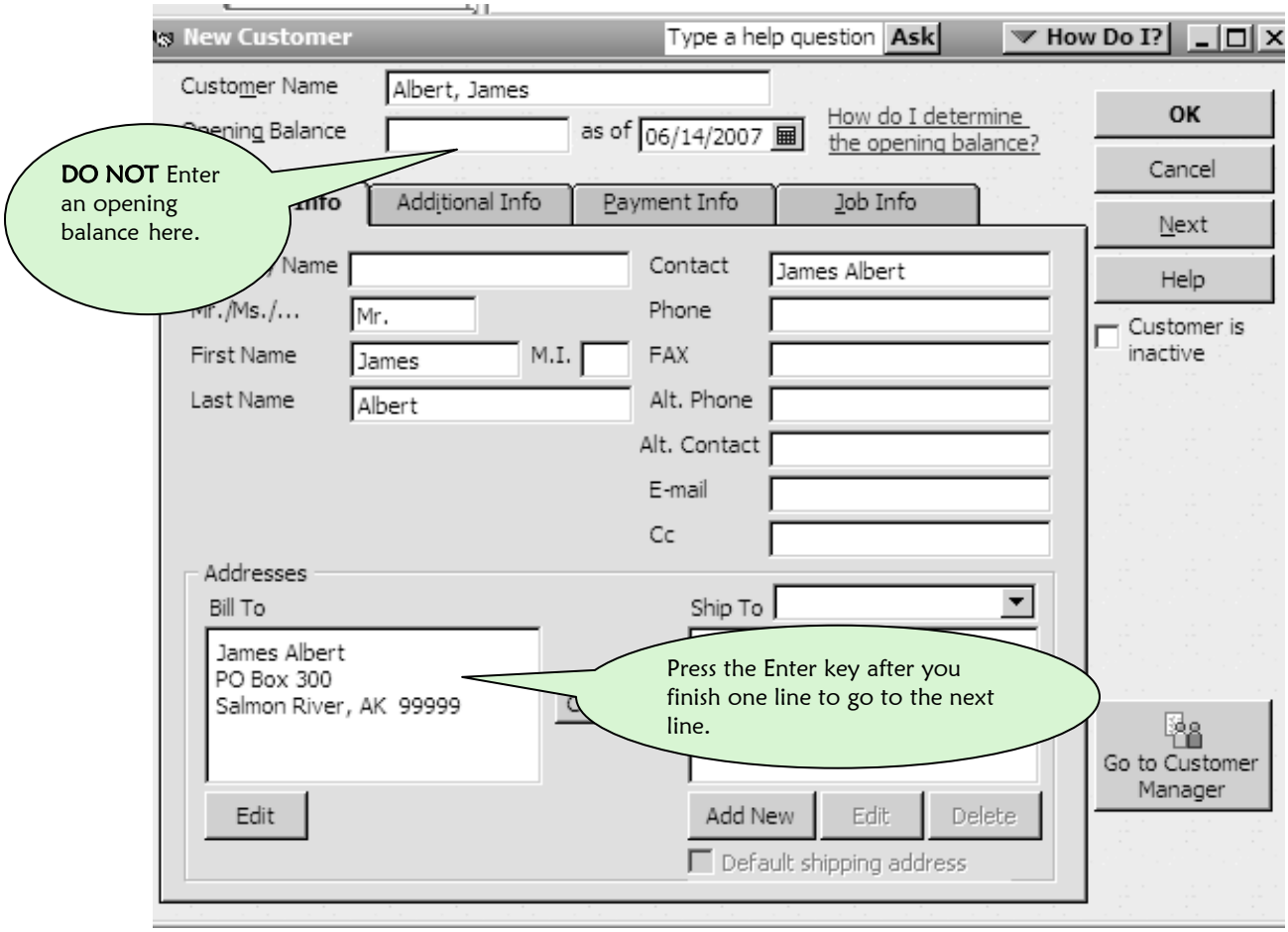
- Click **New Customer & Job.**
- Click **New Customer.**



Step 3

Using your own utility's customers--

- Enter **LAST NAME FOLLOWED BY FIRST NAME.**
- **DO NOT ENTER AN OPENING BALANCE.**
- **DO NOT CHANGE THE DATE.**
- Fill in the fields labeled **First Name** and **Last Name.**
- Fill in the address.
- Click **Next** to enter another customer or **OK** if you have finished.



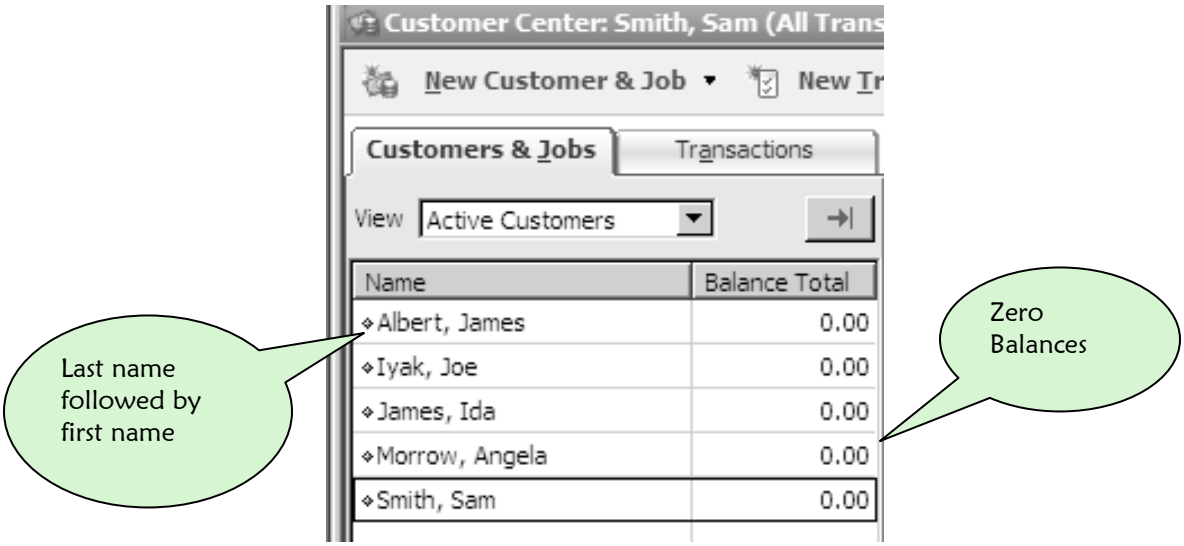
It's Your Turn!

OK! Now it's your turn to create a list of your Water/Sewer customers. For each customer, perform **only** Steps 1 – 3. **Do not** enter beginning balances. You will deal with their balances in the next three parts of this chapter. Feel free to add telephone numbers or other information in the customer record.

Check Your Work!

Our customer list below looks good because:

- The names are easy to locate because they are in alphabetical order by last name. This is because they were entered last name followed by first name.
- All of the customers have a zero balance. This is correct because you will enter the balances later.



What if you want to change any of these names? Double-click the name, make your change, and click **OK**. It's that easy!!

How does **your** Customer List look?

Part 3 – Finding Your Customers' Opening Balances

The work in **Part 3** does not involve the computer. In order to set up your computerized system accurately, you will have to do some organizing of your customers' records ahead of time. Once again, have someone else answer the telephone, shut the door and allow yourself several hours. If you have more than 100 customers, this part will take quite some time.

Step 1

Enter the **Starting Date** of your QuickBooks accounting system. If you have forgotten, go to page 17. _____
QuickBooks Starting Date

Step 2

Calculate Your Customers' Opening Balances.
Using this **Starting Date**, calculate the amount of money that each customer owes your utility for water and sewer services as of the **day before** your **Starting Date**. This amount is your customer's opening balance as of the starting date of your system.

Example: We started our QuickBooks system on January 1, 2008 and we send out invoices to our Water/Sewer customers every month by the 5th of the month. The opening balance will be the amount that our customer owes our utility as of December 31, 2007—the day just before the **Starting Date** for our QuickBooks Company file which is January 1. Copy and use the worksheet on the next page to prepare your list of customers and their opening balances.

Water/Sewer Customer Opening Balance Worksheet

Last Name	First Name	Opening Balance As of _____ Starting Date

Here is how our worksheet looks:

Last Name	First Name	Opening Balance As of 12/31/2007
Albert	James	$500
Iyak	Joe	0
James	Ida	350
Morrow	Angela	280
Smith	Sam	0

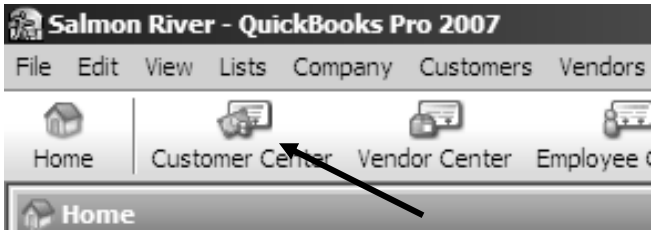
Part 4 – Entering Water/Sewer Services (Jobs) for Customers with Zero Balances

Using your worksheet from the previous section, mark all of your customers with a zero balance as of the starting date of your computerized system. The customers in the sample list with zero balances are:

Joe Iyak
Sam Smith

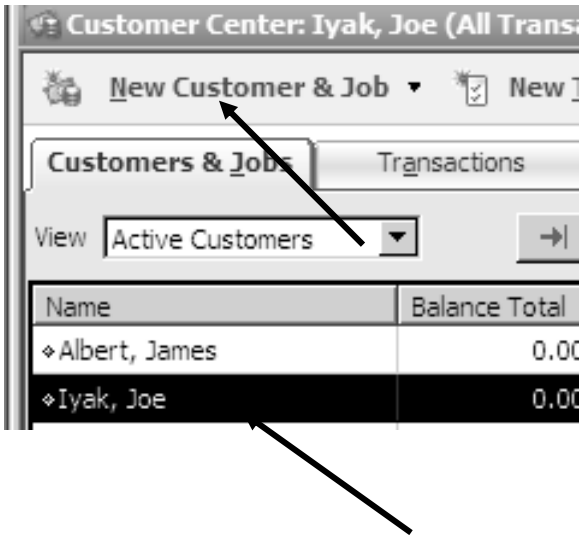
Step 1

- Click **Customer Center.**



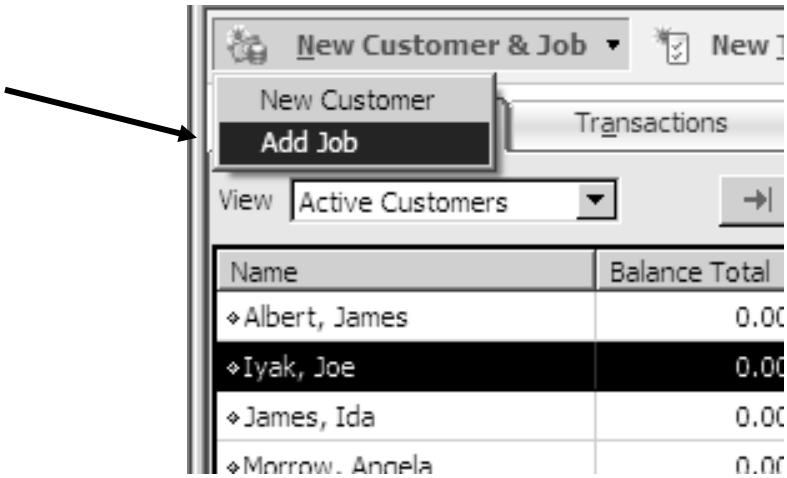
Step 2

- Highlight the first customer name you marked by clicking on it one time.
- Click **New Customer & Job.**



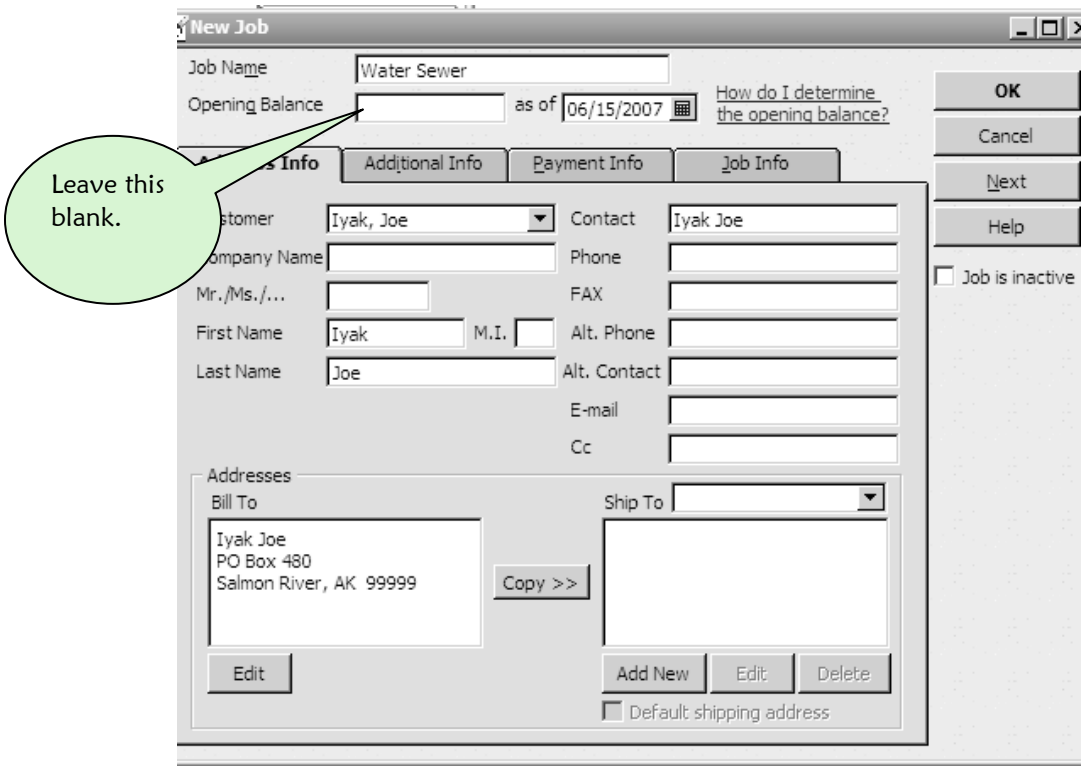
Step 3

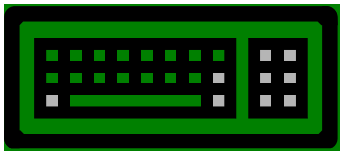
- While your customer's name is highlighted, click **Add Job.**



Step 4

- In the field labeled **Job Name**, type **Water Sewer.**
- Since there is no Opening Balance, leave the date alone.
- Click **OK.**





It's Your Turn!

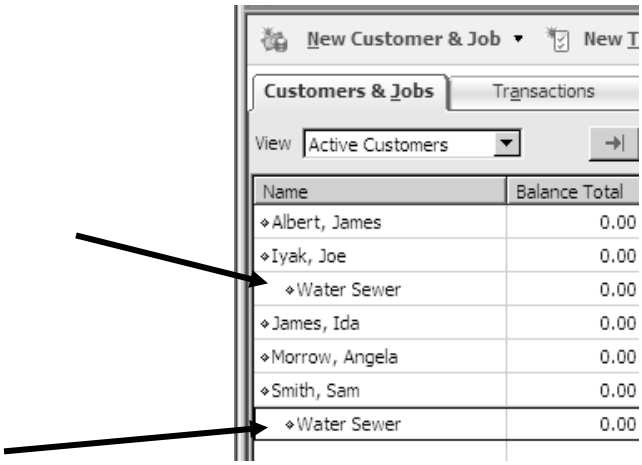
Using your worksheet, add the Water Sewer service or Job for all the rest of your customers with zero balances.

Check Your Work!

In our example, two of our customers had zero opening balances. Look at Joe Iyak and Sam Smith. Notice that they each have Water Sewer jobs indented below their names. There is a zero balance for each.

If there is a problem with any of the services (jobs) under the customer

- Double-click the job name and make your corrections.



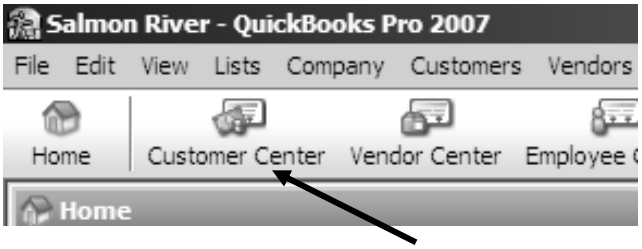
Part 5 – Entering Water/Sewer Services (Jobs) for Customers with Opening Balances

Now you will use your worksheet to enter in the Water/Sewer jobs for your customers with opening balances. The remaining sample customers had the following opening balances:

James Albert	$500.00
Ida James	$350.00
Angela Morrow	$280.00

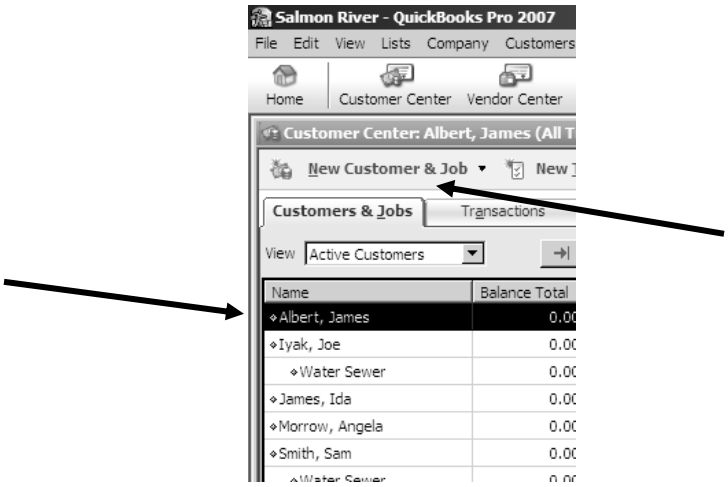
Step 1

- Click **Customer Center.**



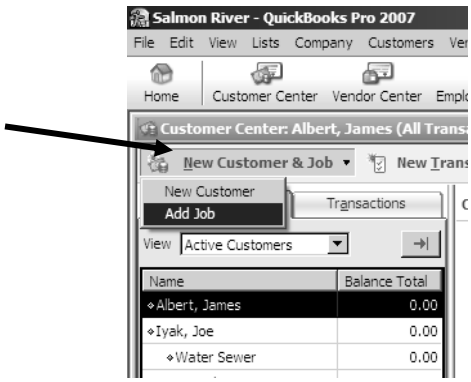
Step 2

- Highlight your customer name by clicking on it one time.
- Click **New Customer & Job.**



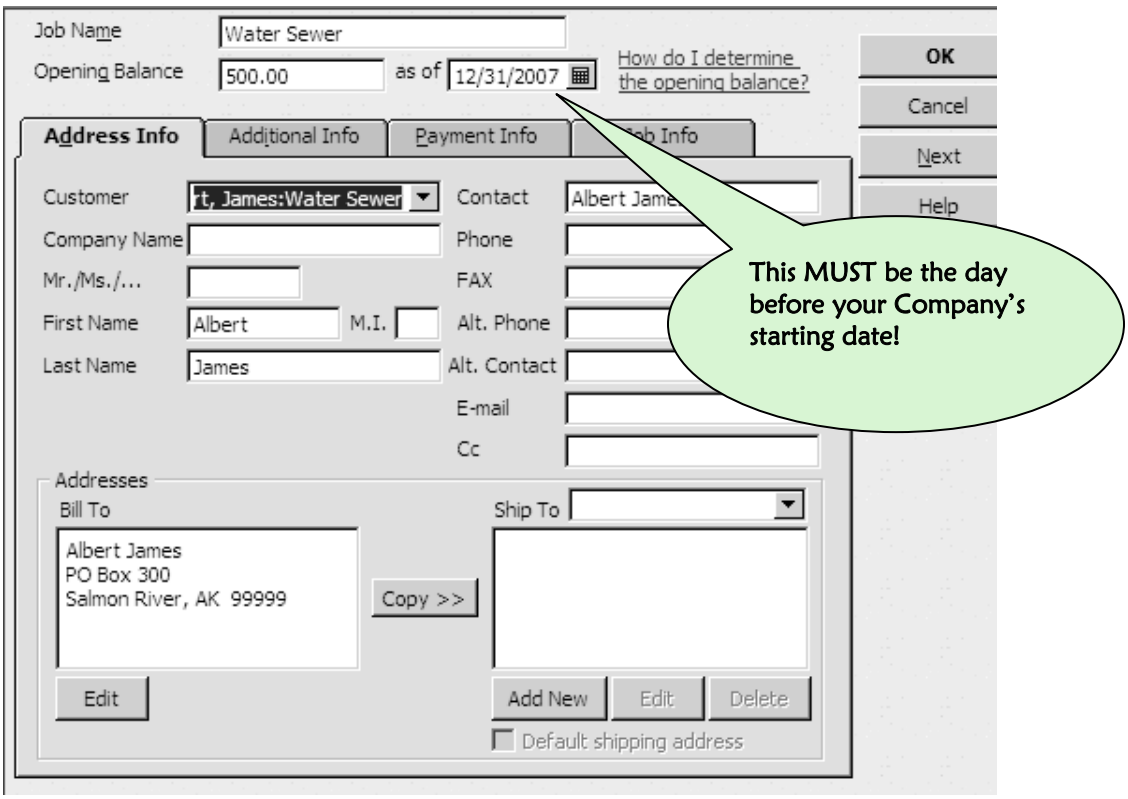
Step 3

- While your customer's name is highlighted, click **Add Job.**



Step 4

- In the field labeled **Job Name**, type **Water Sewer.**
- Enter your customer's balance in the field labeled **Opening Balance.**
- **Change the date to the DAY BEFORE the starting date of your QuickBooks Company file. In this example, the starting date is 1/1/08, therefore the Opening Balance date is 12/31/2007.**
- Click **OK.**

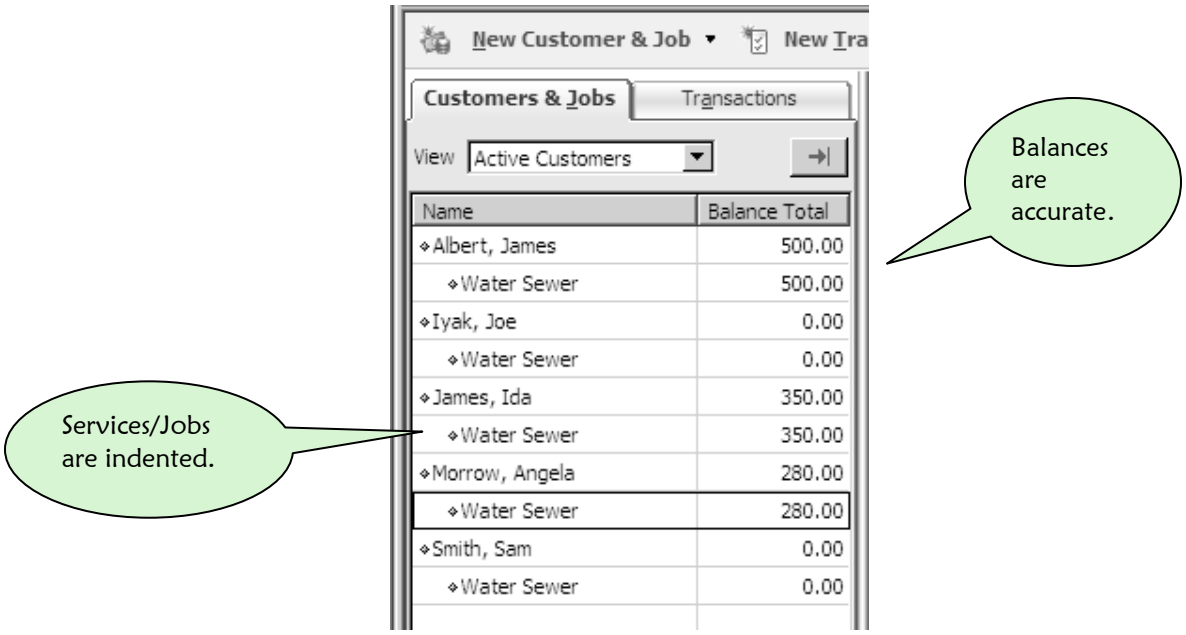


It's Your Turn!

Using your worksheet, add the Water Sewer job to each of your remaining customers and enter their incoming balances.

Check Your Work!

Look at the example to check your work. Make sure the Water Sewer jobs are attached to each customer and indented. Verify that the balances for each customer are accurate!

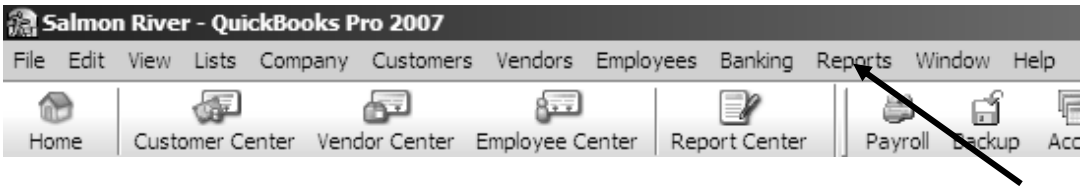


One More Check…

Since the accuracy of your billing system depends upon the accuracy of customers' incoming balances, let's do one more check.

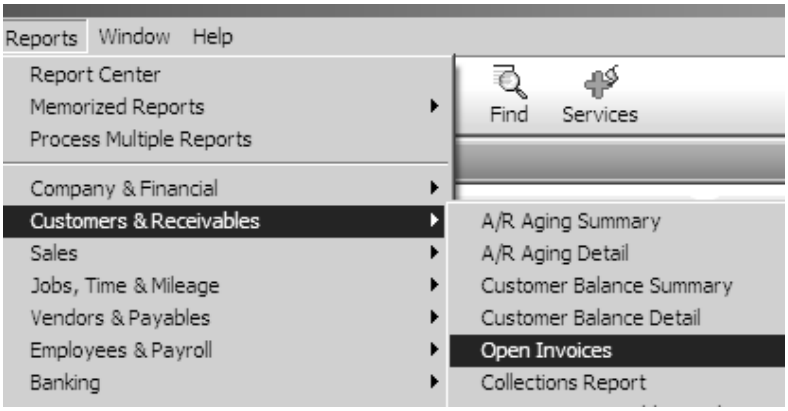
Step 1

- Click **Reports** on the Menu Bar at the top of the screen.



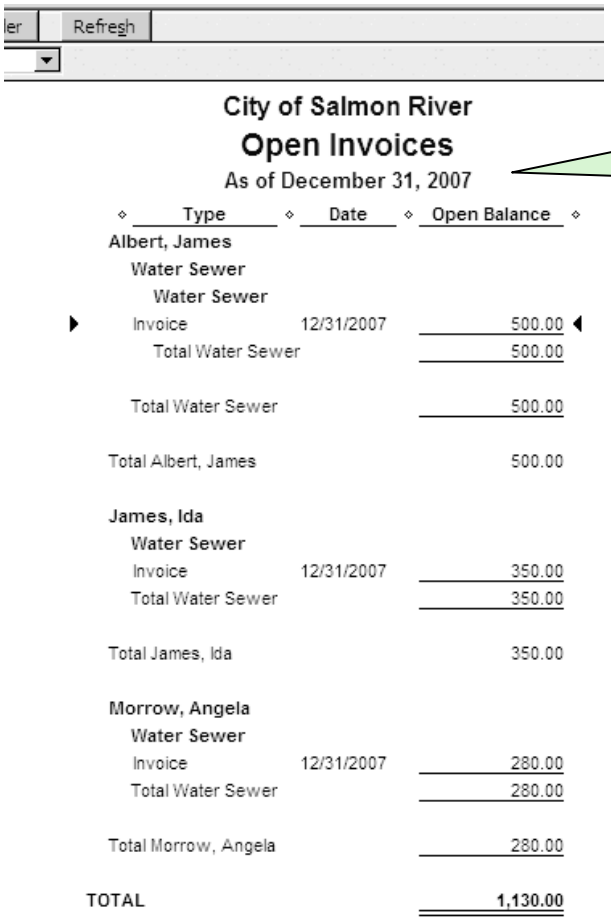
Step 2

- Click **Customers & Receivables.**
- Click **Open Invoices.**



Step 3

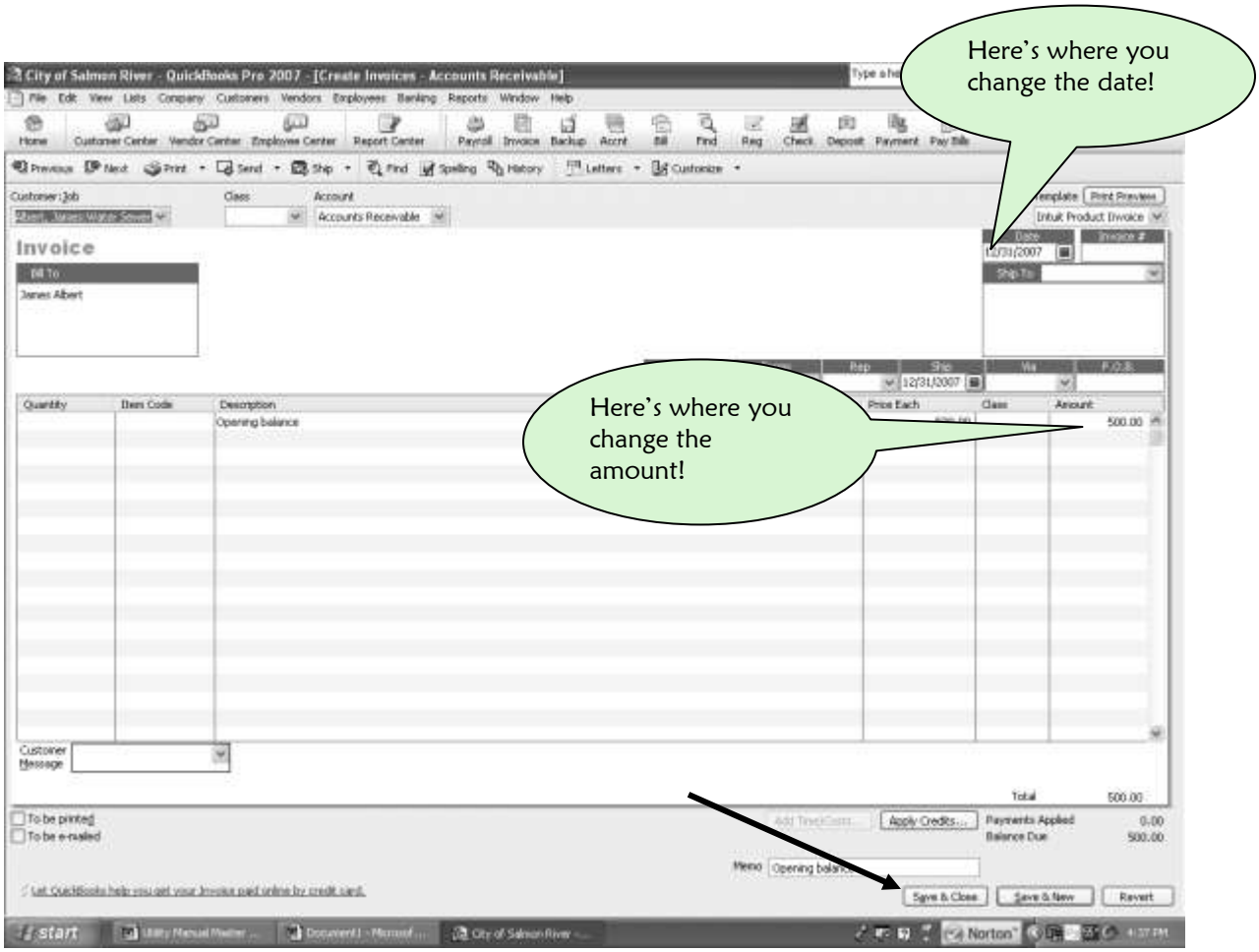
- Check this list.
- The date of the report has to be the date you entered the balances – one day prior to your starting date.
- Make sure that all your customers with incoming balances are in this list.
- Make sure the balances are accurate.
- Make sure the date is the day before the starting date of your QuickBooks company.



Don't see your balances? Check your date.

Find a Mistake??

- Double-click the line in the **Open Invoices Report** where the mistake is. This will take you to an invoice where you can change the date or the amount.
- After changing the invoice, make sure you click **Save & Close** at the bottom of the invoice.



Part 6 – Classing the Invoices for Your Customers' Opening Balances

When you entered opening balances for your customers into their **Water Sewer Jobs**, QuickBooks automatically created an invoice.

In your customized QuickBooks system, you now have a **Water/Sewer- A/R** subaccount of **Accounts Receivable** which will allow QuickBooks to separate all of your city's invoices from your other services such as Fuel, Cable, Electricity or whatever services your city offers. You also have a **Water/Sewer** class which will track all of the income for **Water/Sewer** separately. QuickBooks can't possibly know about your unique Water/Sewer system, so the invoices with your customers' opening balances have no class and they are not in the **Accounts Receivable** subaccount for **Water/Sewer**. They are in the overall parent **Accounts Receivable** account.

You now need to do two things:

- Select the correct class for each invoice
- Select the correct Accounts Receivable subaccount for each invoice.

Future invoices will not need to be modified this way.

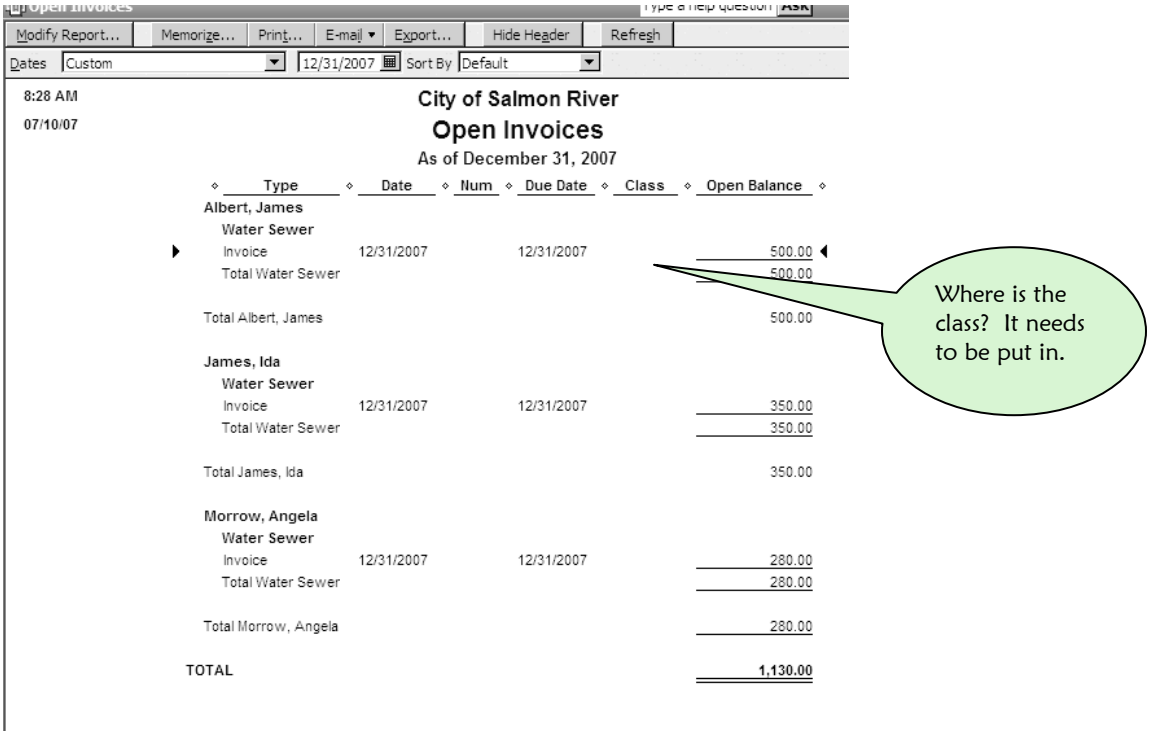
Step 1

Bring up the same report as in the previous section.

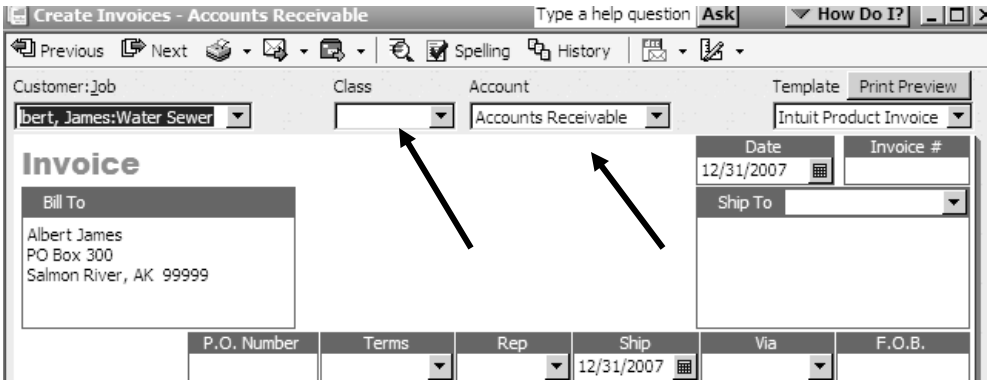
- Click **Reports.**
- Click **Customers & Receivables.**
- Click **Open Invoices.**

Step 2

- Double-click each customer line on this report. You will be brought into the original Customer Opening Balance invoice which QuickBooks created automatically.

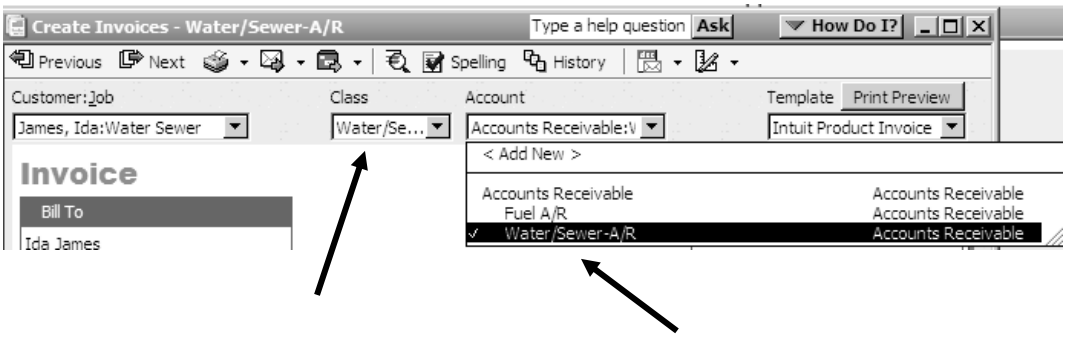


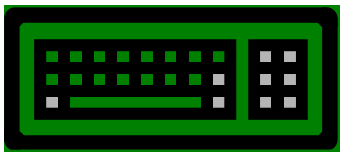
- Notice there is no **Class** and the account is the parent **Accounts Receivable**—not the appropriate subaccount.



Step 3

- Select the **Water/Sewer** class.
- Select **Water/Sewer-A/R** subaccount of **Accounts Receivable.**
- Make sure you click **Save & Close.**





It's Your Turn!

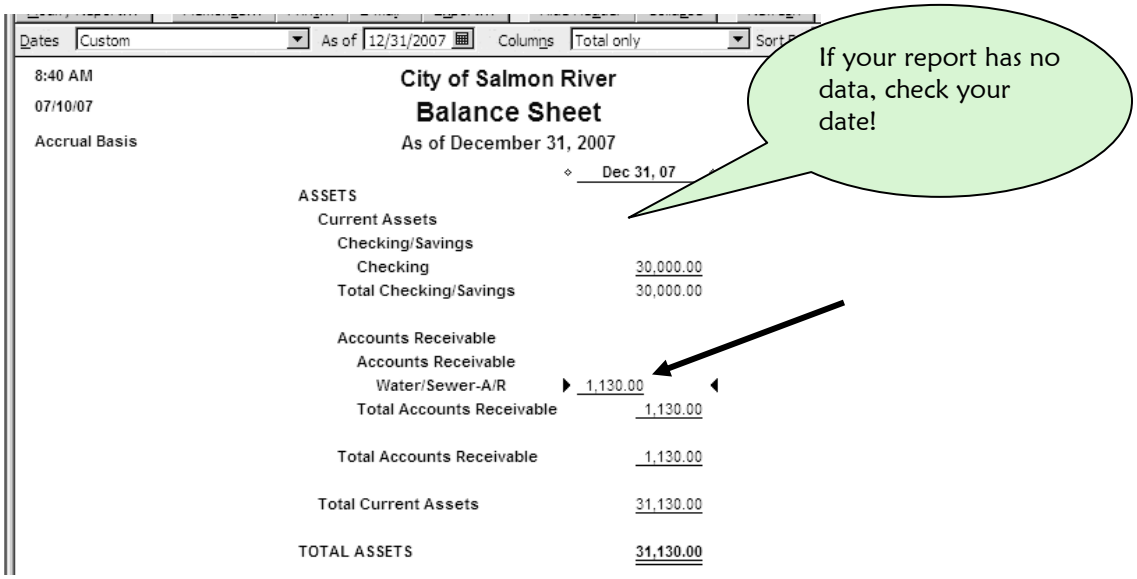
After modifying an invoice and clicking **Save & Close**, you will be brought back to the **Open Invoices** Report. Continue modifying each customer invoice on this report until you have finished.

Check Your Work!

A good way to check your work is to create a Balance Sheet.

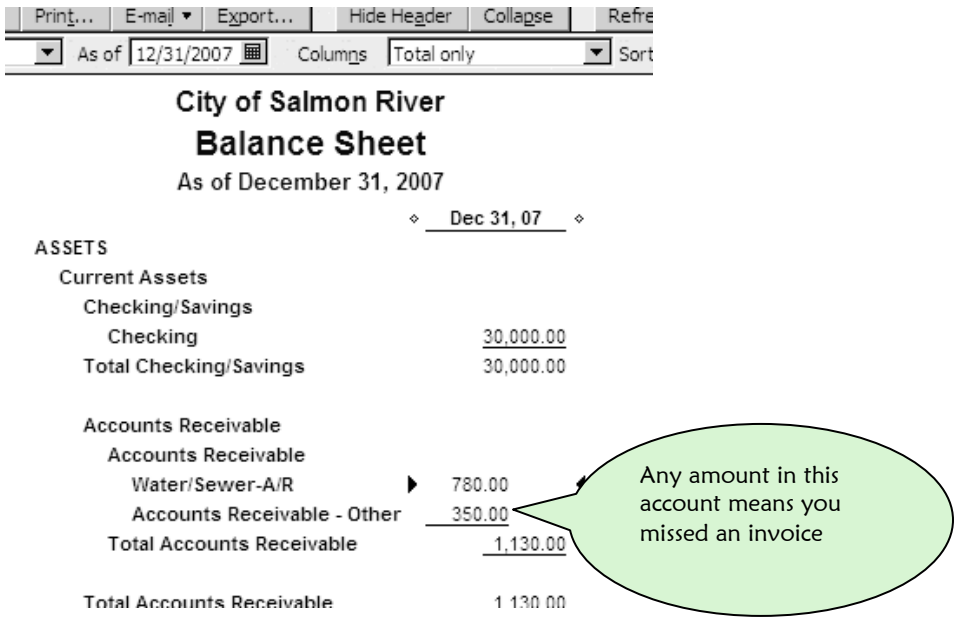
- Click **Reports.**
- Click **Company & Financial.**
- Click **Balance Sheet Standard.**

The total of your **Opening Balances** should now be in the **Water/Sewer-A/R** subaccount as in the example below.



If your **Balance Sheet** has a number in **Accounts Receivable-Other**, it means that you have skipped an invoice or two.

- Double-click the total in **Accounts Receivable-Other**. You will be brought to a report with the invoice(s) that you missed.
- Double click each customer line, and make your changes.
- Click **Save & Close**.



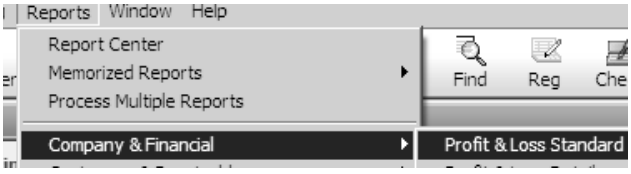
Part 7 – Making a General Journal Entry to Move Opening Balances Out of Uncategorized Income

This section is higher level accounting, and you must take it on faith that this entry needs to be made. When you entered your customers' opening balances in the previous section, QuickBooks placed them into an account named **Uncategorized Income.** For the large majority of water/sewer utilities, this income has already been declared. You may have reported this income to your council in prior months. It may even be very old past-due balances from several years back. You do not want it showing up as income in your new set of books, so you are going to move it from an income account to an opening balance account—which better describes it. You will do this with a general journal entry.

Step 1

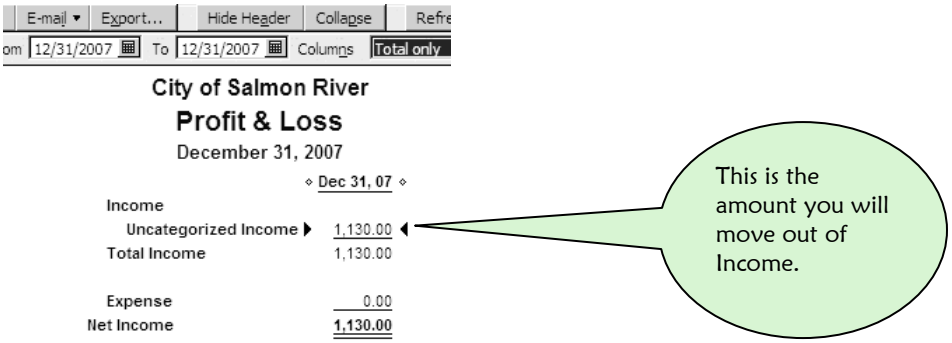
Determine the total of your opening balances by looking at the following:

- Click **Reports.**
- Click **Company & Financial.**
- Click **Profit & Loss Standard.**



Step 2

- Make sure the **From** and the **To** dates are the same and that it is the date you entered in your opening balances—the day prior to your starting date.

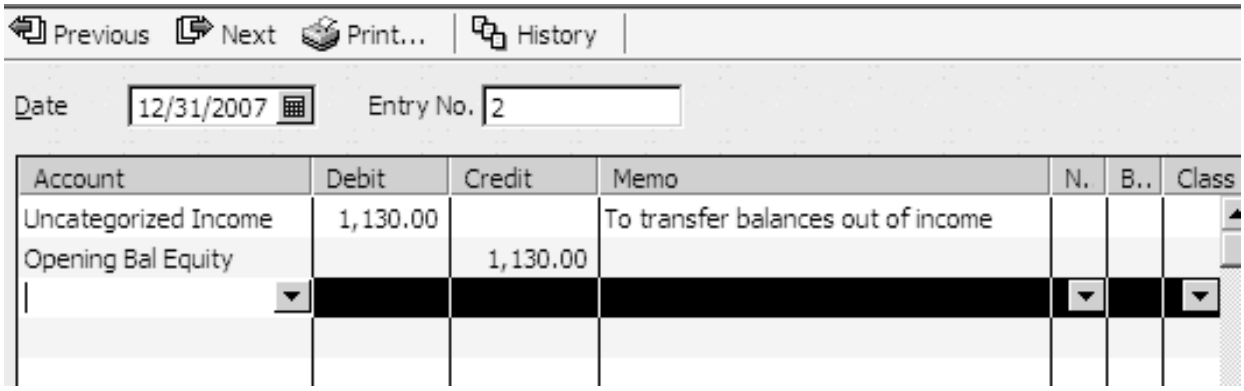


Step 3

- Click **Company.**
- Click **Make General Journal Entries...**

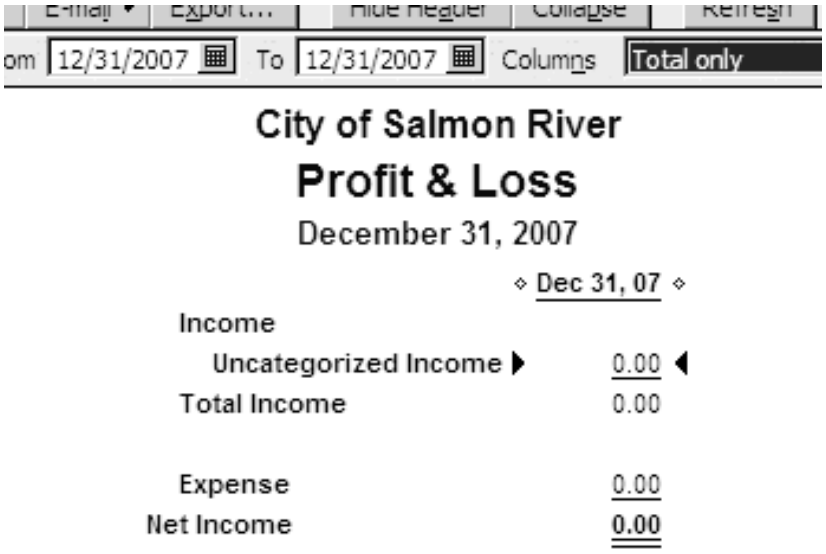
Step 4

- The **Date** is the day before your **Starting Date**.
- By clicking in the white space of the first column underneath the word **Account,** you will see an arrow.
- Click the arrow and select **Uncategorized Income**.
- Enter the total of your opening balances in the **Debit** column.
- Type the **memo.**
- By clicking in the white space of the **Account** column underneath **Uncategorized Income,** you will see an arrow. Click the arrow and select **Opening Balance Equity**. Enter the same total in the **Credit** column. Nothing else needs to be filled in.
- Click **Save & Close.**



Step 5

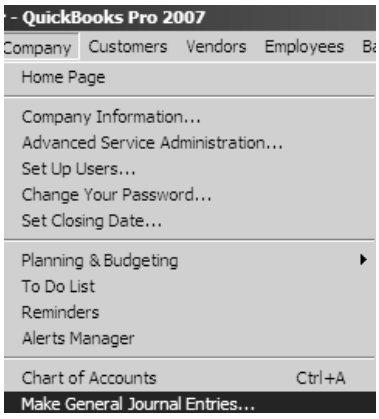
- Take another look at this **Profit & Loss** report. It should already be on your screen. **Uncategorized income should now be zero.**



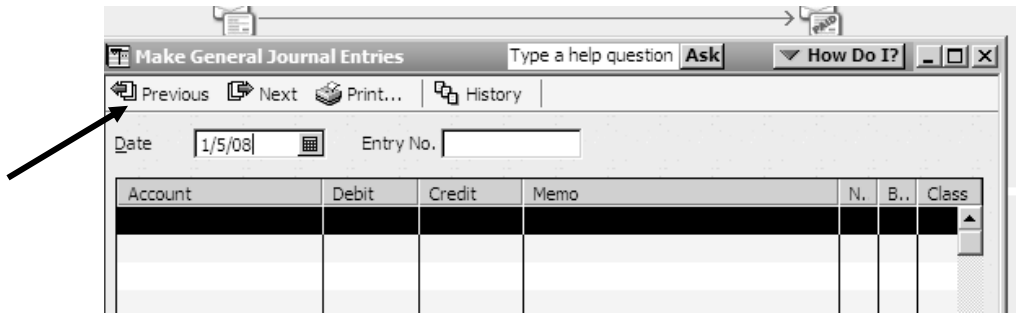
What if Your Uncategorized Income Has Doubled or Is Still in Your Report?

Locate Your General Journal Entry and correct any error:

- Click **Company**
- Click **Make General Journal Entry**

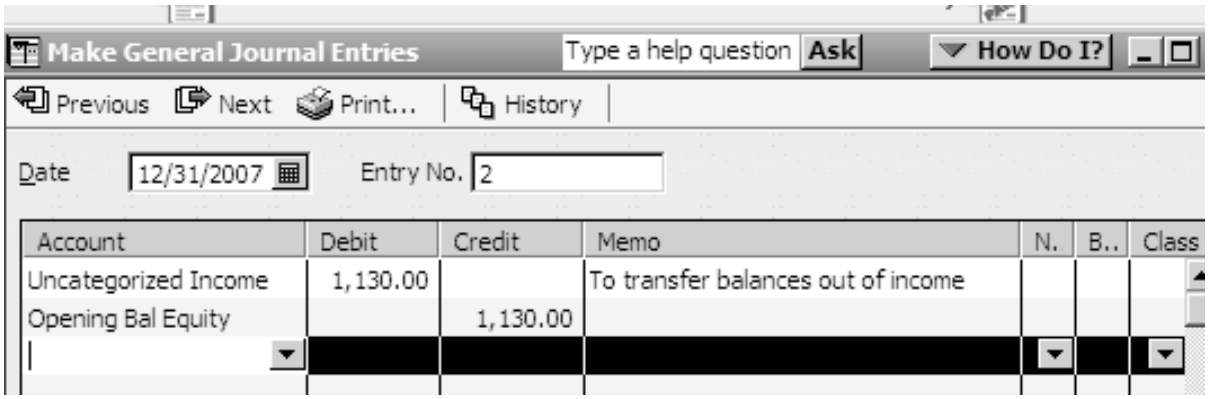


You will see the following screen. Click the **Previous** button until you find the entry you made.



When you locate your entry, ask yourself these questions:

- Is the date correct? The date should be the day prior to your starting date.
- Is the **Uncategorized Income** in the **Debit** column? **It must be in that column.**
- Is the **Opening Bal Equity** in the **Credit** column?
- Is the **amount** right?



Can't Find Your Entry?

- Maybe you forgot to click **Save & Close.**
- In that case, start your **Journal Entry** over and follow the steps carefully.

Part 8 – Creating Billable Items for Your Water/Sewer Utility

Your utility has a monthly rate for water and a monthly rate for sewer. Maybe your utility also has a different rate for elders or perhaps you charge for metered water instead of a flat rate. All of these different rates are called **Billable Items** in QuickBooks. In order to create a monthly invoice for each customer, you must create billable items for all the different service rates for which you invoice.

In this section, the following **sample** rates will be used to give you an idea how to set up your specific billing system.

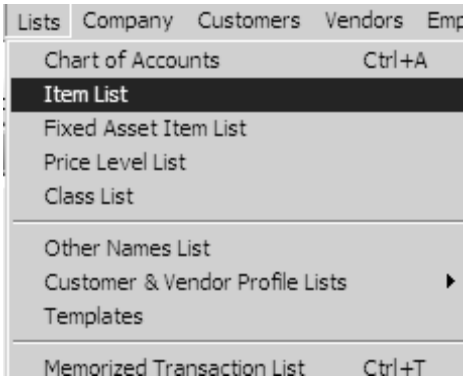
Sample Rates

Monthly Water Charge	$35.00
Monthly Sewer Charge	$35.00
Metered Water Charge	$ .02/gallon of water

Setting Up a Monthly Water Rate

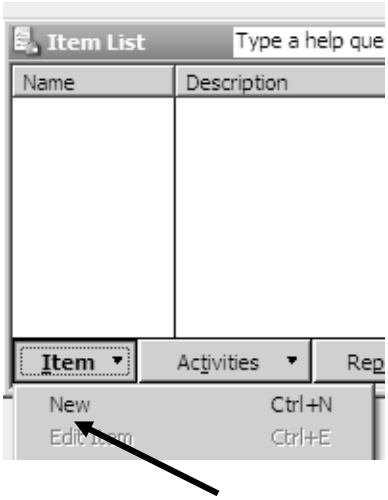
Step 1

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**



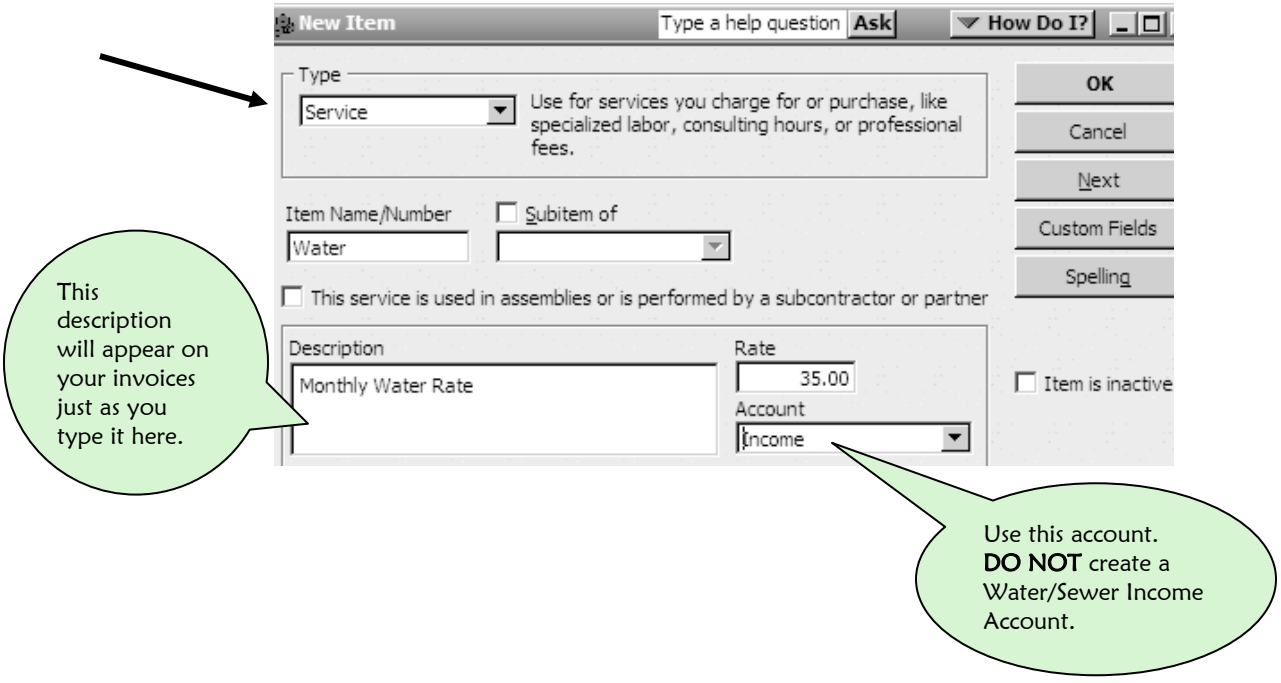
Step 2

- Click **Item** (bottom left of window).
- Click **New.**

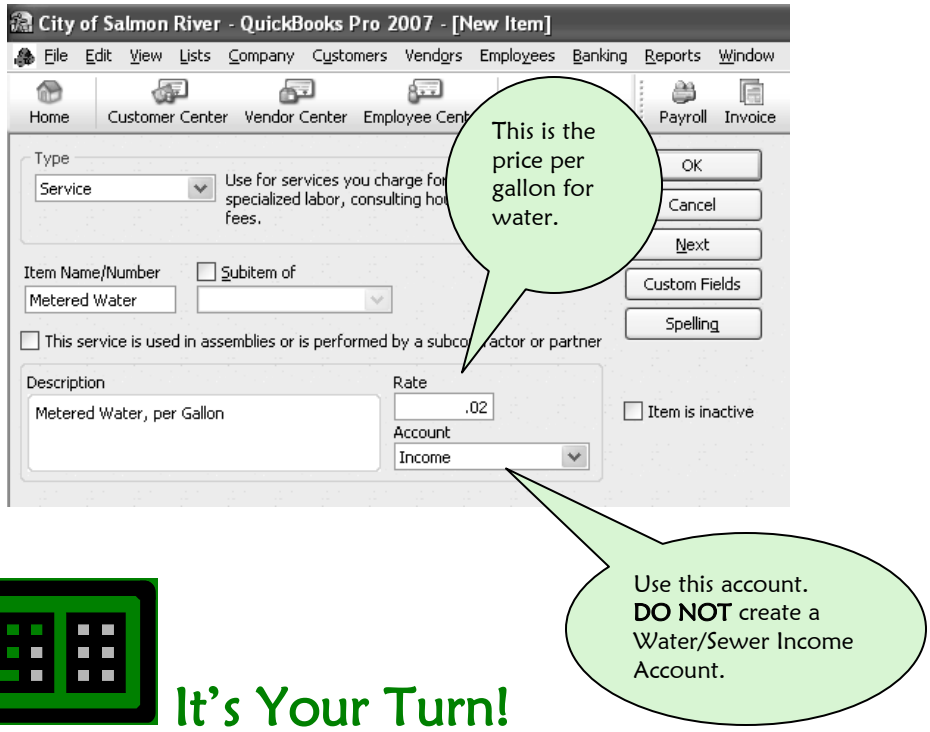


Step 3

- Select **Service** from the drop-down menu in the field labeled **Type.**
- In the field labeled **Item Name/Number** enter a short name to identify your rate.
- Describe your service in the **Description** field.
- Enter your monthly **Rate.**
- Select the **Income** account.
- Click **OK.**



Here is an example of a metered water rate:

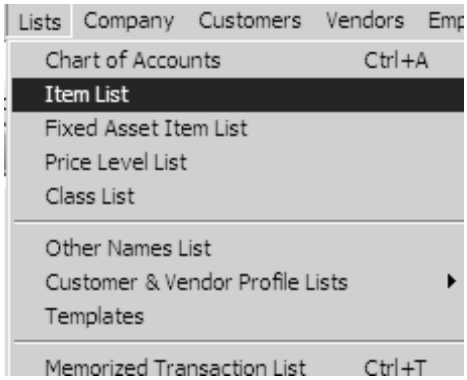


It's Your Turn!

Using your utility's rate structure, create an item for each different service for which you invoice.

Check Your Work!

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**



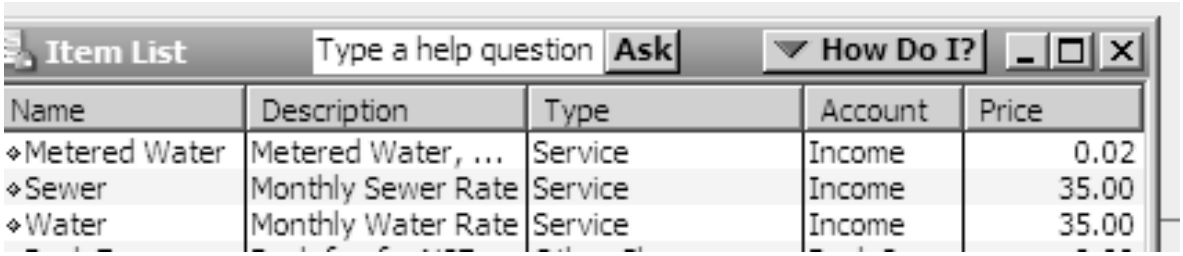
Although your item list will be different from the one below, it will have several things in common:

- The column labeled **Type** should say **Service.**
- The column labeled **Account** should say **Income.**

Make sure that your descriptions are spelled correctly. These descriptions will appear on your monthly invoices. **Make sure that your rates are correct!!**

Did you make a mistake? No problem!

- Double-click the item in this list that you wish to change.
- Make your change and click **OK.**



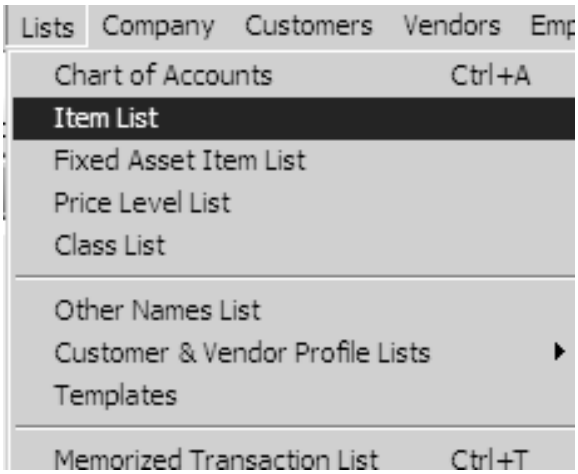
Name	Description	Type	Account	Price
Metered Water	Metered Water, ...	Service	Income	0.02
Sewer	Monthly Sewer Rate	Service	Income	35.00
Water	Monthly Water Rate	Service	Income	35.00

Part 9 – Creating Items to Handle NSF Checks

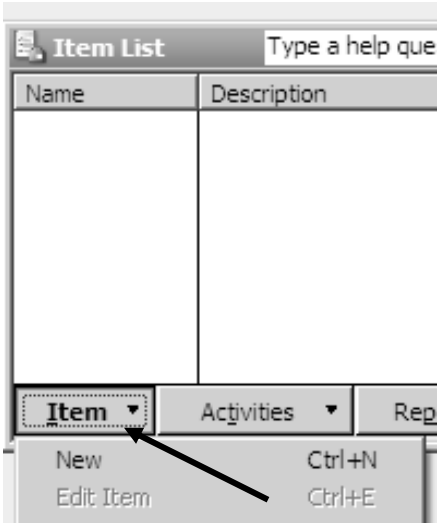
Occasionally a customer will write a check to pay for their Water/Sewer service and later on your bank will return the check because of non-sufficient funds. To handle these returned checks, you will need to set up two items in your Water/Sewer Billing System.

NSF Check Item

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**

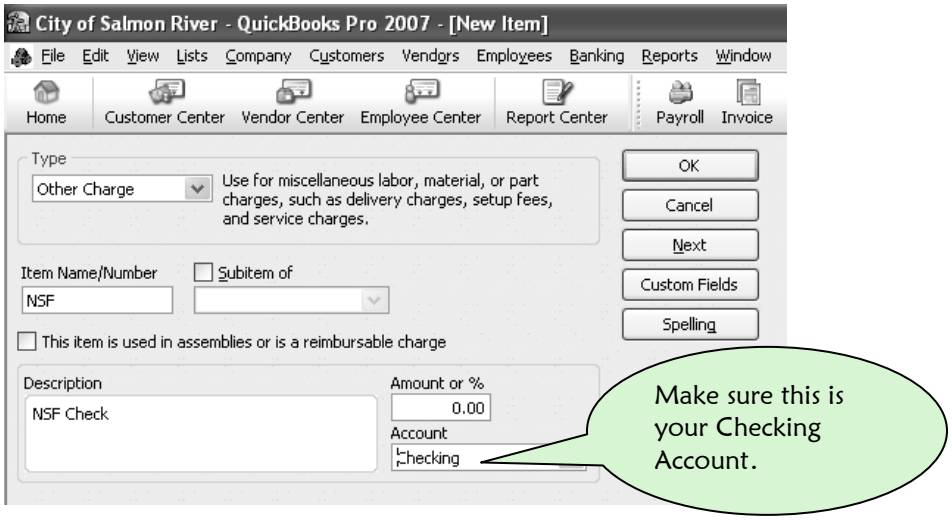


- Click **Item** (bottom left of window).
- Click **New.**



Fill in your item screen like the example below.

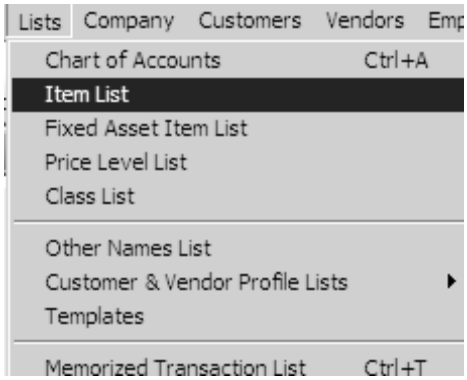
- The type for this item is **Other Charge**.
- The **Item Name/Number** is **NSF.**
- The **Description** is **NSF Check.**
- Since you want to use this item for **any** check that may be returned in the future, leave the **Amount** at zero.
- The **Account** is a tricky one—it will be your **Checking Account.**
- Click **OK.**



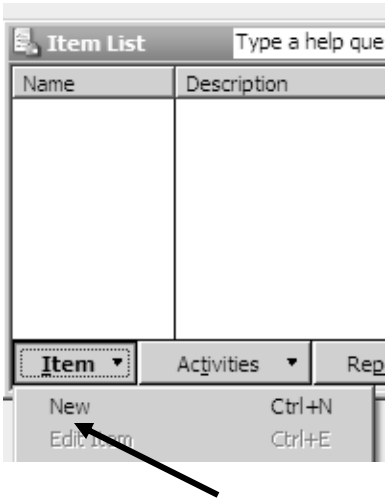
NSF Bank Fee Item

Your bank charges you a fee whenever there is an NSF check deposited to your checking account. You need to pass this fee along to the customer who wrote the NSF check.

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**



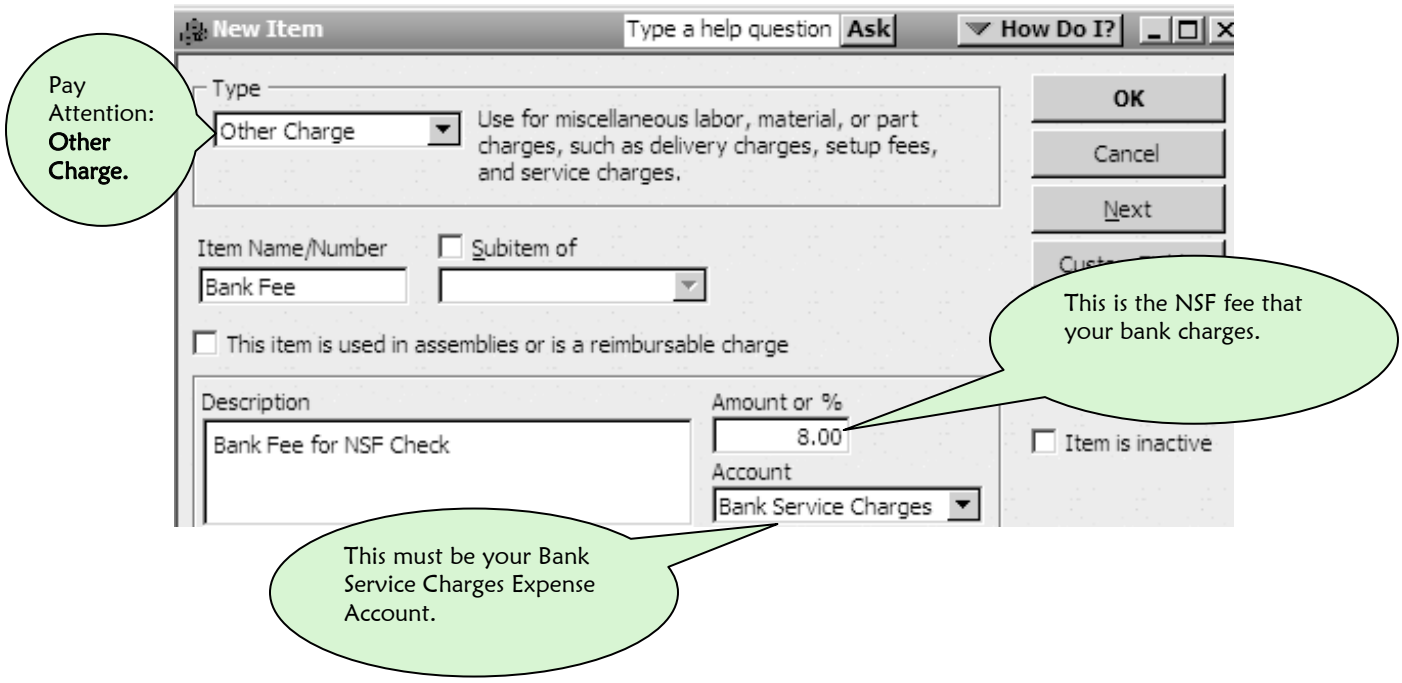
- Click **Item** (bottom left of window).
- Click **New.**



Fill in your item screen like the example below.

- The type for this item is **Other Charge.**
- The **Item Name/Number** is **Bank Fee.**
- The **Description** is **Bank Fee for NSF Check.**
- The **Amount** is whatever your bank charges for an **NSF Fee.**
- The **Account** is another tricky one—it will be your **Bank Service Charges** expense account.
- Click **OK.**

Caution! The account you will use with this item is: **Bank Service Charges**



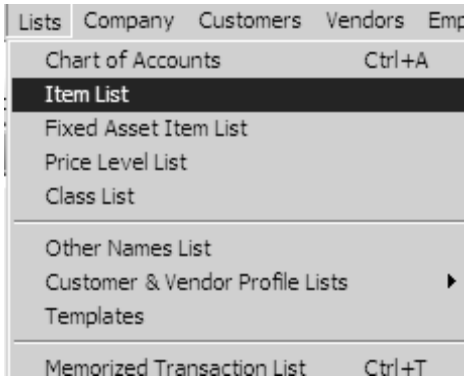
Part 10 – Creating Items to Handle City Sales Tax on Water/Sewer Services

In order to charge Sales Tax on an invoice, you need to create two items:

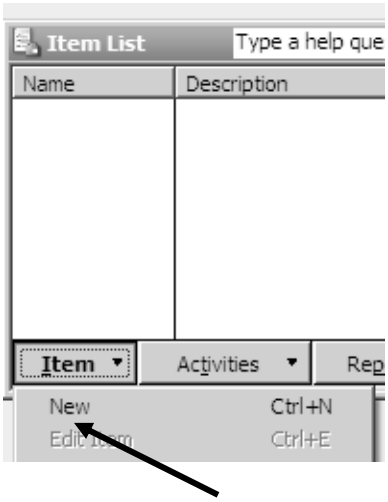
- Sales Tax Item
- Subtotal Item

Sales Tax Item

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**

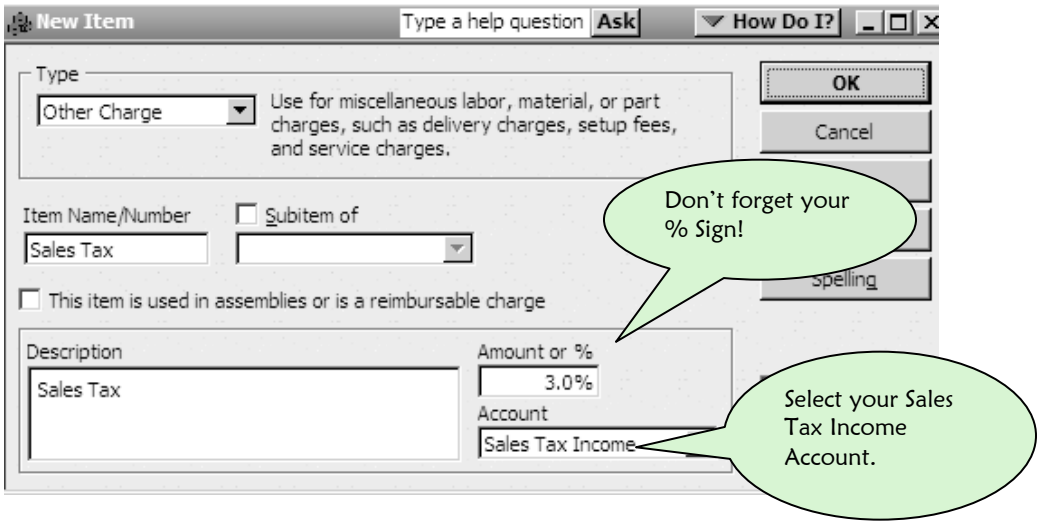


- Click **Item** (bottom left of window).
- Click **New.**



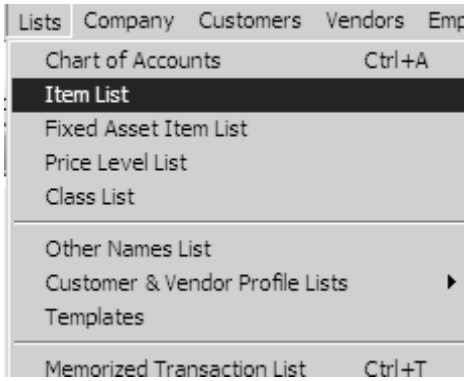
Use the example below to create your Sales Tax item.

- The type for this item is **Other Charge**.
- The **Item Name/Number** is **Sales Tax.**
- The **Description** is also **Sales Tax.**
- The **Amount** is the amount of your City's sales tax. You must enter a % sign.
- The **Account** is your Sales Tax Income account.
- Click **OK.**

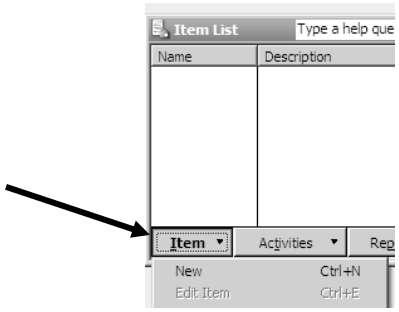


Subtotal Item

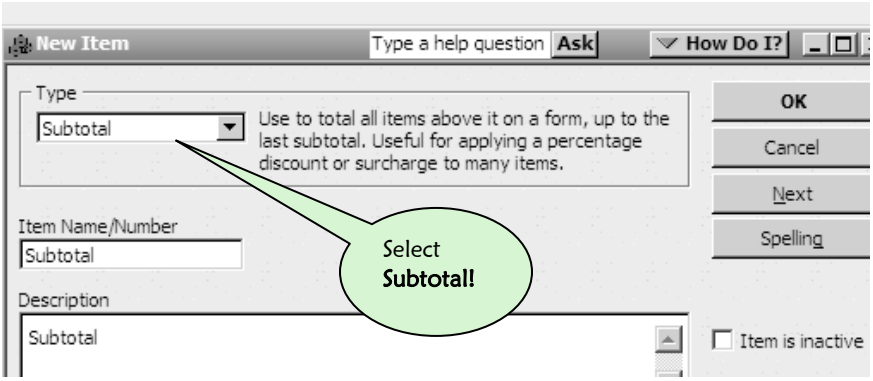
- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**



- Click **Item** (bottom left of window).
- Click **New.**

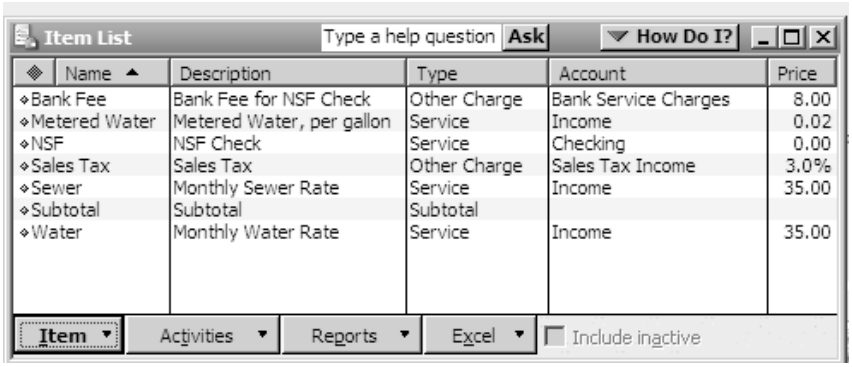


- It is critical that you select **Subtotal** as the **Type!!**
- Type in **Subtotal** for the **Item Name/Number.**
- The **Description** is also **Subtotal.**
- There are no amounts or accounts.
- Click **OK.**



Check Your Work!

Here's an example of an item list.



7 SETTING UP A SYSTEM TO PAY BILLS

The **Vendor Center** is the area in QuickBooks that helps you keep track of the bills your utility must pay. Every month you receive bills in the mail for services you have already used—such as electricity, fuel, and telephone—or for items you have purchased.

You will enter these bills into QuickBooks, and QuickBooks will keep track of how much money you owe. As bills become due, or as money becomes available, you will create checks to pay the bills. The companies or people that supply you with parts and services are called your **Vendors.**

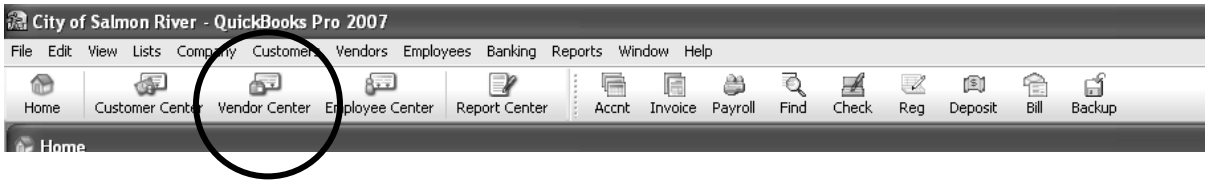
In order to write a check to a vendor or enter a bill from a vendor, the vendor needs to be set up in QuickBooks. This means that QuickBooks needs the vendor's address and other information in its vendor file.

Setting Up a Vendor

Setting up a vendor is easy.

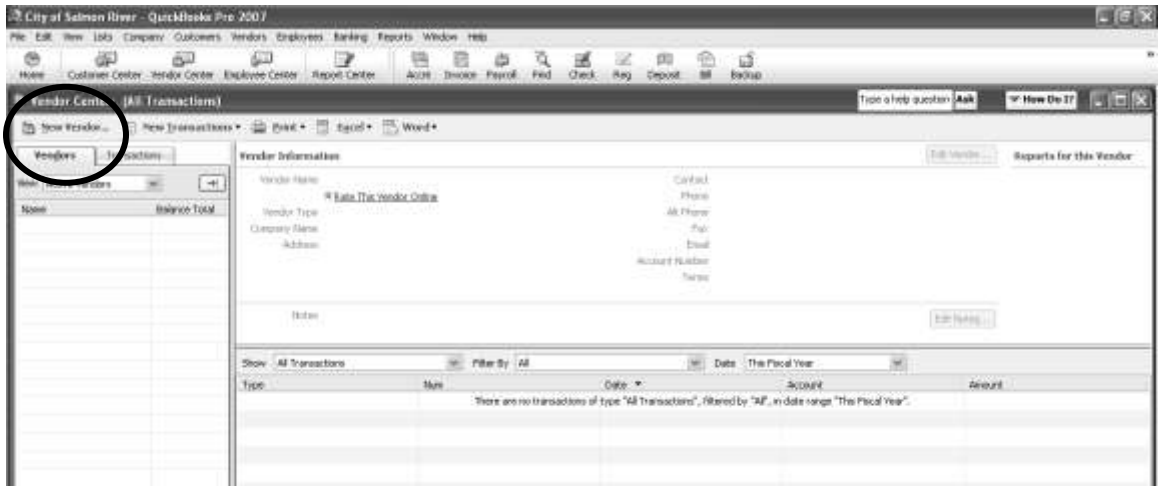
Step 1

- Click on the **Vendor Center** icon in your **Icon Bar.**



Step 2

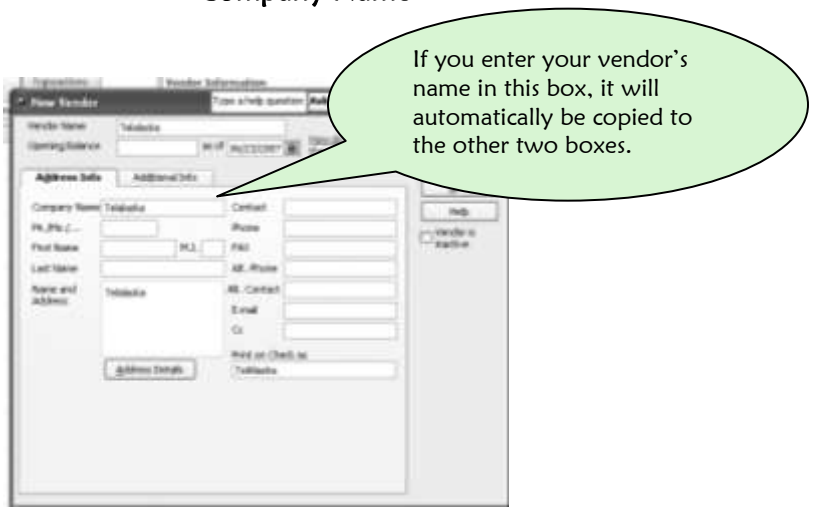
- Click on the **New Vendor** tab on the **Vendor Center** screen.



Step 3

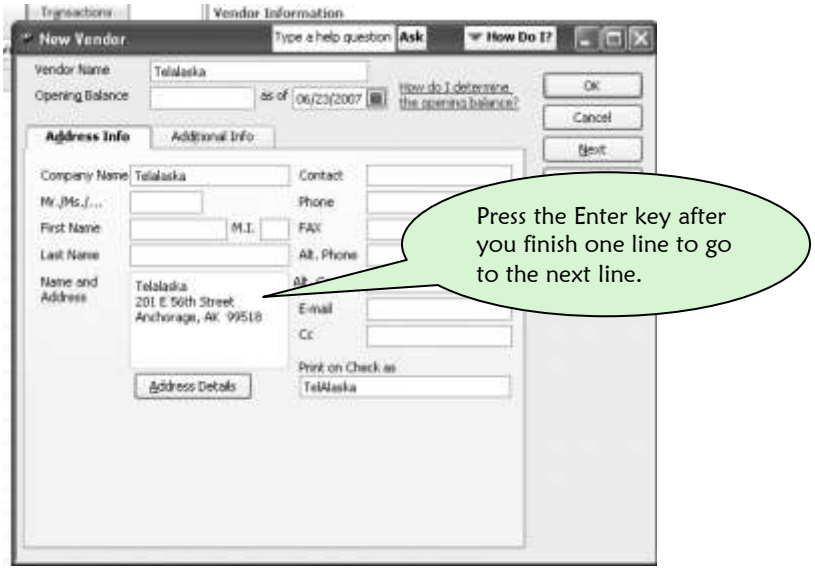
The **New Vendor** screen pops up.

- Enter your vendor's name in the **Company Name** box.

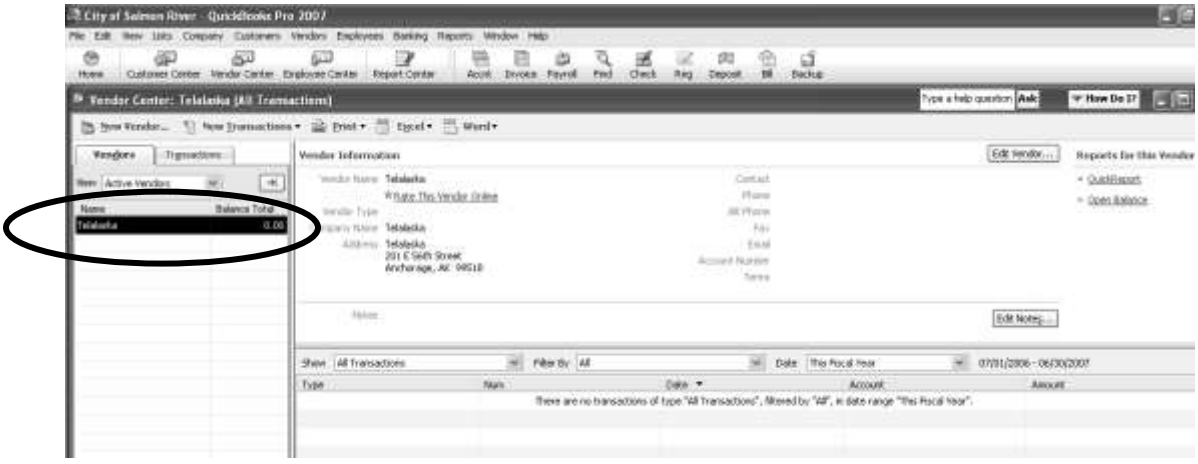


Step 4

- Now enter the address information into the **Name and Address** Box.
- Enter any additional information you might need for this vendor such as phone or fax number.
- Click **OK.**



You will now see your vendor's name on the **Vendor**'s tab, with the address information in the **Vendor Information** box.

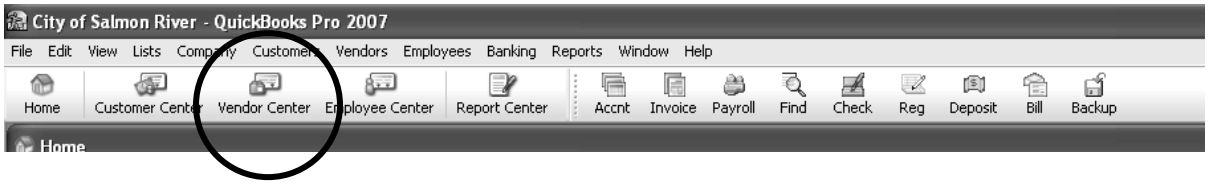


Contract Labor

Occasionally, your community may hire an individual to perform a professional service. If this person is a contractor and earns $600 or more from your community in a calendar year, you will need to send them a Form 1099 at the end of the year (see page 342). Set up contractors as vendors and let QuickBooks keep track of how much money you are paying them in a calendar year.

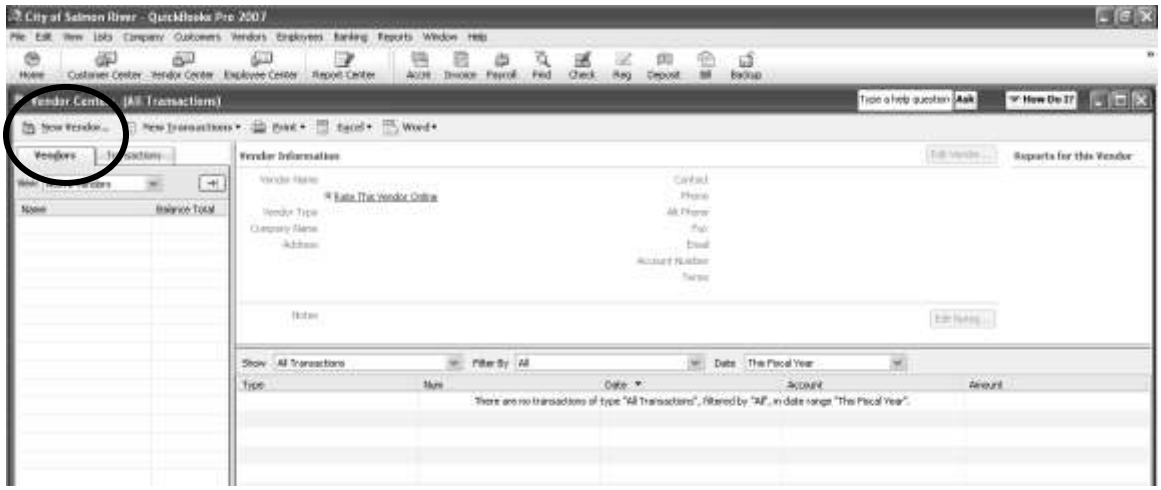
Step 1

- Click on the **Vendor Center** icon in your **Icon Bar.**



Step 2

- Click on the **New Vendor** tab on the **Vendor Center** screen.



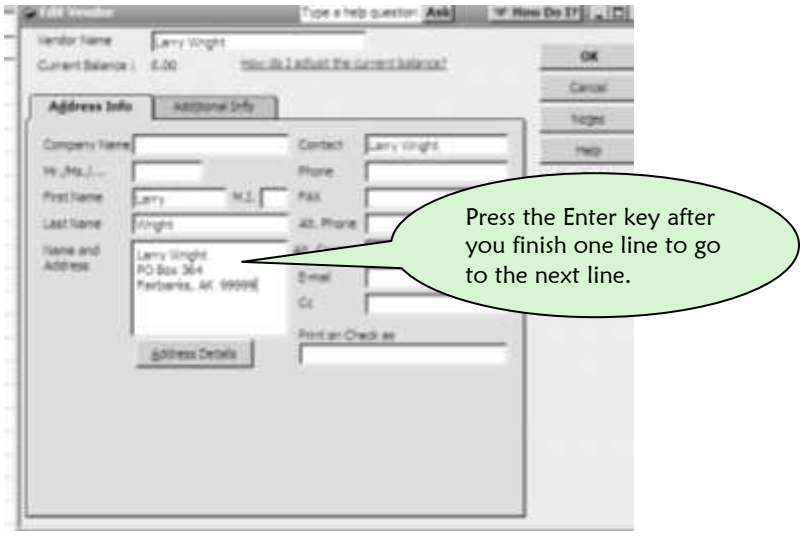
Step 3

The **New Vendor** screen pops up.

- Enter your 1099 vendor's name.

Step 4

- Now enter the address information into the **Name and Address** Box.
- Enter any additional information you might need for this 1099 vendor such as phone or fax number.
- Click **OK.**

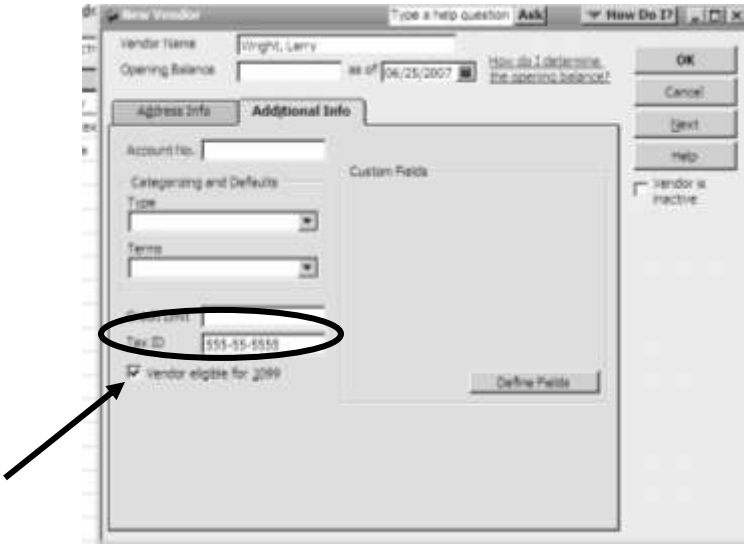


Step 5

- After entering their name and address in the vendor file, click the **Additional Info Tab.**

Step 6

- Enter your 1099 vendor's Social Security number in the **Tax ID** field.
- Check the little box labeled **Vendor eligible for 1099.**
- Click **OK.**

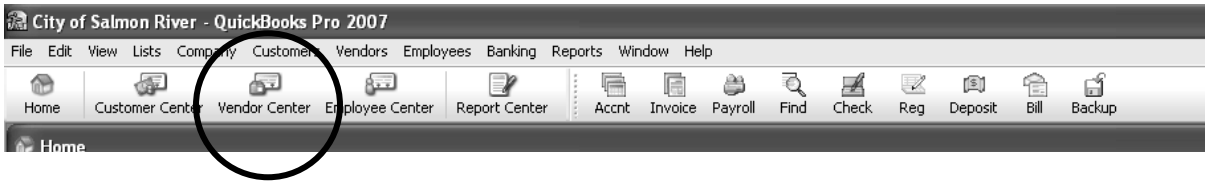


It's Your Turn!

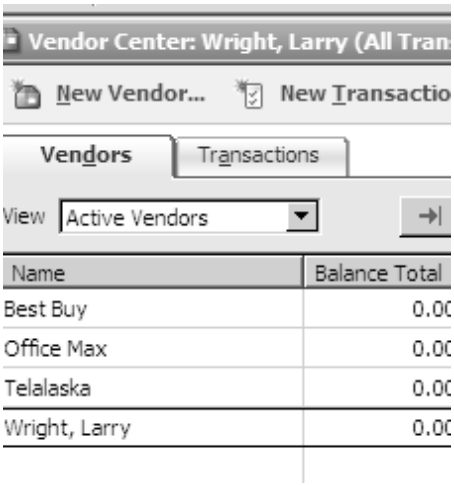
Go to your folder of unpaid bills and enter in some of your vendors and contractors.

Check Your Work!

- Click on the **Vendor Center** icon in your **Icon Bar.**

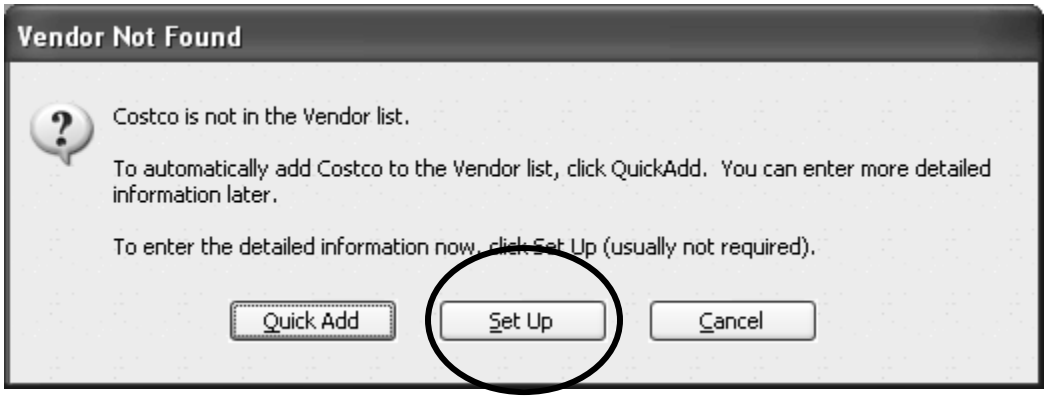


Did their name appear on the **Vendor** list in the **Vendor** tab?



- Click on their name, and you will get into their vendor file. Is their information accurate?

QuickBooks has a feature that will remind you about setting up vendors. Whenever you enter a new vendor name into a check or a bill, you will get this screen:



- **Quick Add** enters only the vendor's name in the list, not their address. If you don't mail checks to that vendor, or if you have a self-addressed envelope for them, you can select **Quick Add**.

- If you click **Set Up**, you may enter an address, contact information and 1099 information.

8 SETTING UP PAYROLL

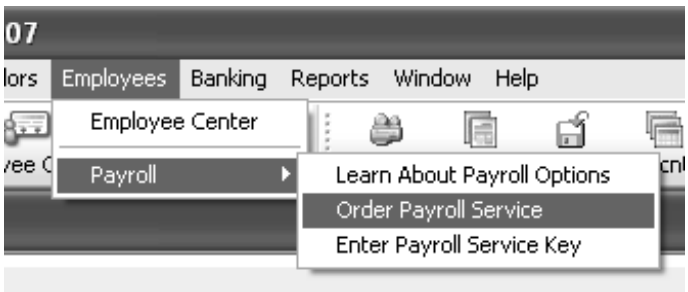
QuickBooks keeps track of your payroll quickly and efficiently behind the scenes as long as it is set up correctly. Follow along with this chapter and pay close attention. Once again, turn off the phones, shut the door and allow yourself some time. It will be worth it. In the end, you will have QuickBooks doing the payroll for you and it will be accurate. You will save time and avoid payroll tax penalties.

Subscribing to a Payroll Service

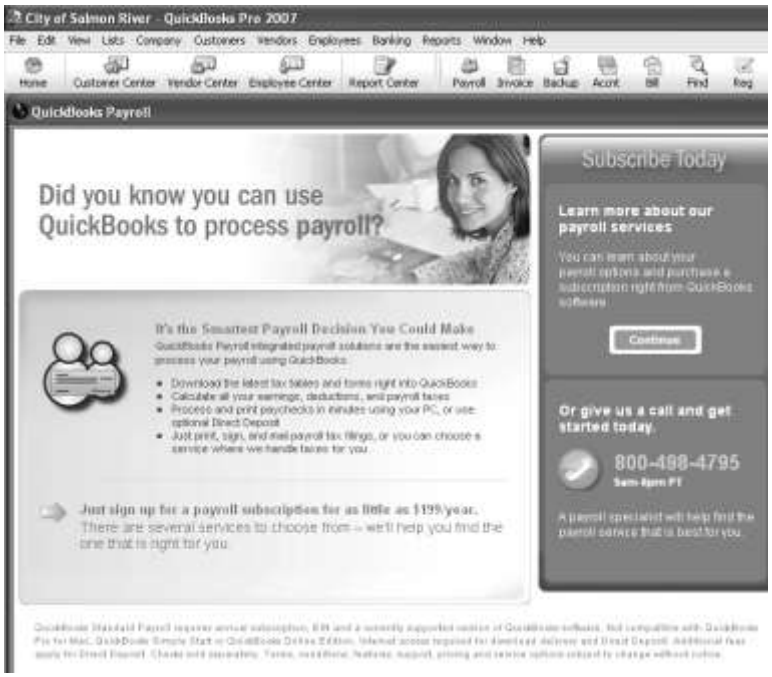
Before you can set up a payroll in QuickBooks you have to sign up for a payroll subscription. QuickBooks charges a yearly fee for downloading the tax tables that keep your QuickBooks payroll tax rates and forms up-to-date. They have several levels of service, and the one you want to choose is their least expensive, most basic service called **QuickBooks Standard Payroll**.

If your computer is connected to the internet, you can order a payroll service that way,

- Click **Employees** at the top of the screen.
- Select **Payroll.**
- Select **Order Payroll Service.**



- Click **Continue.**



- Click **OK.**

If you do not have the Internet, call the following number and they will guide you through setting up your Payroll Subscription Service using a disk instead of the Internet.

1-800-498-4795

Setting Up Payroll Items

Because your employees may work for different departments, you must customize your payroll and your employees in QuickBooks. You do this by creating **Payroll Items**. **Payroll Items** tell QuickBooks what to put in and take out of every employee's paycheck.

Some examples of **Payroll Items** that come **out** of a paycheck are:

Payroll Tax Items

- Federal Taxes – 941 Taxes
- State Taxes – Alaska State Unemployment

Payroll Deductions

- Child Support
- Payroll Advances

Some examples of **Payroll Items** that go **into** a paycheck are:

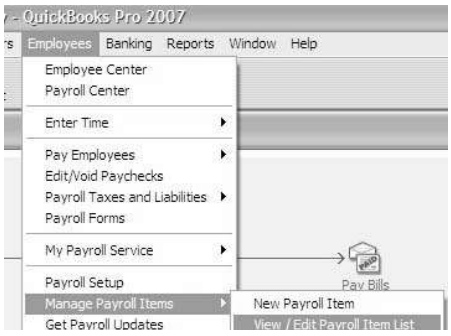
Payroll Wage Items

- Hourly Wages
- Overtime Wages

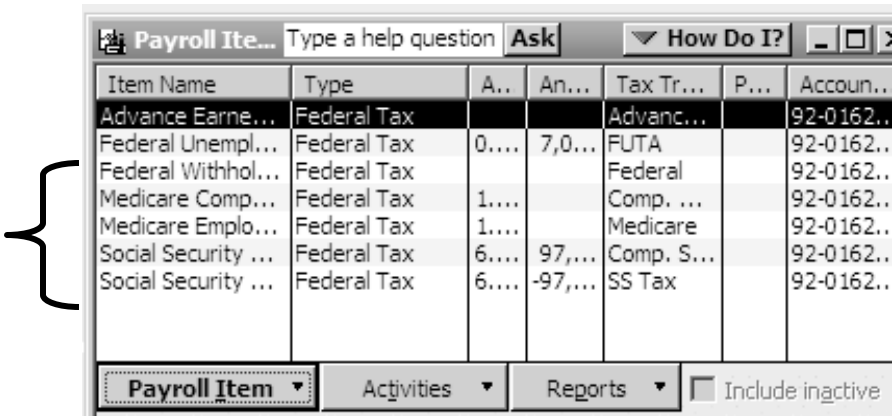
Viewing Your Payroll Items

To look at your current **Payroll Items:**

- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**



When you turn on the payroll feature in QuickBooks, the following payroll items will appear. The Payroll Items in brackets are your 941 Federal Tax items.

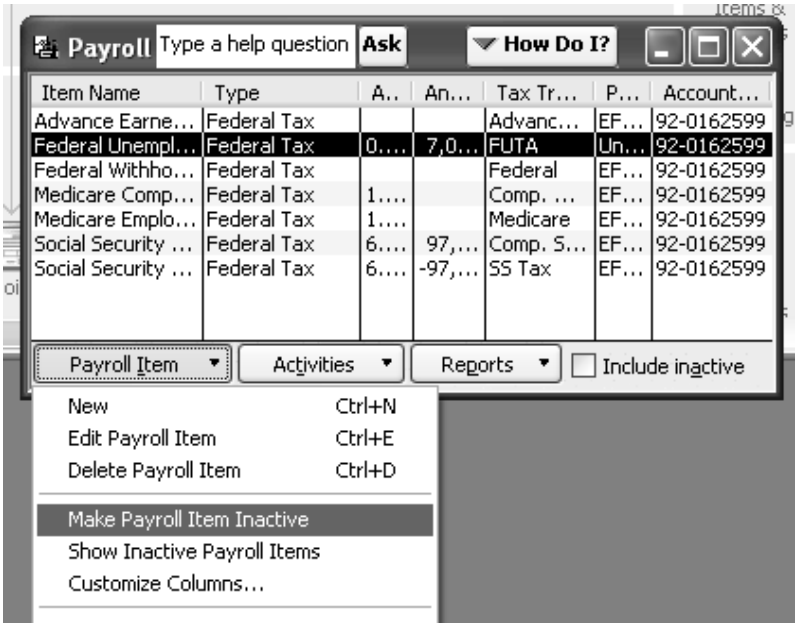


In order to set up QuickBooks for your utility, you will have to edit these tax items. In addition, you will create new payroll items customized for your utility in a later section.

Your community probably does not pay Federal Unemployment tax, so you are going to hide it.

Hiding a Payroll Tax Item

- Highlight **Federal Unemployment** by clicking it once.
- Click **Payroll Item** (bottom left of your screen).
- Click **Make Payroll Item Inactive.**

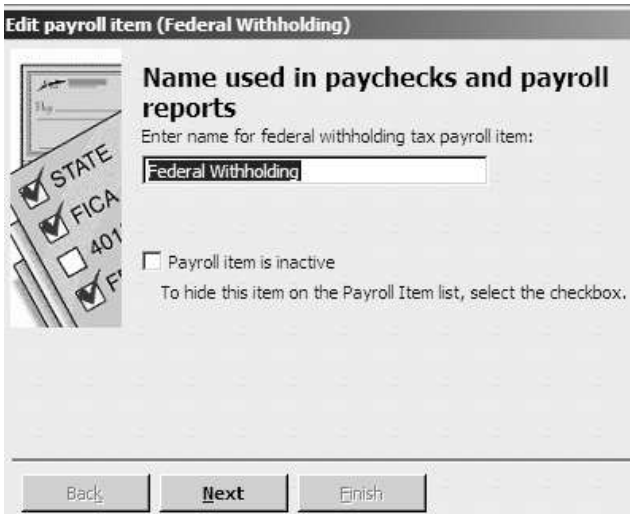


Setting Up Payroll Tax Items

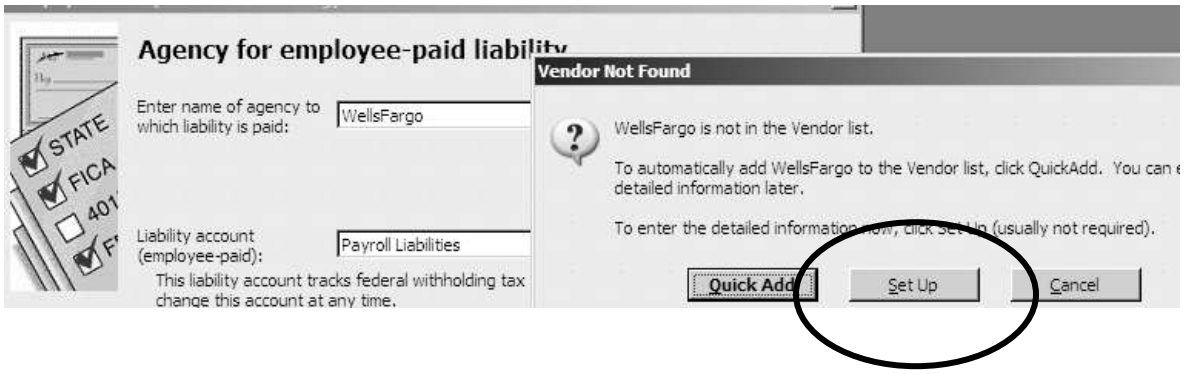
Who receives your 941 Federal Payroll Tax payments? Wells Fargo? First National Bank of Alaska? EFTPS? You must tell QuickBooks by editing the existing Federal Withholding, Medicare and Social Security Payroll Tax Items.

Editing Federal Withholding

- Double click the **Federal Withholding** line.
- Click **Next.**

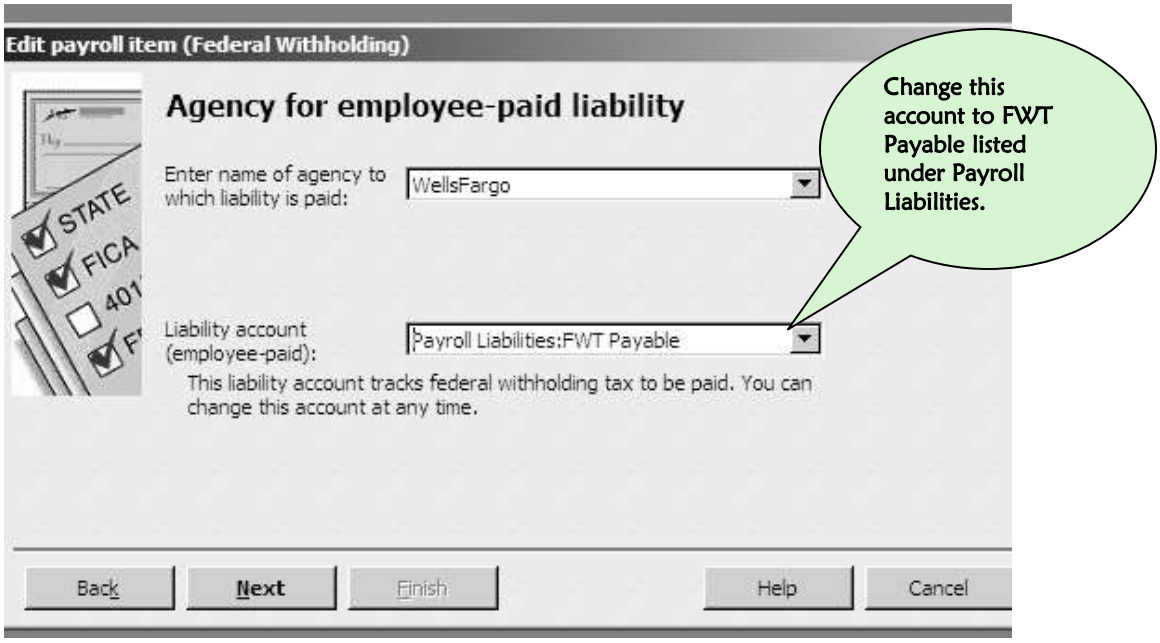


- Enter the name of the bank or service to which you pay your 941 payroll taxes.
- This is a new vendor. Take the time to set them up in QuickBooks with a complete address by clicking **Set Up** and filling in their address information.

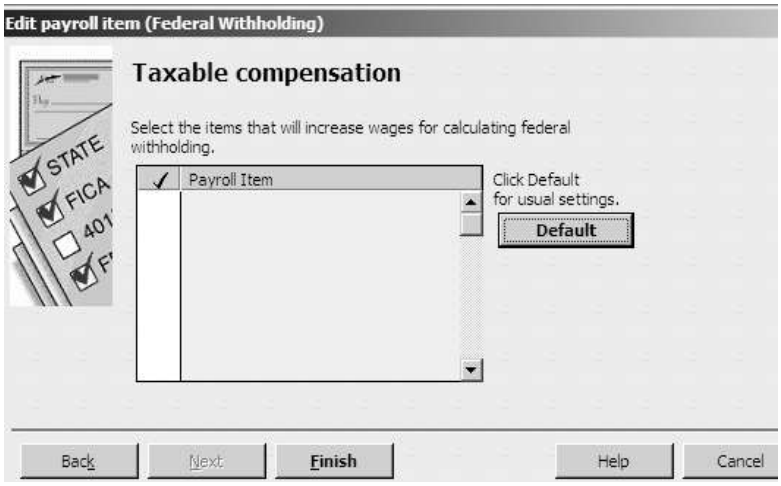


IMPORTANT! The Liability Account must be changed!

- Select **FWT Payable** under **Payroll Liabilities** from your account list.
- Click **Next.**

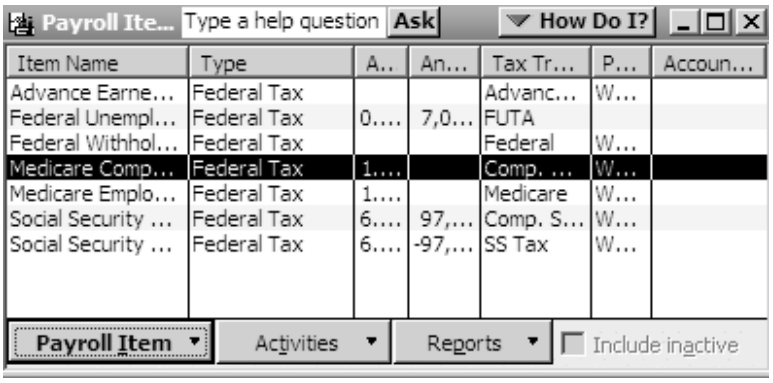


- Click **Finish.**

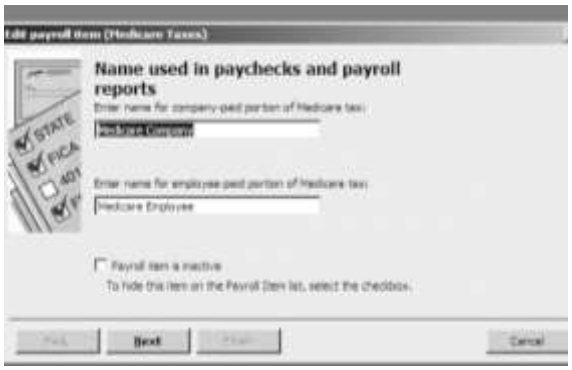


Editing Medicare Taxes—Employee and Company

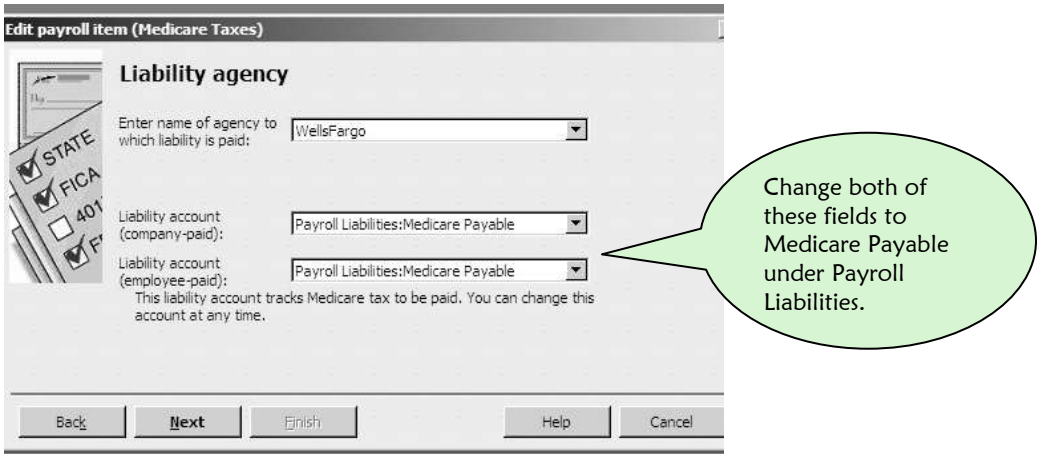
- Double-click either **Medicare Company** or **Medicare Employee.**



- Click **Next.**



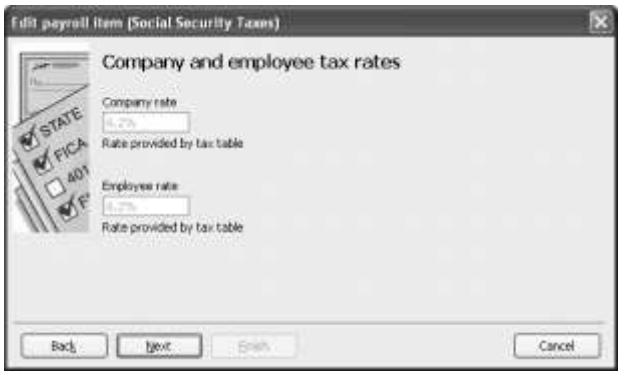
- Enter the name of the bank or service to which you pay your 941 payroll taxes.
- Select **Medicare Payable** under **Payroll Liabilities** from your account list for both of the **Liability Account** boxes.
- Click **Next.**



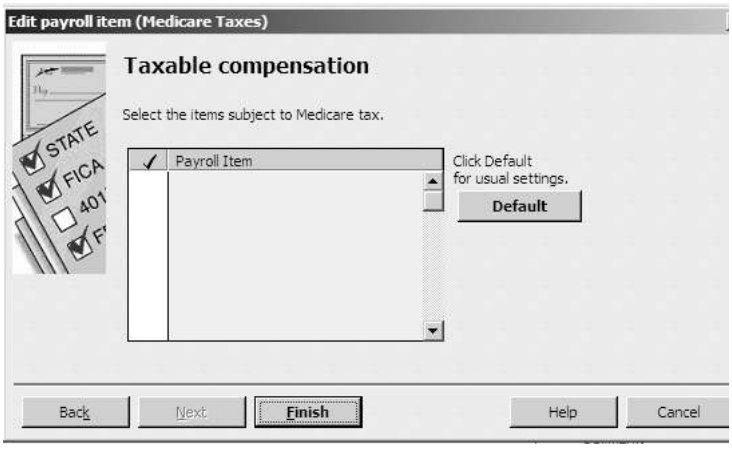
IMPORTANT! You must change the Expense account!

- Click the down arrow and select **Payroll Taxes** from your account list.
- Click **Next.**

- You don't have to enter anything here. These rates are supplied by QuickBooks.
- Click **Next.**

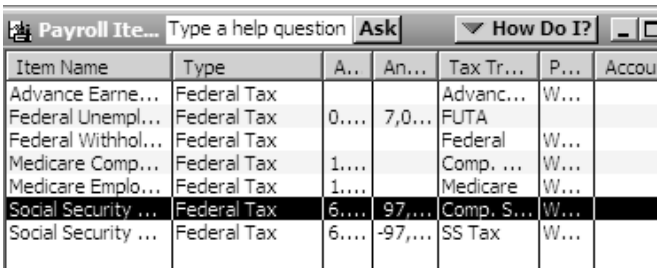


- Click **Finish.**

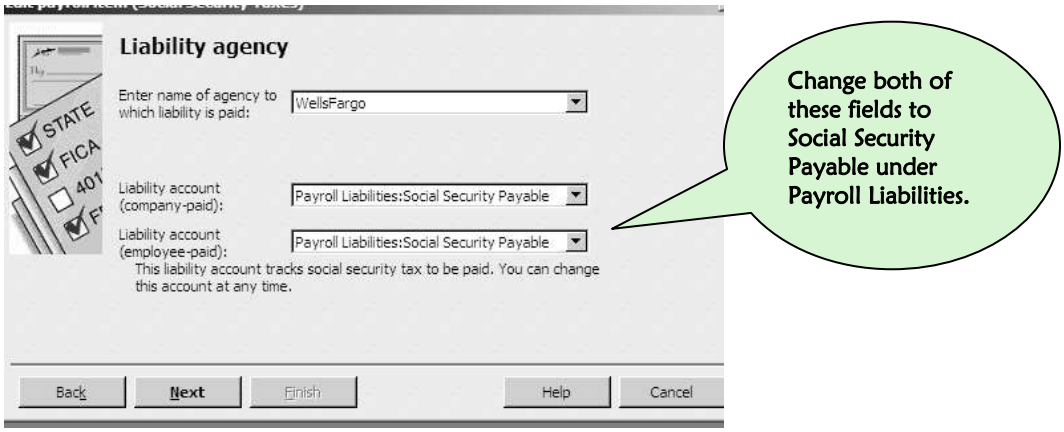


Editing Social Security Taxes—Employee and Company

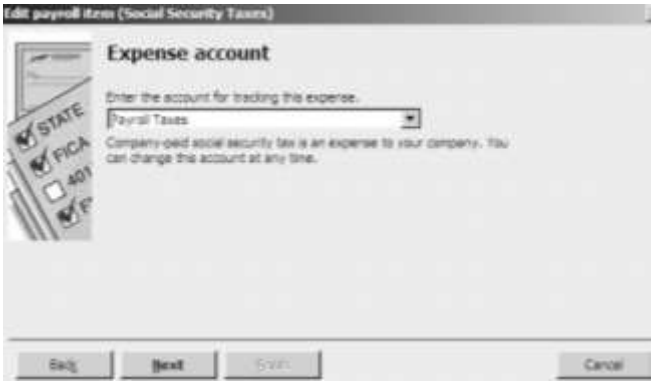
- Double click either **Social Security Company or Social Security Employee.**



- Enter your bank name or EFTPS.
- Select **Social Security Payable** under **Payroll Liabilities** from the account list for each of the **Liability account** boxes.
- Click **Next.**



- Select **Payroll Taxes** from the account list.
- Click **Next.**



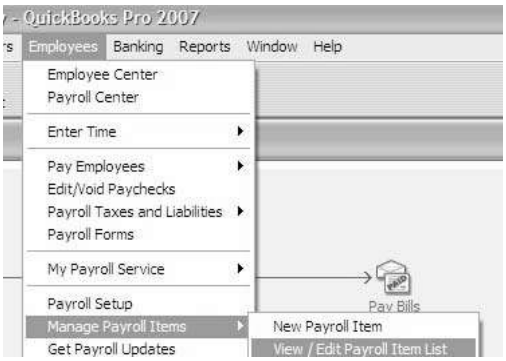
- Click **Next.**

- Click **Finish.**

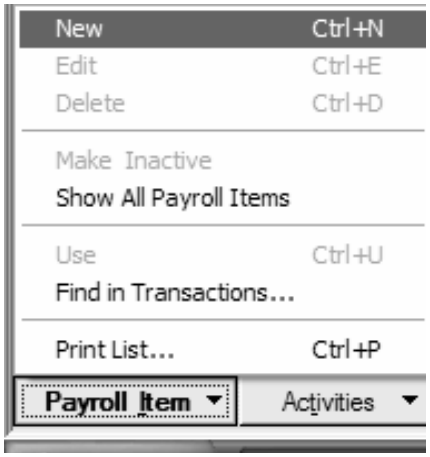
Setting Up the Alaska Unemployment Tax Payroll Item

IMPORTANT!! You must create a payroll item for your Alaska State Unemployment tax.

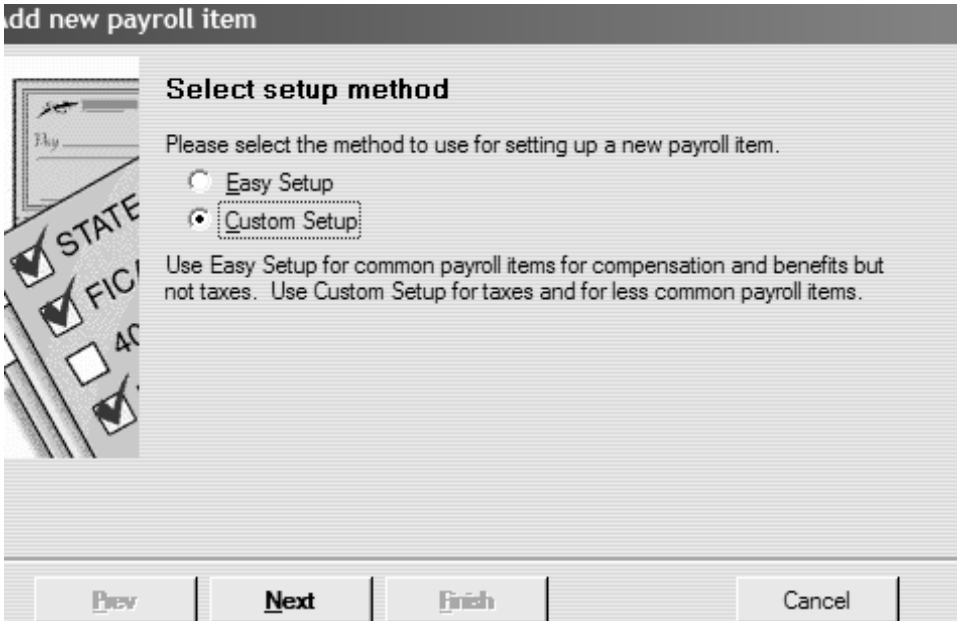
- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**



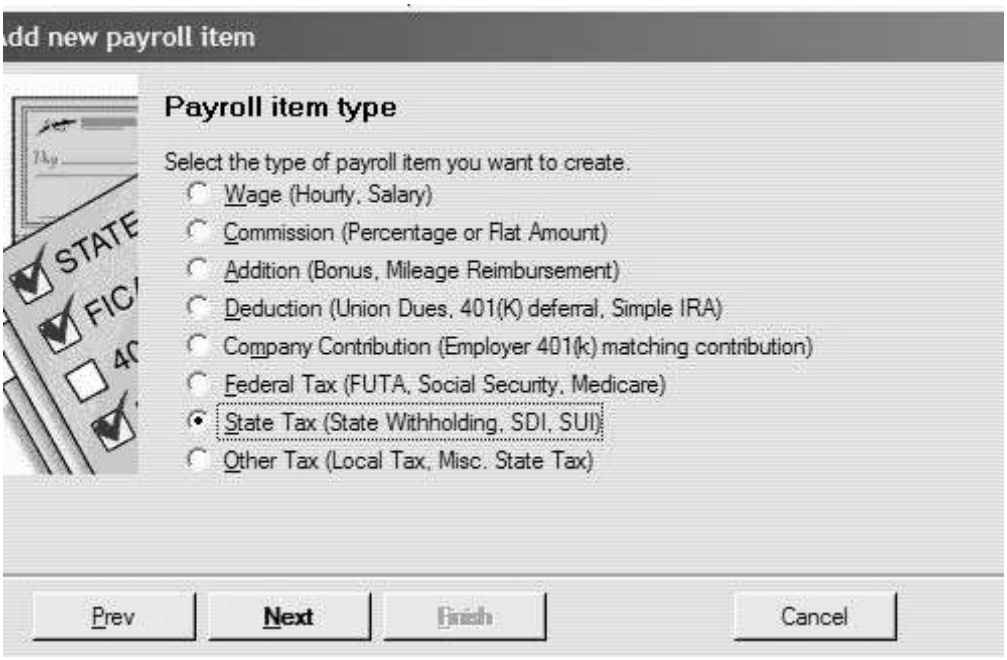
- Click **Payroll Item** at the bottom of the screen.
- Click **New.**



- Click **Custom Setup.**
- Click **Next.**

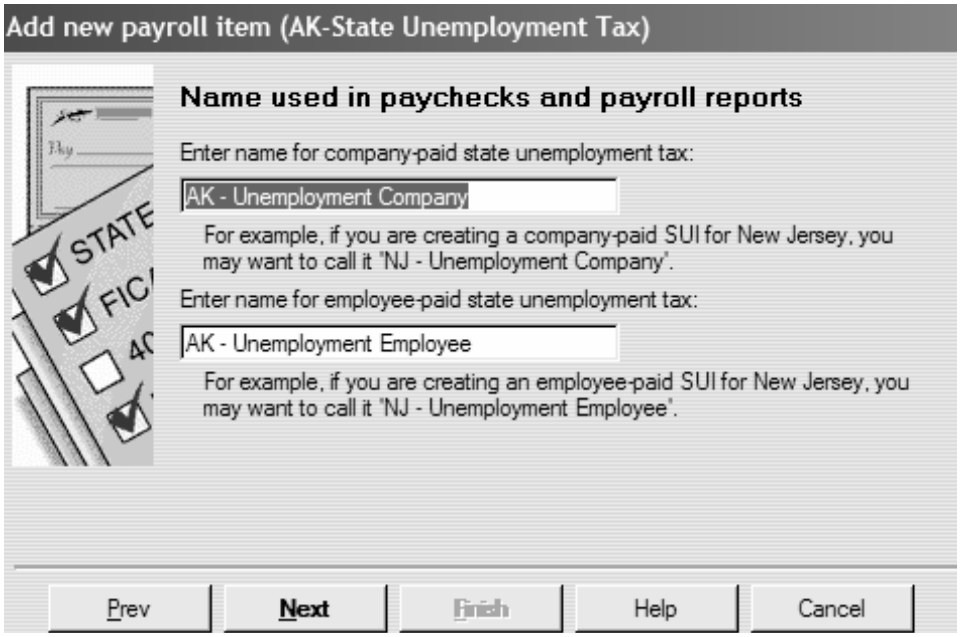


- Click **State Tax.**
- Click **Next.**

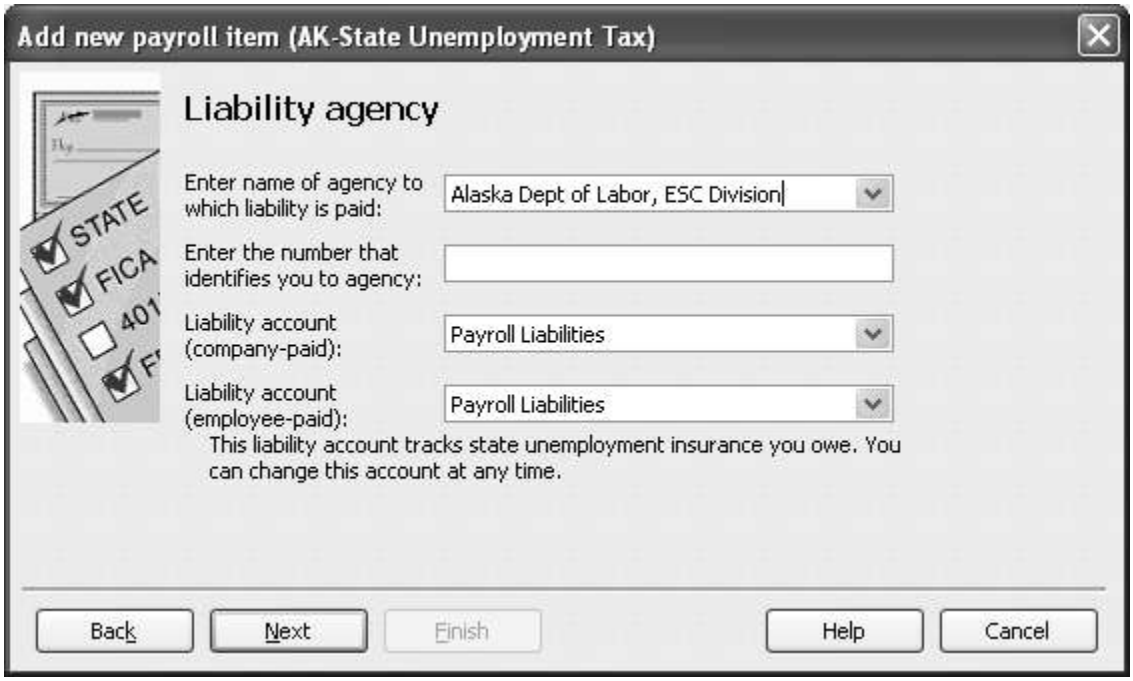


- Select **AK** (Alaska) from the drop down list in the window.
- Click the **State Unemployment** button.
- Click **Next.**

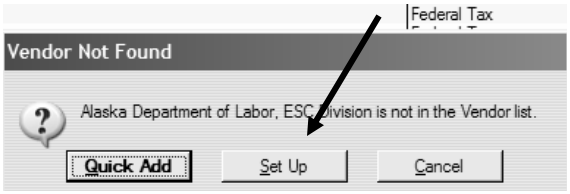
- Do nothing to this screen.
- Click **Next.**



- Enter the name of the state agency: **Alaska Department of Labor, ESC Division.**



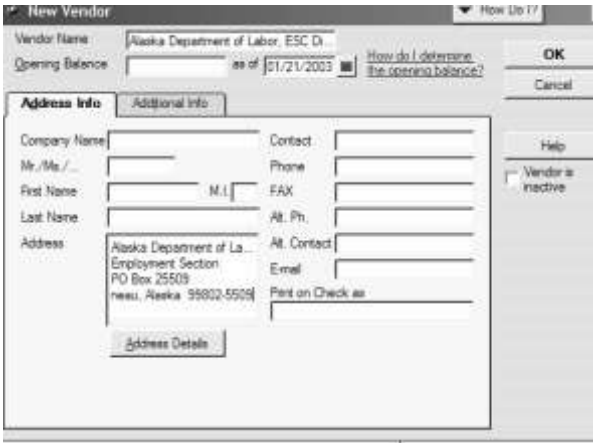
- Press the **TAB** key.
- Click **Set Up.**



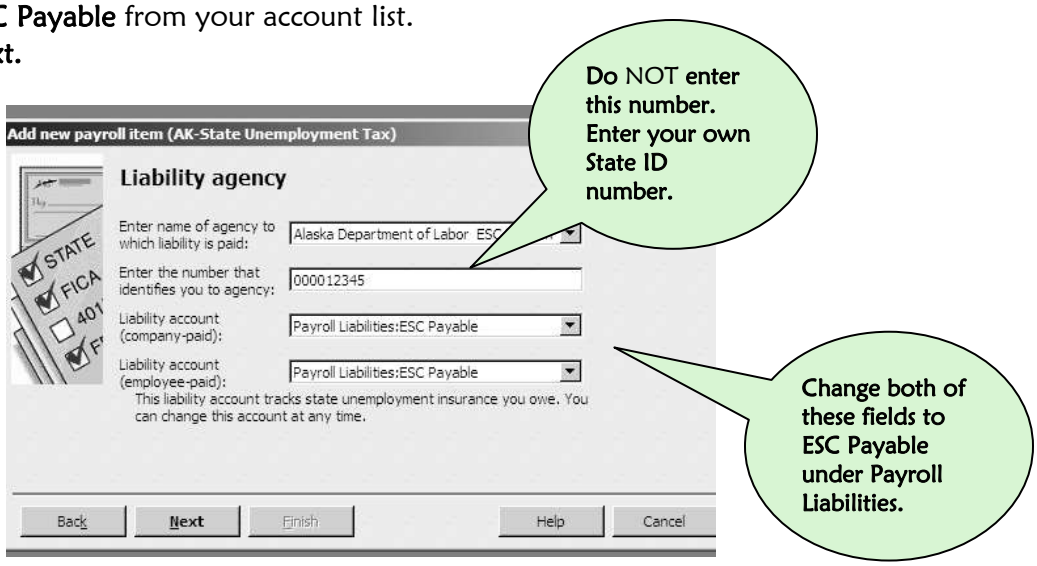
- Enter the following address:

Employment Section
PO Box 25509
Juneau, Alaska 99802-5509

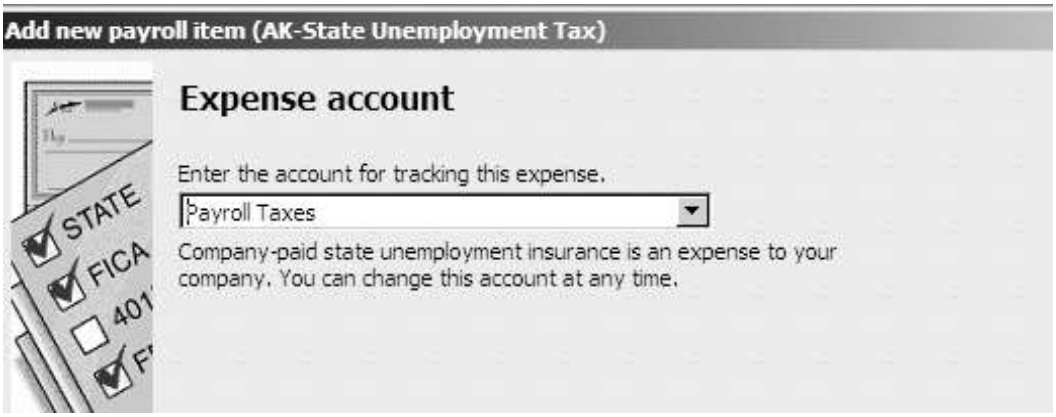
- Click **OK.**



- Enter your Alaska State ID number. This will be on your Alaska State Unemployment form along with your individual unemployment rate.
- Select **ESC Payable** from your account list.
- Click **Next.**



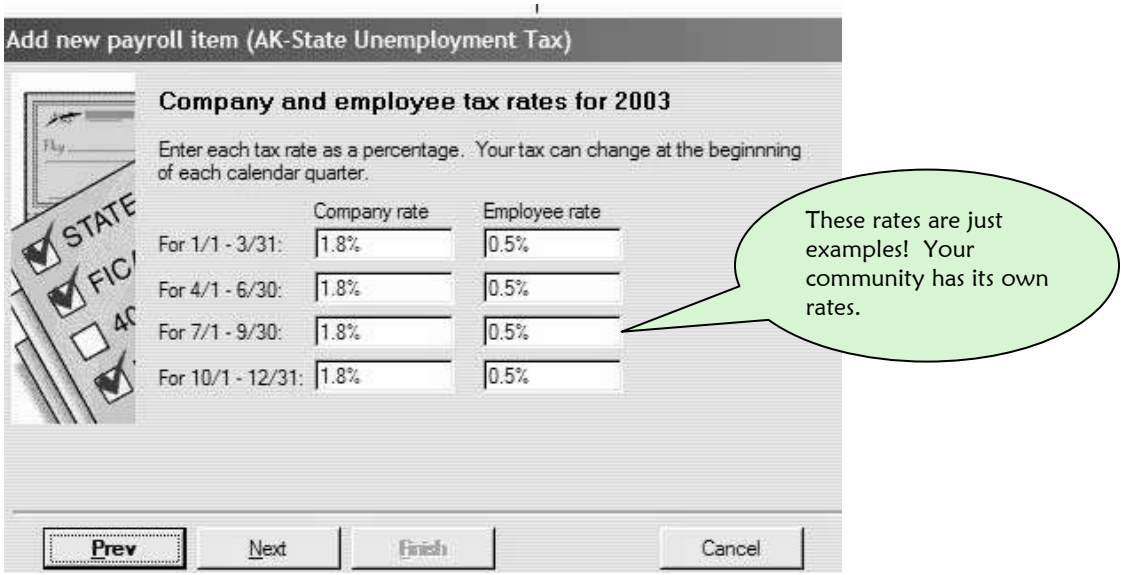
- Select **Payroll Taxes** from your account list.
- Click **Next.**



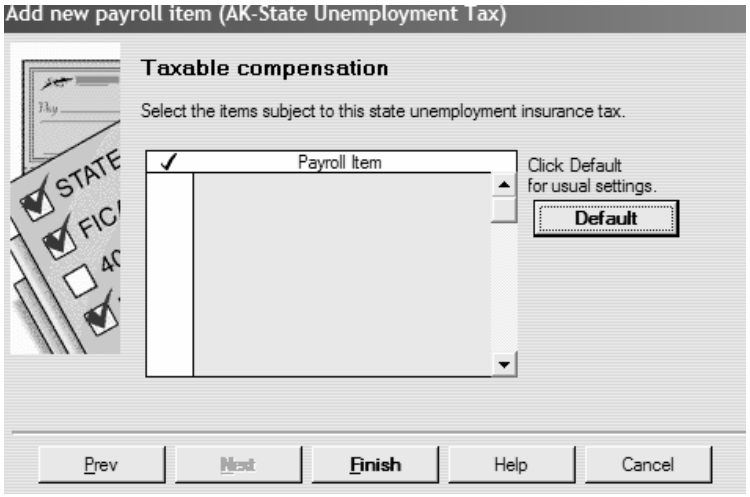
This next screen is very important. This is the screen QuickBooks will use to calculate the amount of Alaska State Unemployment tax for each of your employees. You have a company rate that QuickBooks **must** use to calculate the employer's portion of ESC tax. **If the information in this screen is incorrect, your entire payroll will be incorrect.**

CAUTION!!! THESE RATES CHANGE FROM YEAR TO YEAR. LOCATE YOUR COMMUNITY'S STATE OF ALASKA CONTRIBUTION RATES FOR THE CURRENT TAX YEAR AND ENTER THEM HERE.

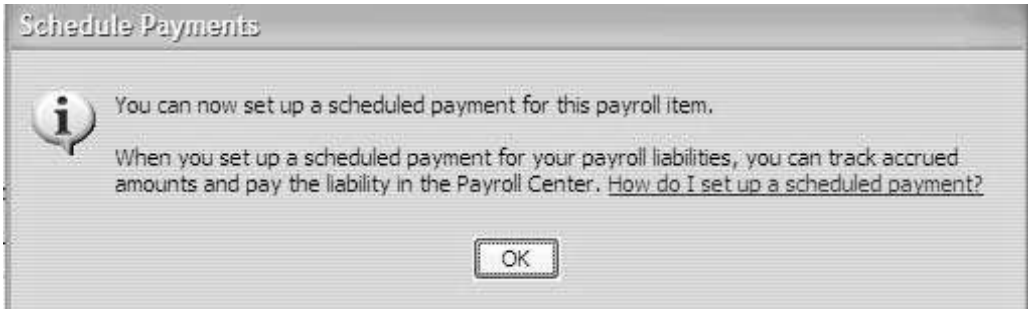
- Verify that the rates you enter are the same rates that the State of Alaska gave you for the current tax year.
- Verify that they have been entered correctly into QuickBooks.
- Click **Next.**



- Click **Finish.**



- Click **OK.**



Setting Up Payroll Deductions

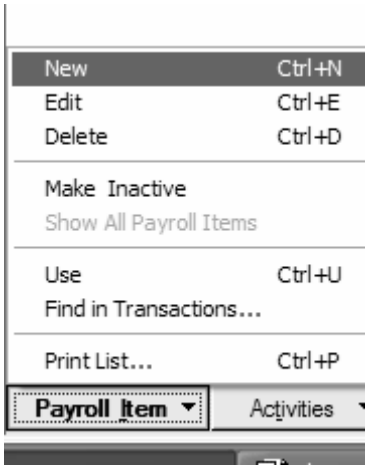
You have just edited and created all of your payroll tax items. You must now create payroll items for your employees' payroll deductions.

Child Support Payroll Item

Child Support is a deduction that QuickBooks may need to make from an employee's check.

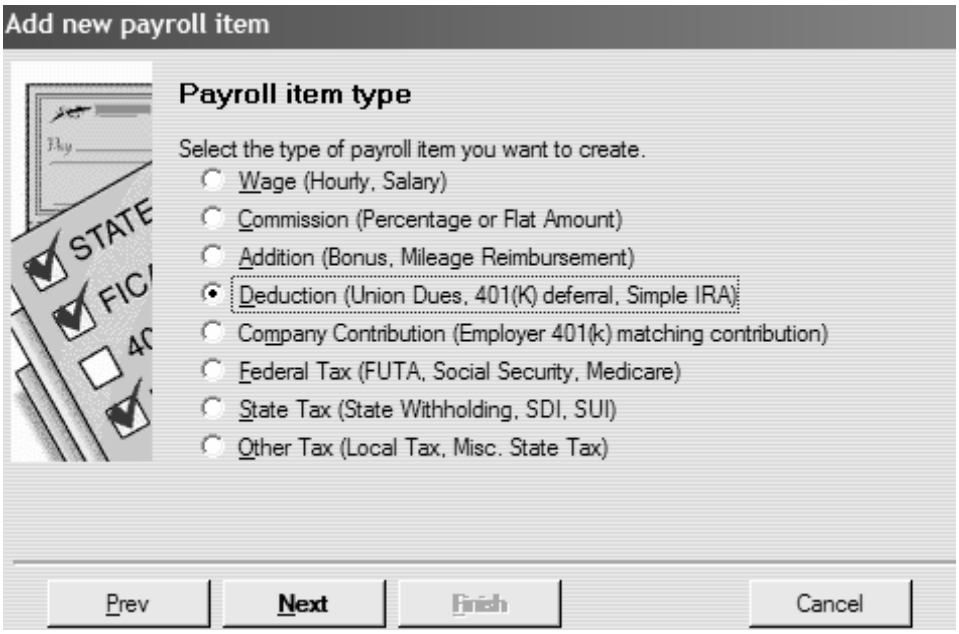
- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**

- Click **Payroll Item.**
- Click **New.**

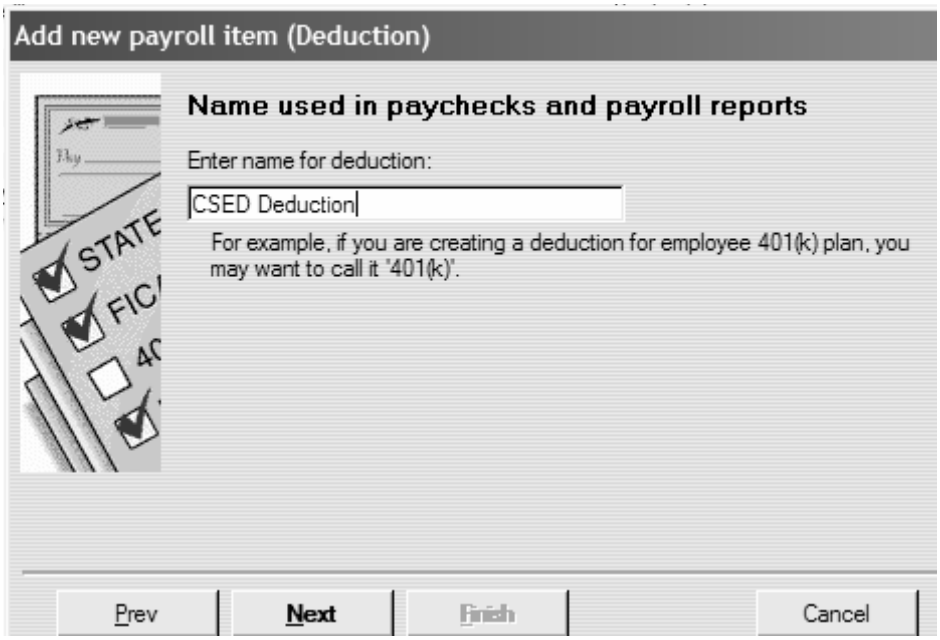


- Click **Custom Setup.**
- Click **Next.**

- Click **Deduction.**
- Click **Next.**



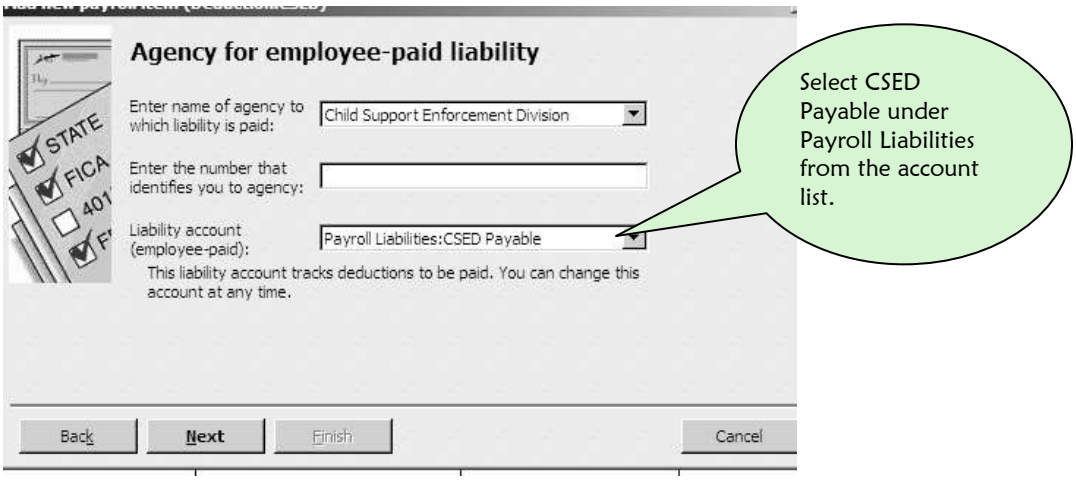
- Enter the name **CSED Deduction** or **Child Support.**
- Click **Next.**



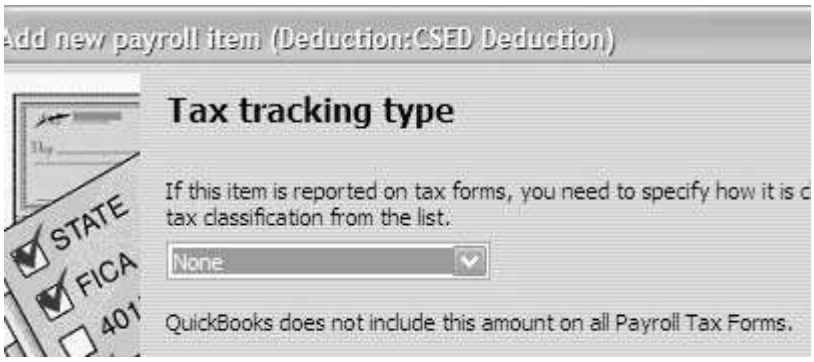
- Enter the name, **Child Support Enforcement Division** in the first field. Take the time to set this up as a Vendor by adding the following address.

Child Support Services Division (CSSD)
P.O. Box 102760
Anchorage, AK 99510-2760

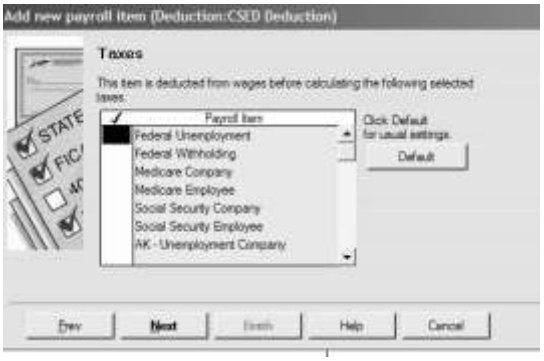
- You do not need to enter anything in the field that says **Enter the number that identifies you to agency** because each employee that has child support taken out will have a different number.
- Select **CSED Payable** under **Payroll Liabilities** from your account list.
- Click **Next.**



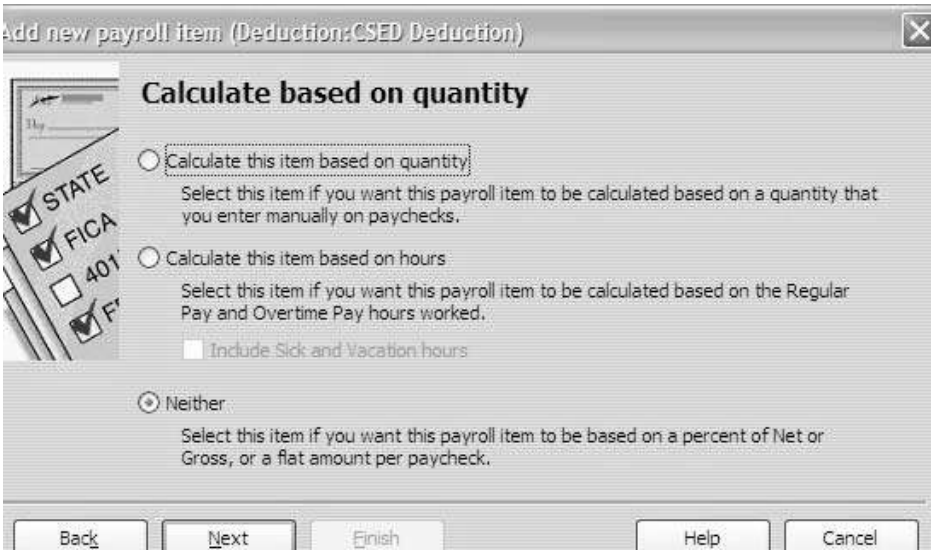
- Do nothing to this screen.
- Click **Next.**



- Do nothing to this screen.
- Click **Next.**

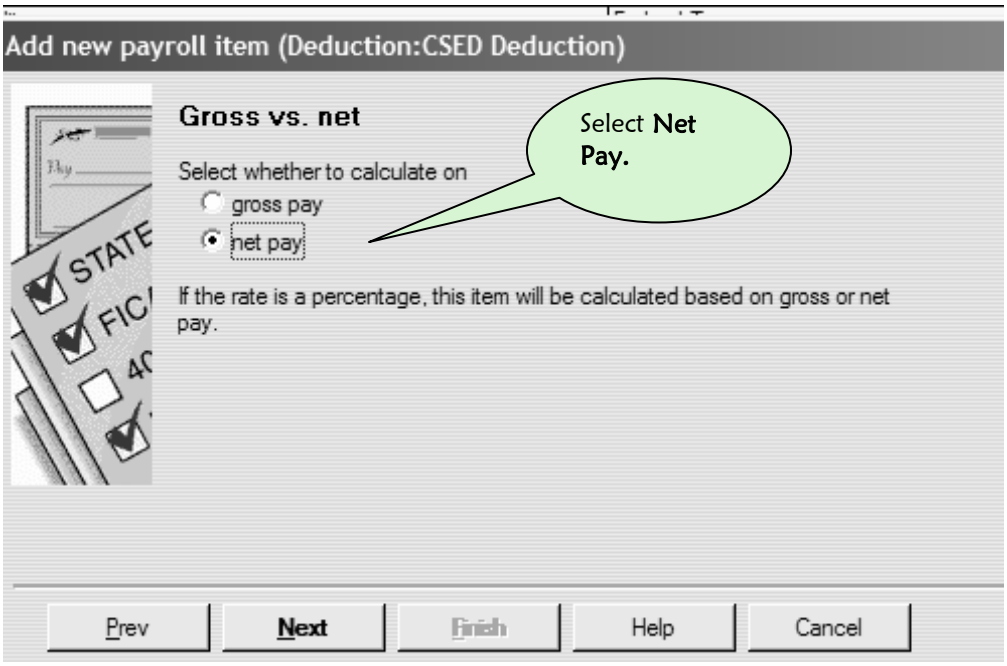


- Do nothing to this screen.
- Click **Next.**

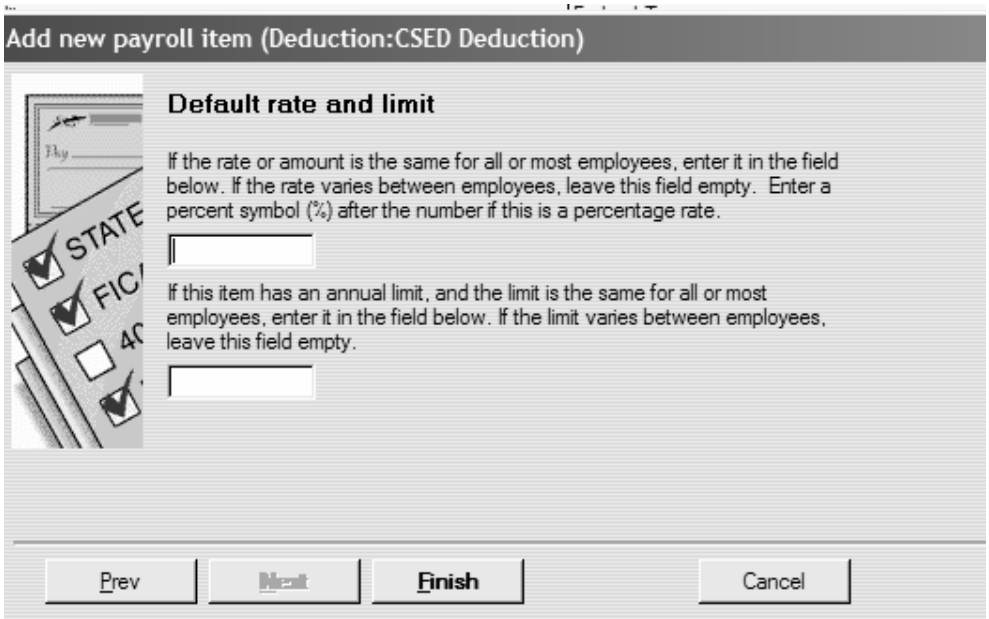


IMPORTANT!!! You must select Net Pay!

- Select **Net Pay.**
- **NOTE: It may not sound right, but if you do not select net pay, the employee's child support payment will not have taxes taken out of it. It is taxable income.**
- Click **Next.**



- Leave this screen alone because the amount for each employee will be different.
- Click **Finish.**



Employee Advances Payroll Item

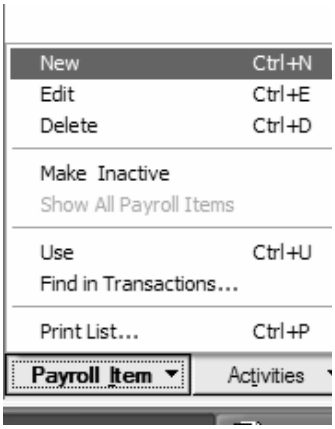
Occasionally, employees come to you and request a payroll advance. A payroll advance is a loan from your utility to your employee because you are giving them money before they have actually earned it. It is not a good idea to give payroll advances, but if you do, here is how you set up QuickBooks to deduct the advance from a future paycheck.

- First, check and make sure you have an account named **Employee Advances**. Look in your **Chart of Accounts** by clicking your **Accnt** icon on your **Icon Bar**. Look towards the top of your list. If you do not have an **Employee Advances** account, go to page 88, and follow the instructions to create it.

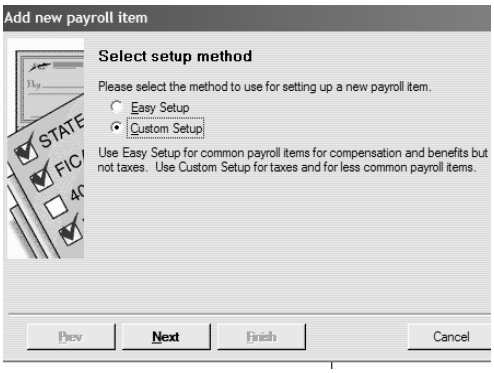
Now that you have your **Employee Advances** account you are ready to set up the deduction.

- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**

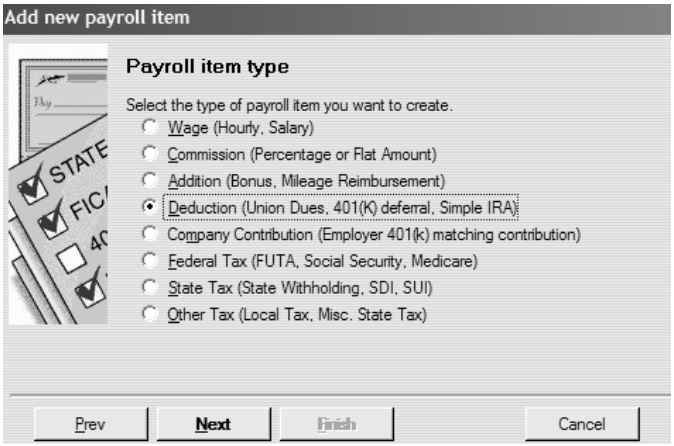
- Click **Payroll Item.**
- Click **New.**



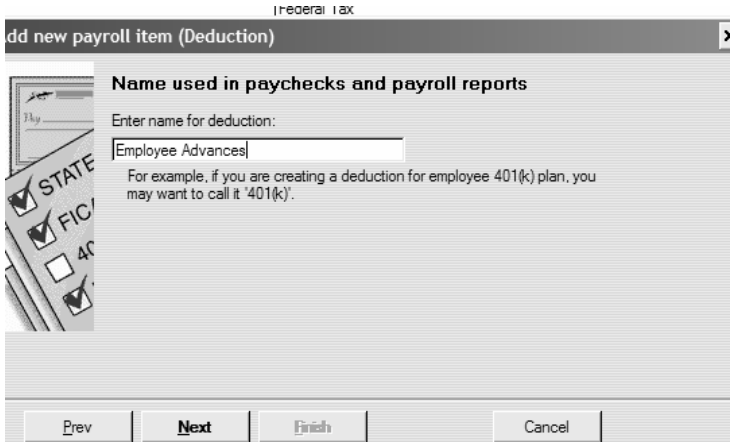
- Click **Custom Setup.**
- Click **Next.**



- Click **Deduction.**
- Click **Next.**

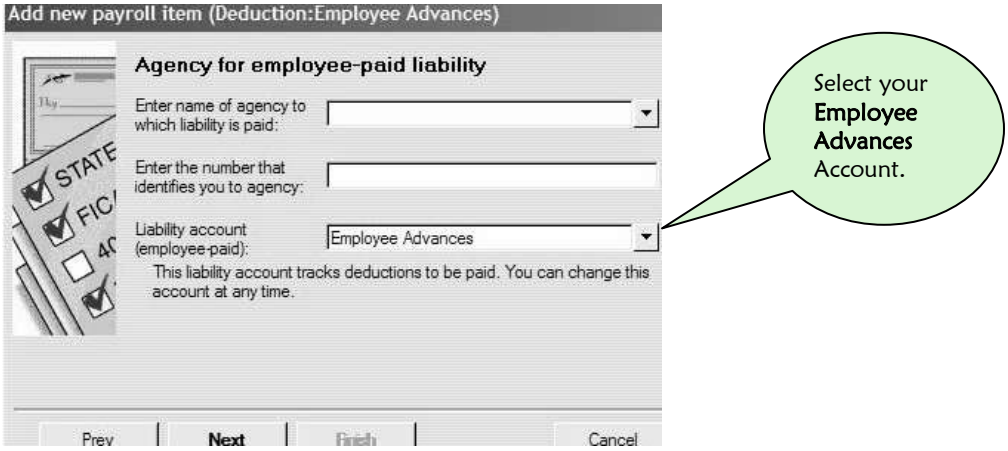


- You may call this payroll item **Employee Advances.**
- Click **Next.**

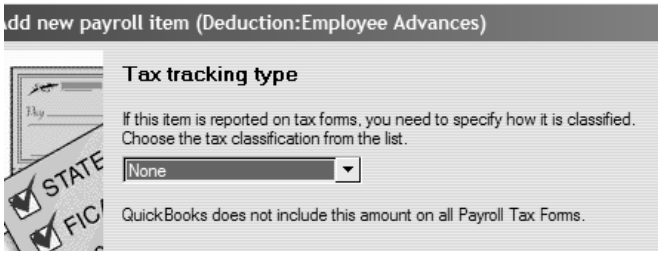


When you deduct an employee advance from an employee's paycheck, the money you deduct is not going to be sent to an agency or a bank. Your community will keep this money. You loaned the money to your employee by making the advance, and now the employee is paying the loan back through a payroll deduction.

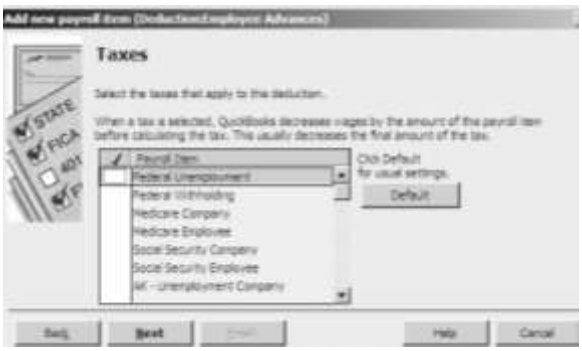
- Enter nothing in the first two fields.
- Select **Employee Advances** from your account list.
- Click **Next.**



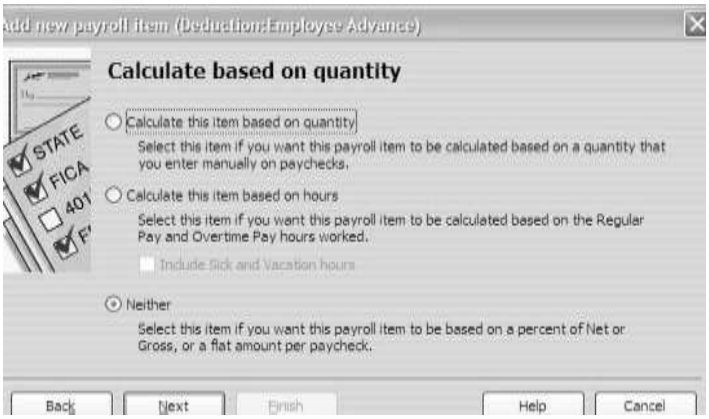
- Do nothing with this screen.
- Click **Next.**



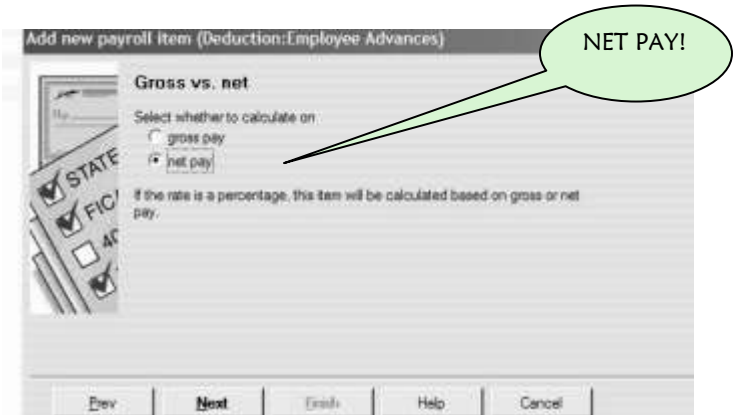
- Do nothing with this screen.
- Click **Next.**



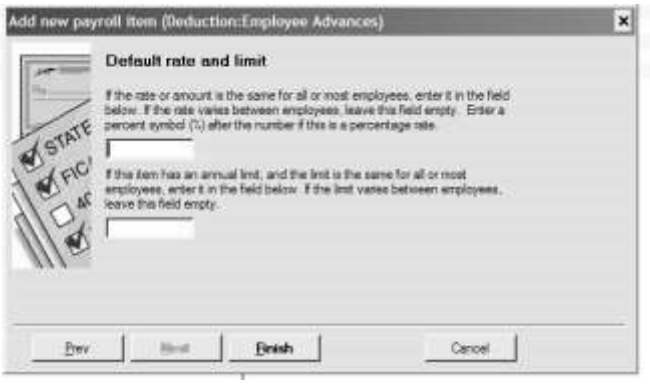
- Make sure **Neither** is selected.
- Click **Next.**



- Click **Net Pay.**
- **NOTE: It may not sound right, but if you do not select net pay, the employee's payroll advance will not have taxes taken out of it. It is taxable income.**
- Click **Next.**



- Leave this screen as is.
- Click **Finish.**



Setting Up Wage Items

Hourly Wage Payroll Item

You have a complex payroll. You must set up QuickBooks to pay the correct wages to each employee, and to keep track of which department pays the wages. Sometimes an employee may work for several different departments and/or earn different wage rates in a single pay period.

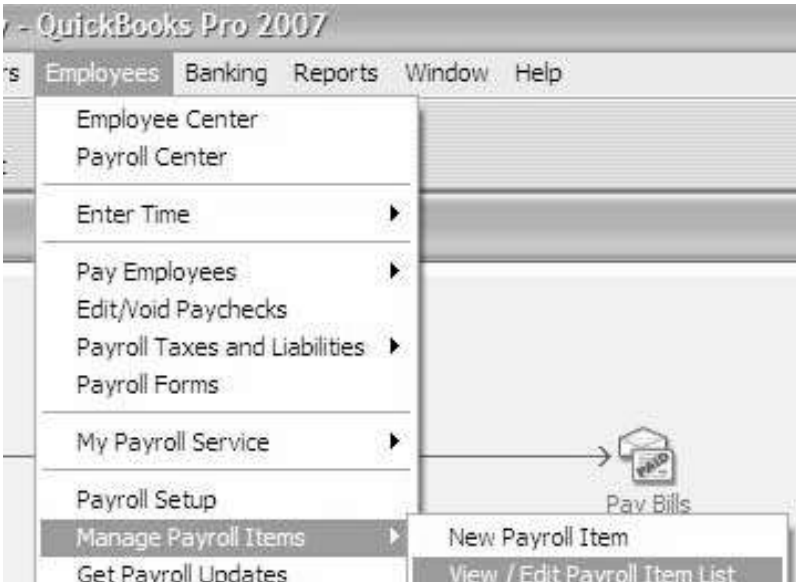
After you set up the Payroll Items, QuickBooks will keep track of the correct wages even when an employee works for several departments and earns different wage rates in the same pay period. For every different hourly wage an employee earns, you need a separate payroll item.

For example, if you have an employee that works for Water & Sewer and earns $15.00/hour and the same employee earns $10/hour when working in the Washeteria, you will need two hourly wage payroll items: Hourly Wage 1 and Hourly Wage 2. If they work overtime for each of these departments, you will also need two overtime payroll items: Overtime Wage 1 and Overtime Wage 2.

All of your employees will use the same Hourly Wage and Overtime items. Do not create separate wage items for each of your employees. Let's create them now:

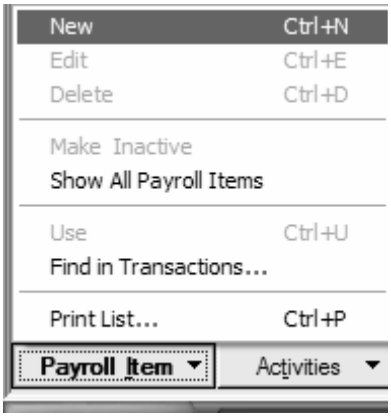
Step 1

- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**



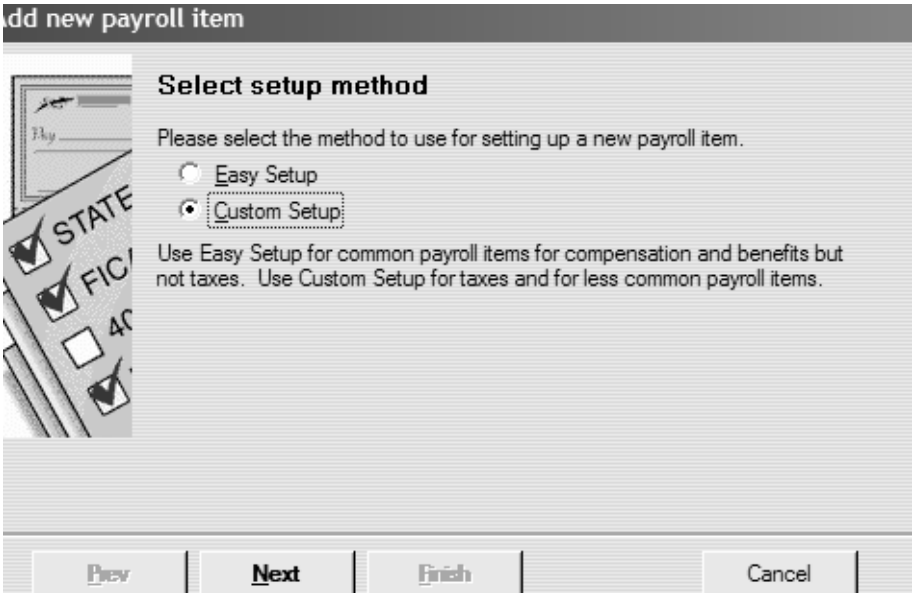
Step 2

- Click **Payroll Item.**
- Click **New.**



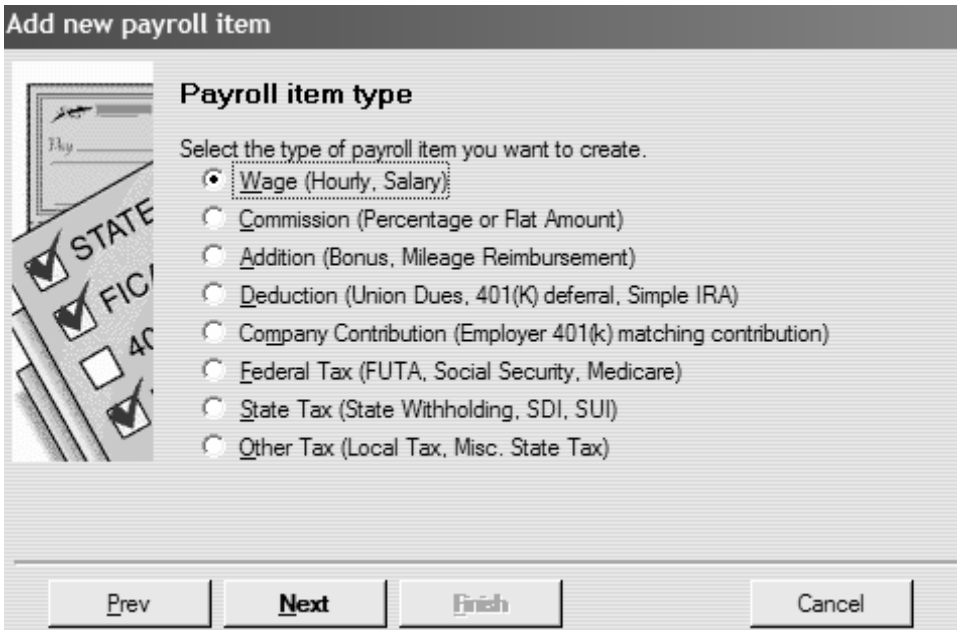
Step 3

- Click **Custom Setup.**
- Click **Next.**



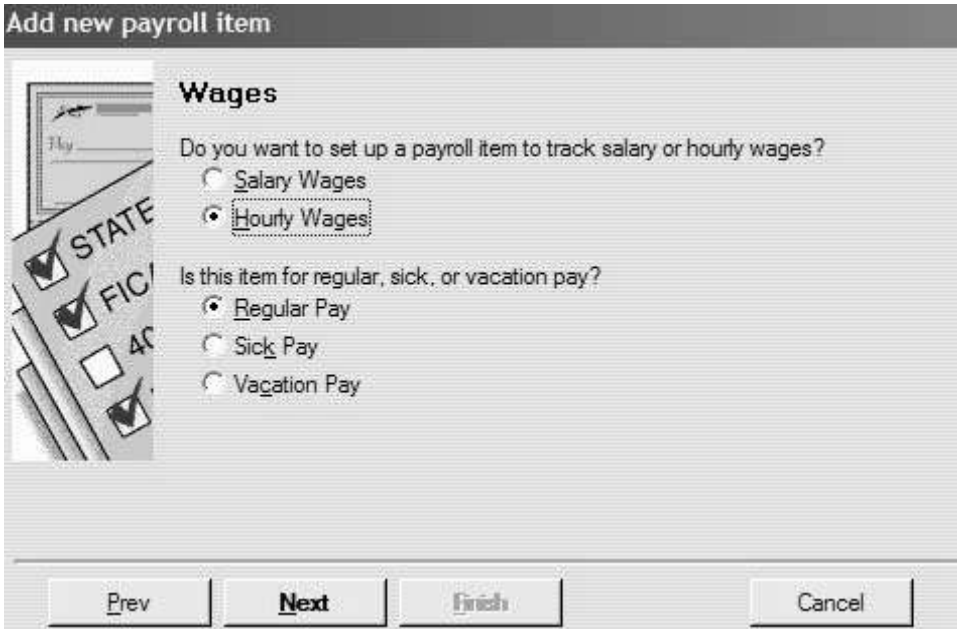
Step 4

- Click the top box **Wage.**
- Click **Next.**



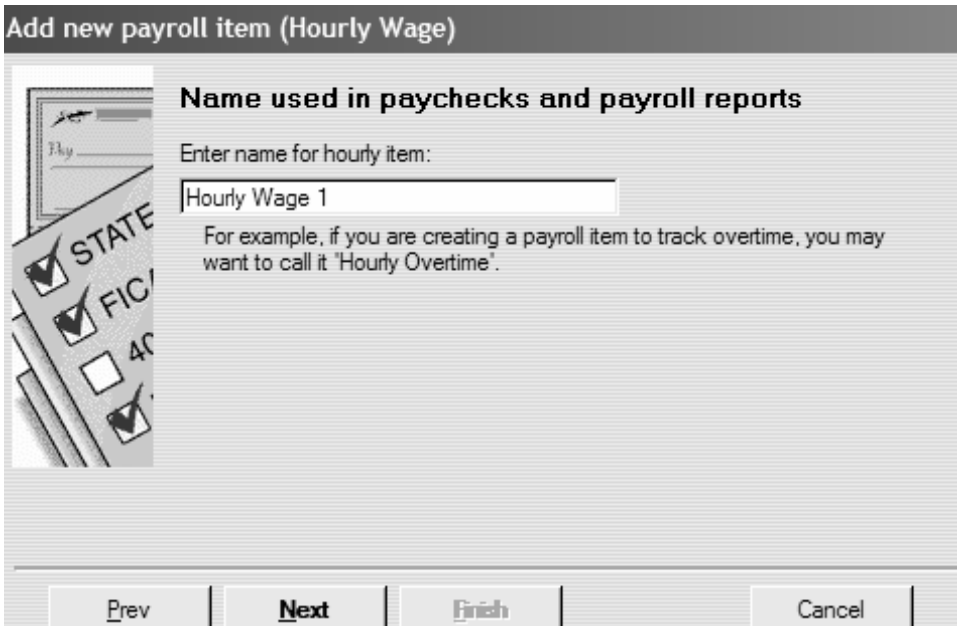
Step 5

- Click the box labeled **Hourly Wages.**
- Click **Regular Pay.** **NOTE:** These may be on two screens, not one.
- Click **Next.**



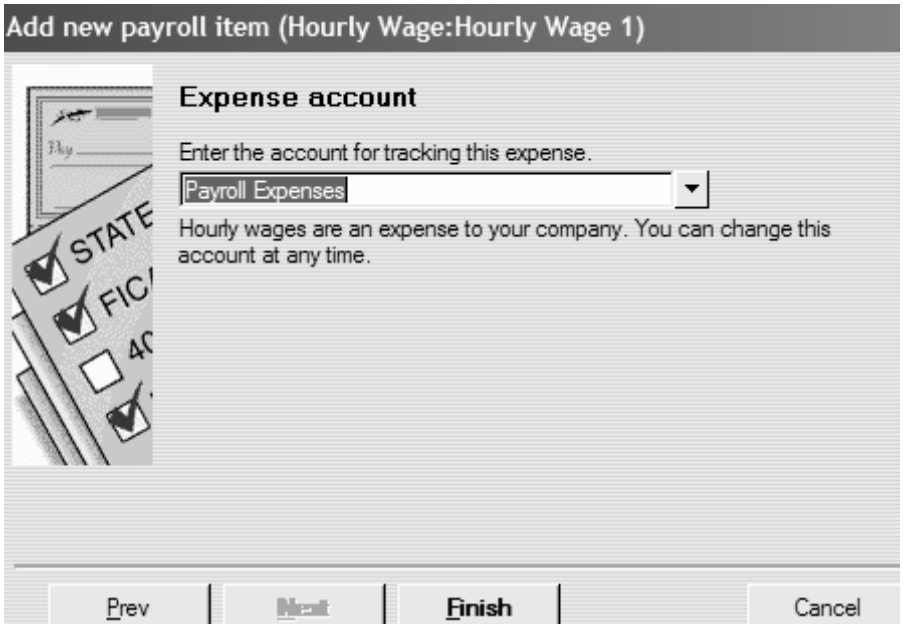
Step 6

- Enter the name **Hourly Wage 1.**
- Click **Next.**



Step 7

- Do nothing with this screen. The account should be **Payroll Expenses.**
- Click **Finish.**



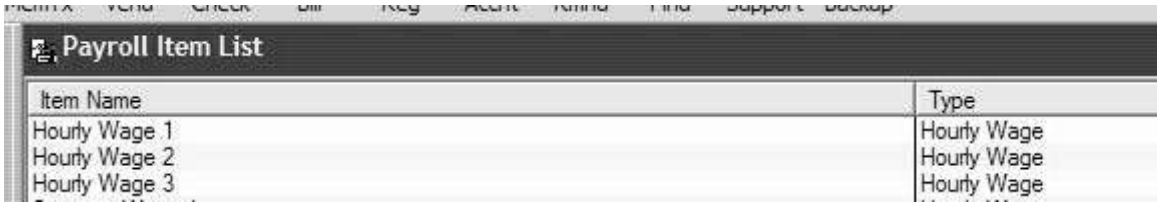
It's Your Turn!

Following Steps 1 through 7 above, create the following Wage Items:

- Hourly Wage 2
- Hourly Wage 3

Check Your Work!

Make sure you have three **Hourly Wage** items (1, 2 & 3). Make sure their **Type** is **Hourly Wage**.

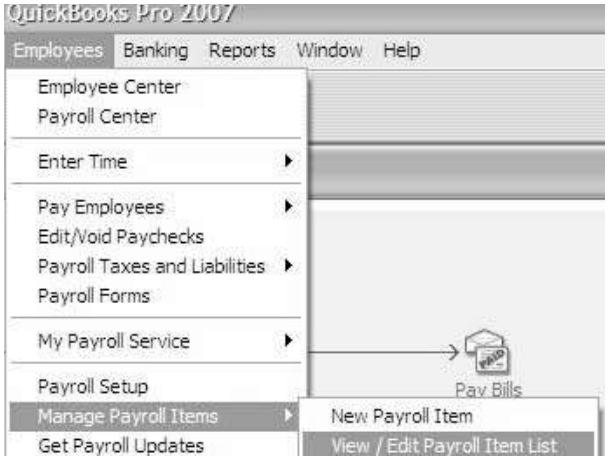


Overtime Wage Payroll Item

An **Overtime** payroll item is set up like an hourly payroll item except for the name.

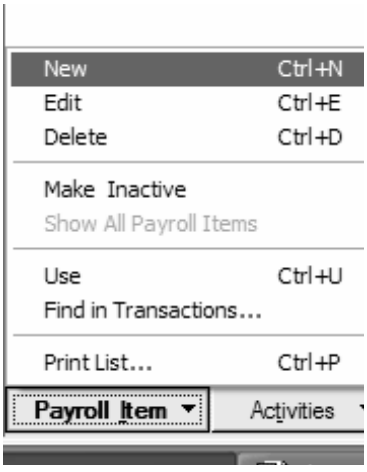
Step 1

- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**



Step 2

- Click **Payroll Item** at the bottom left of the screen.
- Click **New.**

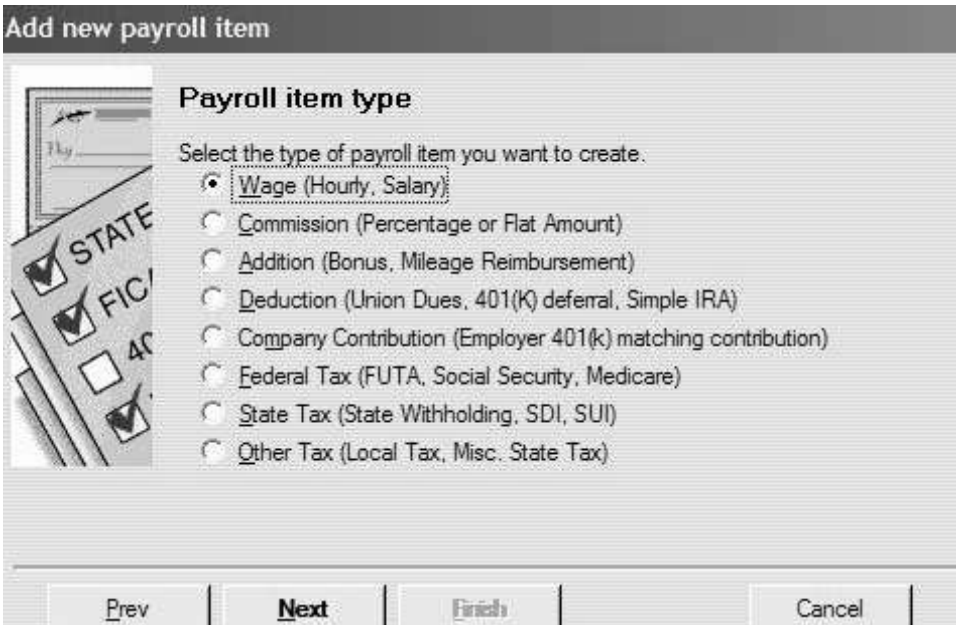


Step 3

- Click **Custom Setup.**
- Click **Next.**

Step 4

- Click **Wage.**
- Click **Next.**



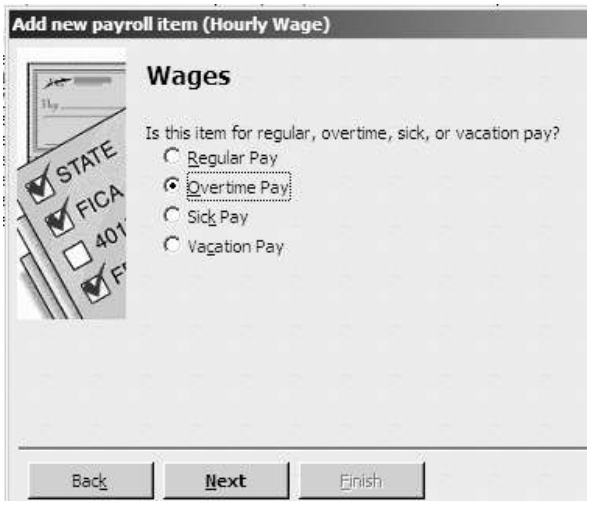
Step 5

These next windows may be presented a little differently. Just make sure you select **Hourly Wages** and **Overtime Pay**.

- Click **Hourly Wages.**
- Click **Regular Pay.**
- Click **Next.**

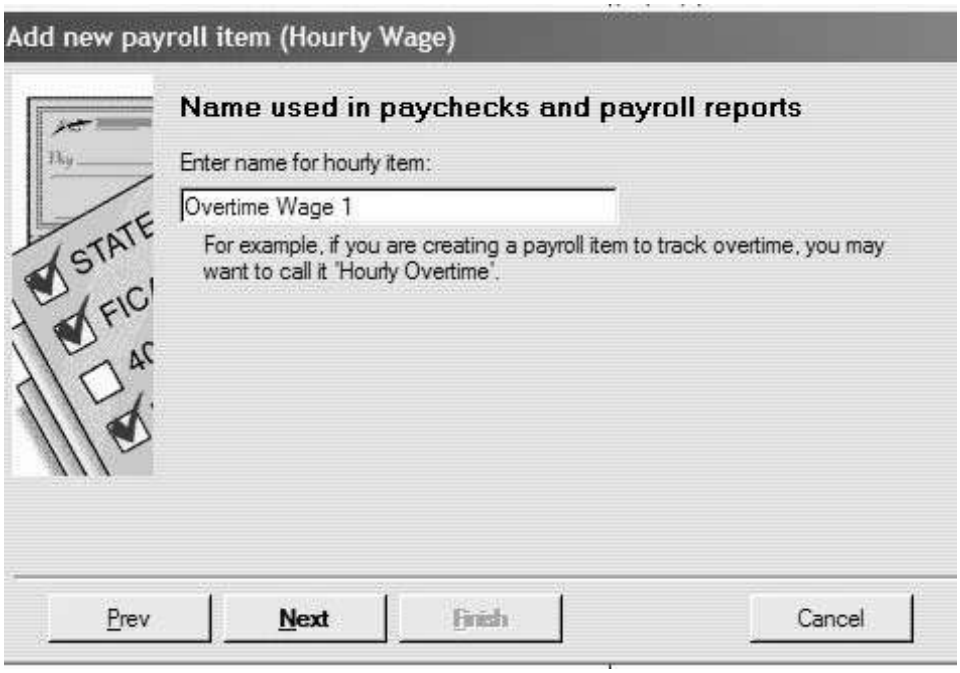
Step 6

- Select **Overtime Pay.**
- Click **Next.**



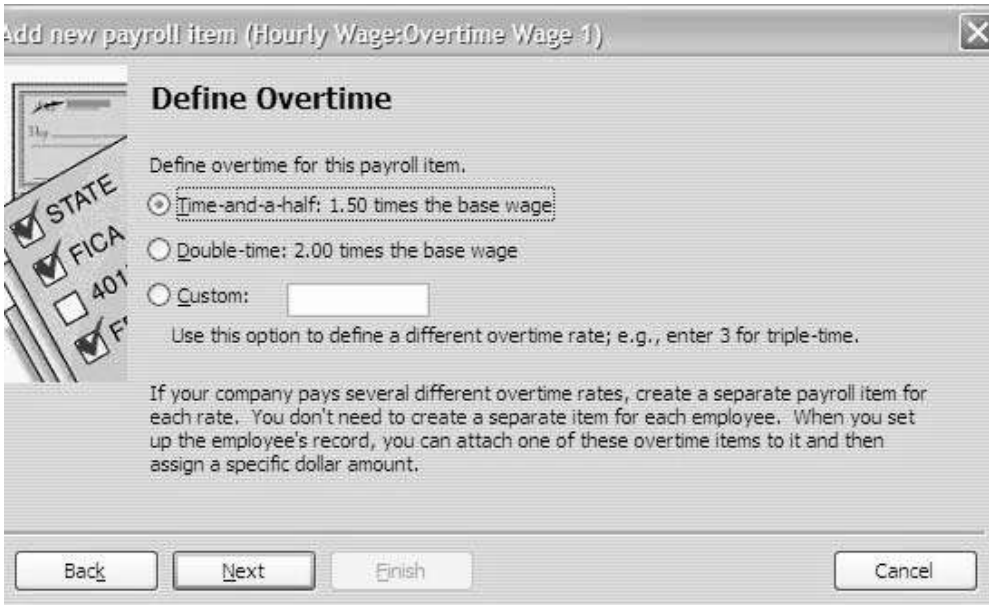
Step 7

- Name this item **Overtime Wage 1.**
- Click **Next.**



Step 8

- Select **Time-and-a-half.**
- Click **Next.**



Step 9

- Do nothing with this screen. **Payroll Expenses** is the correct account.
- Click **Finish.**

It's Your Turn!

Create the same number of **Overtime Wage** payroll items as you have **Hourly Wage** payroll items. Follow the steps above and create:

- Overtime Wage 2
- Overtime Wage 3

Check Your Work!

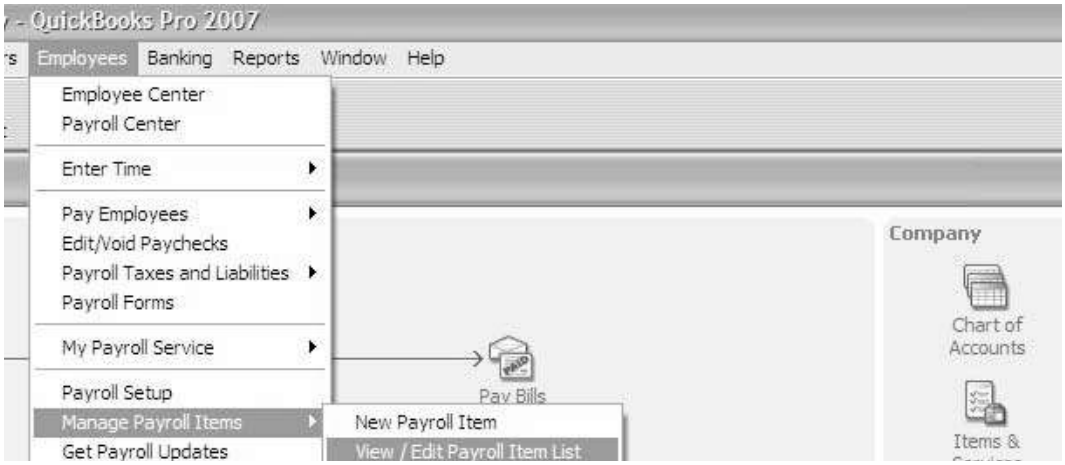
In the screen below there are three **Hourly Wage** and three **Overtime Wage** payroll items.

Item Name	Type
Hourly Wage 1	Hourly Wage
Hourly Wage 2	Hourly Wage
Hourly Wage 3	Hourly Wage
Overtime Wage 1	Hourly Wage
Overtime Wage 2	Hourly Wage
Overtime Wage 3	Hourly Wage
CSED Deduction	Deduction
Employee Advances	Deduction
Water Sewer Payment	Deduction
Advance Earned Income Credit	Federal Tax
Federal Withholding	Federal Tax
Medicare Company	Federal Tax
Medicare Employee	Federal Tax
Social Security Company	Federal Tax
Social Security Employee	Federal Tax
AK - Unemployment Company	State Unemployment Tax
AK - Unemployment Employee	State Unemployment Tax

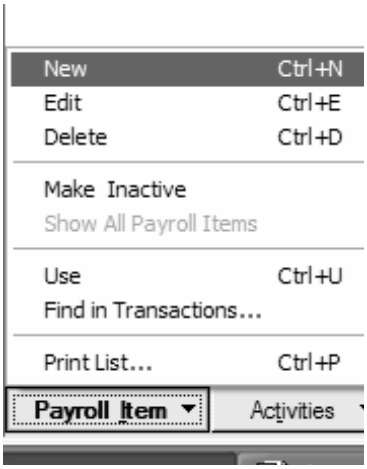
Stipend Payroll Item

According to the IRS, stipend checks need to be processed through your payroll as wages. The **Stipend Wage** payroll item is set up as an addition.

- Click **Employees** at the top of the screen.
- Select **Manage Payroll Items.**
- Select **View/Edit Payroll Item List.**

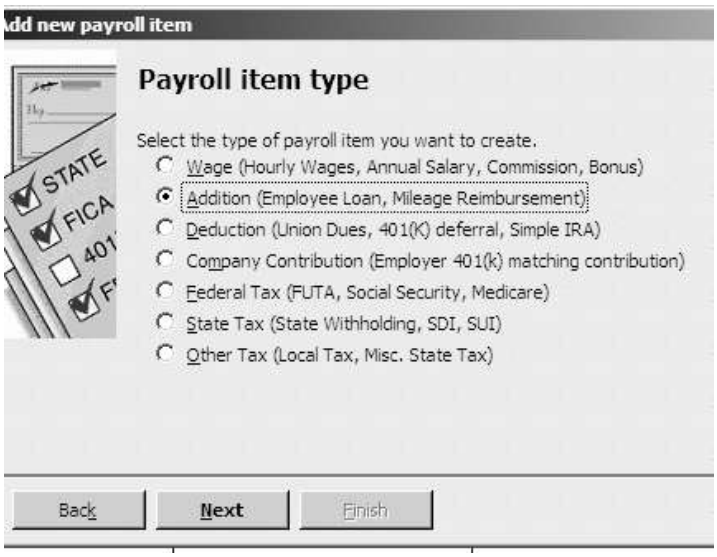


- Click **Payroll Item.**
- Click **New.**



- Click **Custom Setup.**
- Click **Next.**

- Click **Addition.**
- Click **Next.**



- Name this item **Stipend Wage.**
- Click **Next**.

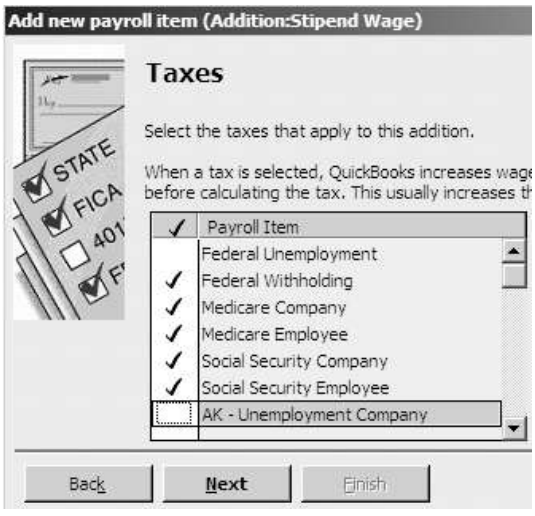
- Select **Stipend Wage** from the account list.
- Click **Next.**

- Do nothing with this screen.
- Click **Next.**

Stipend for a City Government Elected Official

According to IRS Ruling, city government elected officials should be treated as employees. They are subject to federal income tax withholding and Medicare withholding. Whether they are subject to Social Security withholding depends on whether they are part of a qualifying retirement plan or not. If they are not part of a qualifying retirement plan of the city government, they are subject to social security withholding. City government elected officials are not subject to Alaska State Unemployment tax. Make a check mark next to the taxes that apply. Pay attention to Social Security.

- Click **Next.**

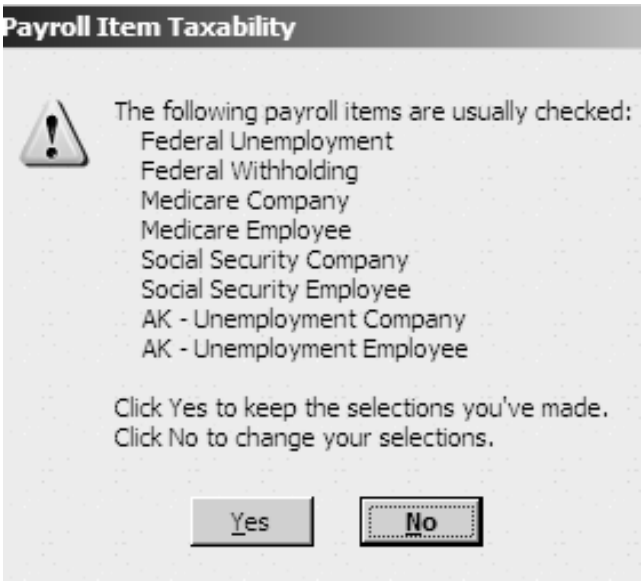


Stipend for a Tribal Council Member

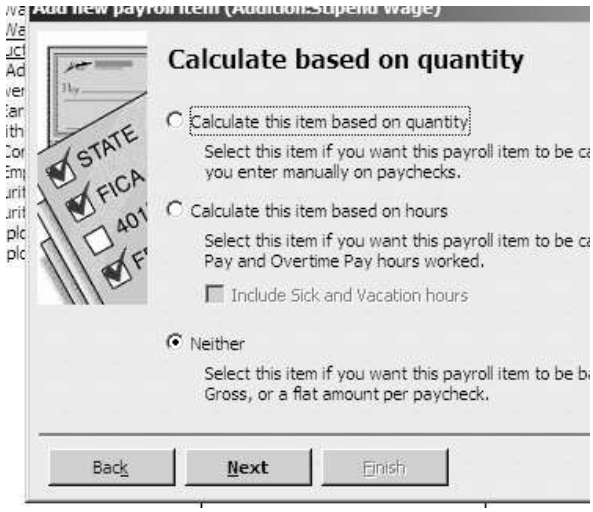
If your tribal government pays stipends to Tribal council members, the Internal Revenue Service requires you to report these members as employees. However, these wages are exempt from all withholding taxes---Federal Income Tax, Social Security Tax, Medicare Tax, and Alaska Unemployment Tax.

- Click **Next.**

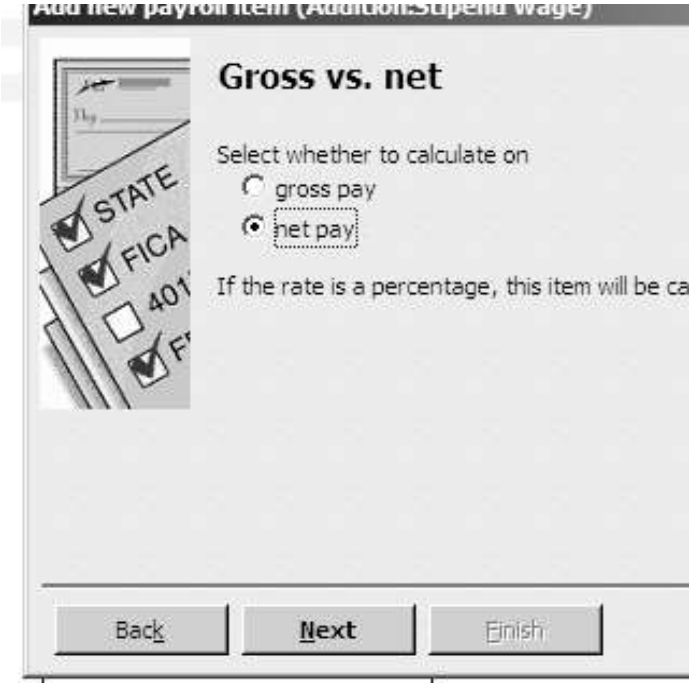
- Click **Yes**



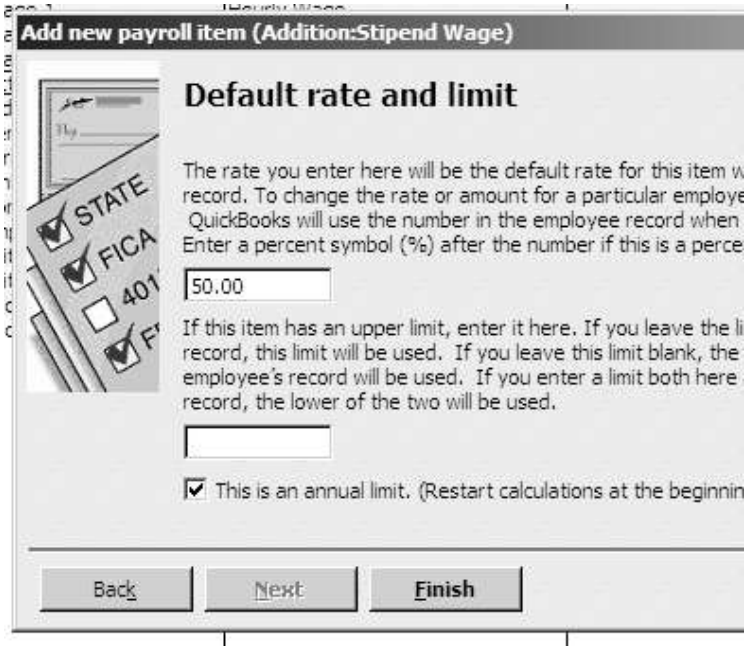
- Do nothing with this screen. **Neither** is selected.
- Click **Next.**



- Select **Net Pay**



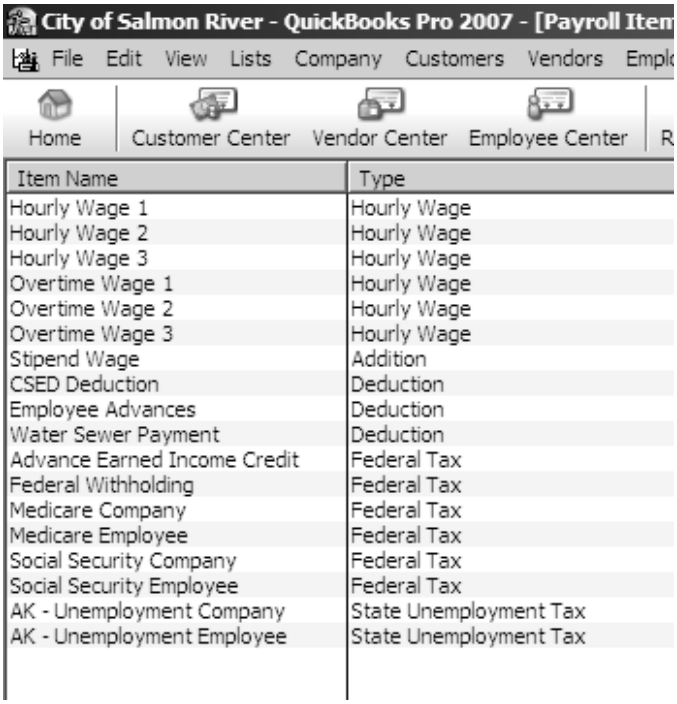
- If all of your council members receive the same stipend amount, you may enter it here.
- Click **Finish.**



Check Your Work!

When you have completed setting up your payroll items, review your **Payroll Items List** as follows:

- Make sure that the **Type** column next to hourly wages and overtime wages says **Hourly Wage**. If it says anything else in the **Type** column, the item has been set up incorrectly and your payroll will be incorrect. If the **Type** column of an **Hourly Wage** or **Overtime Wage** item says **Salary** or **Deduction** or anything else, you must delete the item and start over.
- Make sure that all of your **Hourly Wages** and **Overtime Wages** have unique names.
- Make sure that the **Type** column next to **CSED** says **Deduction**.
- Make sure that the **Type** column next to all of your Federal Taxes says **Federal Tax.**
- Make sure that the **Type** column next to your State Unemployment Tax says **State Unemployment Tax**.
- Make sure that the **Type** column next to **Stipend** says **Addition**.
- Make sure that the **Type** column next to **Employee Advances** says **Deduction**.



Item Name	Type
Hourly Wage 1	Hourly Wage
Hourly Wage 2	Hourly Wage
Hourly Wage 3	Hourly Wage
Overtime Wage 1	Hourly Wage
Overtime Wage 2	Hourly Wage
Overtime Wage 3	Hourly Wage
Stipend Wage	Addition
CSED Deduction	Deduction
Employee Advances	Deduction
Water Sewer Payment	Deduction
Advance Earned Income Credit	Federal Tax
Federal Withholding	Federal Tax
Medicare Company	Federal Tax
Medicare Employee	Federal Tax
Social Security Company	Federal Tax
Social Security Employee	Federal Tax
AK - Unemployment Company	State Unemployment Tax
AK - Unemployment Employee	State Unemployment Tax

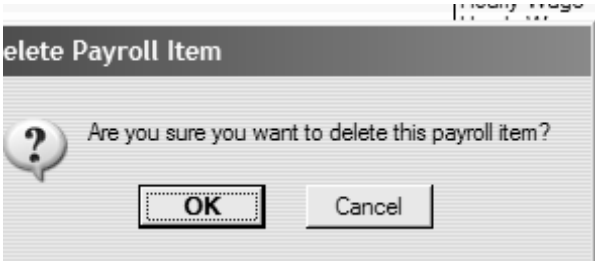
Deleting a Payroll Item

Did you find an error? You can correct an error either by editing a payroll item (see page 141) or deleting it and starting over. In the future, you may find you want to delete a payroll item that you never use, such as the **CSED** deduction.

If you have not used a Payroll Item in an Employee Record and if you have not run a Payroll, you may delete it.

- Select whatever item you wish to delete by clicking on it once.
- Click the **Payroll Item** button at the bottom left of the screen.
- Click **Delete.**

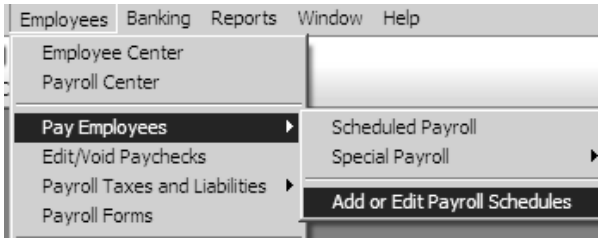
- Click **OK.**



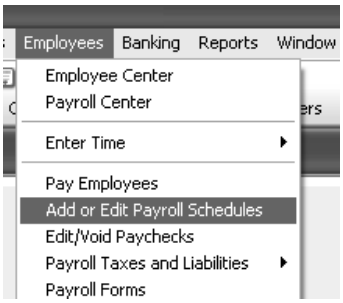
Creating a Scheduled Payroll

QuickBooks will keep a calendar of your scheduled payrolls. It will give you the dates for each pay period and will give you the date of the payday. Here's how to set this up.

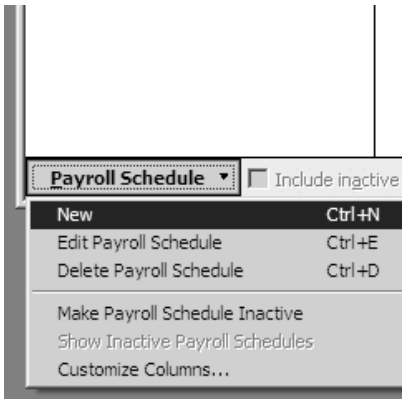
- Click **Employees.**
- Click **Pay Employees** then **Add or Edit Payroll Schedules. OR**
- Click **Add or Edit Payroll Schedules** directly from the menu under **Employees**.



OR



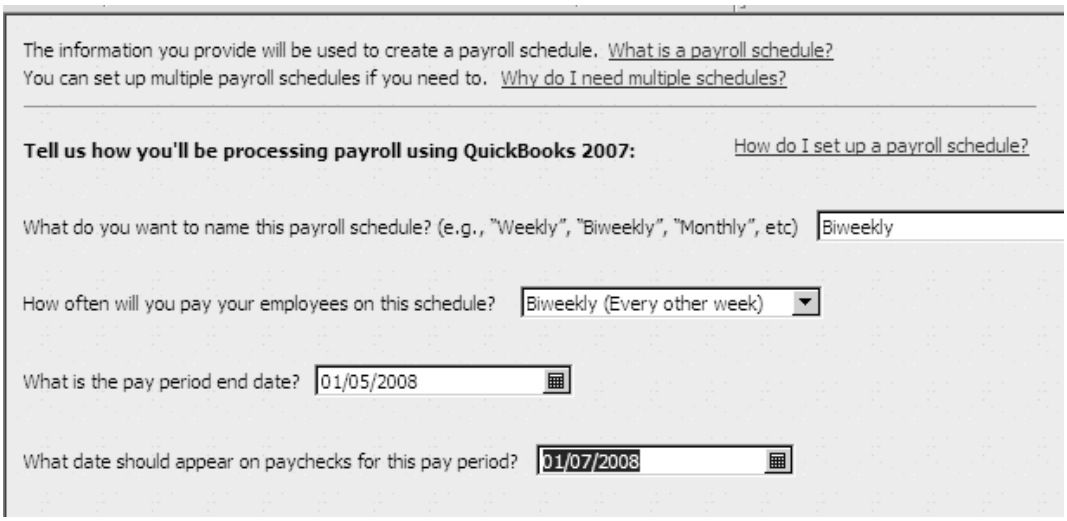
- Click **Payroll Schedule** at the lower left of the new screen.
- Click **New.**



Many communities in rural Alaska have biweekly pay periods. This sample payroll will use a biweekly pay period schedule. A biweekly payroll occurs every other week ending on the same day of the week.

IMPORTANT! Don't confuse a biweekly payroll with a semimonthly payroll. A semimonthly payroll occurs twice a month on the 1st and the 15th of every month. A biweekly payroll has 26 paydays in a year. A semimonthly payroll has 24 paydays in a year.

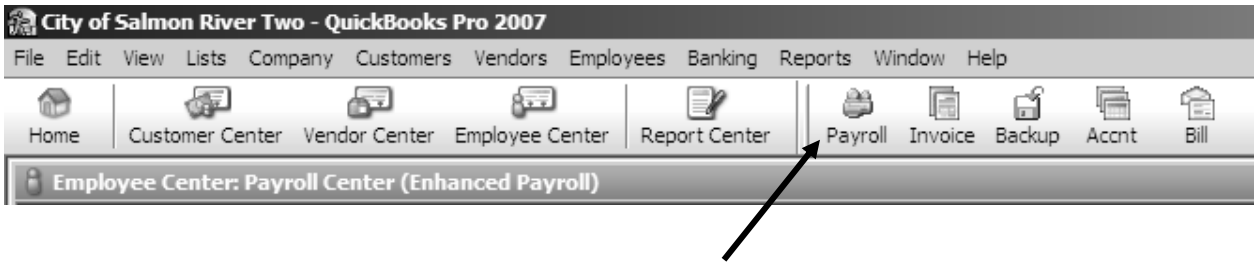
- Enter your payroll name in the first window. In this example, the Payroll Schedule has been named **Biweekly.**
- Select the pay frequency for your payroll in the second window. This example shows that in a biweekly payroll, employees will be paid every other week.
- In the third window, enter the ending date of the first payroll you will be entering in QuickBooks.
- In the fourth window, enter the date the paychecks will be written for that first payroll.
- Click **OK.**



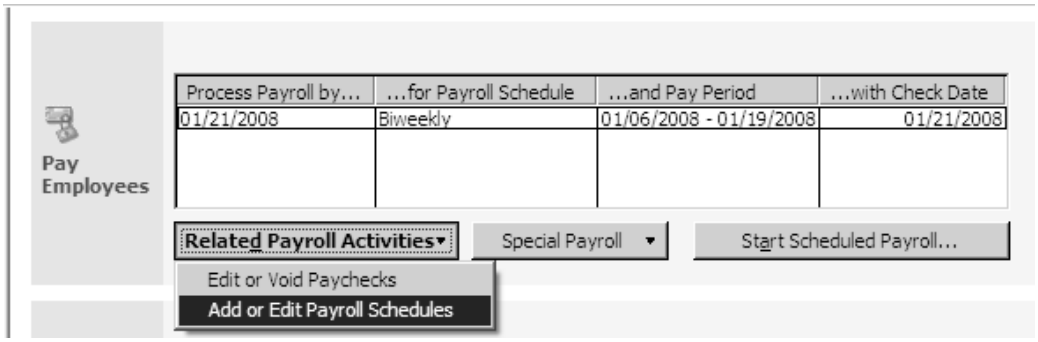
Changing a Scheduled Payroll

At some point, you may begin processing a payroll and notice that your scheduled payroll screen has incorrect dates. Make sure you amend this payroll schedule before processing your paychecks. QuickBooks will let you edit the schedule and get back on track with the correct dates.

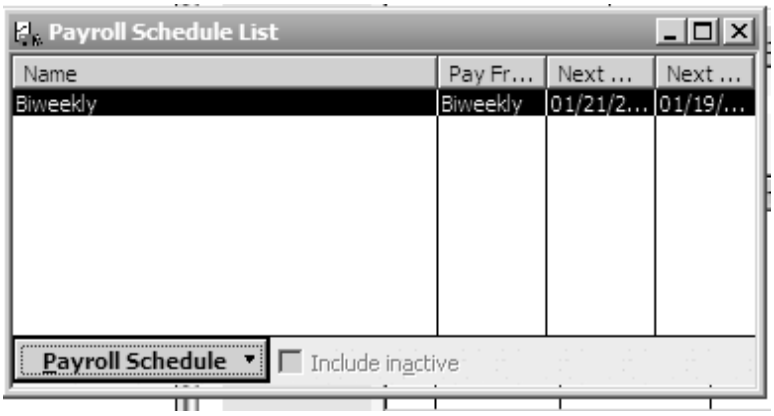
- Click on **Payroll.**



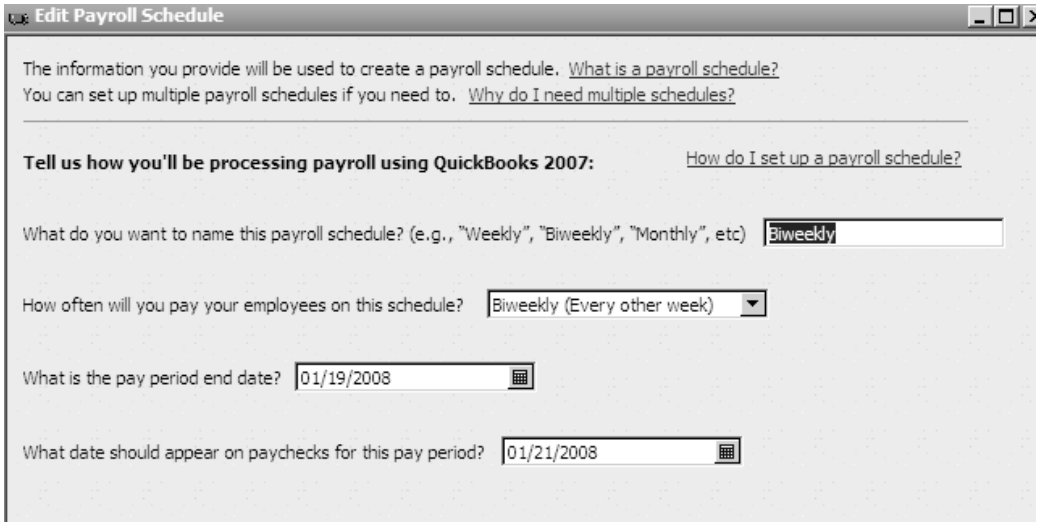
- Click **Related Payroll Activities.**
- Click **Add or Edit Payroll Schedule.**



- Double-click your payroll schedule line.



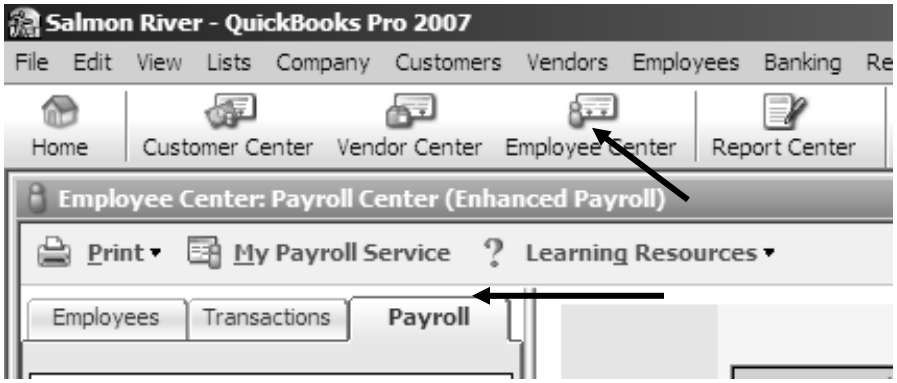
- Change whichever dates need to be changed. Click **OK.**



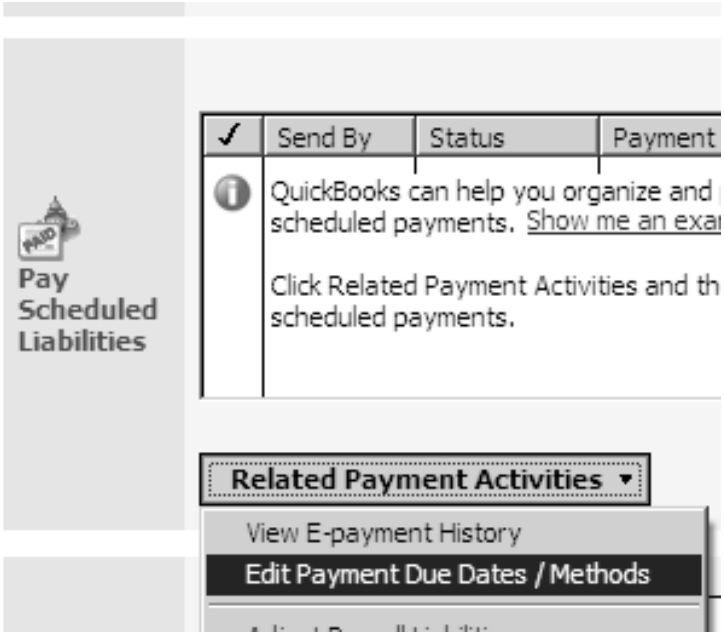
Creating Scheduled Liability Payments

QuickBooks will keep track of your liability payments for you. This section will show you how to set up your scheduled liability payments.

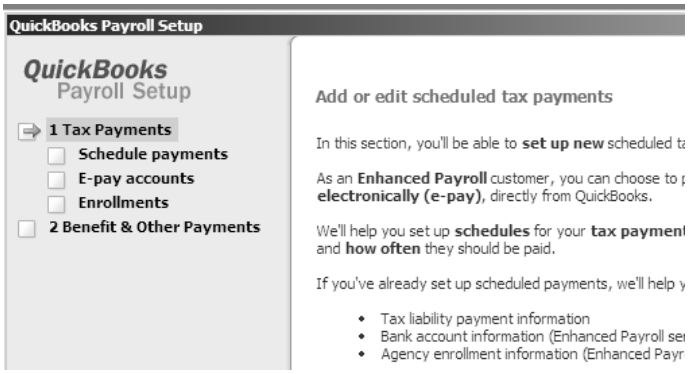
- Click **Employee Center.**
- Click **Payroll** tab.



- Click **Related Payment Activities** in the **Pay Scheduled Liabilities** section of the screen.
- Click **Edit Payment Due Dates/Methods.**

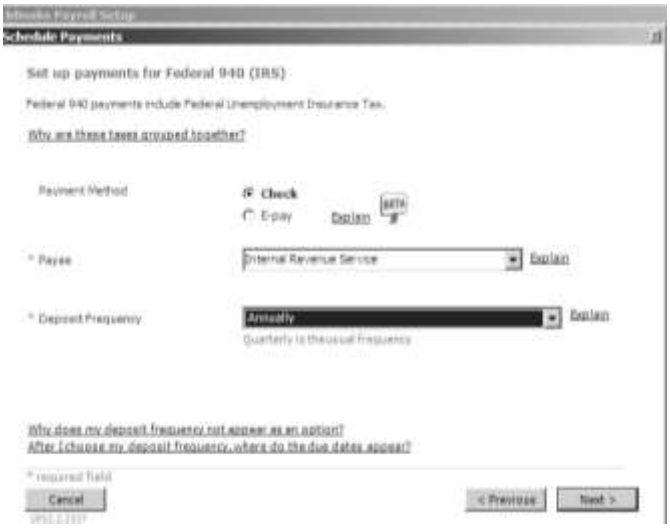


- Click **Continue.**

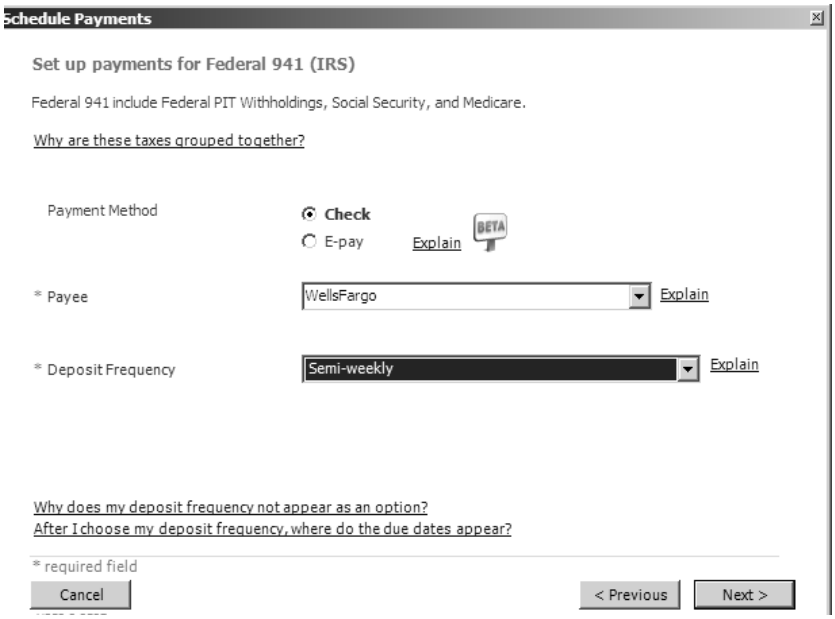


- Do nothing with this screen.
- Click **Next.**

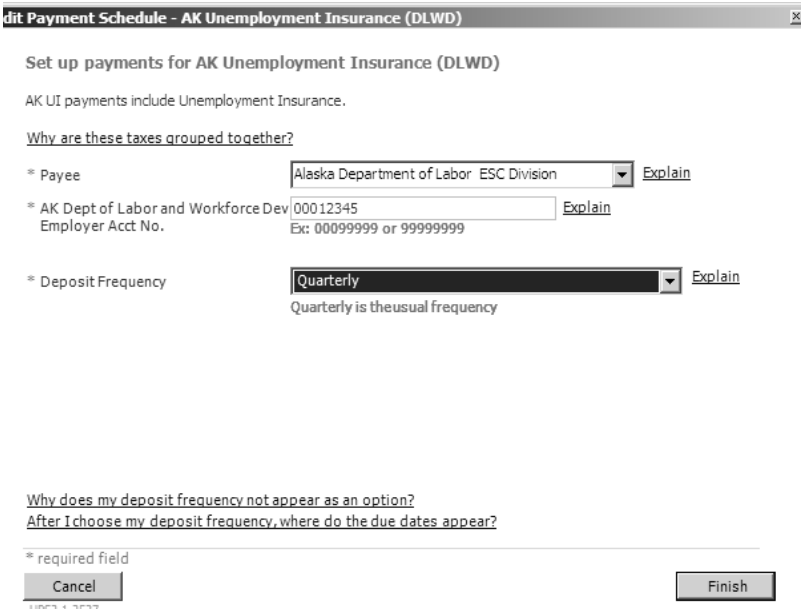
- Your community probably does not pay Federal Unemployment (940) tax. If your community does not pay this tax, you can ignore this screen.
- Click **Next.**



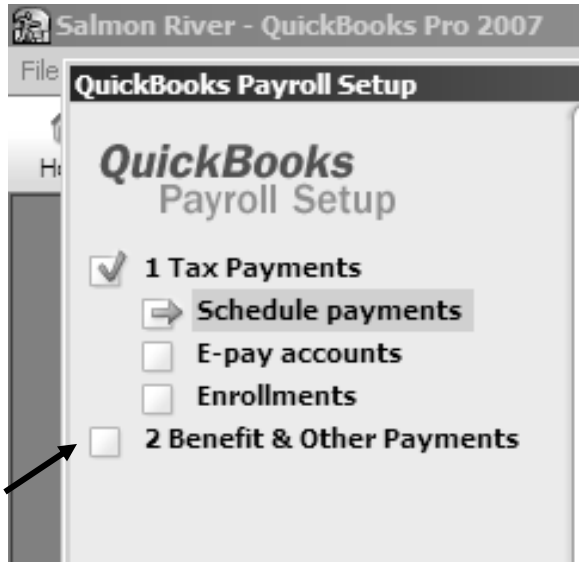
- Select your bank or whoever you pay your 941 Payroll taxes to, such as EFTPS, as the **Payee.**
- Select your pay period for the field labeled **Deposit Frequency.** If you have a biweekly pay period, select **Semi-weekly.**
- Click **Next.**



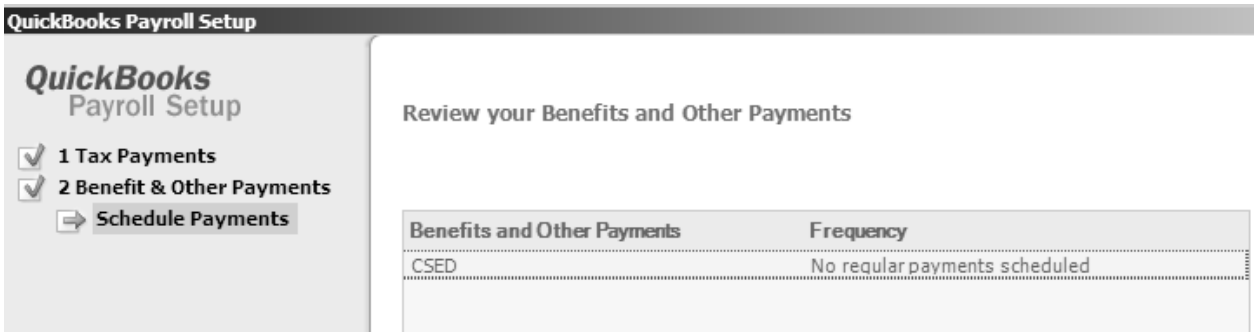
- The **Payee** should be **Alaska Department of Labor, ESC Division.**
- The **Deposit Frequency** should be **Quarterly.**
- Click **Finish.**
- Click **Continue.**



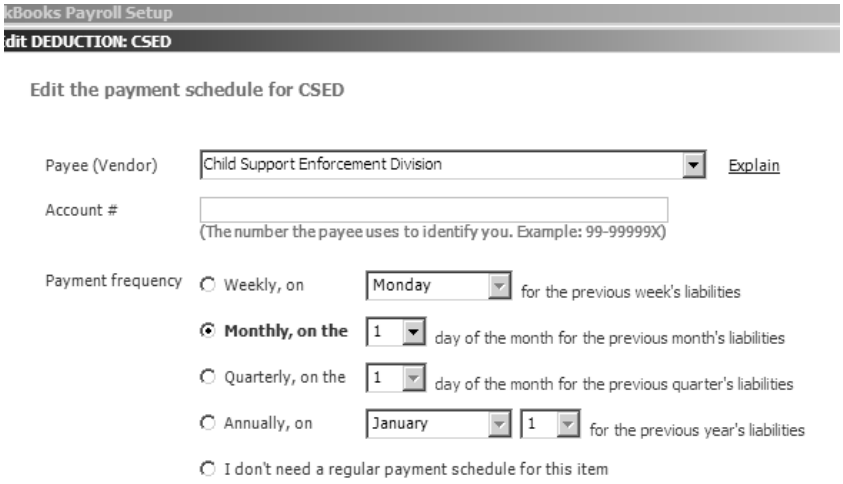
- Click the box **Benefits & Other Payments.**
- Click **Continue.**



- Double-click **CSED.**



- Tell QuickBooks when you would like to pay the Child Support. In the example below, we elected to pay it **Monthly.**
- Click **Finish.**



- Click **Finish.**

Creating Employees in QuickBooks

In this section you will learn how to enter employees and their information in QuickBooks. You should have the following two forms on file for every employee:

- IRS Form W-4 Employee's Withholding Allowance Certificate
- Form I-9 Employment Eligibility Verification

If you do not have these forms on file for every employee, you can obtain them online by visiting the following websites:

http://www.irs.gov/

www.uscis.gov/files/form/i-9.pdf

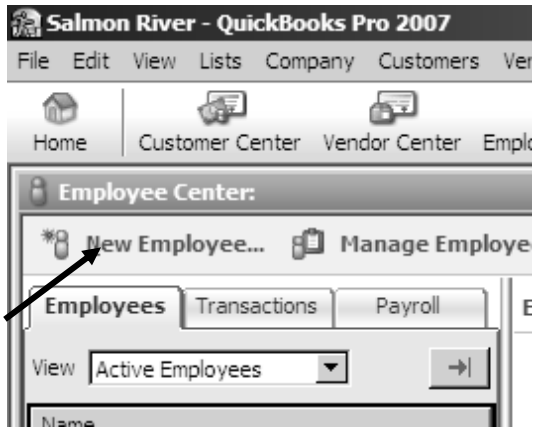
All the employee information you need to create an employee record in QuickBooks is on the W-4.

Step 1

- Click **Employee Center** on your **Icon Bar.**

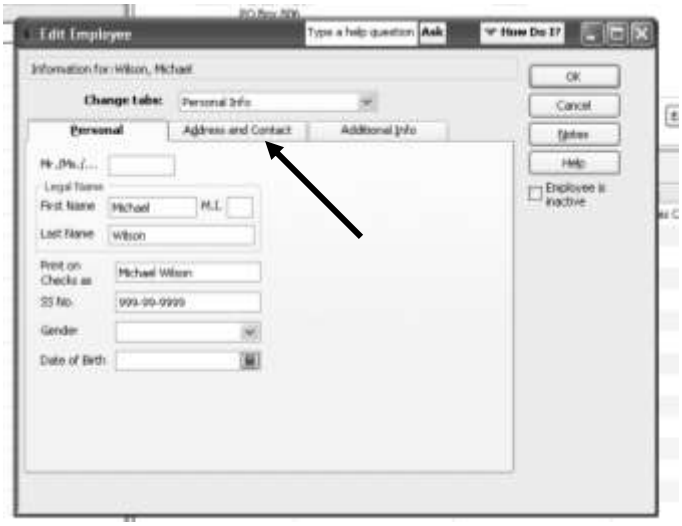
Step 2

- Click the **Employees** tab.
- Click **New Employee.**



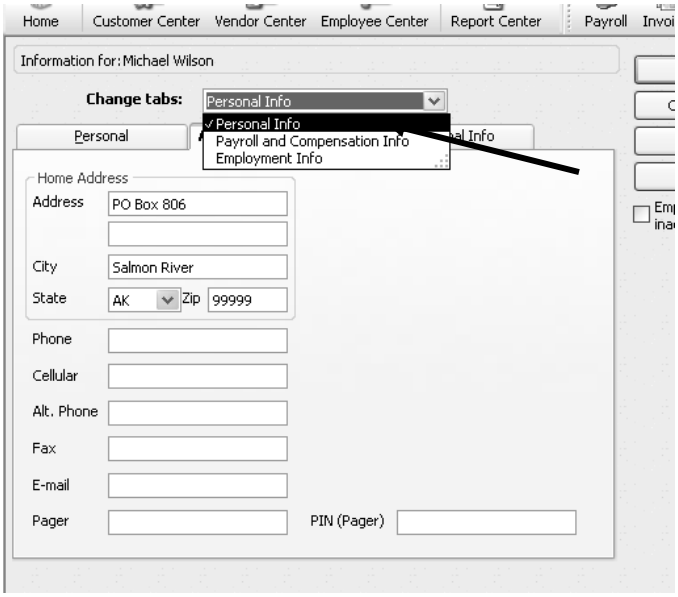
Step 3

- Enter the employee's full name and social security number. The other fields are optional.
- Click the **Address and Contact** tab.



Step 4

- Enter the street address or PO Box, City, State and Zip Code.
- Switch to the **Payroll and Compensation Info** tab in the **Change Tabs** field by clicking the arrow next to **Personal Info.**



Step 5

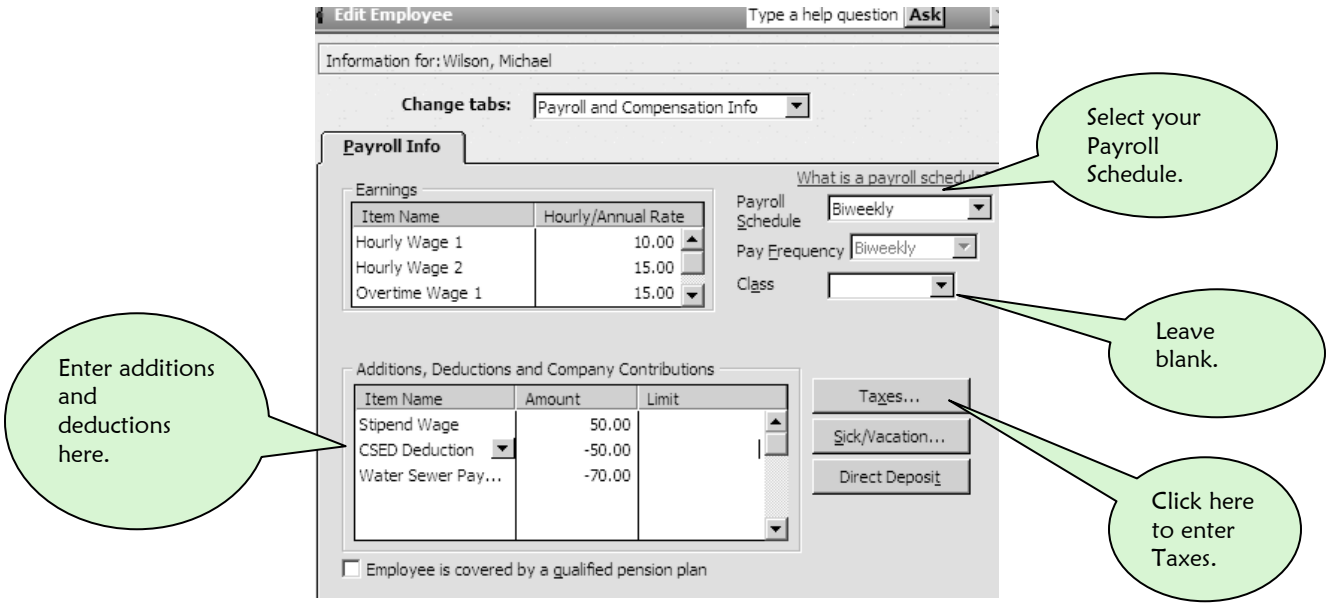
- Enter an hourly wage item for each **different** hourly wage the employee receives.
- Enter an overtime wage item for each **different** overtime wage the employee receives.

  In the example below, this employee earns two different hourly wages.

Payroll Item Name	Hourly Wage	Payroll Item Name	Overtime Wage	Department
Hourly Wage 1	$10.00	Overtime Wage 1	$15.00	Water/Sewer
Hourly Wage 2	$15.00	Overtime Wage 2	$22.50	Admin & Finance

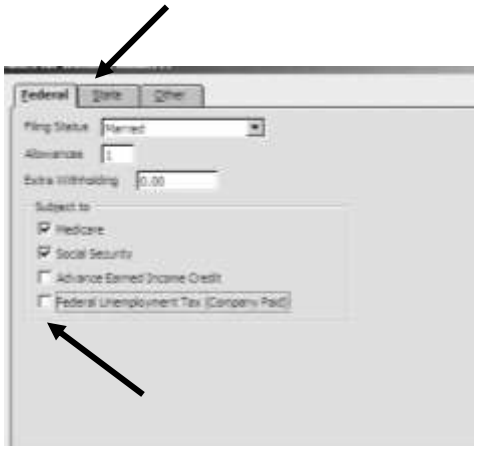
Note that the **Overtime Wage Payroll Item** number is 1.5 times the **Hourly Wage Payroll Item** number.

- Select your **Payroll Schedule.**
- Enter any additions the employee has.
  In the example below, this employee receives a Council stipend.
- Enter any deductions the employee has.
  - In the example below, this employee pays Child Support of $100/month. This deduction is entered as $50.00 because this employee will be paid twice per month totaling $100.00.
  - Our employee also makes a $70.00 per month water/sewer utility payment from his paycheck, so the monthly Water/Sewer Deduction is brought into his deduction box on the first paycheck of each month. (See page 311 for how to set up this payroll item).
- Leave the **Class** blank.
- Click **Taxes.**



Step 6

- Look at the employee's W-4.
- Enter **Married** or **Single** from the drop-down menu in the **Filing Status** box.
- Enter the number of allowances they are claiming.
- There is a good chance your community is exempt from paying Federal Unemployment Tax. If you are exempt, unclick the box.
- Click the **State** tab.



Step 7

- Select **AK** from the state list. A box will appear that says **SUI** and it will be checked. This activates your Alaska State Unemployment deduction.
- Click **OK.**
- Click **Continue.**

Step 8

- Click **OK.**
- Click **Leave As Is.**

It's Your Turn!

Using the instructions above, enter the rest of your employees. Use the following checklist to help you enter all the necessary information in each employee record:

___ Name
___ Social Security Number
___ Street Address or PO Box number
___ City, State, Zip
___ Payroll Schedule – Biweekly, Semimonthly, Weekly, Monthly?
___ Hourly Wage – One hourly wage item for **each different** hourly rate the employee earns
___ Overtime Wage – One overtime wage item for **each different** overtime hourly rate the employee earns
___ Payroll Addition – Stipend
___ Payroll Deduction – Child Support, Water/Sewer Payment, Employee Advances
___ Single or Married
___ # of Allowances
___ Federal Unemployment Tax – Turn it off if your community does not pay this tax
___ Alaska Unemployment Tax – Turn it on (located on the **State Tab**)

Check Your Work!

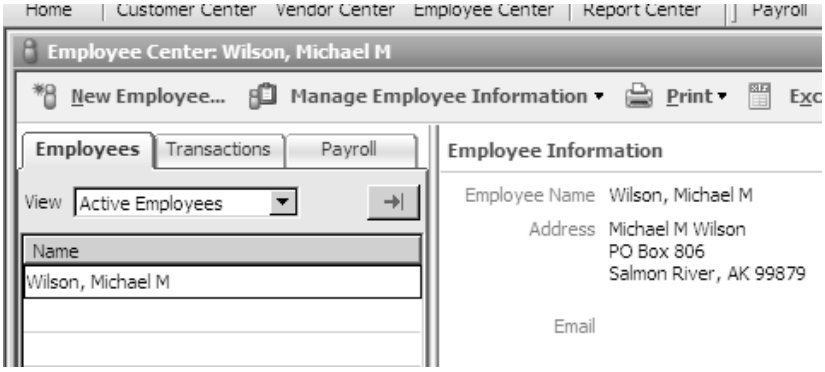
To look at your employee list,

- Click **Employee Center.**

- Click on each employee in the list and verify their mailing address.

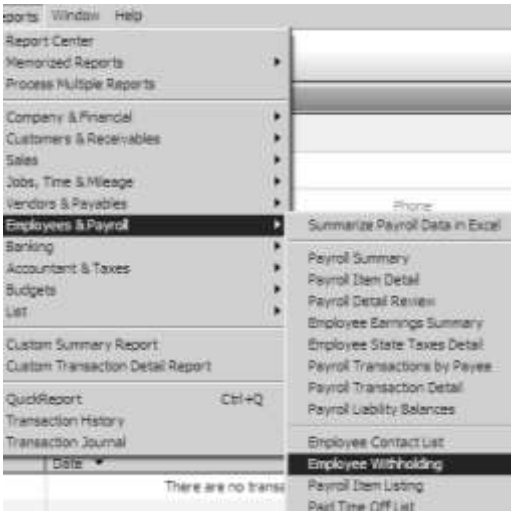
Find a Mistake?

- Double-click the employee and change their record.

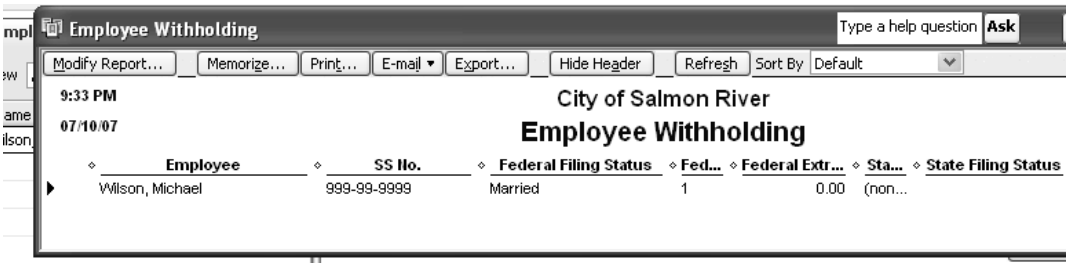


Create the following report:

- Click **Reports.**
- Select **Employees and Payroll.**
- Select **Employees Withholding.**



- Check the employee social security numbers, Filing Status and Federal Allowances that you just entered.
- When you run the first payroll, you will verify that their hourly rates are accurate.



- If you find an error, just double-click the error on the report and change it on the employee record in the area where you entered the information originally.

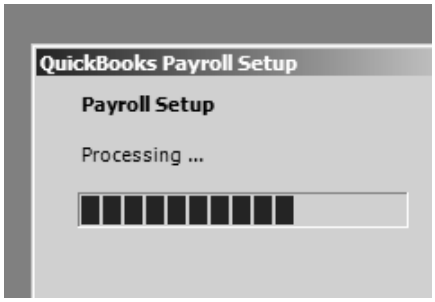
Entering Employee Year-to-Date Payroll Information

If your startup date is any date other than January 1, your employees will have already received paychecks in the calendar year. Each time an employee is paid, QuickBooks classifies their gross pay, additions, deductions, and net pay as current information. All this information--from the January 1st payrolls up to the current payroll—are accumulated and called year-to-date information.

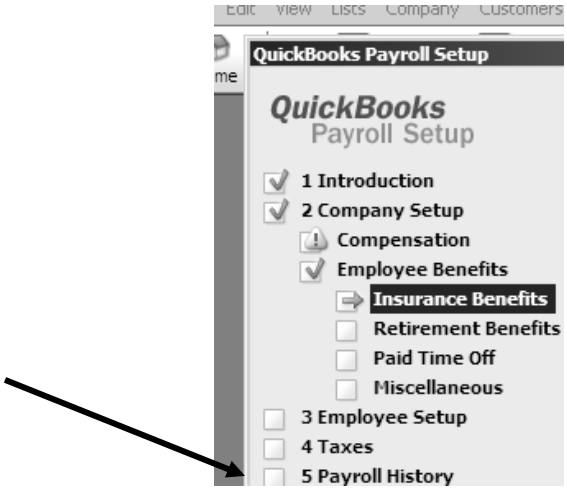
When you set up an employee in QuickBooks who has received prior paychecks during the calendar year, it is possible to enter the past payroll information into QuickBooks so that at year-end you can create a complete W-2 for the employee. This is a complicated process that is outside of the scope of this manual, but if any of you are feeling brave, you can try to enter the information using the following procedure.

- Click **Employees.**
- Click **Payroll Setup.**

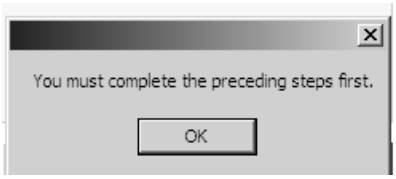
You will see the following message on your screen.



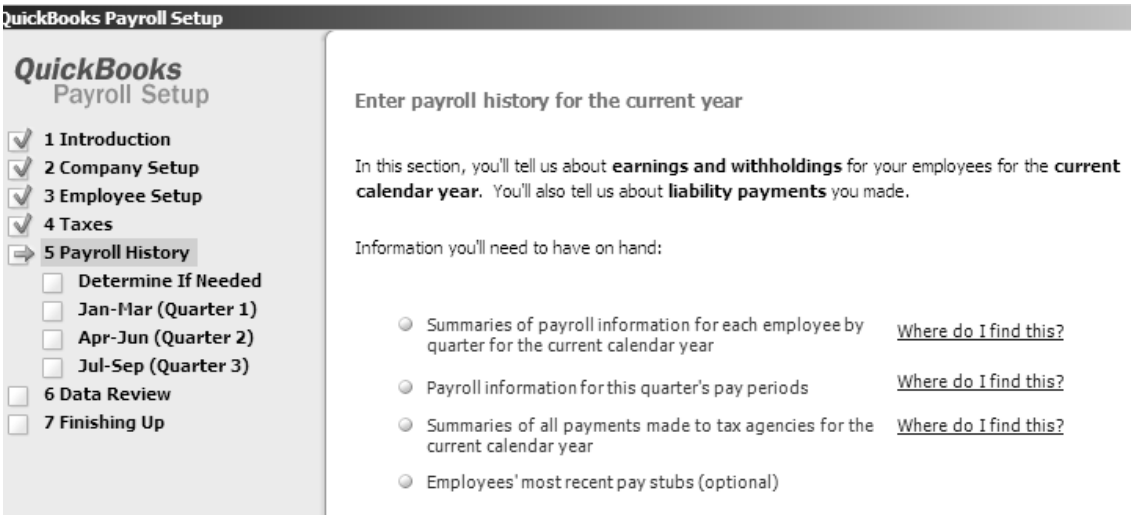
QuickBooks likes you to do things in order. Box 5 (**Payroll History**) is the menu choice that takes you to the area for entering year-to-date information. You cannot check the box and enter that area, though, until all the boxes above it are checked.



- You will receive the following message if you do not check off all the boxes above **Payroll History.**



- Work your way down through all the boxes and their screens by clicking **Continue or Finish.**
- Eventually, you will arrive at the following screen:



Once again, this is a very difficult task for even an experienced QuickBooks user.

If You Do Not Enter in the Year-to-Date Information for Your Employees

- Without year-to-date employee information in the computer, you will have to combine your old and your new system at the end of the calendar year to process your W-2s and the W-3.
- If your starting date is not the first day of a new calendar quarter, you will not have complete data to use QuickBooks to produce your first quarterly 941 and Alaska Unemployment Tax Report. However, all the remaining quarterly reports of that calendar year will have complete data.

9 ENTERING THE BUDGET

Each year your council adopts a budget which tries to predict the money that will come in and go out for your Water/Sewer Utility. By comparing actual income and expenses during the year to the budget, a community or utility can tell if they are on track financially or if they need to make spending adjustments. QuickBooks has a great budget feature that will allow you to enter separate budgets for each of your departments (called Classes)

Creating the Budget

Your budget starts with the beginning of your **fiscal year**. Therefore, the period of your budget will most likely be July 1, 20XX through June 30, 20XX.

Step 1

Locate the budgets for your departments. This sample budget will be for the **Water/Sewer** department.

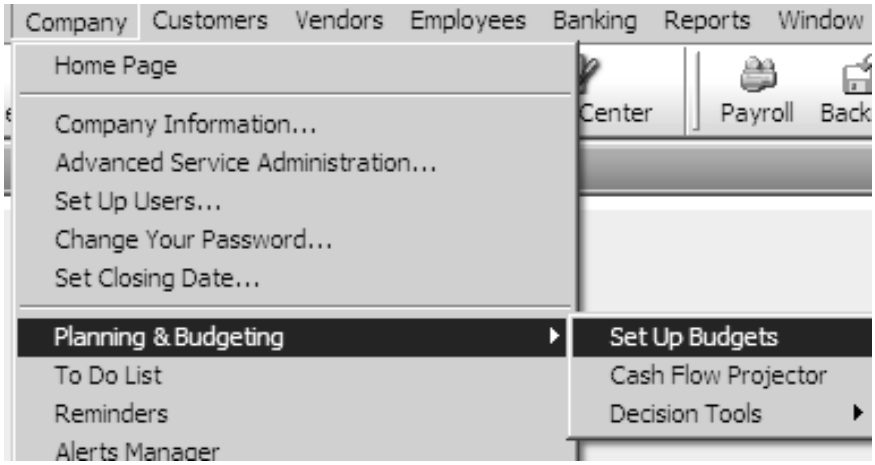
Step 2

The beginning date of your budget is _____/_____
Month Year

The ending date of your budget is _____/_____
Month Year

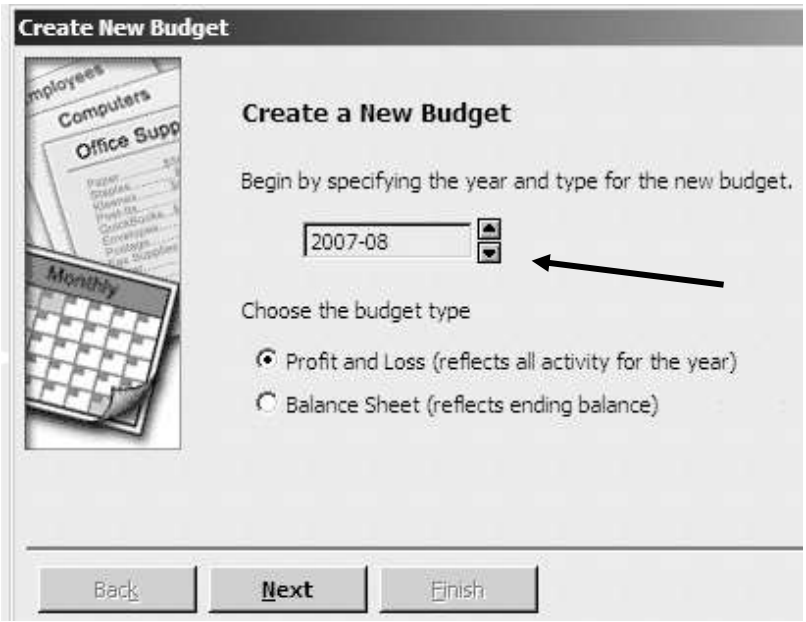
Step 3

- Click **Company** on the **Menu Bar** at the top of your screen.
- Click **Planning & Budgeting.**
- Click **Set Up Budgets.**



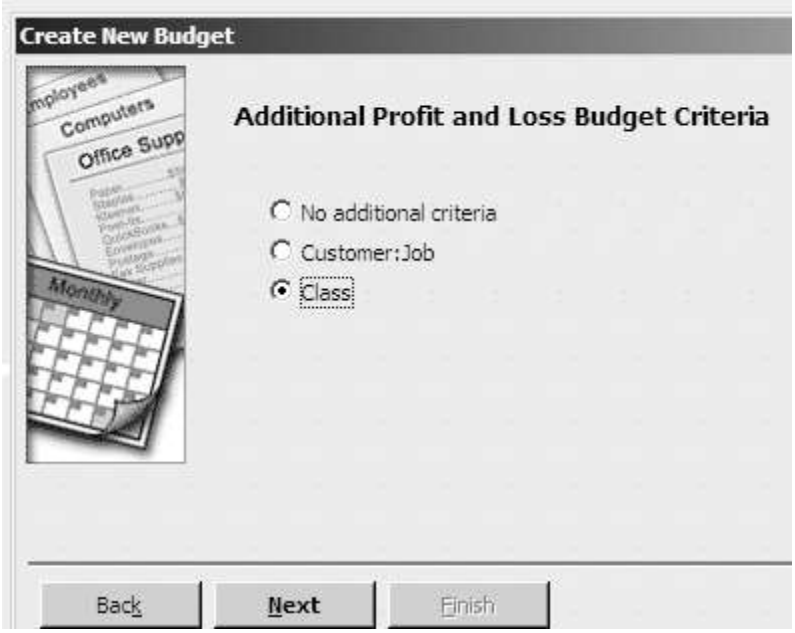
Step 4

- Using the dates from Step 1, be very careful to select the correct fiscal year.
- Remember, in this example the Fiscal Year is July 1, 2007 through June 30, 2008.
- Select **Profit and Loss** for the budget type.
- Click **Next.**



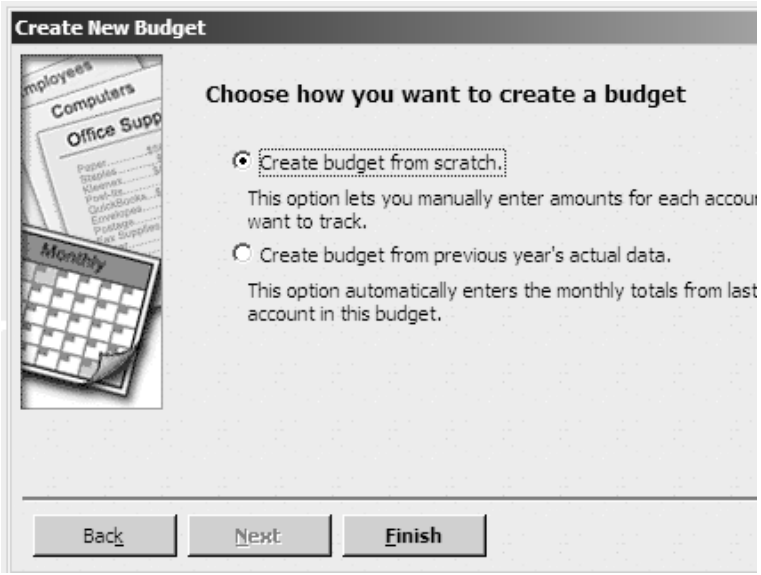
Step 5

- Select **Class** (this will allow your to enter all your departments separately).
- Click **Next.**



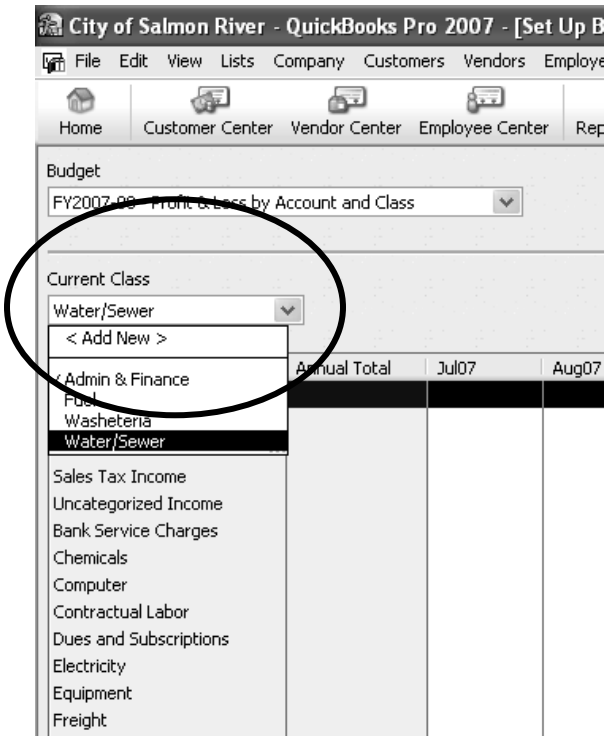
Step 6

- Select **Create Budget from Scratch.**
- Click **Finish.**



Step 7

- Verify that your Budget Dates are correct.
- Select **Water/Sewer** from the drop-down menu in the field labeled **Current Class.**



Step 8

Finding and Entering Your Budgeted Income Amount

The predicted income for your Water/Sewer Utility is located on the first page of your budget with the **Operating Revenues – Locally Generated**. It is halfway down the page in the box labeled **Enterprises**. This page contains all the predicted revenues for the different departments in your community.

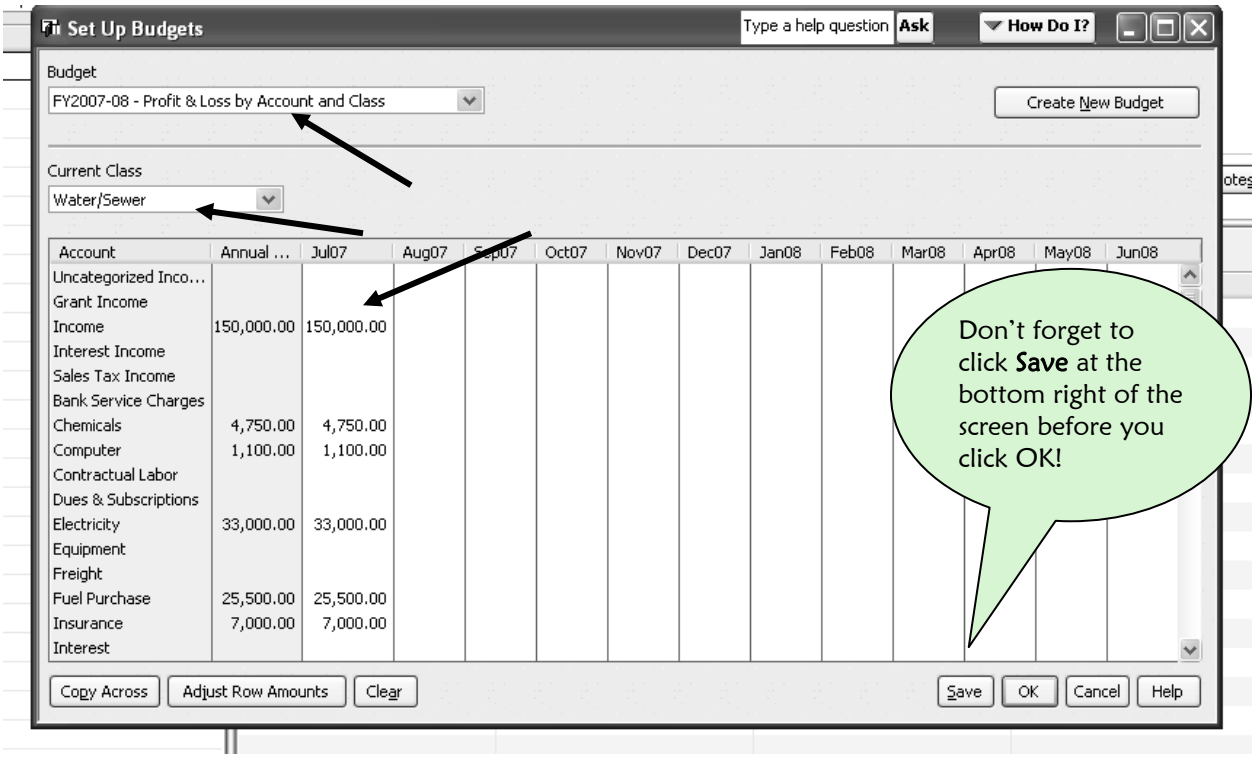
- Enter this amount in the column for the first month of your fiscal year next to the account named **Income**.

Step 9

Finding and Entering Your Budgeted Expenses

Your budgeted expenses are located on the budget page labeled **Operating Expenditures Water & Sewer**.

- Match the expense accounts in your budget with the expense accounts in QuickBooks.
- Enter them in the column for the first month of your fiscal year.
- After entering and checking your figures, click **Save** on the lower right side of the screen.
- After clicking **Save**, you may change the **Class** to another department and enter in your next budget right away. When you change the **Class**, the numbers on the screen clear and the new department budget can be entered. If you have no more budgets to enter, click **OK**, but make sure you have clicked **Save.**
- Click **OK.**



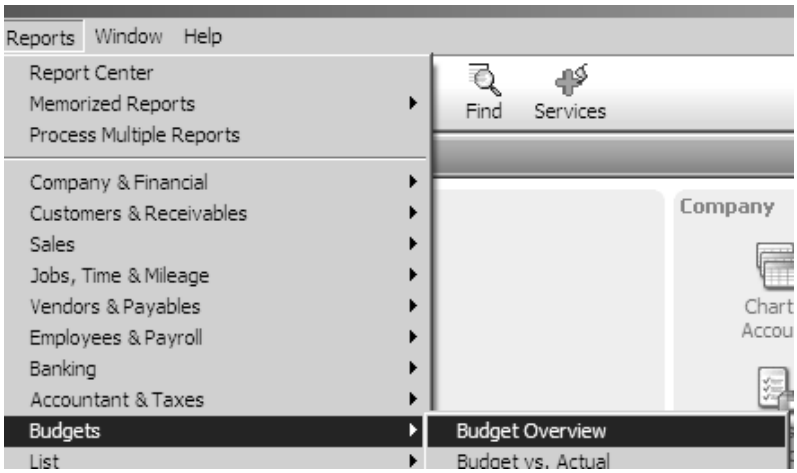
It's Your Turn!

Now, using your own budget, repeat Steps 1 through 8 and enter the predicted income and expenses for all of your departments. Pay close attention to **Step 4**.

Check Your Work!

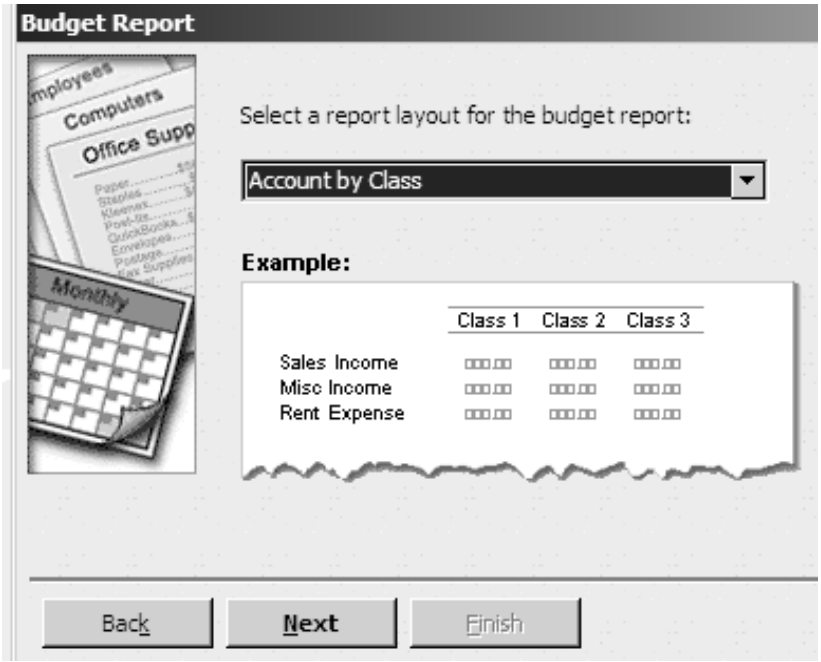
After entering a budget, the easiest way to check your work is to create a **Budget Overview Report.**

- Click **Reports** on the Menu Bar at the top of your screen.
- Click **Budgets.**
- Click **Budget Overview.**

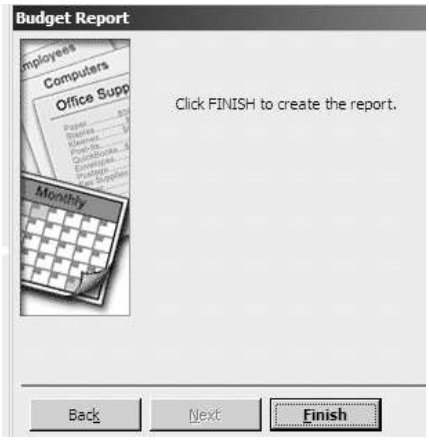


- Select the correct Fiscal Year for the budget you entered.
- Click **Next.**

- Select **Account by Class.**
- Click **Next.**



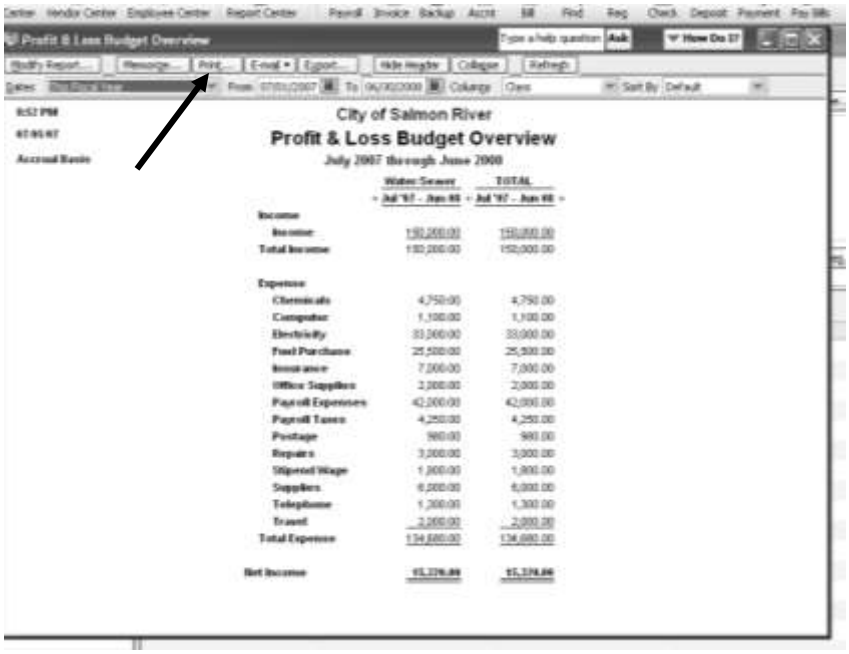
- Click **Finish.**



You now have the **Profit and Loss Budget Overview Report** which will let you check the numbers you entered for accuracy.

After you have verified that all the numbers are correct, you may print a copy for your files and for your Council,

- Click the **Print** button at the top of the report.



10 AFTER THE SETUP....

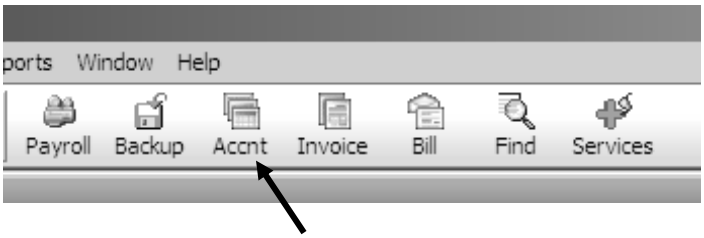
Congratulations! You have set up your Company File, your Chart of Accounts, your Customers, your Payroll and your Budget. You are now ready to use your QuickBooks Company file to keep track of your utility's day-to-day finances.

The Final Proofreading

Before you start on the next section, though, go through a few of the basic reports in QuickBooks to see if you need to fine tune any of your setup. You will also look at your **Customer List**, **Item List,** and **Payroll Item List** to make sure the information you entered is accurate.

First, let's look at your **Chart of Accounts**.

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



Take a long look at your list of accounts. Ask yourself the following questions:

- Do I like the name I gave each account?
- Will other people (the Council and the Mayor) understand these account names?

If you don't like any of your account names, refer to page 90 on how to edit the name of an account.

- Are there any misspellings in my list?
- Are some accounts capitalized and some in lower case?
- Is there any way I can make my list look better?

Remember, your **Chart of Accounts** list will appear on your reports to the Council and any public report that the Council releases. You want them to look professional.

The Two Basic Reports in Accounting

There are two basic reports in Accounting: the **Profit & Loss** or **Income Statement** and the **Balance Sheet**. Let's take a look at each of them and see how they can tell us if our setup is correct.

The Profit & Loss Report—also known as the Income Statement

One of the main reports created and used by accountants is the **Profit & Loss Report** also known as the **P&L.** This report summarizes all the income and expenses of your utility or community for a specific period of time. In other words, the **P&L** tells you if you have made any money.

You can select the time period you want. The most common time periods for a **Profit & Loss Statement** are a month, a quarter, or a year. You can use a fiscal year, such as July 1 to June 30 or you can use a calendar year—January 1 to December 31.

Here's how to bring up a **Profit and Loss Report** in QuickBooks:

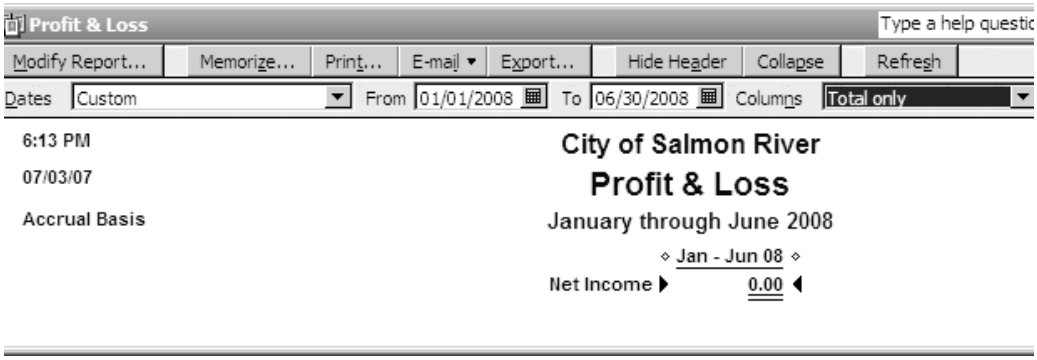
- Click **Reports** at the top menu bar.
- Select **Company & Financial.**
- Select **Profit & Loss Standard.**

There are two sections to a **Profit and Loss Report**: Income and Expenses.

- The income section tracks all the money that comes into your utility or community from all sources.
- The expense section keeps track of all the money you spend by department.

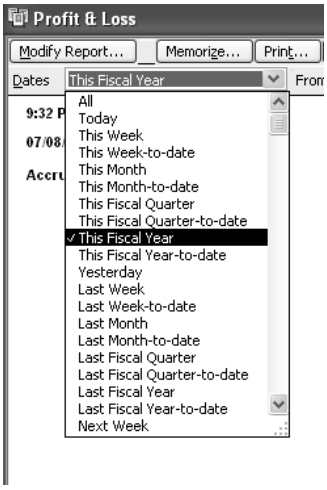
Let's take a look at the **Profit and Loss** for a new QuickBooks Company file that was created using the previous chapters in this manual.

This sample **P&L** is for a company that started its file on January 1, 2008. NOTE that there is no income for this company and no expenses.

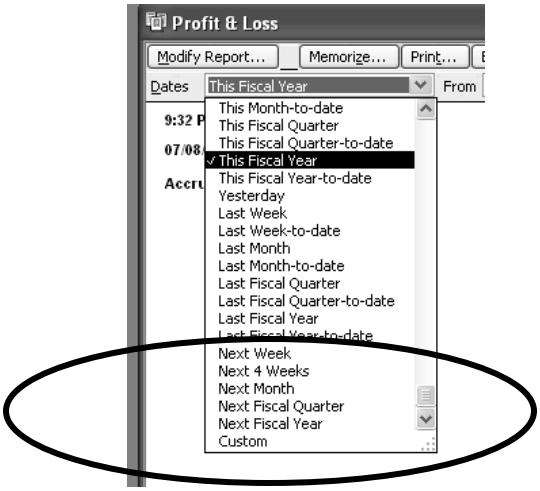


Dates of Reports are Crucial!

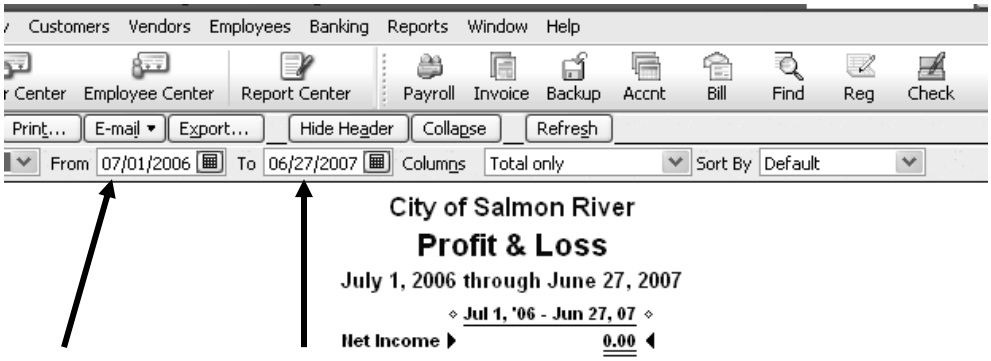
QuickBooks has a lot of preset dates to choose from in the top left of the report screen. Here is a look at some of the preset time periods from the drop-down menu next to **Dates.**



These are the rest of the preset time periods in QuickBooks reports:



You can also set your own time period for a report by using the **From** and **To** boxes as in the example below:



The Balance Sheet

The **Balance Sheet** is the second main accounting report.

While a **Profit and Loss Statement** contains information about a community's income and expenses, the **Balance Sheet** contains information about its assets and liabilities.

Assets are bank accounts, accounts receivables, and anything that could be turned into cash.

Liabilities are loans you need to repay and the money you owe for bills.

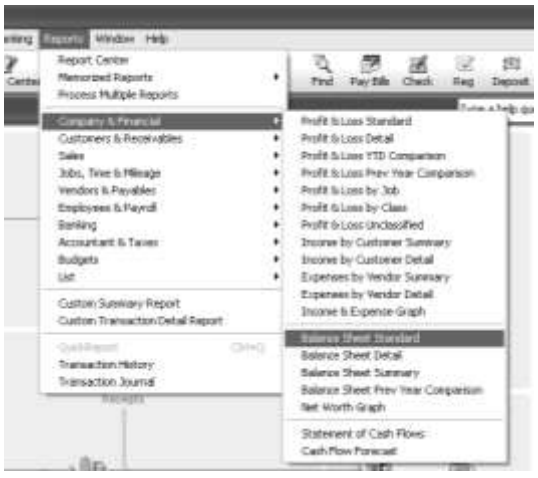
If you took all the assets and sold them, paid off all bills and debts, the money you would have left over at the end is your equity—often called your fund balance.

It is possible to scan the numbers on a balance sheet of a community and decide fairly quickly whether the community is financially healthy, ill, or somewhere in-between.

In short, a Balance Sheet is a snapshot of a community's financial health at one point in time, and it can be scanned and examined for any numbers that appear out of the ordinary.

To create a **Balance Sheet**:

- Click **Reports** at the top.
- Select **Company & Financial.**
- Select **Balance Sheet Standard.**



The Balance Sheet has two sections:

Section One

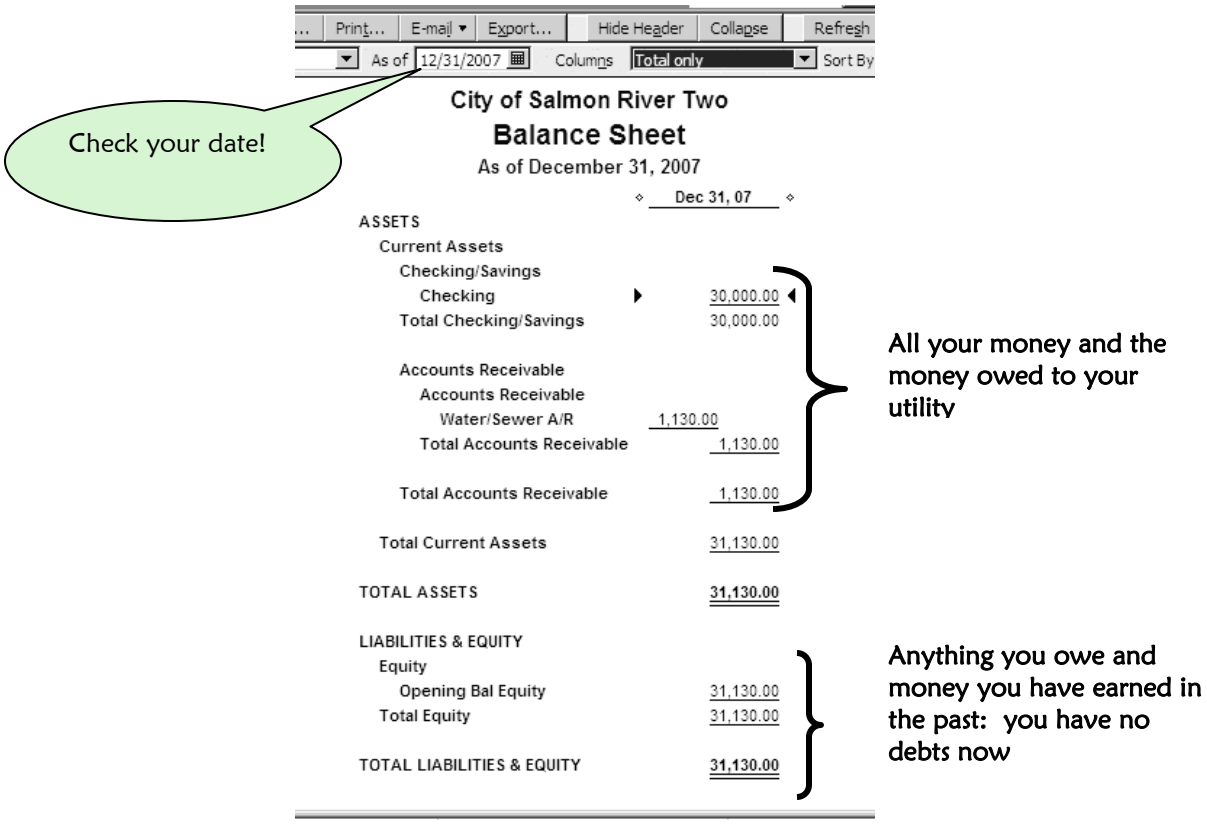
- **Assets**— everything of value in your community such as how much money you have in your checking accounts, how much money the people in your community owe for their water and waste, the value of your equipment, vehicles, and property.

Section Two

- **Liabilities**--any debt your community has such as unpaid loans, payroll taxes, and vendor bills.
- **Equity--**QuickBooks calls the difference between assets and liability, equity. Since your community is set up as a non-profit city, this equity is referred to as your Fund Balance.

While looking at the report, ask yourself the following questions:

- First, look at the heading on your Balance Sheet. The heading is what you named your company file. Are you happy with it? If not, see page 44 on how to edit your company file name.
- Next, look at the balances of your Safe and your Bank Account. Are these balances correct? If not, see page 231 to correct your mistake.
- You entered all the opening balances owed by each of your customers. Does that total in Accounts Receivable look realistic?

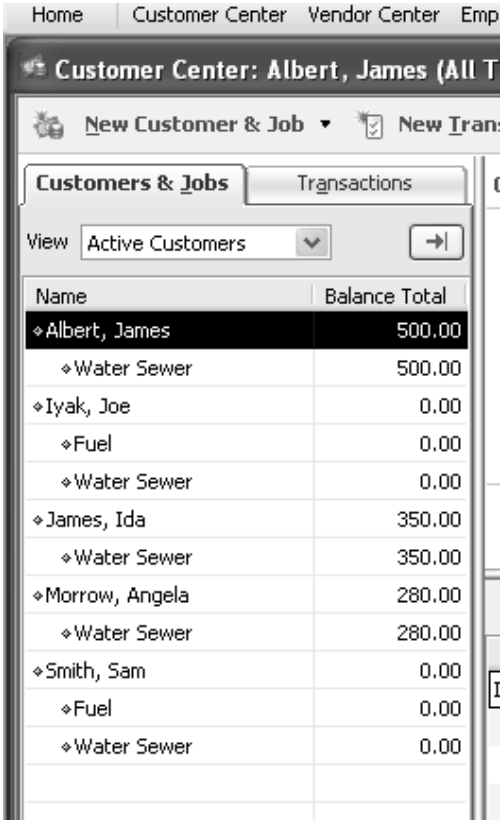


Check Your Customers

- Click on the **Customer Center.**

Look through this list with the following in mind:

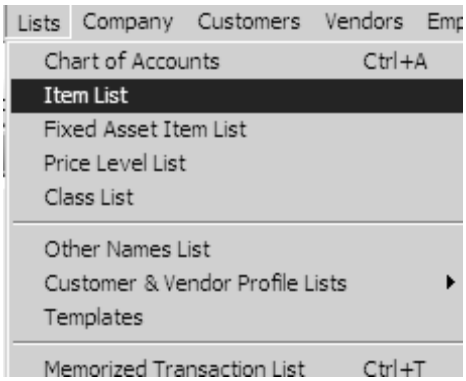
- Are all your customers' names spelled correctly? If not, see page 98.
- Do they all have their last name first, or are they alphabetized some by last name and some by first name? See page 98 to correct it.
- Have the right services (jobs) been entered in for each customer? See page 104 to change this information.
- Are their balances correct?



Review the Item List and the Payroll Item List

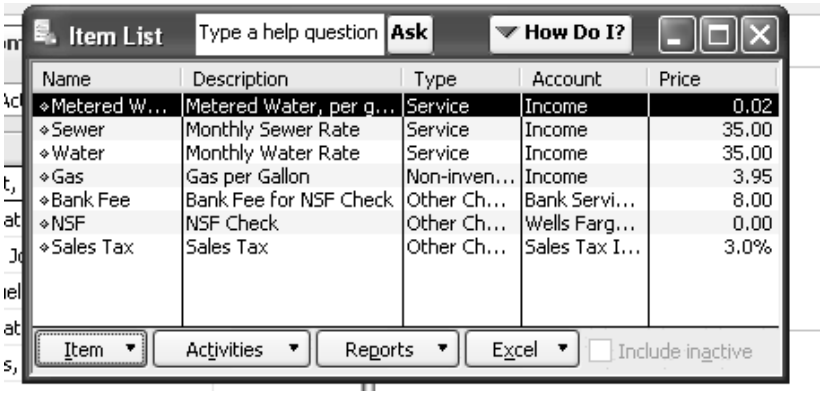
Item List

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**



Look this list over:

- Are the names spelled correctly?
- Do you like the **Description** for each item? Remember, this will appear on your invoice.
- Are the **Types** correct?
- Are the **Accounts** the right ones?
- Are the **Amounts** correct?

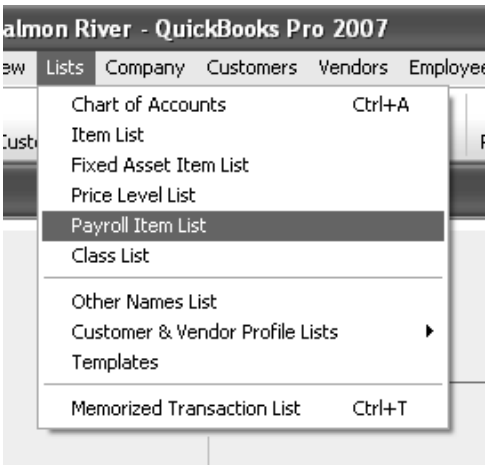


You may make changes to any of them:

- Highlight the item you want to change.
- Click **Item.**
- Select **Edit.**

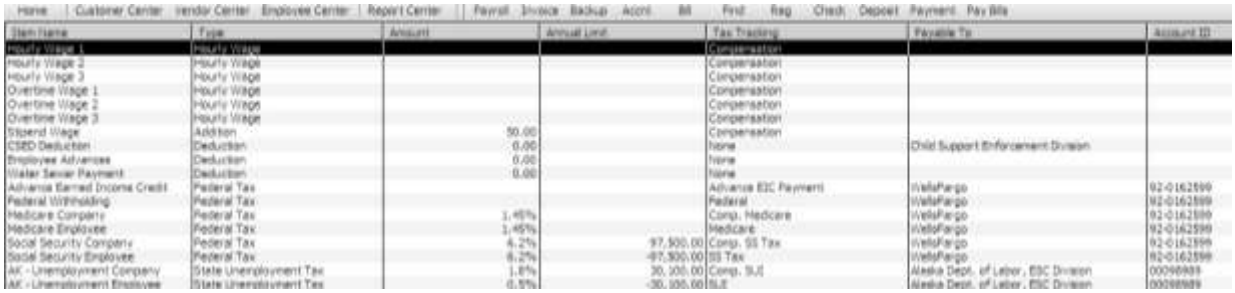
Payroll Item List

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Payroll Item List.**



Look this list over:

- Are the names spelled correctly?
- Are the **Types** correct?
- Have you filled in the agencies you pay the liabilities to?



You may make changes to any of them:

- Highlight the item you want to change.
- Click **Item.**
- Select **Edit Item.**

Your setup is now complete! Congratulations! In the next section you will learn how to use your QuickBooks Company file every day to make your work easier.

DAY-TO-DAY

SECTION TWO

Entering and Paying Bills

Writing Checks

Invoicing Your Customers Each Month

Fuel Purchases

Making Deposits

Managing Your Safe

Running the Payroll

Reconciling Bank Accounts

Safeguarding Your File

Using Your Financial System

11 ENTERING AND PAYING BILLS

Every month your utility has bills to pay. These are the expenses of operating your Water/Sewer Utility.

What's a Bill?

Any request for money from anyone for a service or a product you purchased. The person or company asking for money is known as a **Vendor**.

When do you enter a bill?

Enter the bill as soon as you receive it in the mail.

Do you enter a bill if your utility does not have the money to pay it?

Yes, definitely. Let QuickBooks keep track of your bills, so you will know how much you owe.

Why do you want to use the Pay Bills feature of QuickBooks?

Every month you have expenses. Many of these are expenses that reoccur **every month** such as electricity, heat, and telephone. You want January's expenses to end up on the Profit & Loss Statement for January, and February's expenses on the Profit & Loss Statement for February and so on. Expenses hit your Profit & Loss Statement based on the invoice date of the bill. Even if your community is short on money, you should enter the bill. The expense will go to the Profit & Loss Statement in the accounting period in which it occurred. When funds become available, you can pay the bill.

Some examples of bills that your utility might pay are:

- Electricity
- Heating Fuel
- Office Supplies

PAYROLL AND PAYROLL TAXES ARE NOT CONSIDERED BILLS. THEY ARE NOT DEALT WITH IN THIS AREA OF QUICKBOOKS.

There are two steps involved in the QuickBooks bill process:

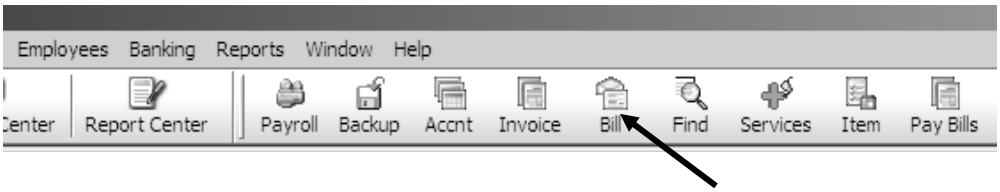
1. Enter the bill.
2. Pay the bill.

Entering Bills

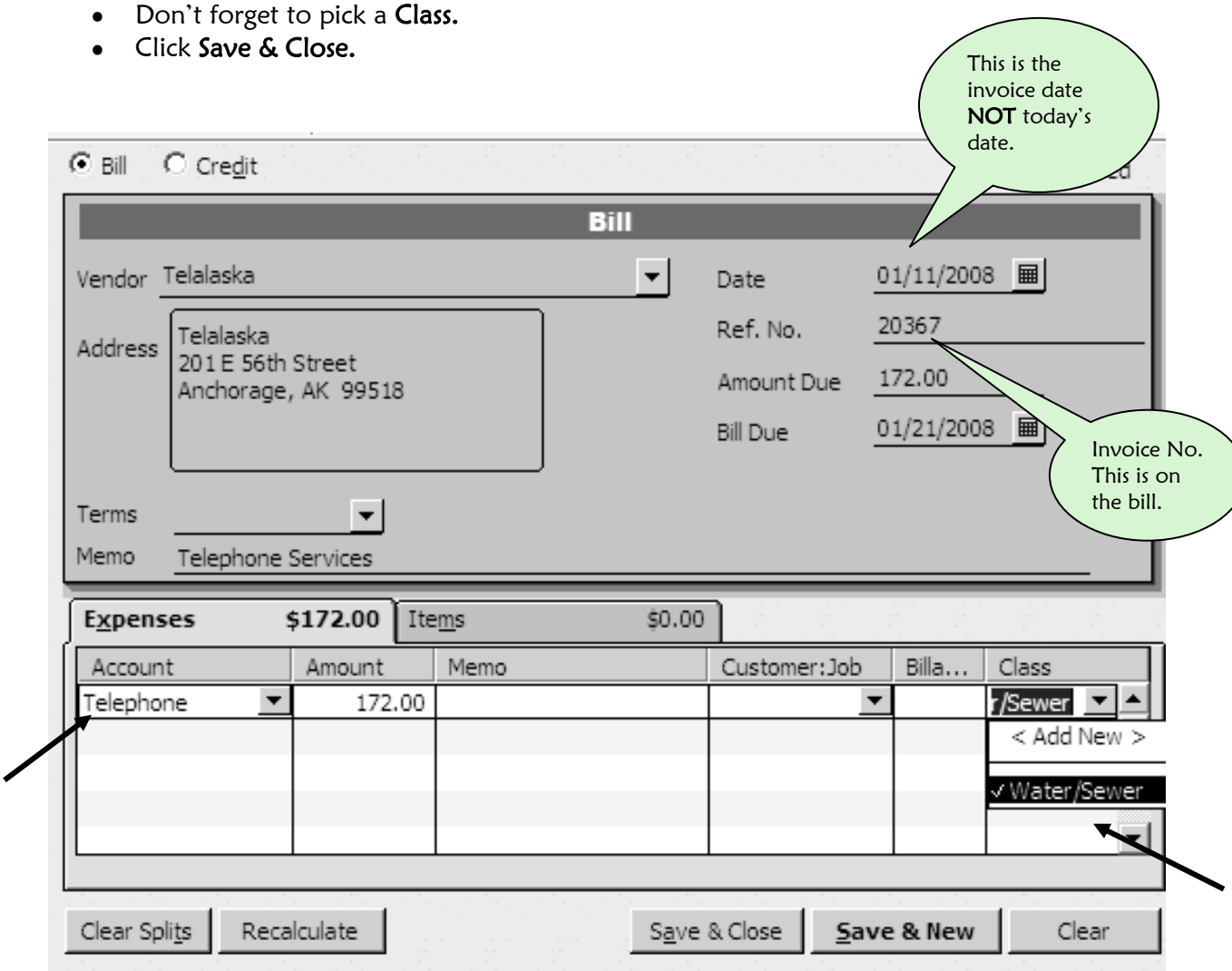
Example:

You received a telephone bill from **Telalaska.**
They are charging you $172.00 for telephone services.
The date on the bill is January 11, 2007.
The Invoice Number on the bill is 20367.

- Click **Bill** on your **Icon Bar.**



- Bring in the vendor name using the down arrow or type it in and select either **Quick Add** or **Set Up**.
- Enter the date of the invoice in the **Date** field.
- Type in the invoice number in the **Ref No**. line.
- Verify that you have the correct **Amount.**
- Type an explanation for the bill on the memo line. You can also put a customer account number there.
- Pick an **Expense** account that makes sense for the bill.
- Don't forget to pick a **Class.**
- Click **Save & Close.**



BEHIND THE SCENES.....

The minute you enter a bill:

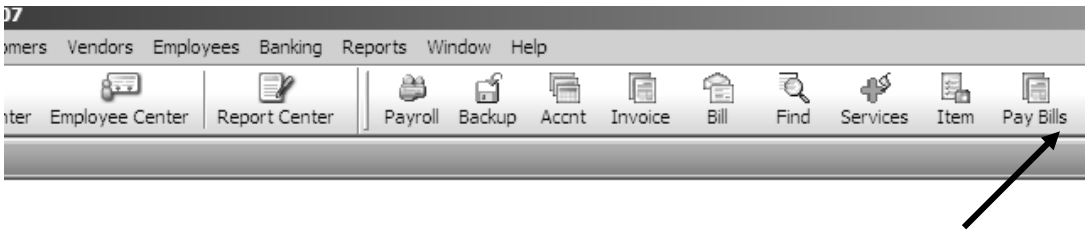
An Expense Account goes ↑

Accounts Payable goes ↑

Nothing happens to the Checking Account because you have not paid the bill yet.

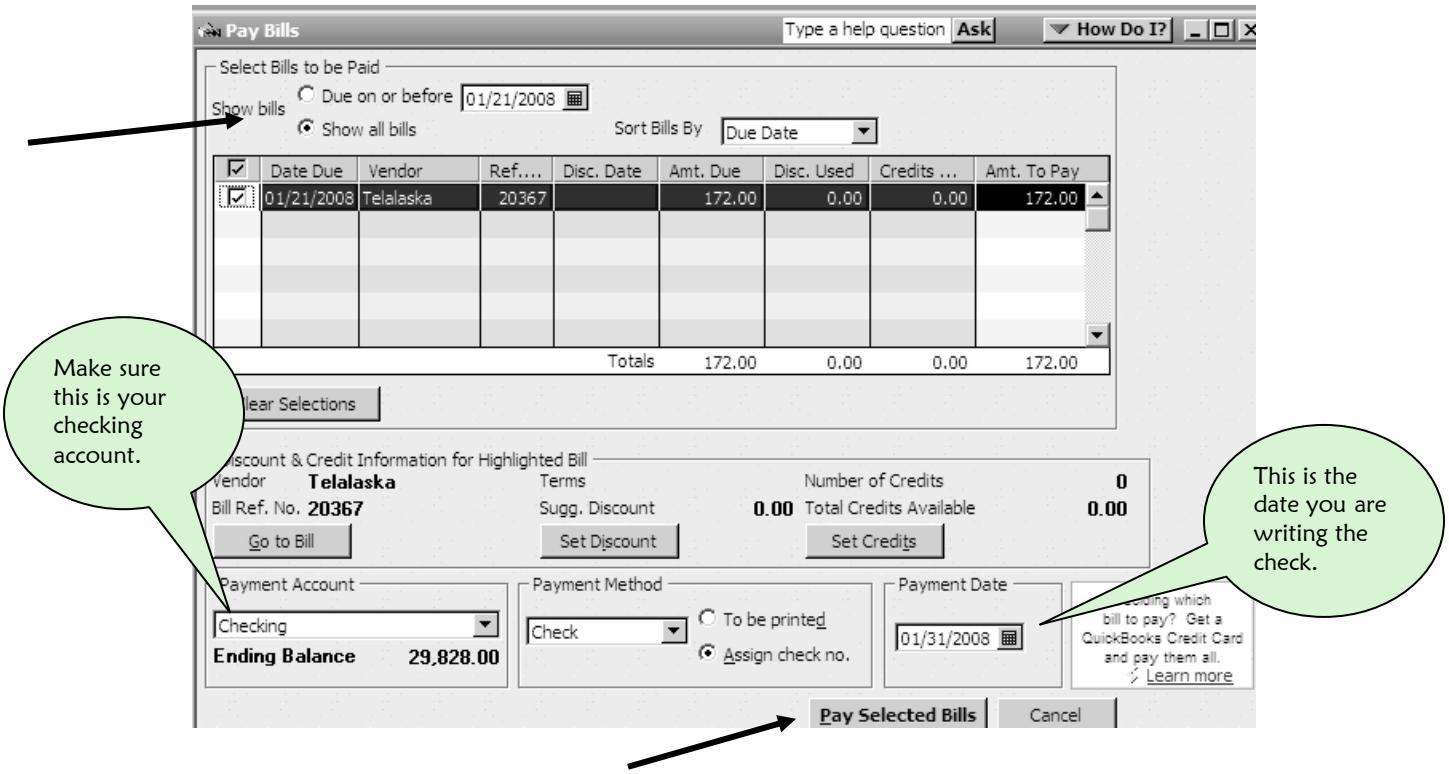
Paying Bills

- Click **Pay Bills** on your **Icon Bar.**



This is the screen that will actually create the check in QuickBooks, so pay close attention to it. Any bills that you have entered, but not yet paid will appear in this window.

- Click on the **Show all bills** button to see all the bills you have waiting to be paid.
- Click in the column next to the bill or bills you wish to pay so that a check mark appears.
- Make sure the correct bank account is selected.
- Under **Payment Method**, select either the check is **To be printed** or you want to handwrite it and **Assign check no.**
- Select the date you are writing the check in the **Payment Date** box.
- Click **Pay Selected Bills** at the bottom of the screen.

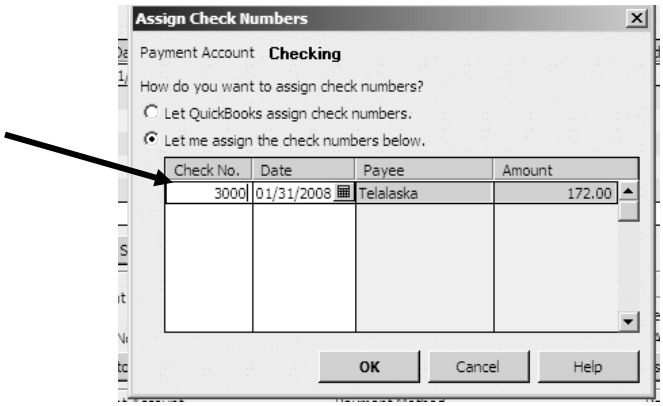


If you print your checks,

- You will be led to the **Payment Summary** screen after you select **Pay Selected Bills**.
- Select **Print Checks**.

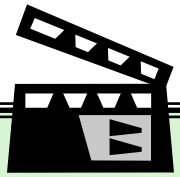
If you are hand-writing your checks, enter the check number in the white column.

- Click **OK.**



You will receive a payment summary screen:

- Click **Pay More Bills** or **Done.**



BEHIND THE SCENES.....

The minute you pay a bill, this is what happens in your accounting system:

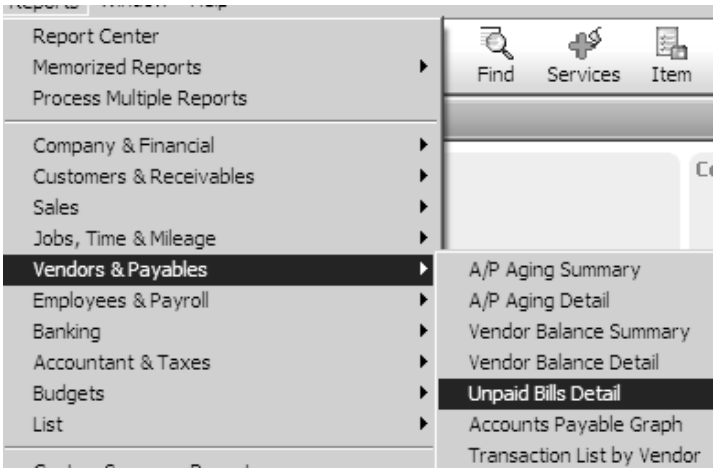
Checking Account goes ↓

Accounts Payable goes ↓

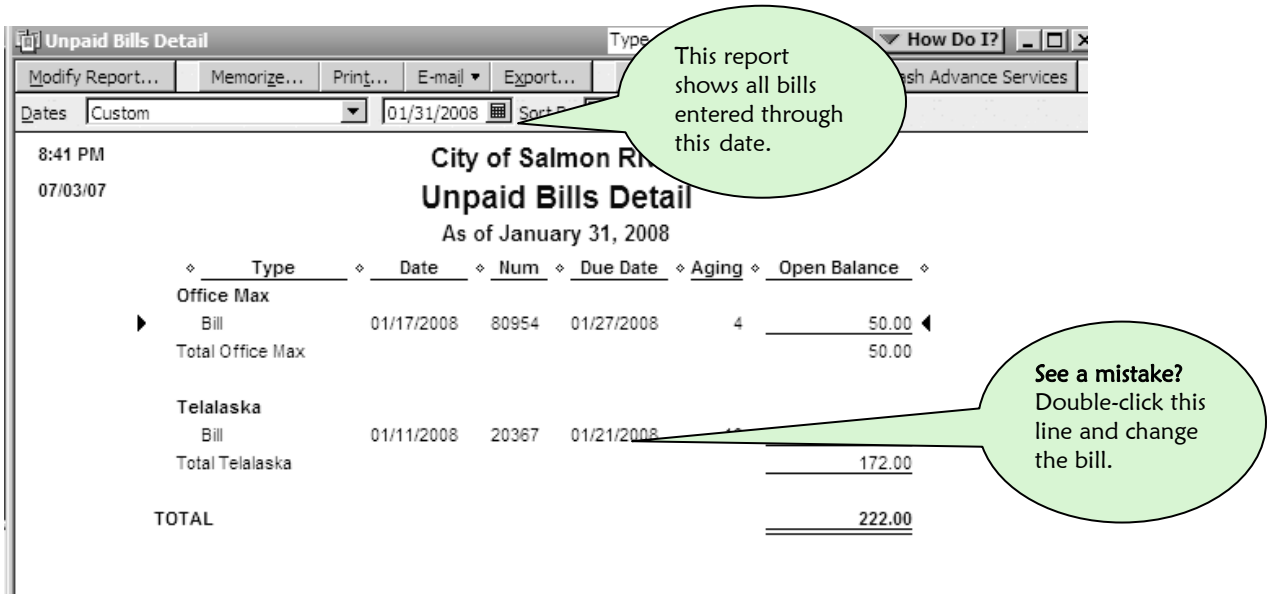
Reports to Track Your Bills

QuickBooks has a great report to track all your unpaid bills.

- Click **Reports.**
- Click **Vendors & Payables.**
- Click **Unpaid Bills Detail.**

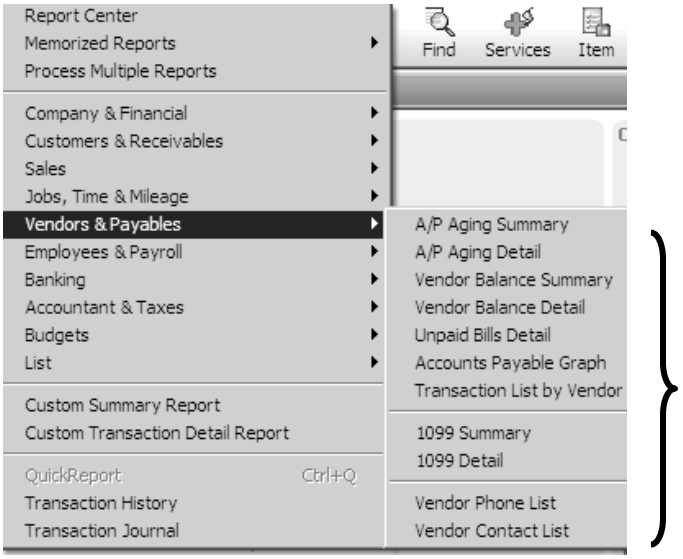


This report gives you a list of all the unpaid bills in your account titled **Accounts Payable.**



For other useful reports to help you handle your unpaid bills

- Click **Reports.**
- Click **Vendors & Payables.**
- Select the report you want from the list.



NOTE OF CAUTION!!

As soon as you enter a bill, the expense immediately goes to your Profit & Loss Statement, even though you have not paid the bill yet. This can be misleading to anyone reading your Profit & Loss Statement.

Go to page 378 and read about viewing reports on either a cash or an accrual basis.
Learn how you can modify your Profit & Loss so that only **paid expenses** are reported on it.

12 WRITING CHECKS

In the last section, you learned that Entering and Paying Bills was a two-step process. First you enter the bill, and then you pay it. Writing checks in QuickBooks, however is a one-step process—write the check and you are done.

How do you decide whether to Write a Check or Enter a Bill and Pay it?

Always use the Enter and Pay Bills feature of QuickBooks unless you have an immediate request for a check.

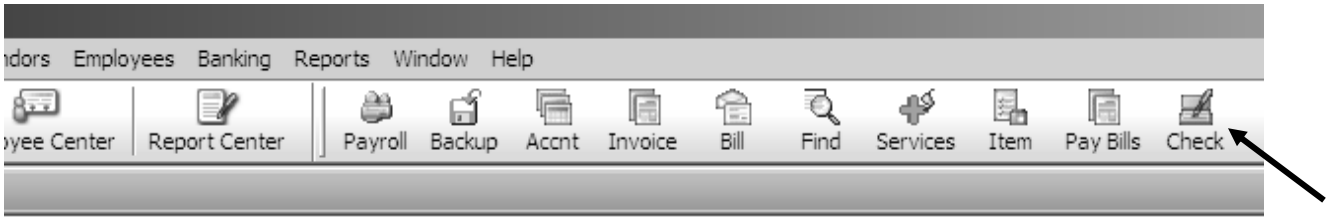
Do NOT write a check:

- **If you have already entered a bill, YOU MUST GO TO PAY BILLS.**
- **If it is a paycheck – Go to Payroll.**
- **If it is a payroll tax check – Go to Payroll.**

Writing a Check

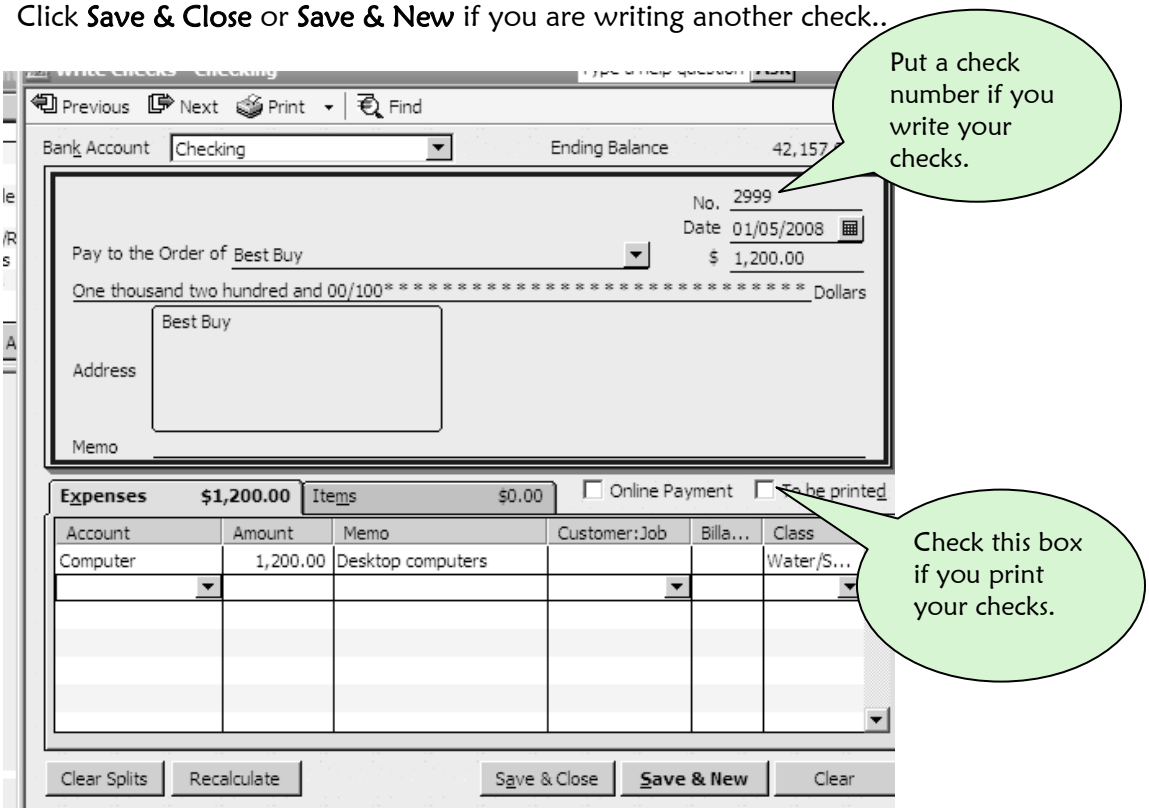
Step 1

- Click **Check** on your **Icon Bar.**



Step 2

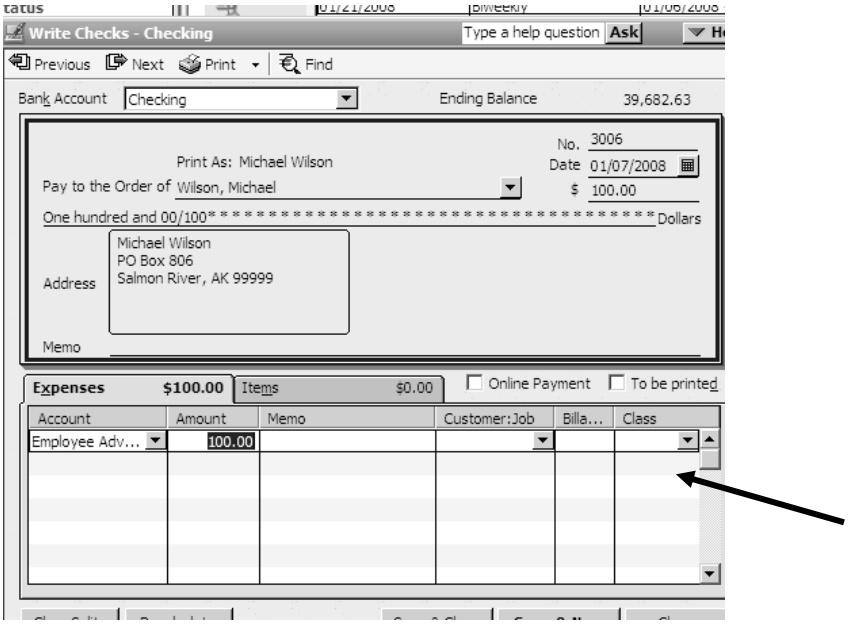
- Select the **correct bank account** (choose your checking account).
- Make sure your **check number** is correct if you write your checks or the **To Be Printed** box is checked if you print them.
- Enter the **date** you are writing the check.
- Bring in the vendor name using the down arrow or type it in and select either **Quick Add** or **Set Up**.
- Verify that you have the correct **amount.**
- Select the correct **expense account.**
- In the memo field, enter why you are writing the check.
- Don't forget the **Class**—the department or grant paying for the expense.
- Click **Save & Close** or **Save & New** if you are writing another check..



Creating an Employee Advance Check

We strongly advise against issuing Employee Advance checks because these really are loans to your employees. Some communities have a service charge attached to these checks. Some require approval signatures for creating these checks. The following is an example of an Employee Advance check.

- Select the **Employee Advances** account under **Account.**
- No class is necessary. This is not a community expense. The employee will pay this money back through their paycheck. See page 303 for handling an employee advance in a paycheck.

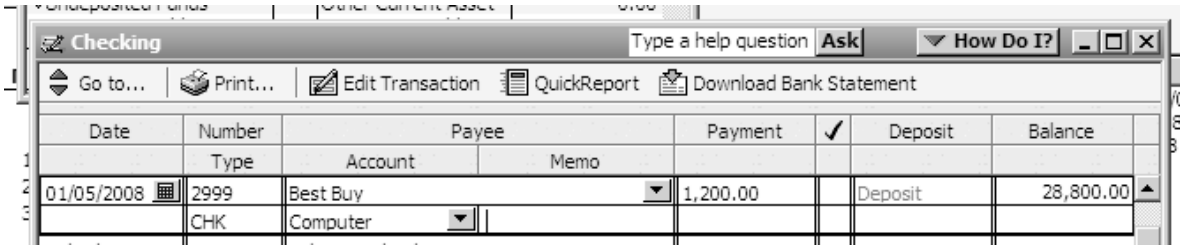


Voiding a Check

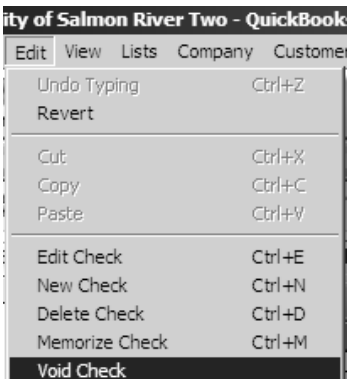
It is a good idea to keep track of all your checks. They are numbered and all of the checks should be accounted for. If your printer misprints or jams and destroys a check, or if you make a mistake, that check should still be in your QuickBooks check register. It will be listed as a VOIDED check.

If you have already created a check, but decide not to send it out, or you will be reissuing it, you can void it in your check register.

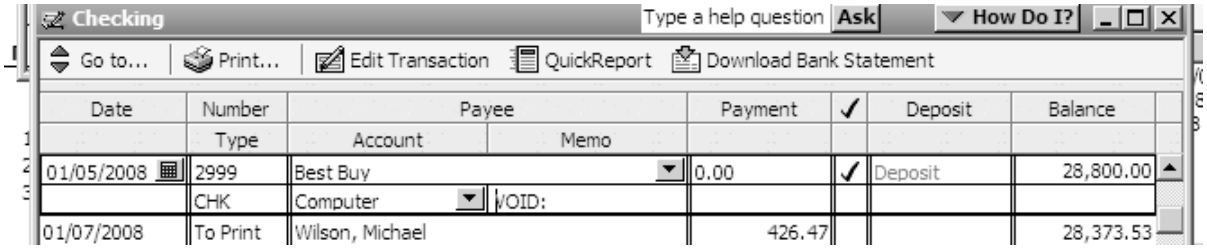
- Locate the check in your check register. Click on it one time.



- Click **Edit.**
- Click **Void Check.**

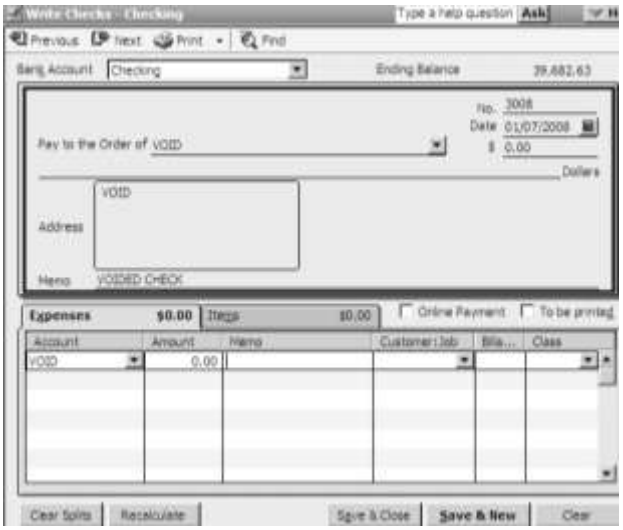


- QuickBooks voids the check and clears it with a check mark.



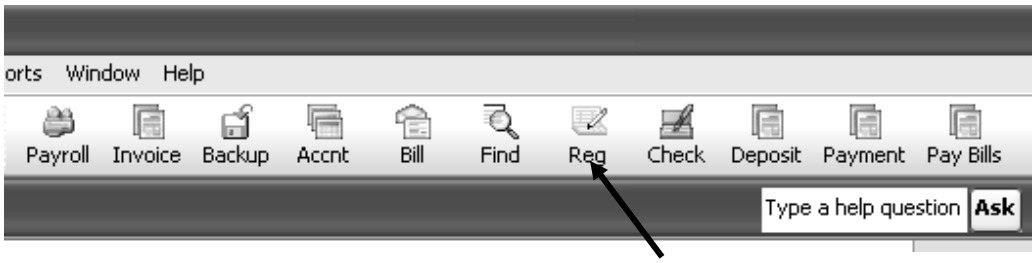
If something happened to the paper check before you created it in QuickBooks, void it this way:

- Create a vendor named **VOID**. Use this vendor for all your voided checks.
- Create an **expense** account named **VOID** to hold all these voided checks.
- Make sure you entered the number of the voided check.
- There is no class because there is no expense.

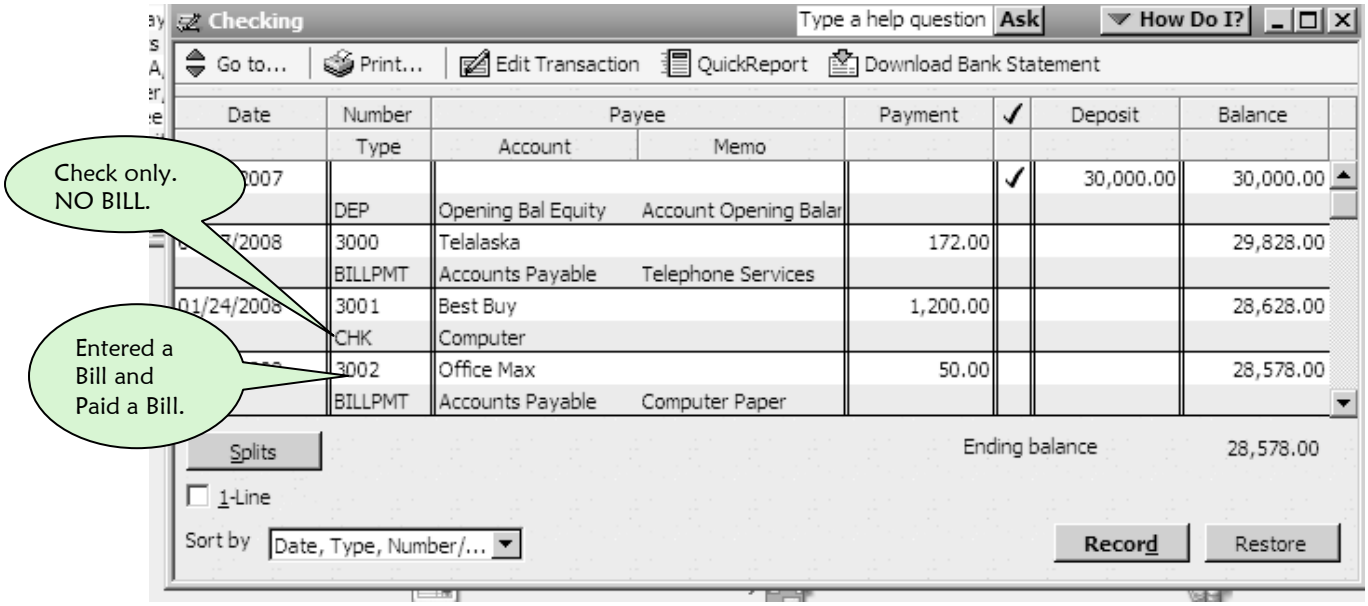


Looking in Your Check Register

- Click **Reg** on your **Icon Bar.**



Looking at this check register you can see one deposit and two checks. Look closely at the column labeled **Type** and QuickBooks tells you about each entry. Notice that the codes **CHK** and **BILLPMT** tell you which checks were entered and paid as a bill, and which checks were issued on the spot without a bill.



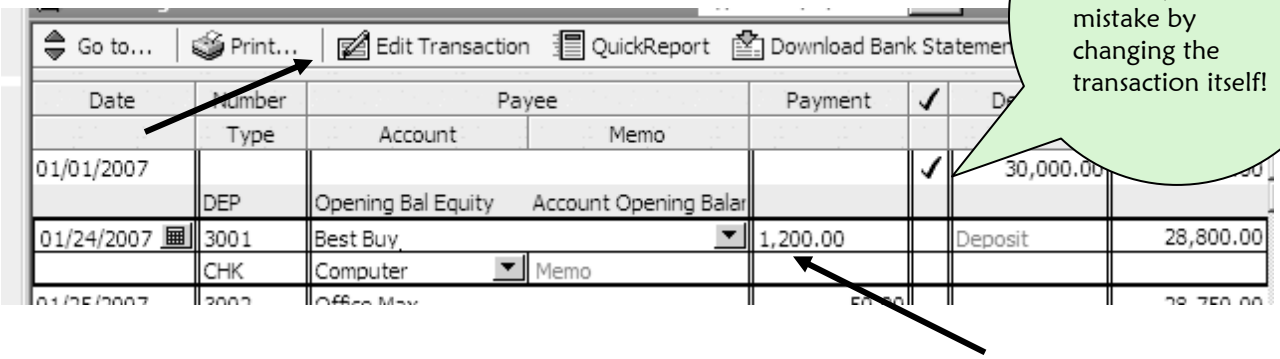
Correcting a Mistake

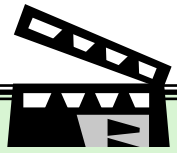
Know the difference between correcting a mistake and changing QuickBooks data. It is okay to change checks, deposits, transfers and received payments **WHEN** they are not reconciled. See page 232 for an explanation of reconciled transactions.

If you change a reconciled transaction, you will **ALTER INFORMATION SET IN QUICKBOOKS**. It will have a ripple effect on the **Profit and Loss** and the **Balance Sheet**. If the reconciled transaction is in a prior year, it will change that year's information.

You will know if a transaction is reconciled by looking in your check register. If the transaction has a check next to it under the check mark column, it has been reconciled and you **do not want to change it**. If there is no check mark, and you see a mistake in your check register, you can correct it easily by doing the following.

- Click one time on the check or deposit you wish to change.
- Click **Edit Transaction** at the top of the check register.
- QuickBooks will take you into the check or the deposit.
- Make your change and click **Save & Close.**





BEHIND THE SCENES.....

When you write a check:

Checking Account goes ↓

Expense Account goes ↑

The expense is now on your Profit and Loss Statement.

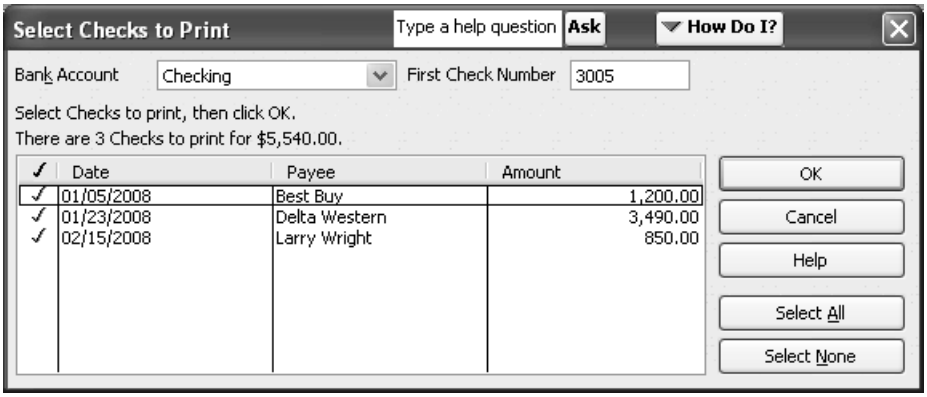
Printing Checks

If you print your checks, you can print them one at a time by clicking the print icon at the top of the Write Checks Screen, or you can print several of them at once as follows:

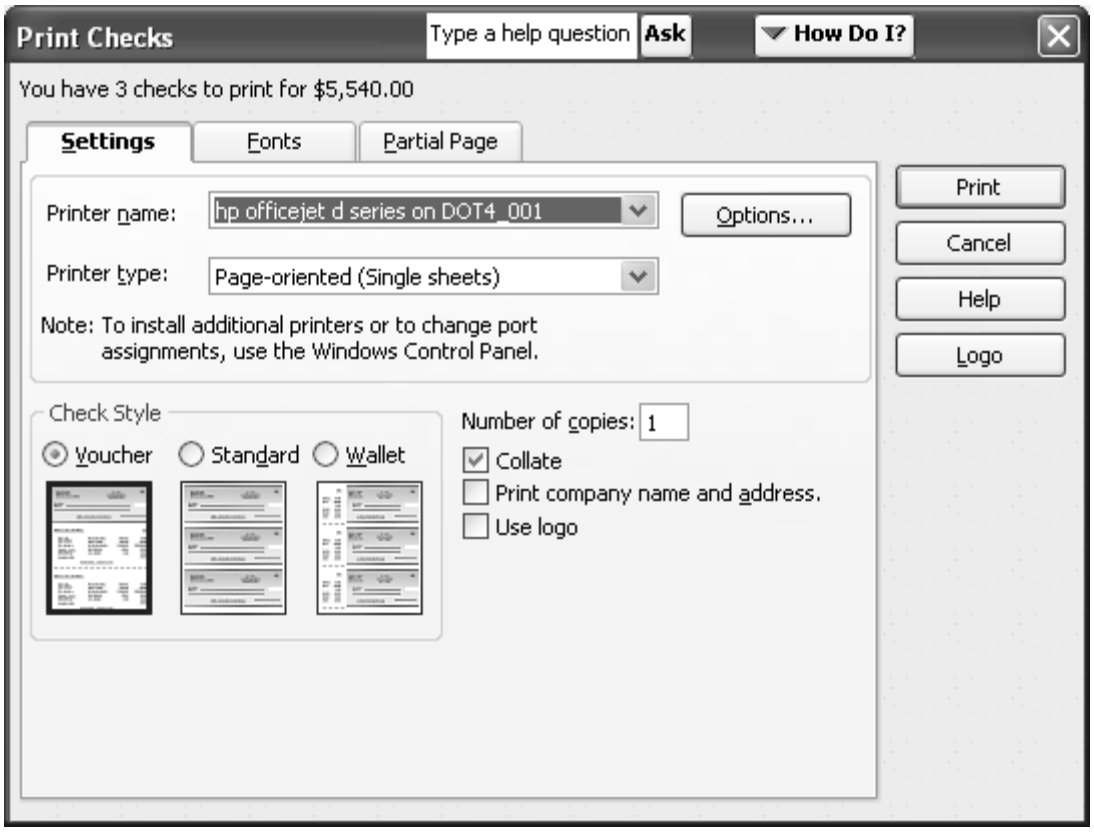
- Click **File.**
- Select **Print Forms.**
- Select **Checks.**

This screen displays all the checks you have waiting to be printed with check marks next to each one.

- Make sure the right **Bank Account** is selected. In this case, the checking account is correct.
- Make sure the beginning check number matches the number of the first check you are placing in the printer.
- If you want the check printed, leave the check mark.
- If you want the check printed later, click on the check mark and it will disappear.
- Click **OK.**



- Select the type of check style form you use: **Voucher, Standard or Wallet**.
- Select **Print**.
- **MAKE SURE YOUR REAL CHECK NUMBERS MATCH THE CHECK NUMBERS THEY WERE ASSIGNED IN QUICKBOOKS**. If they do not, you might have problems reconciling your bank account if the check numbers are all reversed. See **Correcting a Mistake** on page 231 if you need to change your check numbers.



13 INVOICING YOUR CUSTOMERS EACH MONTH

If you don't send your customer an invoice, they probably won't pay their Water/Sewer bill. If they don't pay their Water/Sewer bill, your utility will not be in business for very long. Therefore, this chapter is **VERY IMPORTANT**.

In this section, you will learn how to

- create a customized invoice for each Water/Sewer customer.
- memorize an invoice for each customer so you will not have to recreate it every month.
- create a monthly statement for each customer.

Creating a Customized Invoice

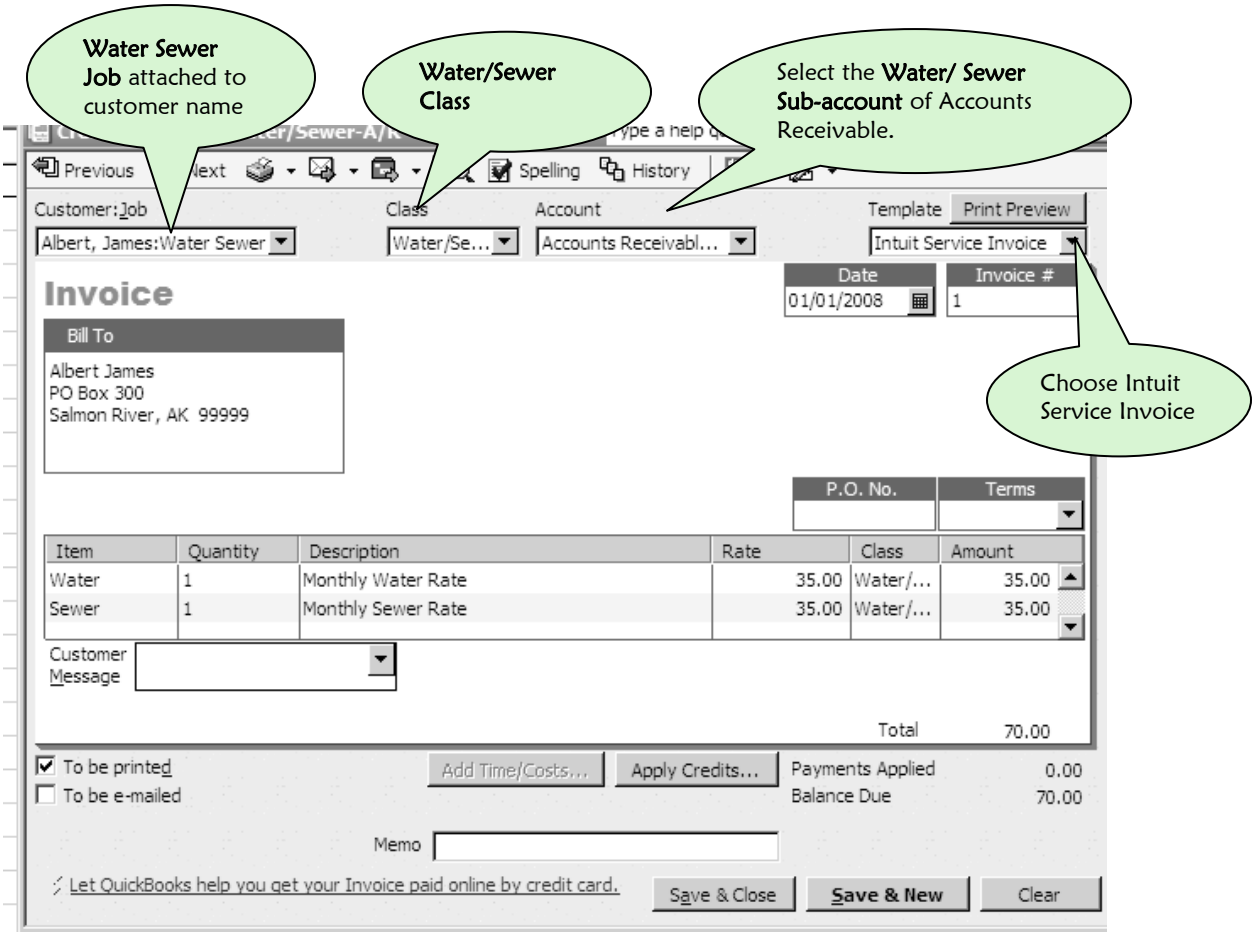
Each month you invoice your customers for water and sewer services. Unless the customer receives metered water where the usage varies each month, the invoice you send to your customer does not change from month to month.

Step 1

- Click **Invoice** on your **Icon Bar.**

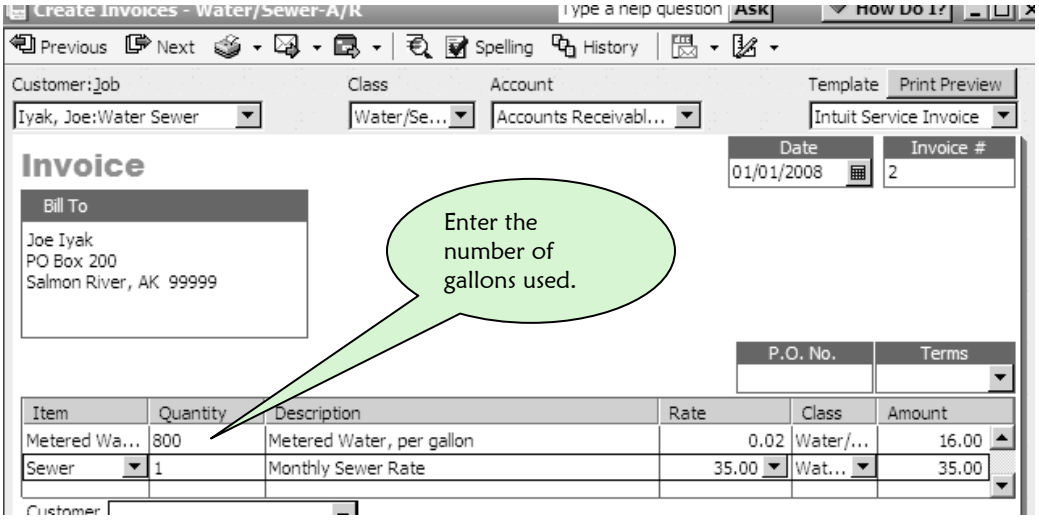
Step 2

- Select the **Water Sewer Job** attached to the customer that you are invoicing.
- Select the **Water/Sewer Class.**
- Select the **Water/Sewer subaccount** of **Accounts Receivable**.
- Make sure the date is accurate. It should be the first of the month.
- In the column labeled **Item** choose the service for which you are billing. Notice that the description and rate come in automatically.
- Bring in any other **Water/Sewer** services for which you are billing
- Click **Save & Close.**



Invoicing for Metered Water

Everything is the same as in Step 2 above, except you will enter in the number of gallons used and QuickBooks will multiply that number by the water rate and give you a total.

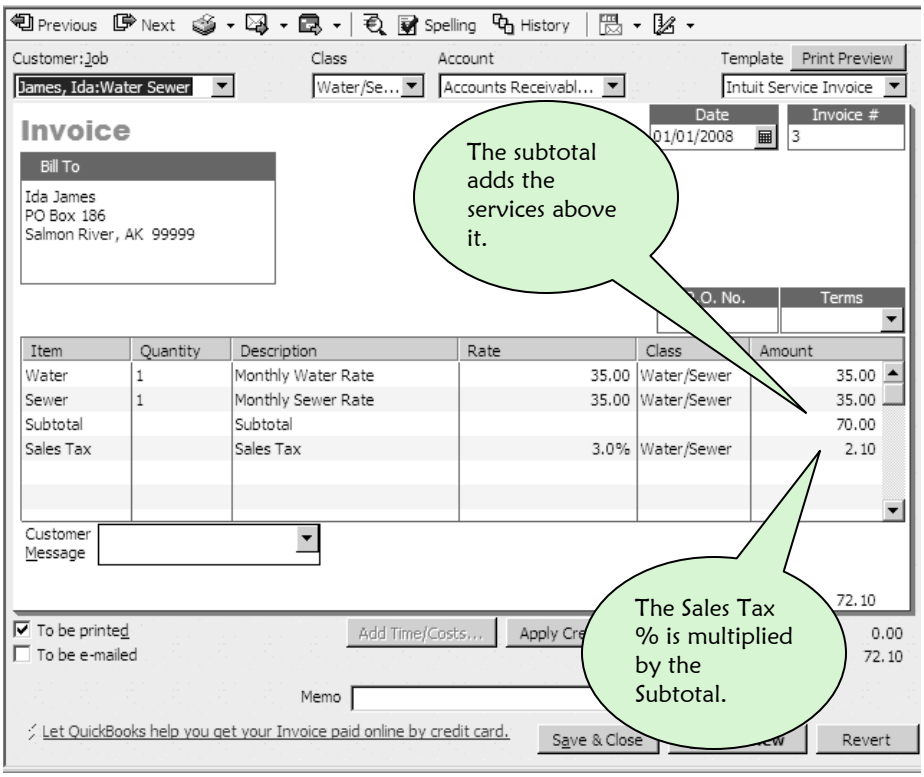


Invoicing With a Sales Tax

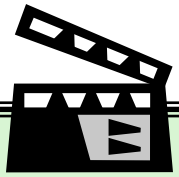
When you are creating an invoice with a sales tax, you must use a subtotal item and you must follow a specific order:

1. The services for which you are billing go first.
2. After all your services are listed, bring in the **Subtotal item** which you created in the setup on page 127 (notice that this totals up all your services).
3. Immediately **after** the **Subtotal**, bring in your **Sales Tax** item.

NOTE: **The Sales Tax is only calculated on the item just above it. If you have more than one service, you must have the Subtotal Item or else you will have the sales tax % applied to only one service.**



If you have only one item in your invoice, you can bring in Sales Tax without using the Subtotal item. Always remember, though, when you bring in Sales Tax, it is only calculated on the **ONE** item just above it.



BEHIND THE SCENES.....

When you create an invoice:

Income goes ↑

Accounts Receivable goes ↑

It is important to note that the minute you create an invoice in QuickBooks, your income account increases even though your customer has not yet paid their invoice.

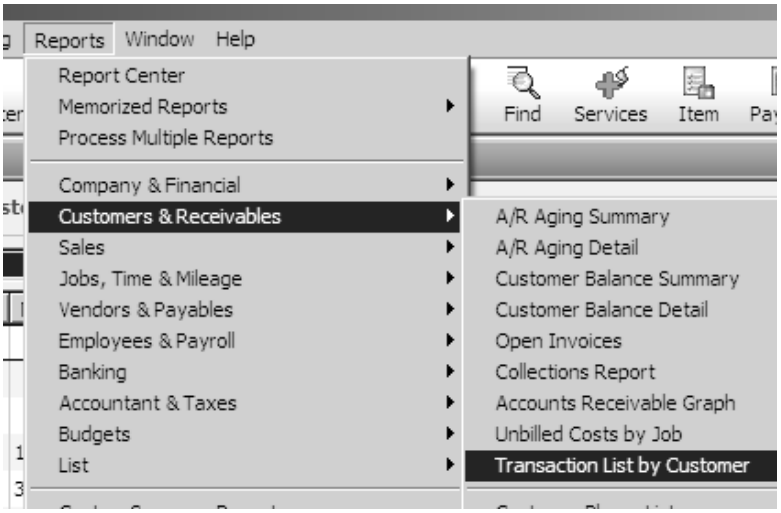
It's Your Turn!

Now you will work your way through your customer list and create invoices for every customer that gets a monthly water/sewer invoice. Follow Step 2 carefully by selecting the Water Sewer job attached to your customer. Don't forget the class and make sure you select the Water/Sewer Subaccount. When you complete an invoice, you can click **Save & New** instead of **Save & Close** and QuickBooks will bring up a blank invoice.

Check Your Work!

Follow this section closely and learn how to create and memorize a report so that you can check your invoices each month.

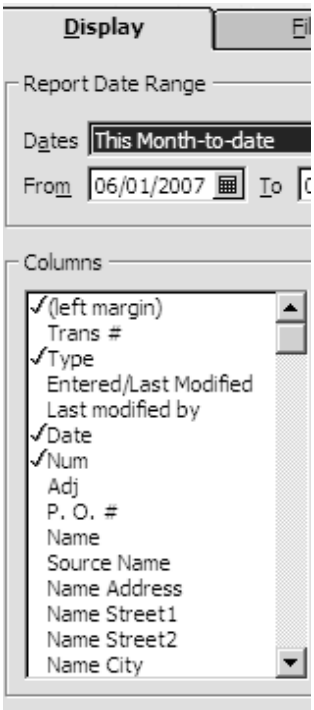
- Click **Reports.**
- Click **Customers & Receivables.**
- Click **Transaction List by Customer.**



- Click **Modify Report.**

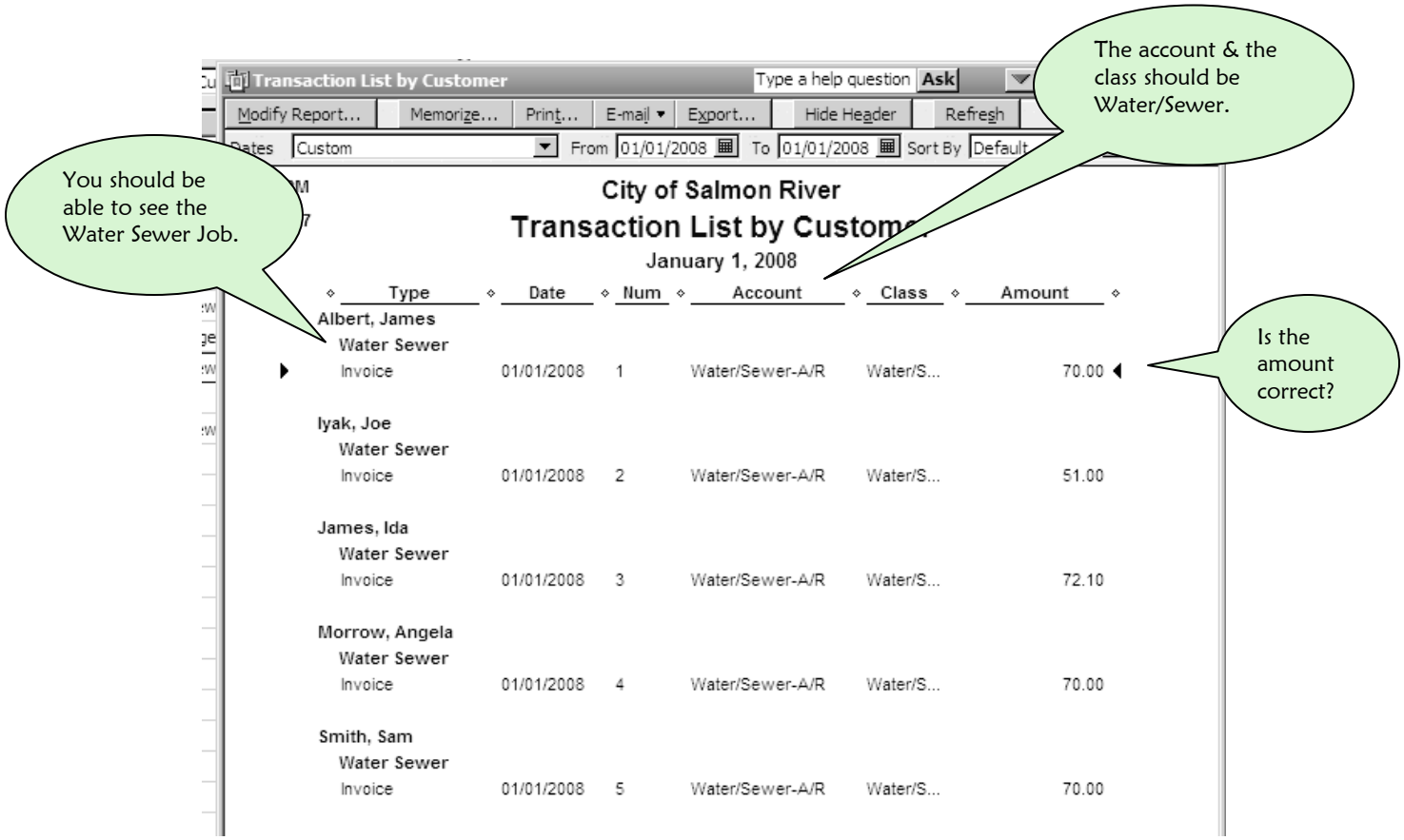
Work your way through this **Display** list by clicking the down arrow,

- **Delete these columns by UNCLICKING** (click the item once) the following:
  Memo
  Clr
  Split
- **Add this column by CLICKING** the following:
  Class
- Make sure the **From** and **To** dates are the same and that they are the date you created the invoices.
- Save your choices by clicking **SAVE.**



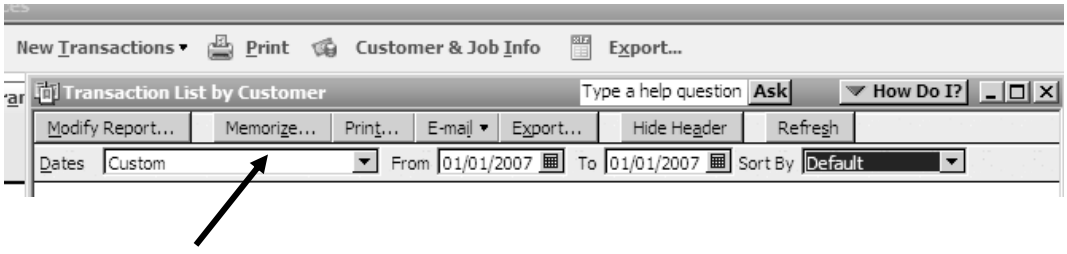
Great! Now you have a list of all the invoices you just created and you can quickly check them for accuracy.

Things to look for:



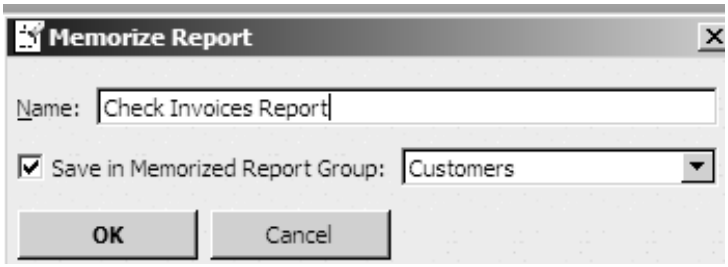
Let's memorize this report so you do not have to modify it every month. You can save all these settings which you just created, and call up this report each month to check your invoices.

- Click **Memorize** at the top of your report.



Give your report a meaningful name and save it in the Customer section by checking the little box and selecting **Customers**

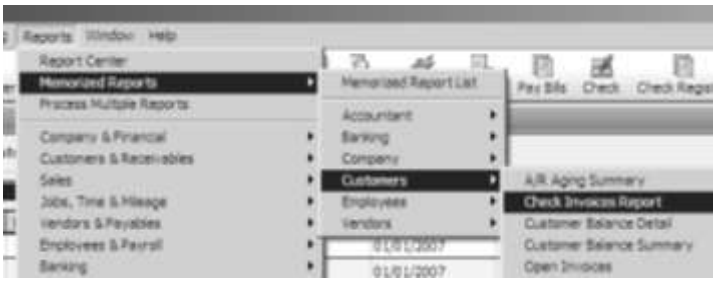
- Click **OK.**



Calling Up a Memorized Report

Next month QuickBooks will create your invoices for you. Get in the habit of looking at them in this report to make sure they are correct. Also use this report to make sure that you have not omitted anyone that should be getting an invoice. Every dollar coming into your community counts! Don't leave anyone out!

- Click **Reports.**
- Click **Memorized Reports.**
- Click **Customers.**
- Click **Check Invoices Report** (or whatever name you gave your report).
- Remember to change the date of the report to the current month.

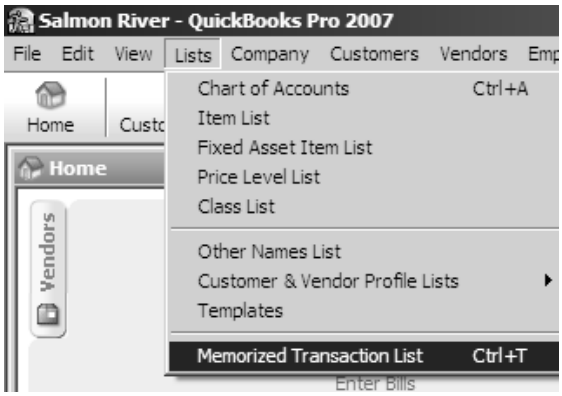


Memorizing Customized Invoices

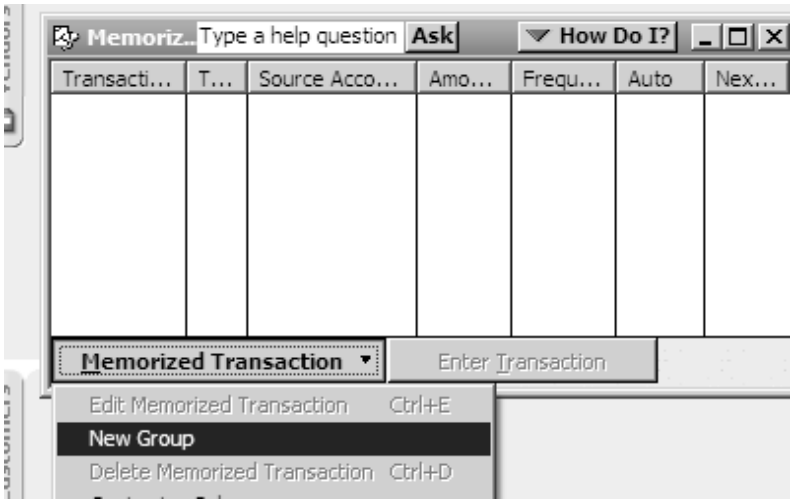
You just finished creating your customized invoices. You also looked at the **Check Invoices Report** in the previous section to check your invoices for accuracy. Now you will learn how to memorize these invoices so that each month they will be automatically created for you by QuickBooks.

Creating a Water/Sewer Group for Memorized Invoices

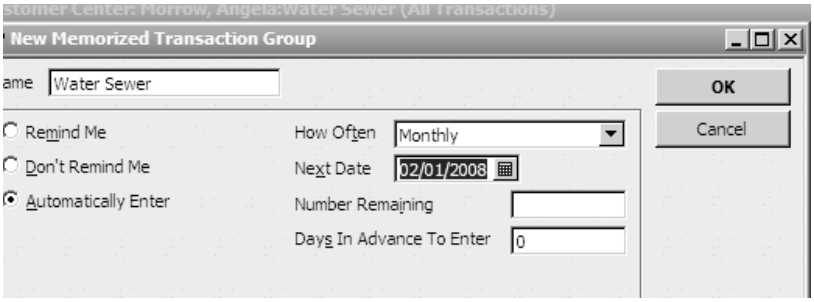
- Click **Lists.**
- Click **Memorized Transaction List.**



- Click the **Memorized Transaction** button.
- Click **New Group.**



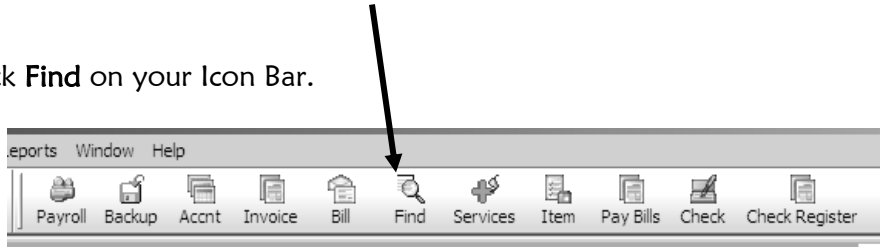
- Call your new group **Water Sewer.**
- Select **Automatically Enter.**
- Select **Monthly** next to **How Often.**
- Your **next date** will be the month following the invoices that you are memorizing.
- Click **OK.**



Memorizing the Invoices

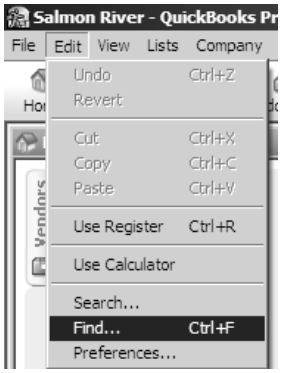
Once your Water/Sewer group is created, you will memorize an invoice for every water sewer customer. You will do this by going to the first invoice you created for monthly billings, memorize it, and move through them to the last one.

- Click **Find** on your Icon Bar.

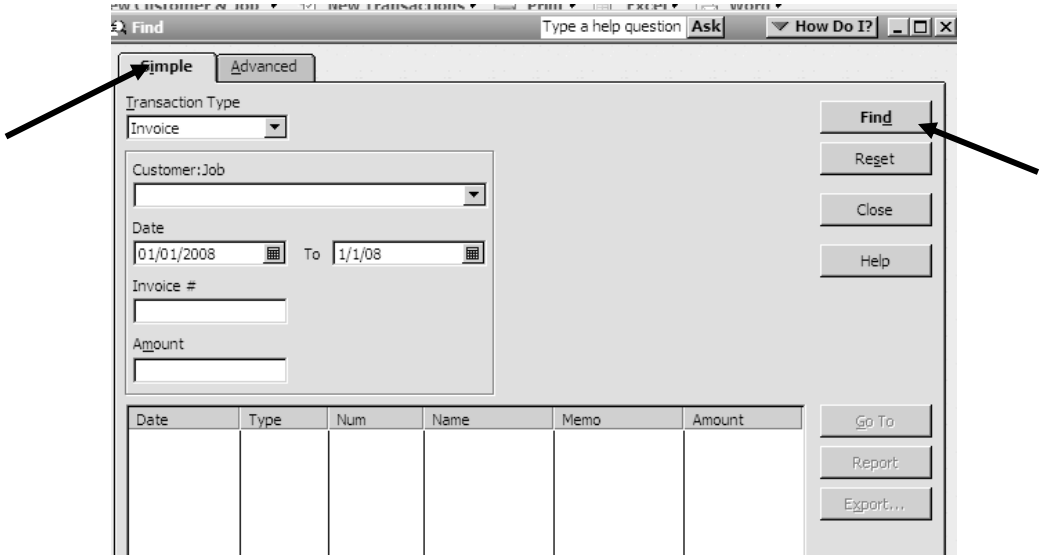


OR

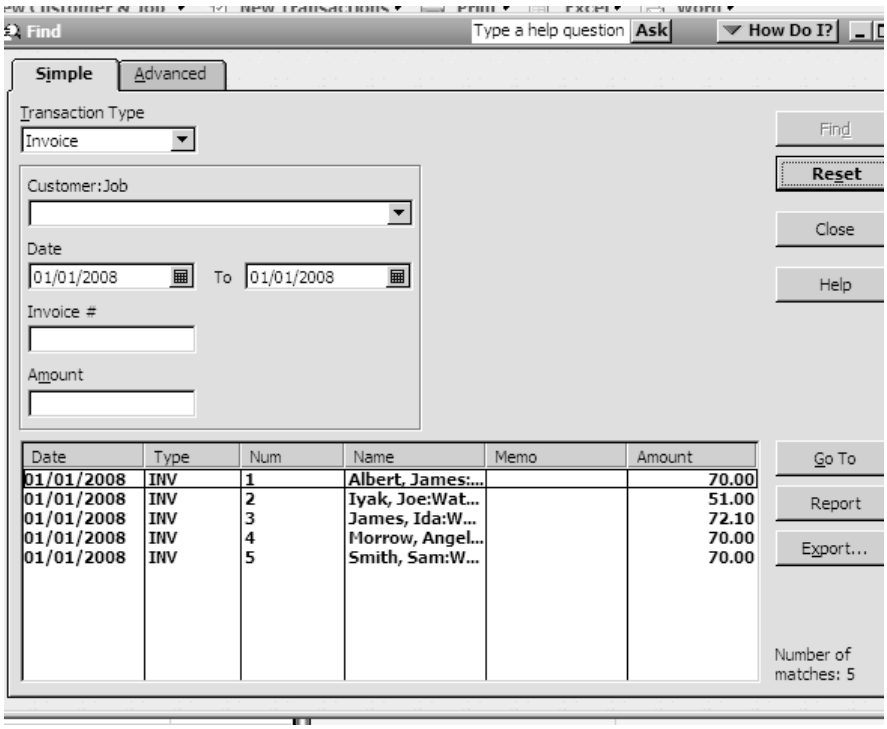
- Click **Edit.**
- Click **Find.**



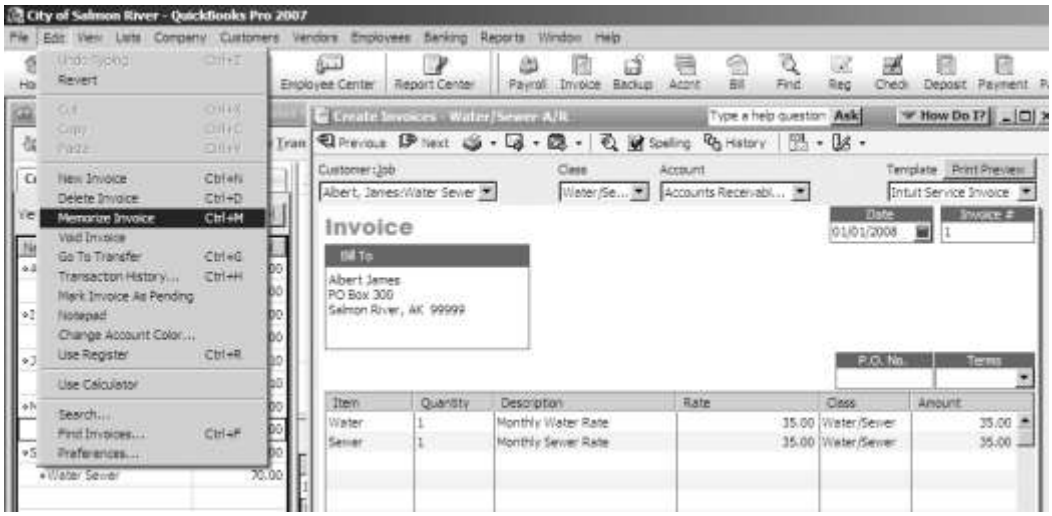
- Make sure the **Simple** tab is clicked and **Invoice** is the **Transaction Type**.
- In the **To** and **From** fields, enter the date you created your first set of invoices.
- Click **Find.**



- Double-click the top invoice.

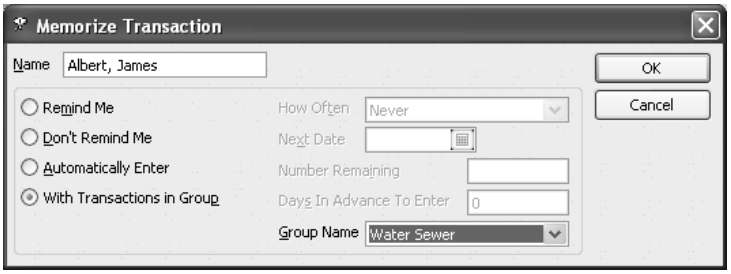


- QuickBooks will display your invoice.
- Click **Edit.**
- Click **Memorize Invoice** or press **CTRL-M.**



- Click **Add.**

- It is **very important** that you enter your customer name—**last name followed by first name**—in the field labeled **Name.** If you don't, you will see a long list of memorized invoices with the name of Water Sewer. You will not know which invoice goes with which customer.
- Select **With Transactions in Group.**
- Select **Water Sewer** in the **Group Name** field.
- Click **OK.**

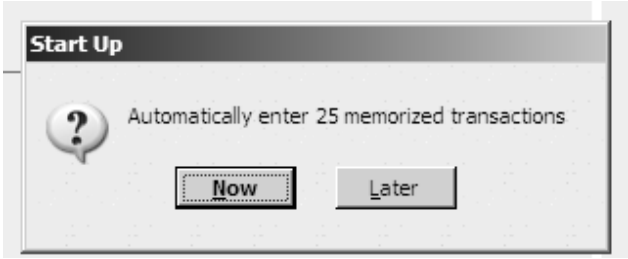


After memorizing an invoice, go back to the **Find** list and click the next invoice to be memorized until you have memorized all of your invoices.

Creating Invoices From Memorized Transactions

Each month, on the date that you selected for your memorized group of transactions, QuickBooks will create a separate invoice for every customer in your Water Sewer group. When you turn on the computer and open up QuickBooks on that date, you will see a message asking you to **Automatically enter ___ memorized transactions**—with a number in the blank that corresponds to the number of invoices you chose to memorize.

- Click **Now.**



Once your invoices have been created, check them for accuracy by bringing up **The Check Invoices Report** (see instructions on page 241).

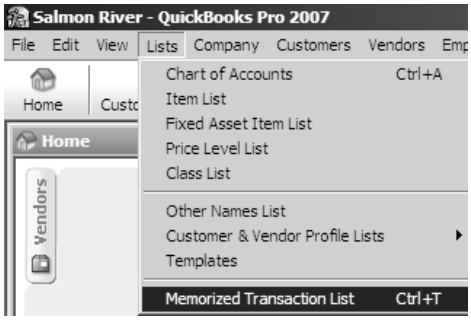
Don't forget to enter the date you created your **new** invoices in the **To** and the **From** fields. If any of your customers' invoices need to be changed for any reason, double-click your customer's invoice in this report, make your change and click **Save & Close.**

If your community has metered water, you can open up any of your customer's invoices this way and add the current month's water usage to the invoice. Don't forget to click **Save & Close.**

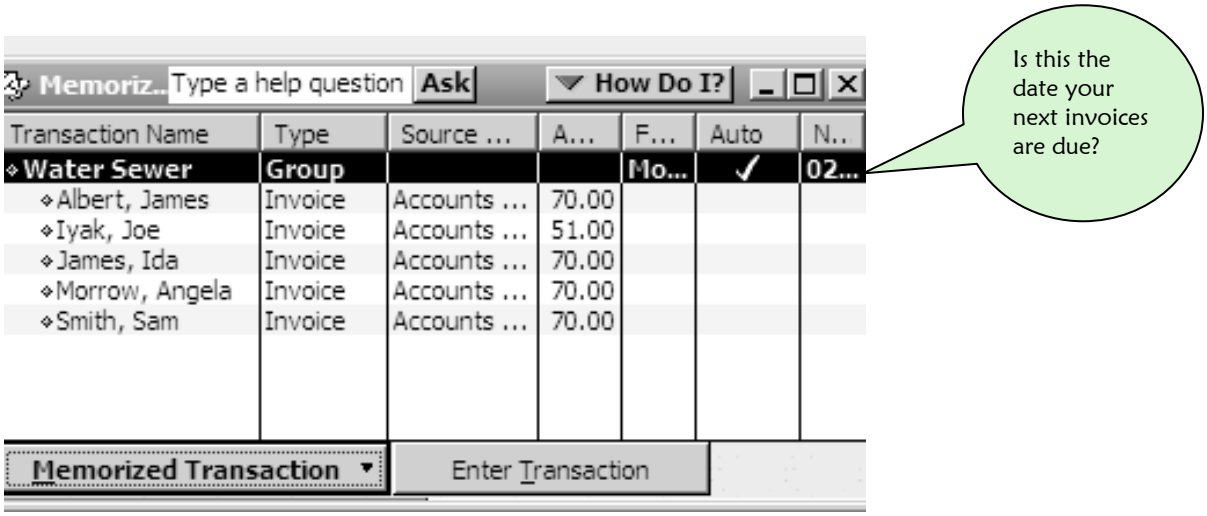
Check Your Work!

Check your Memorized Transaction list to make sure all of your customers have a memorized invoice.

- Click **List.**
- Click **Memorized Transaction List.**



Look through this list and make sure there is a memorized transaction for every customer who gets a water/sewer invoice. Make sure they are underneath the Water Sewer Group. Make sure that the **next date** is the date that your next group of invoices is due to be sent out.

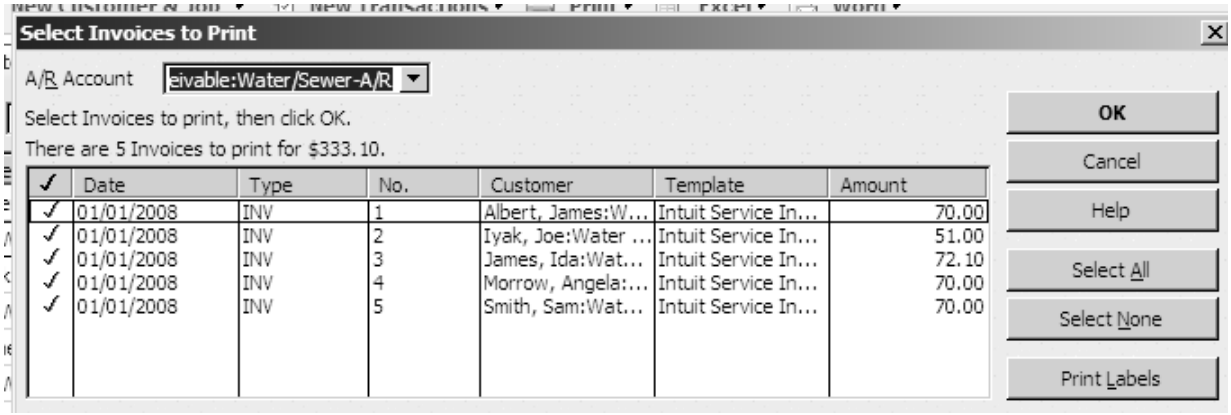


Printing Invoices

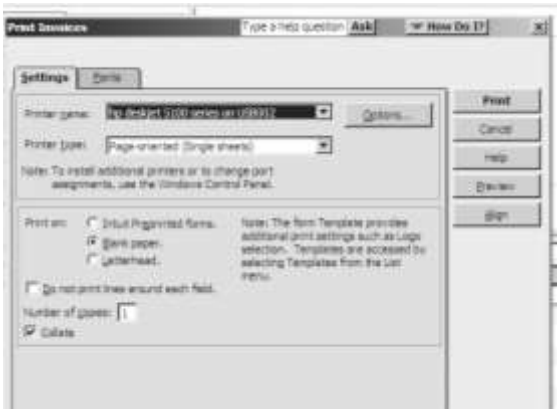
After you have edited and reviewed your memorized invoices for accuracy, you are now ready to print them.

- Click **File.**
- Click **Print Forms.**
- Click **Invoices.**

- Click **OK** if you wish to print all of your invoices.
- Or you may pick and choose which invoices to print by clicking on the invoices you do not wish to print to make the check mark disappear.



- Click **Print**



Creating an Icon to Create Statements

Using the instructions on page 57, create an icon for your **Icon Bar** that will Create and Print Statements.

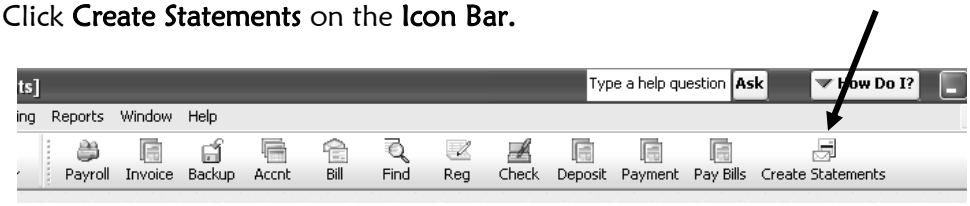
Here are the commands to add it to your bar:

- Click **Customers.**
- Click **Create Statements** which will bring up the **Create Statements** window.
- Click the **View** menu, then highlight **Add Create Statements to the Icon Bar.**
- Select the icon you want to use from the list at the left.
- Click **OK.**

Creating Statements

In addition to, or as an alternative to sending out the invoices, most utilities also send out statements. Statements can include other services in addition to water/sewer, and they can also include past due balances.

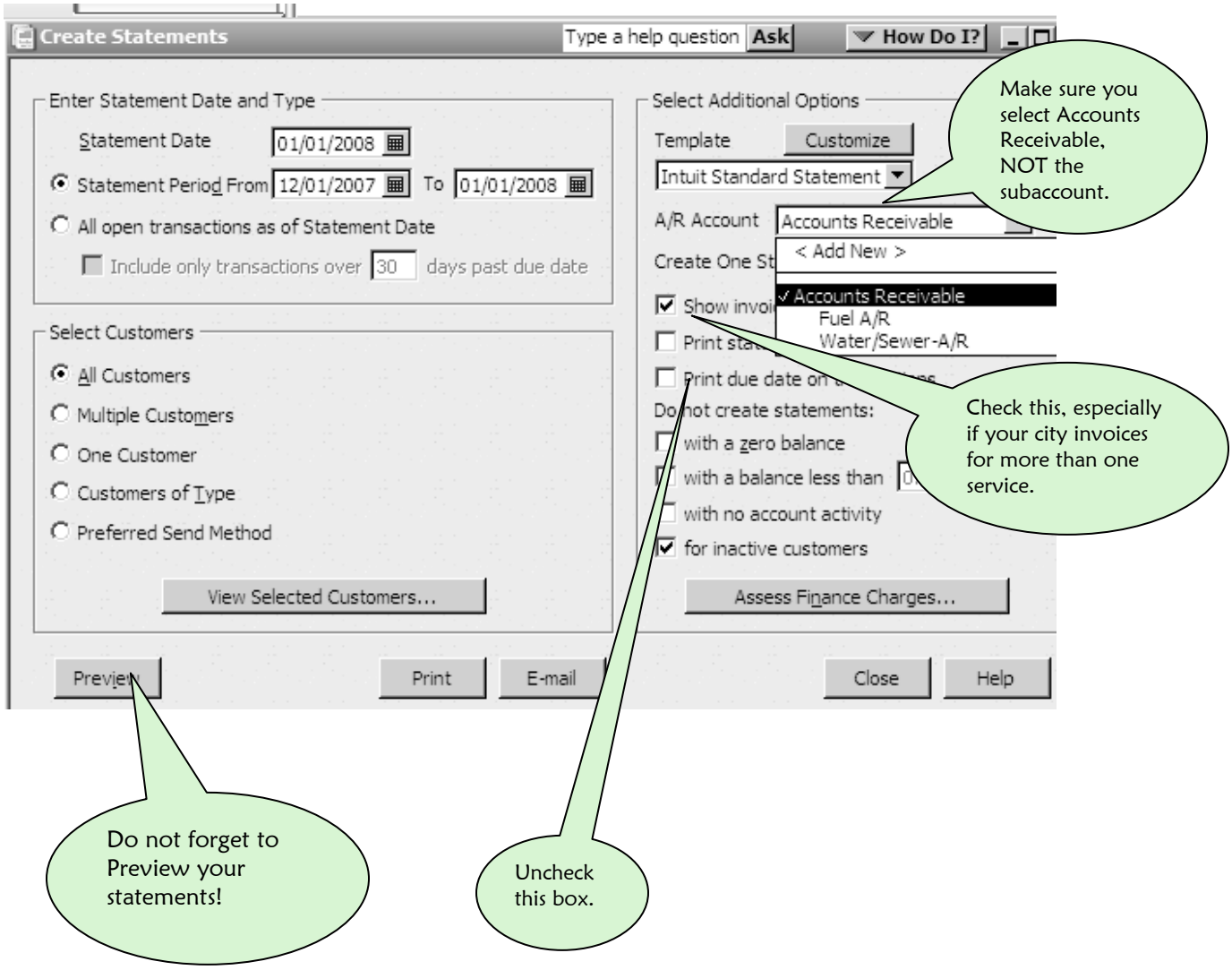
- Click **Create Statements** on the **Icon Bar.**



- The dates are critical on this screen. The **Statement Date** should be the date of the invoices you just created. The **Statement Period** can go from the first of the calendar year through your **Statement Date**.
- By clicking **All Customers**, you have asked QuickBooks to print all of our customer statements.
- Check the box **Show Invoice Item Details on Statements.**
- Uncheck the box **Print Due date on transactions.**

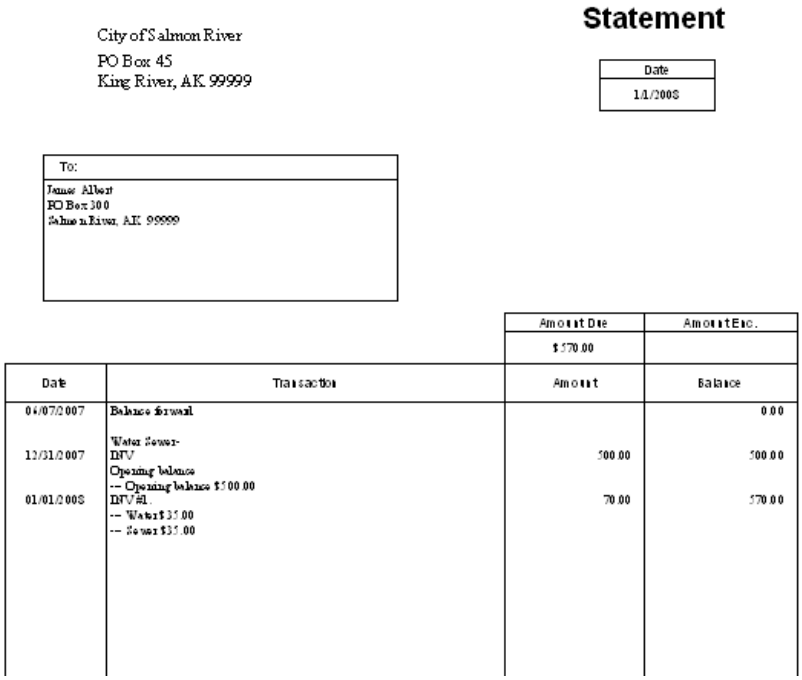
Pay attention to the field labeled **A/R Account**. Select **Accounts Receivable NOT** the subaccount **Water/Sewer.**

- Click **Preview.** You can view your statements on the screen. If you have selected the wrong dates or you want to change some criteria, you will not have wasted your time and your paper printing the incorrect invoices.
- Click **Print.**



Below is a screen preview of a statement. **Notice:**

- It has the same date as the invoice.
- This invoice covers the dates 12/1/07 through 1/1/08.
- It shows the customer his opening balance coming into the new system, January's billing and a grand total due.
- The customer can easily see that he is being billed for Water and Sewer services.
- The statement is neat, timely, and accurate.



Statement

City of Salmon River
PO Box 45
King River, AK 99999

Date
1/1/2008

To:
James Albert PO Box 300 Salmon River, AK 99999

		Amount Due	Amount Enc.
		$570.00	
Date	Transaction	Amount	Balance
04/07/2007	Balance forward		0.00
12/31/2007	Water Sewer- INV Opening balance -- Opening balance $500.00	500.00	500.00
01/01/2008	INV#1 -- Water $35.00 -- Sewer $35.00	70.00	570.00

Match your customers' invoices with their statements and mail them out on time. You can also email them by clicking on the E-mail button instead of the print button.

Protecting Customer Account Files

Your customers are the heart of your Water/Sewer Utility. Your Accounts Receivable system needs to be redundant. That means that if someone steals your computer or your QuickBooks company file becomes damaged, there needs to be a way for you to reconstruct customer account history.

Suggestions:

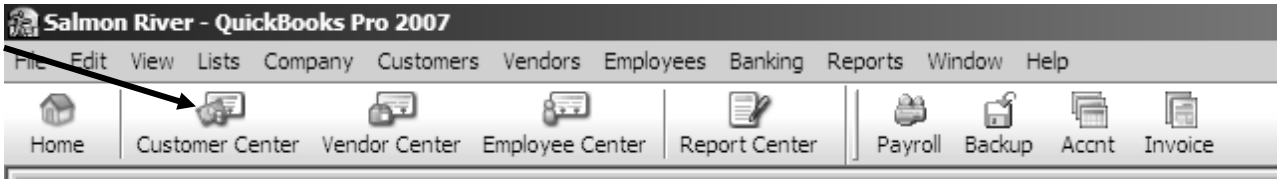
- In addition to your daily backups, make a backup after each monthly cycle of creating invoices. Keep this backup in a separate place from your other daily backups.
- If you are a small utility, consider printing an extra copy of each customer statement and filing it in a customer file.

- If you are a larger utility, you can punch holes in the statements and keep them all together in a binder. Each month you can remove the prior month from the binder and substitute the current statements.
- If you issue late notices, penalty letters or disconnect notices for individual customers, set up a file and make sure that all communication to and from your customer gets in this file. In case of disputes, these files will become very helpful.
- File any copies of customer checks which are returned because of non-sufficient funds in one folder.

Receiving Cash and Check Customer Payments

Every day your customers come in and out of your office and make payments. Some of you have customers paying for multiple services. Some customers pay in cash, some with checks. When you receive any payment, ask yourself if there is an outstanding invoice in QuickBooks. **If there is an invoice, you must receive the payment in the Customer Center of QuickBooks.**

- Click on the **Customer Center** icon.



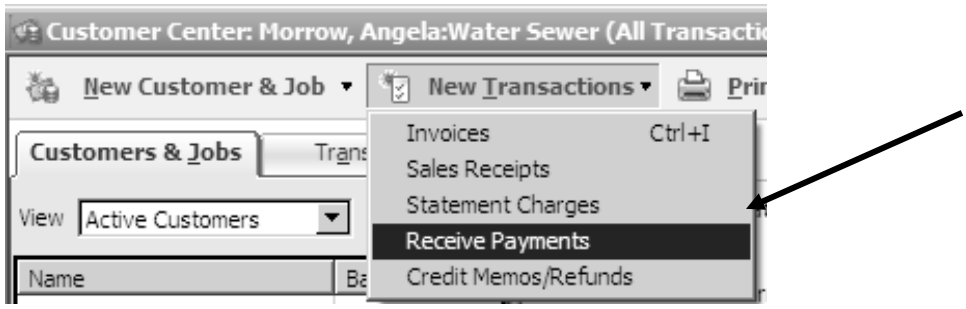
When you receive a payment, you have to make sure that you are applying the payment to the correct customer and the correct service for which they are paying.

In this example, Angela Morrow is paying $70.00 on her January 2008 invoice with Check #4528 on January 15, 2008

Once you are in the **Customer Center**, highlight the service attached to the customer that is paying. In the example below, Angela Morrow is paying her Water/Sewer bill.

While this customer's service is highlighted,

- Click **New Transactions.**
- Click **Receive Payments.**



Look at the screen on the facing page:

- Verify that the payment is being received for the correct customer, for the correct service.
- Select the **Water/Sewer A/R** subaccount attached to **Accounts Receivable.**
- Enter the amount of the Water/Sewer **payment.**

  NOTE: This may be confusing if the customer is paying for more than one service with one check. Enter the amount of the payment **NOT** the amount of the check.

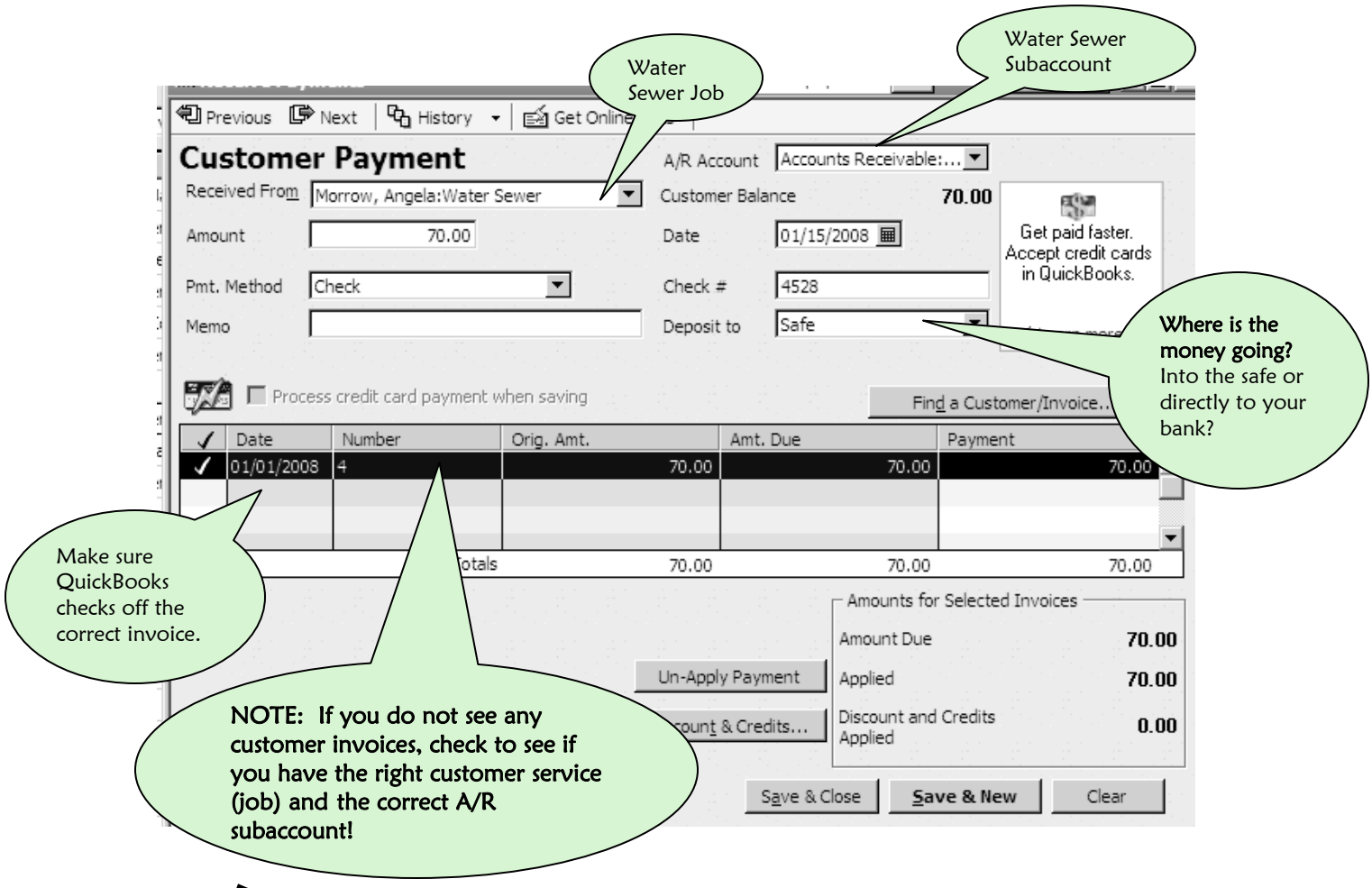
- Enter the date you are **receiving** the money.
- Select the correct **payment method** – Cash or Check.
- Enter the **check number.**
- If you give your customers handwritten receipts, enter the **receipt number** in the memo field.

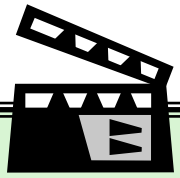
- **IMPORTANT!** Because you live in rural Alaska, there is probably not a bank in your community. If there isn't, you are receiving cash and checks into a Safe or a Cash Drawer. The purpose of accounting is to follow the money in and out of a business. Therefore, you are going to tell QuickBooks exactly where this money is going. **In this example, the money is going into the community Safe.** Later on, you will make a transfer of money from the Safe to your checking account when you make your actual deposit to the bank.

  What if you cannot select your account called Safe from the list?
  Go to page 50. You will have to make a change to the **Preferences** area of QuickBooks.

- **IF YOUR COMMUNITY HAS A LOCAL BANK** – Select **Undeposited Funds** From the account list in the field labeled **Deposit to:**

- Click **Save & Close.**





BEHIND THE SCENES.....

When you receive the payment:

The customer's Accounts Receivable balance goes ↓

The Checking Account or Safe balance goes ↑

BUT:

Water Sewer Income stays the same; it went ↑ when you invoiced the customer

Handling NSF Checks and NSF Bank Fees

There may come a time when a customer's check is returned to you because of non-sufficient funds. You will receive a letter from your bank with your customer's check enclosed or you will discover the NSF check when you open your monthly bank statement. If the NSF check was a customer payment for an invoice, you will need to do the following:

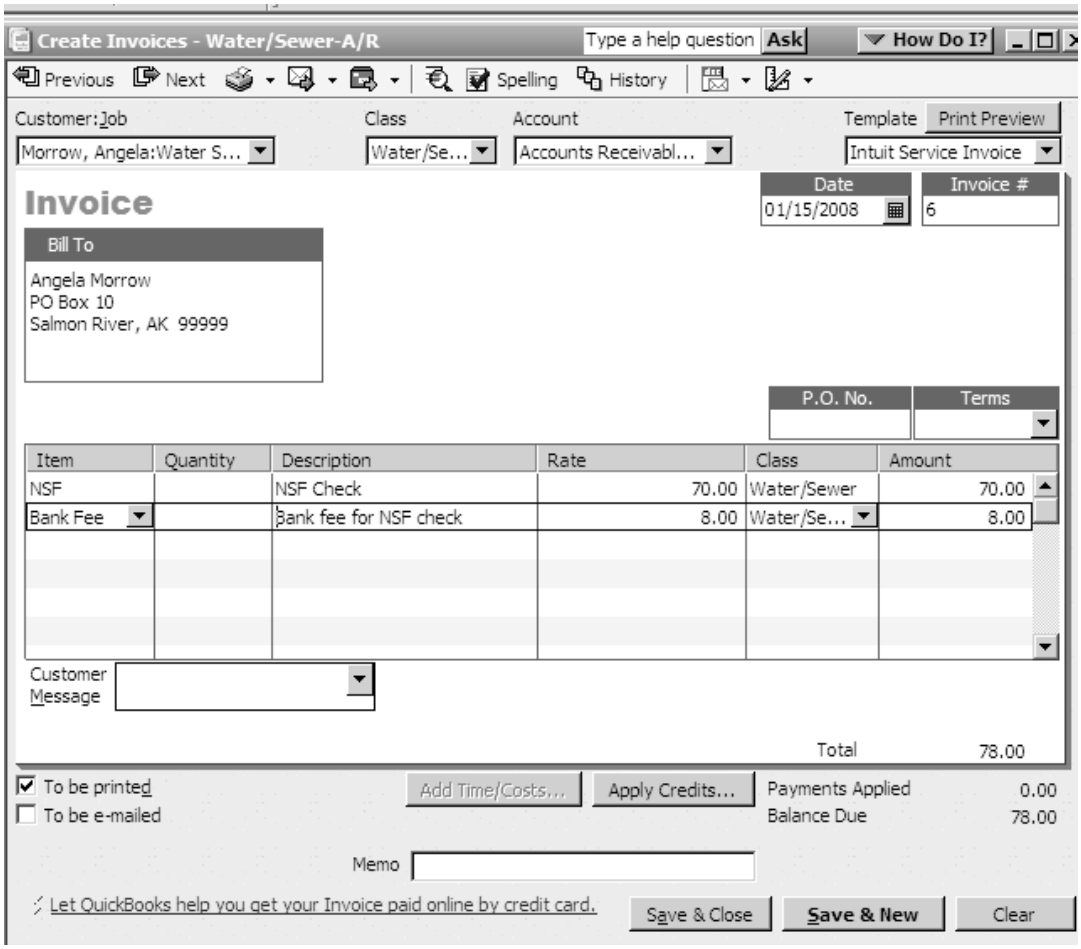
- Remove the NSF check amount from your checking account.
- Subtract the Bank Fee for the NSF check from your checking account.
- Re-invoice your customer for the returned check amount as well as the NSF bank fee you were charged.

Invoicing the Customer for the NSF Amount and Bank Fee

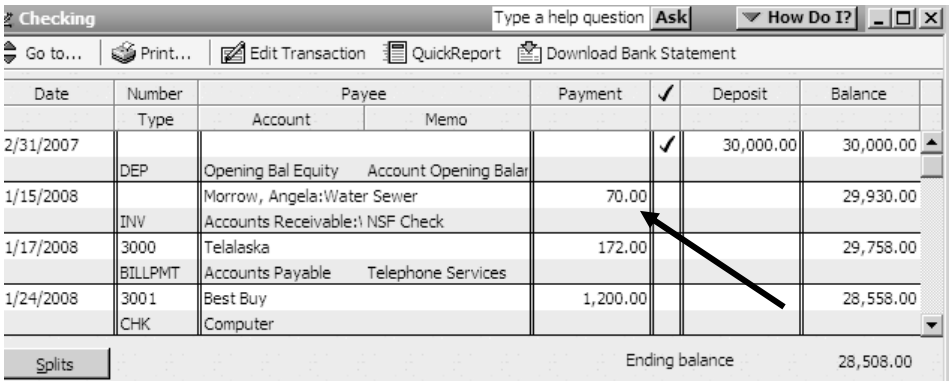
Examine the NSF check to determine what service or services the customer was paying for and the amount paid towards the service. **You will re-invoice them for the amount of each service included in the NSF check.**

In this example, Angela Morrow's check #4528 dated January 15, 2008 for $70.00 was returned for nonsufficient funds. This payment was for water/sewer services. There is an $8.00 bank fee charged for this check.

- Click **Invoice** on the **Icon Bar.**
- Select the **Customer** and the appropriate **Customer job** for which to re-invoice for the NSF check.
- Select the appropriate **Class.**
- Select the correct **Accounts Receivable** subaccount.
- Enter the correct **Date.**
- In the **Item** column, select **NSF.**
- Enter the **Amount** of the NSF check. You might be tempted to bring in the water/sewer service item. Do not—because you have already done this in your original invoice. This NSF item will charge the customer once again for the correct amount and it will also remove the amount from the checking account at the same time.
- On the next line, in the Item column, select **Bank Fee** and enter the amount of the bank processing fee. This invoices your customer for the Bank Fee that your bank charged you for the NSF check.
- Click **Save & Close**.



When you invoice your customer for the NSF check and its bank charge, the amount of the NSF check is immediately deducted from your checking account. This will enable you to clear this NSF charge in your reconciliation.



BEHIND THE SCENES.....

When you invoice for an NSF check:

The customer's Accounts Receivable balance goes ↑
Bank Service Charges goes ↓
Checking Account goes ↓

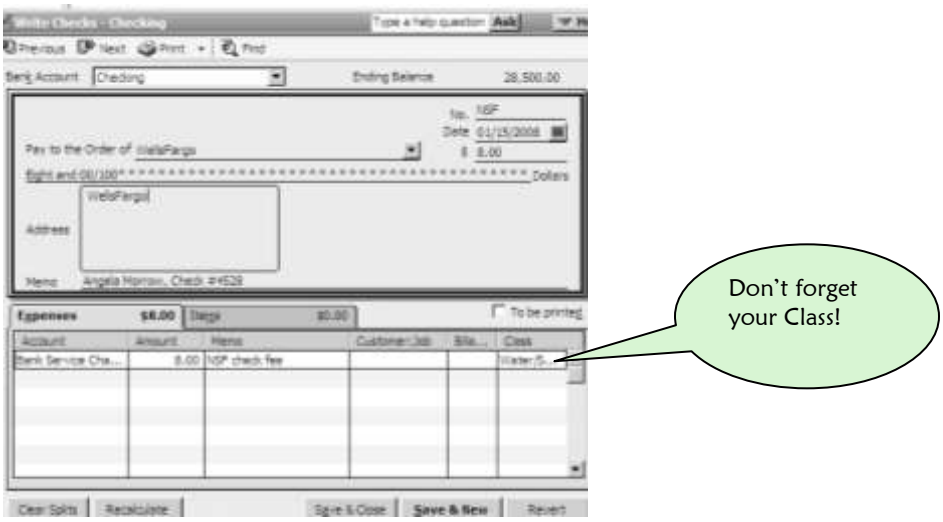
BUT:

Water Sewer Income stays the same; it went ↑ when you invoiced the customer

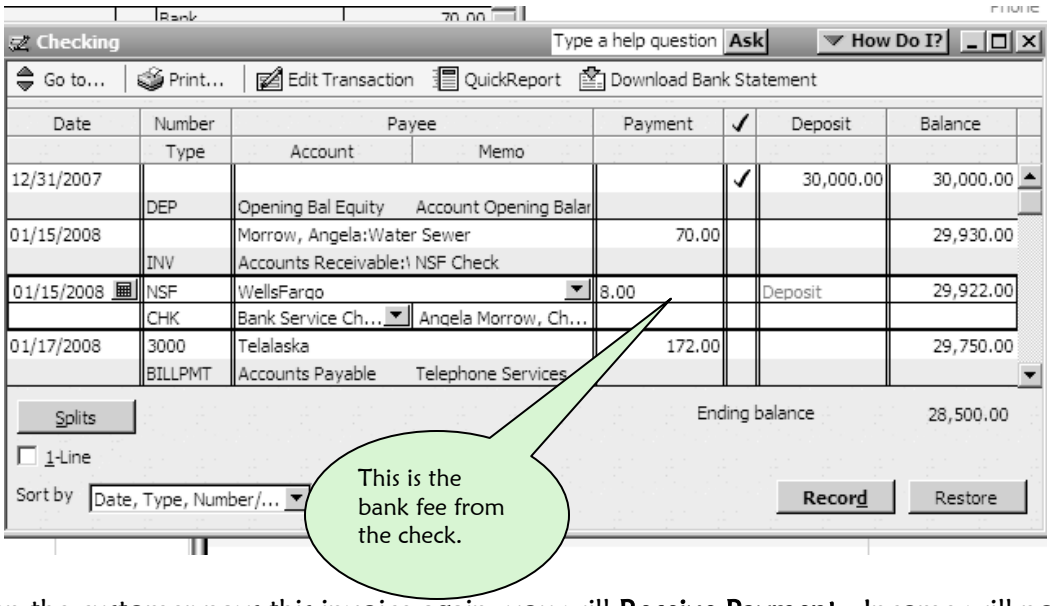
Subtracting the Bank Fee from the Checkbook

Create a check to deduct the Bank NSF Processing Fee that the bank charged to your bank account.

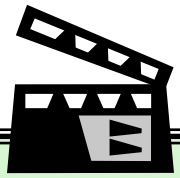
- Click **Check** on the **Icon Bar.**
- You do not need a check number. This is a check you won't print or mail.
- The **Payee** is your bank.
- The **Amount** is whatever the bank charged you to process the NSF check.
- The account is **Bank Service Charge**.
- In the **Memo** field, enter the name of your customer with the NSF check.
- The **Class** is whatever department the service was for.



Now these charges will be in your checking account when you are ready to reconcile your bank statement. Your customer has been invoiced for the NSF check and the bank charge for processing the check.



When the customer pays this invoice again, you will **Receive Payment**. Income will not be double-booked.



BEHIND THE SCENES.....

When you write a check to deduct the bank fee:

Bank Service Charge Expense Account goes ↑
Checking Account goes ↓

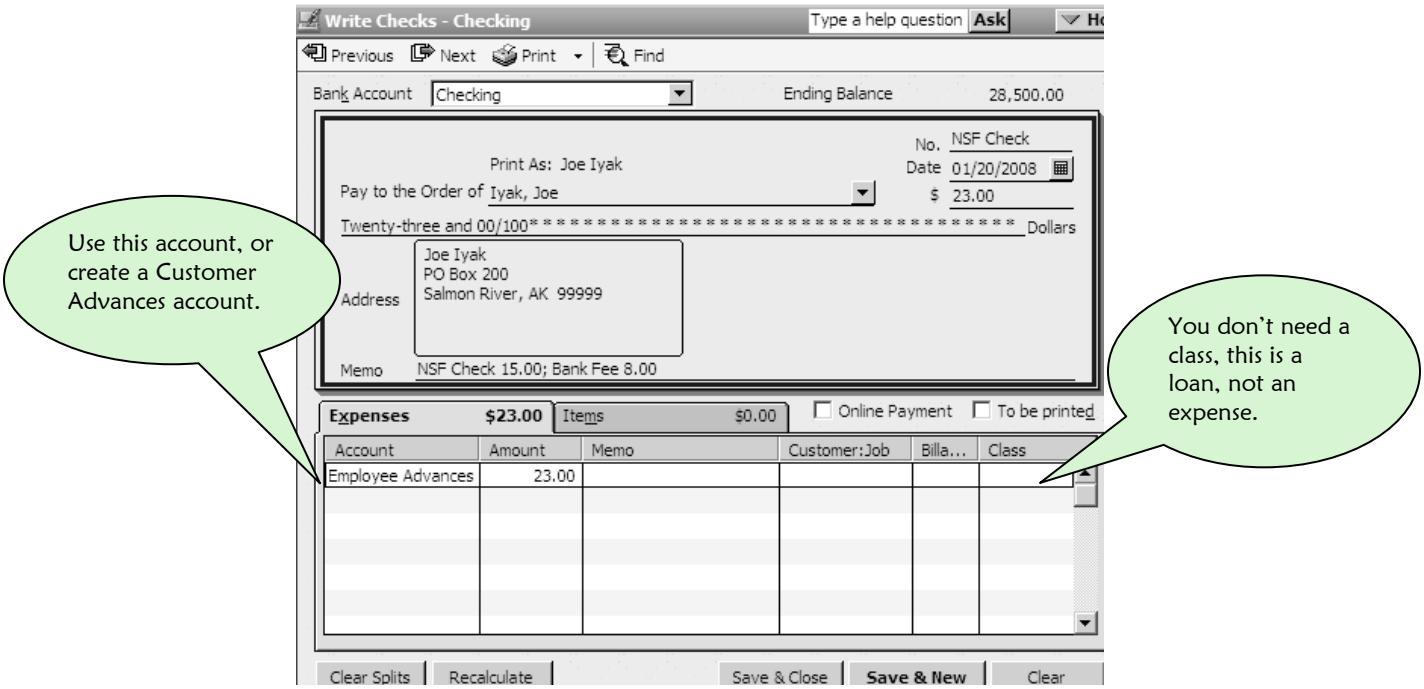
After you receive the payment for the new invoice for the NSF check and bank fee:

Checking Account goes ↑
Accounts Receivable goes ↓

Handling an NSF Check With No Outstanding Invoice

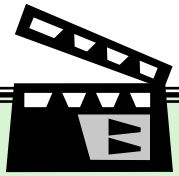
Example: Your customer, Joe Iyak comes in for a cash exchange. He gives you a check for $15.00. You give him cash. The check later on turns out to be an NSF check with an $8.00 bank fee. Until, you get him to honor his check, your utility has essentially loaned him this money.

- Create a check for your customer with the amount of the NSF check plus the NSF bank fee for the total amount of the check.
- Use **Employee Advances** account (which includes loans to employees) or you can create a new account called Customer Advances.
- In the memo, note the name, check number, situation for the NSF check, amount of the NSF check and bank fee amount.
- You do not need a Class.


Write Checks - Checking
Type a help question
Ask
Previous
Next
Print
Find
Bank Account
Checking
Ending Balance
28,500.00
No.
NSF Check
Print As: Joe Iyak
Date
01/20/2008
Pay to the Order of
Iyak, Joe
$
23.00
Twenty-three and 00/100* * * *

Here is your check register. These charges are now there for later reconciliation of your bank account. Remember, they will appear as two charges on the bank statement: $23.00—the amount of the NSF check—and $8.00 for the bank fee.

	Type	Account	Memo				
01/15/2008		Morrow, Angela:Water Sewer		70.00			29,930.00
	INV	Accounts Receivable:\	NSF Check				
01/15/2008	NSF	WellsFargo		8.00			29,922.00
	CHK	Bank Service Charges	Angela Morrow, Check				
01/17/2008	3000	Telalaska		172.00			29,750.00
	BILLPMT	Accounts Payable	Telephone Services				
01/20/2008	NSF Check	Iyak, Joe		23.00			29,727.00
	CHK	Employee Advances	NSF Check 15.00; Ban				



BEHIND THE SCENES.....

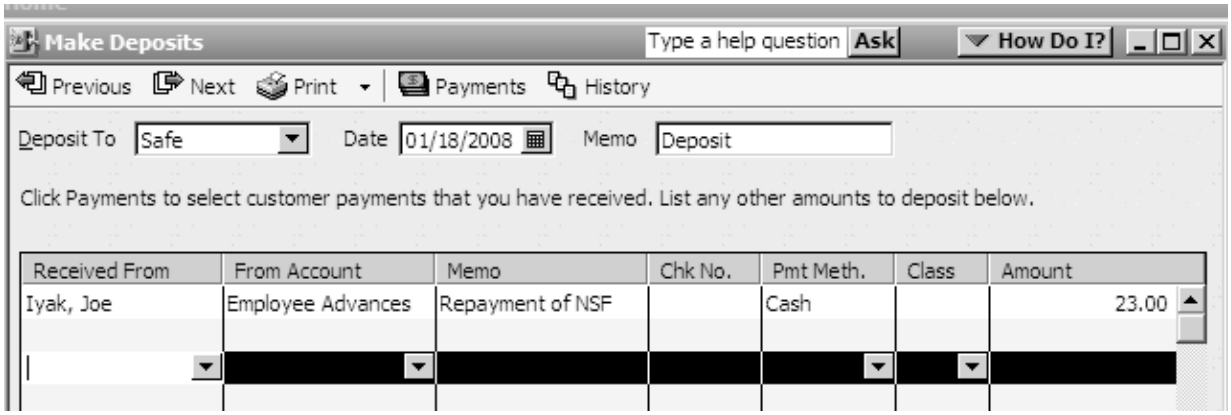
When the NSF check is for a service with no previous invoice:

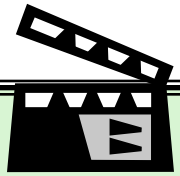
Employee or Customer Advances goes ↑

Checking Account goes ↓

Make sure you call your customer and tell him about the NSF check and the fee.

- When he repays you, **Make a Deposit** to your **Safe** or your **Checking account**.
- The **Account** under the **Expenses** tab will be **Employee Advances** or **Customer Advances. You must use the same account that you selected for the check so that it will cancel the debt.**





BEHIND THE SCENES.....

When the employee or customer pays you back:

Checking Account goes ↑

Employee Advances or Customer Advances goes ↓

14 FUEL PURCHASES

If your utility or community buys and sells fuel, it is a good idea to put a system in place to keep track of how much fuel is being sold, how much fuel is left in the tank, and how much fuel you are purchasing. This system will enable you to determine if you are making or losing money, and it will also help you maintain control of the fuel supply.

System of Controls for Selling Fuel

- Have one or two people designated to sell fuel. They will know the system and there will be less likelihood of mistakes being made.
- Limit fuel sales to certain days and times.
- Sell your fuel on a cash or check basis. Your community has already paid for that fuel, so you want to get your money back as quickly as possible.
- If you do decide to extend credit to customers, set some credit criteria. Require payment of their invoice within 30 days. No one with a past due balance over a certain time period should be allowed to purchase fuel.
- Know how much fuel you have on hand. Dip the tank every week and look at the amount of fuel sold that week. (See page 275) Can you account for all the fuel? Is fuel disappearing?
- Set up a log book that records total fuel transactions for the week: the amount of fuel you have on hand, how much was purchased and how much was sold that week. This will help you keep better track of your fuel.

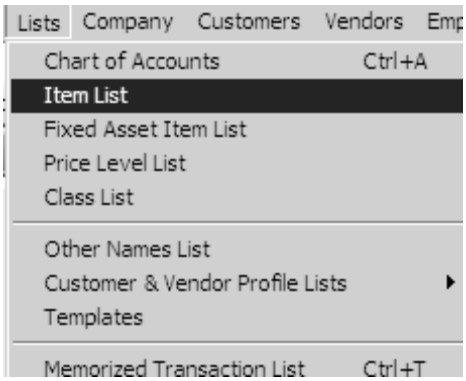
Setting Up Fuel Items—Diesel #1, Propane, Diesel and Gas

You may sell one or all of these types of fuel. Each type you sell will require its own item.

Let's set them up.

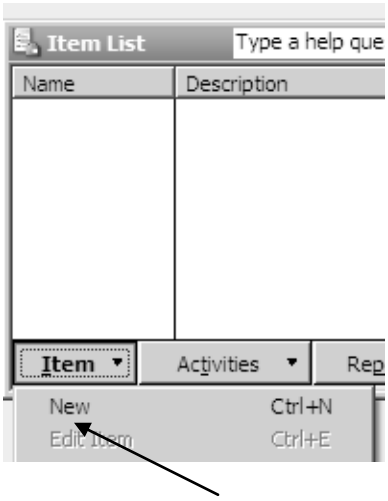
Step 1

- Click **Lists** from the Menu Bar at the top of your screen.
- Click **Item List.**



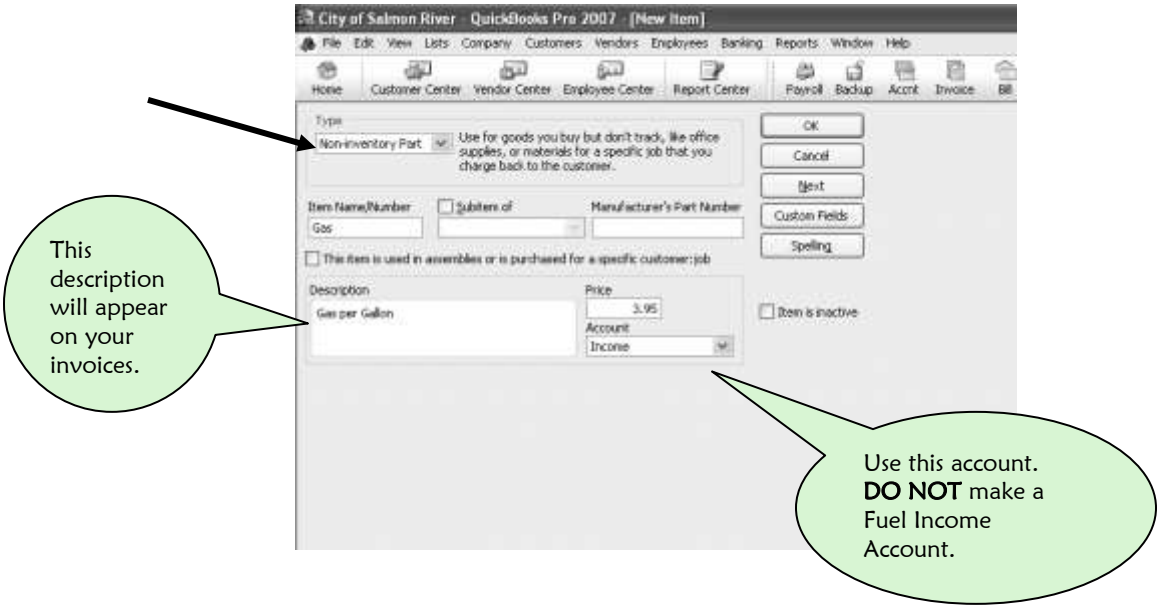
Step 2

- Click **Item** (bottom left of window).
- Click **New.**



Step 3

- Select **Non-Inventory Part** from the drop-down menu in the field labeled **Type.**
- In the field labeled **Item Name/Number** enter a short name to identify your fuel.
- Describe your service in the **Description** field—this will appear on invoices exactly as you type it here.
- Enter your **Rate per gallon or pound** in the **Price** box.
- Select the **Income** account.
- Click **OK.**



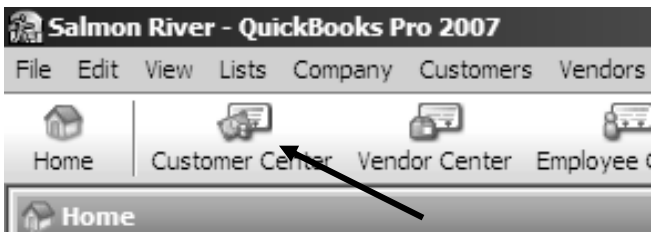
Other fuel items will be set up the same way with the appropriate charge per gallon or pound.

Setting Up the Fuel Job for Each Customer

Each of your customers that buys fuel will have to be set up with a job so that you can keep track of their purchases.

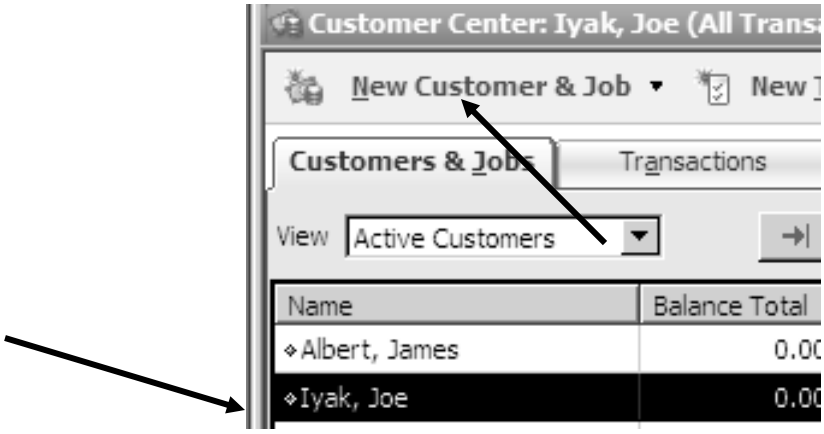
Step 1

- Click **Customer Center.**



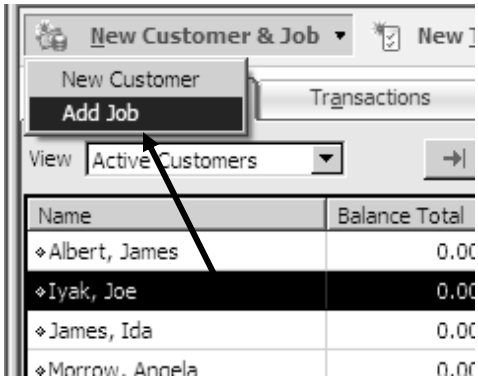
Step 2

- Highlight your customer name by clicking on it one time.
- Click **New Customer & Job.**



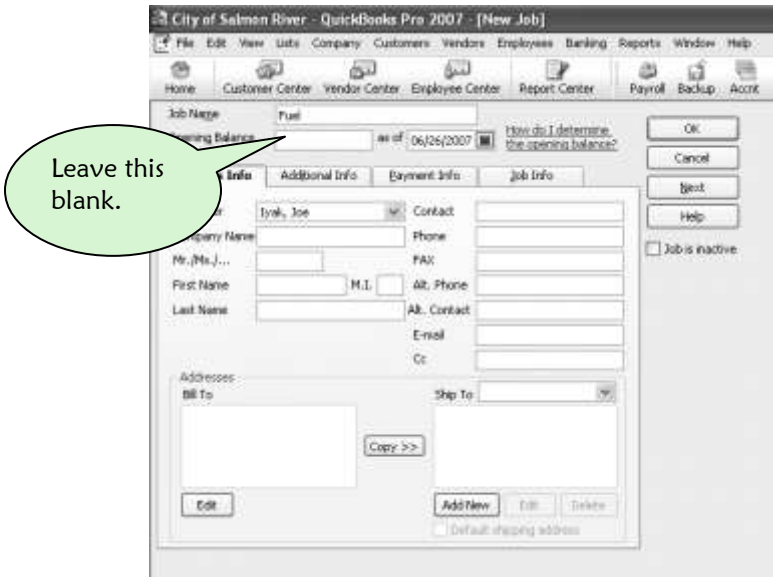
Step 3

- While your customer name is highlighted, click **Add Job.**



Step 4

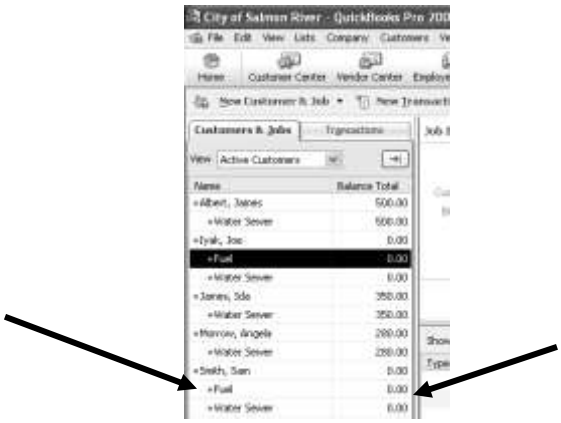
- In the field labeled **Job Name**, type **Fuel.**
- If there is no Opening Balance, leave the date alone.
- Click **OK.**



If you have customers with opening balances, follow the instructions on pages 105-106. Be sure to substitute your Fuel A/R subaccount, Fuel Class and Fuel Customer Job. Repeat this process for all of your customers that purchase fuel.

Check Your Work!

It's easy to see if you have done it correctly. Each of your customers that buys Fuel will have the Fuel job under their name. Check to make sure they have the correct opening balance.



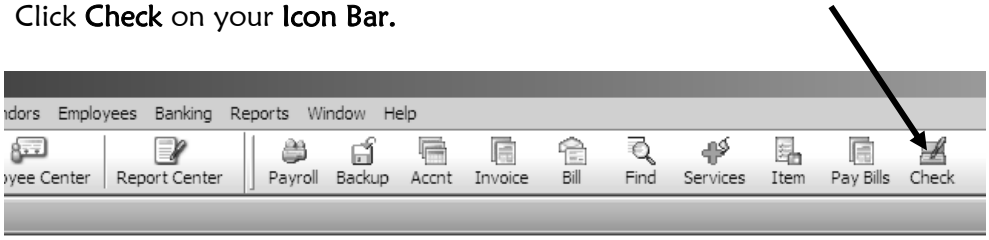
Purchasing Fuel

To purchase fuel, write a check as you would to purchase any other expense item.

Remember! Fuel is one of the more expensive items you purchase. Therefore, if you find yourself ordering it, receiving it and delaying payment—Enter a Bill instead!! That way, the fuel expense will be entered in your Profit & Loss Statement in the month it was ordered, instead of the month it was paid.

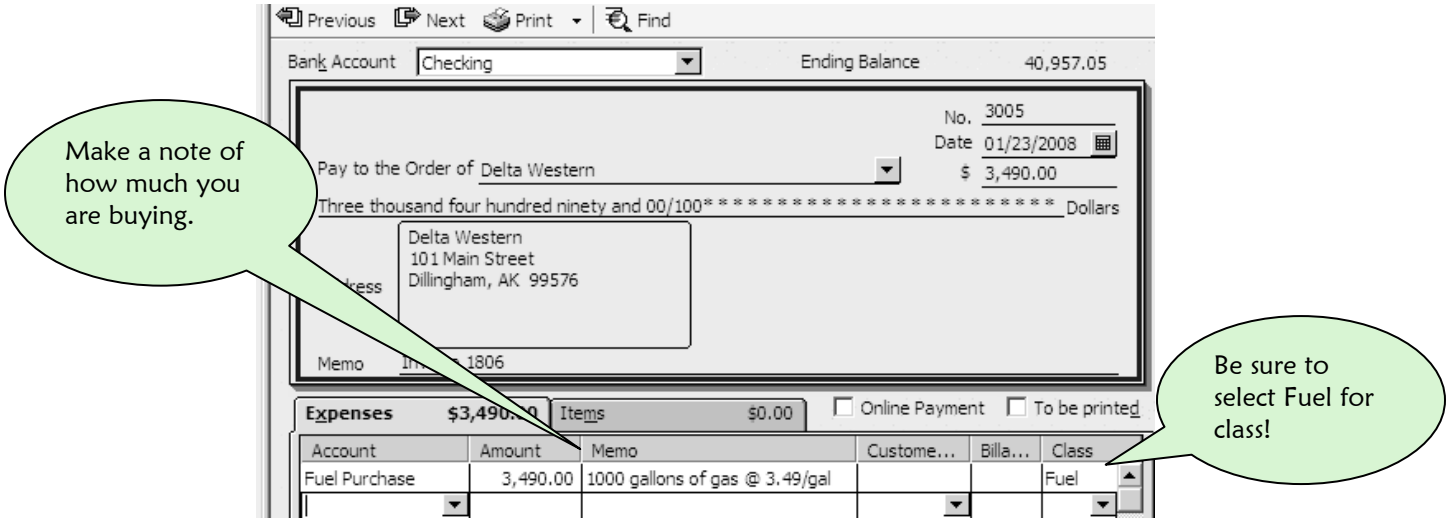
Step 1

- Click **Check** on your **Icon Bar.**



Step 2

- Select the **correct bank account** (choose a checking account).
- Make sure your **check number** is correct or the **To be Printed** box is checked.
- Enter the **date** you are writing the check.
- Make sure that the **Vendor** is your fuel supplier.
- Verify that you have the correct **amount.**
- Select the **Fuel Purchase account.**
- In the memo field enter how much fuel you are buying and the type of fuel.
- Don't forget your **Fuel Class.**
- Click **Save & Close.**



BEHIND THE SCENES.....

When you purchase fuel:

Fuel Purchase Expense goes ↑

Your Checking Account goes ↓

Selling Fuel

The safest way to sell fuel in your community is on a cash or check basis. When it is time to make another fuel purchase, you will have the money. When you sell fuel on credit, you have to invoice the customer and send them a statement at the beginning of the next month. It could be weeks before you get the money.

Cash and Check Sales

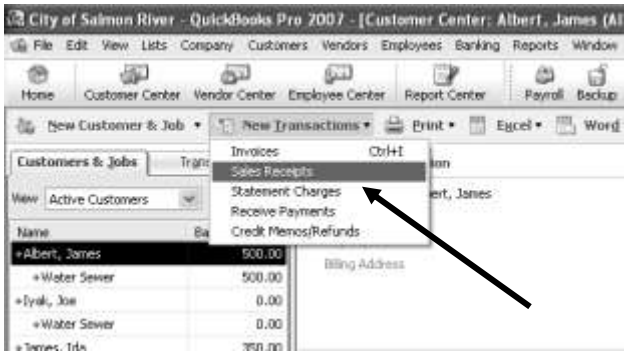
Selling fuel on a cash basis is easy. You create a Sales Receipt for the customer when they give you the cash. In some communities, the sale of fuel takes place away from the city office. An employee other than the QuickBooks employee sells the fuel, and receives the cash or checks in payment. At the end of the day, they hand over the cash and checks to the QuickBooks employee. If this is the way your community handles Fuel sales, you may create multiple Sales Receipts one after another at the end of the day.

Step 1

- Click on **Customer Center.**

Step 2

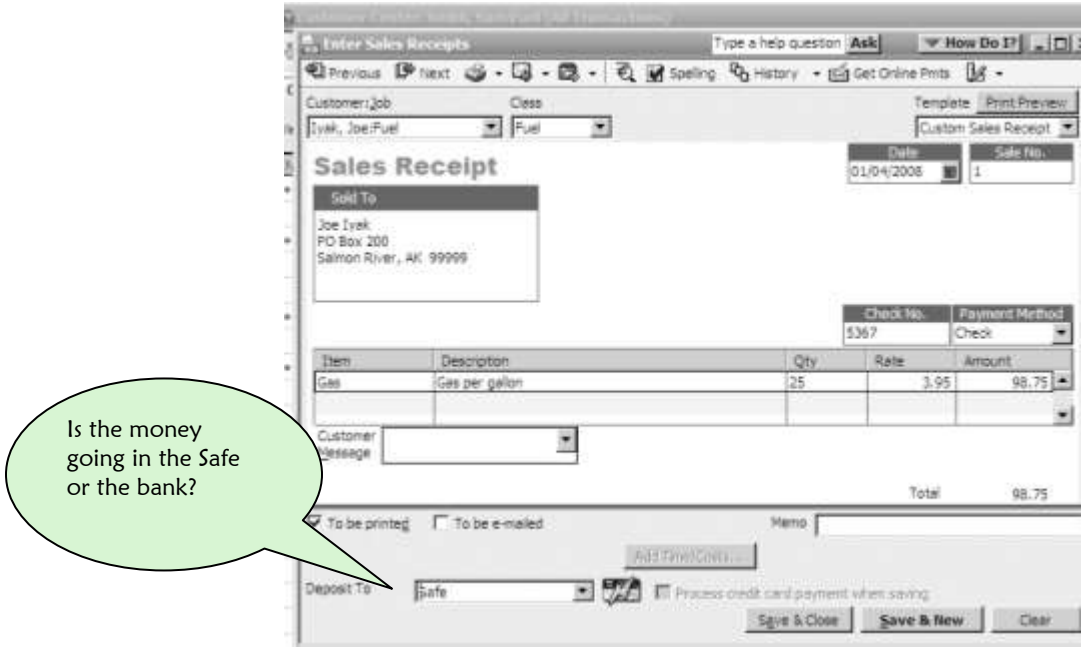
- Click on **New Transactions.**
- Select **Sales Receipts.**



Step 3

Fill out the Sales Receipt as follows:

- In the **Customer:Job** box, select your customer along with the **Fuel Job** name.
- Make sure the **Class** is **Fuel.**
- Enter the **Date** of the sale.
- Select the type of fuel your customer is purchasing under **Item.**
- Enter the quantity in the **Qty** field in gallons.
- Enter the payment type in **Payment Method.**
- Put the **Check Number** if there is one.
- Select the account where you want the money to go in the **Deposit To:** box. The account will probably be your **Safe.**
- Click **Save & Close.**



If there is no Deposit To: box on your screen, go to pages 47-50 to solve that problem by Editing your QuickBooks Preferences.

BEHIND THE SCENES.....

When you sell fuel:

Income goes ↑

Checking Account or Safe goes ↑

Charge Sales

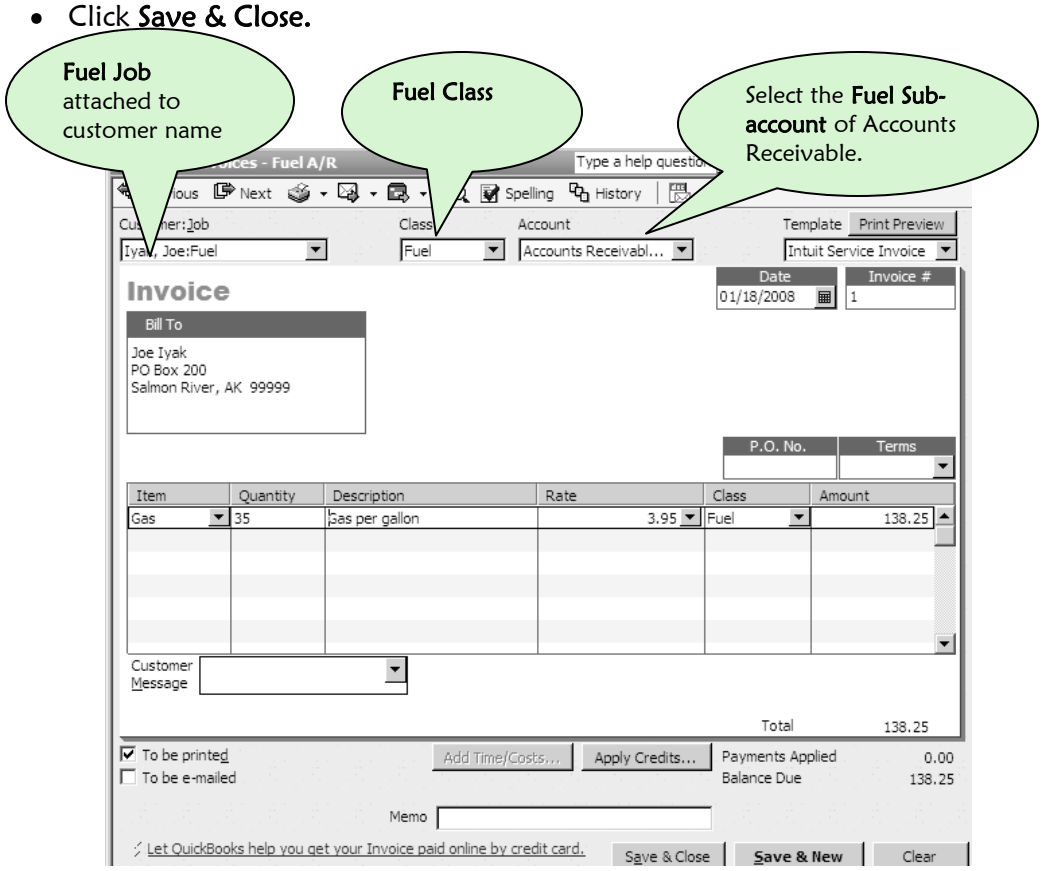
Make sure you have some rules in place as to who can charge fuel. The process for charging fuel is just like the process for invoicing for water/sewer services.

Step 1

- Click **Invoice** on your **Icon Bar.**

Step 2

- Select the **Fuel Job** attached to the customer that you are invoicing.
- Select the **Fuel Class.**
- Select the **Fuel subaccount** of Accounts Receivable.
- Make sure the date is accurate. It should be the day they charge the fuel.
- In the column labeled **Item Code** choose the product they purchased. Notice that the description and rate come in automatically.
- Enter the **Quantity** purchased in that field.
- Click **Save & Close.**



BEHIND THE SCENES.....

When you invoice for fuel sales:

The customer's Accounts Receivable balance goes ↑

Income goes ↑

Receiving Payments for Invoiced Fuel

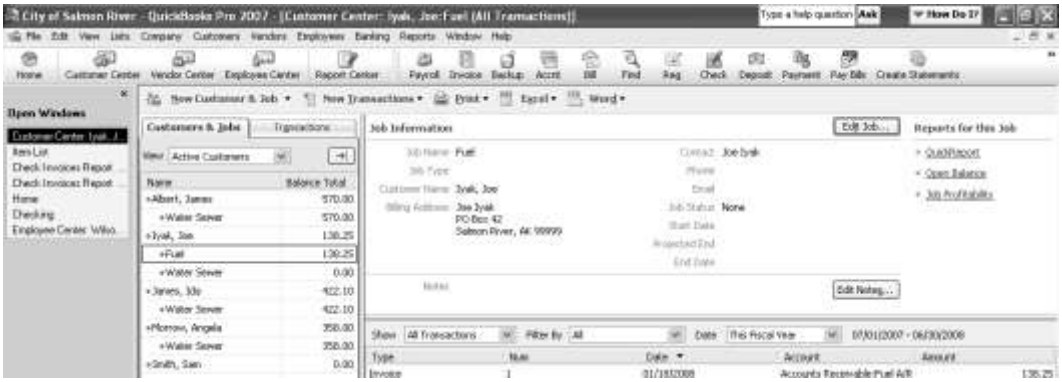
If you have created a fuel invoice for a customer, you must receive a payment against that invoice when their payment is received.

Step 1

- Click on **Customer Center.**

Step 2

- When you receive a payment, you have to make sure that you are applying the payment to the correct customer and the correct service for which they are paying.
- Once you are in the customer center, highlight the fuel service attached to the customer that is paying. In the example below, Joe Iyak is paying his Fuel bill.



Step 3

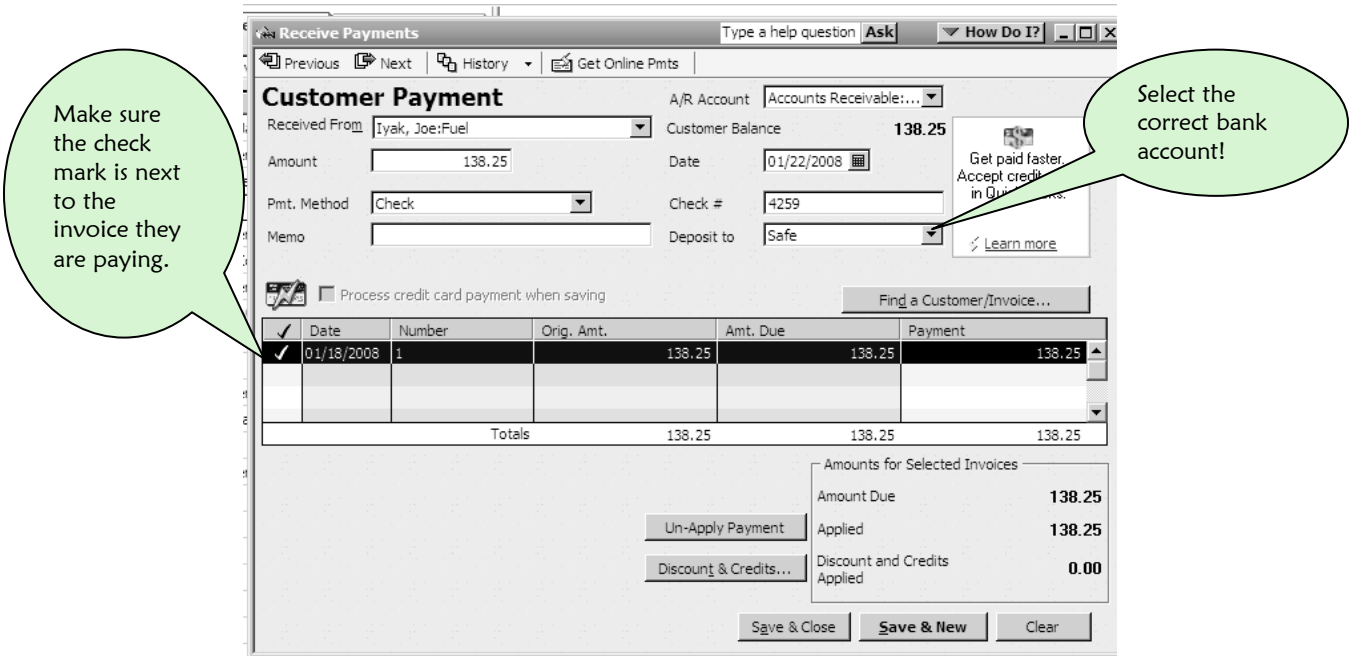
While this customer's service is highlighted,

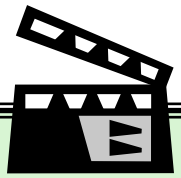
- Click **New Transactions.**
- Click **Receive Payments.**

Step 4

Your customer's outstanding invoices are listed on the bottom of the screen.

- Select the **Fuel Job** attached to the customer in the **Received From** box.
- Select the **Fuel subaccount** of Accounts Receivable in the **A/R Account** box.
- Enter the **Amount** they are paying.
- Make sure the **Date** of the payment is accurate.
- Select the **Payment Method** from the drop-down menu.
- Enter the check or money order number if that applies.
- Enter your receipt number in the **Memo** field.
- **MAKE SURE TO SELECT THE CORRECT BANK ACCOUNT** in the **Deposit To** box – It will probably be your **Safe**.
- Make sure that there is a check mark next to whatever invoice they are paying.
- Click **Save & Close.**





BEHIND THE SCENES.....

When a customer pays their fuel invoice:

The customer's Accounts Receivable balance goes ↓

Your Checking Account or Safe balance goes ↑

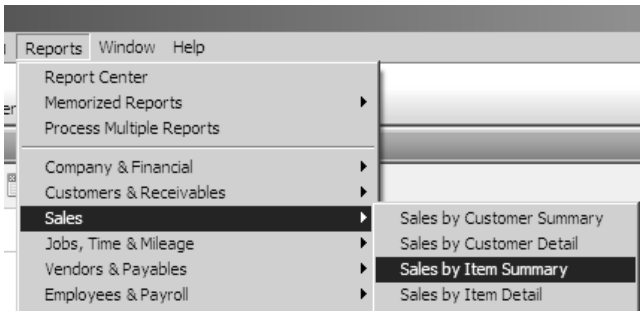
BUT:

Income from fuel stays the same; it went ↑ when you invoiced the customer

Controlling the Fuel Supply

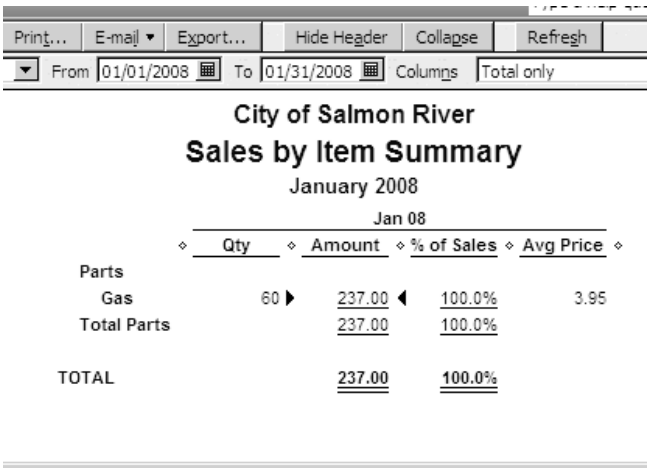
Controlling the fuel supply involves knowing how much you purchased, how much you have sold and how much you have left. You have to start somewhere. Pick a date when you know that your fuel tanks are full and work forward. Find out how many gallons are stored in each tank. Write it down and note the date. Each week create the following report.

- Click **Reports.**
- Click **Sales.**
- Click **Sales by Item Summary.**



- Look at this report each week by entering the correct dates.
- Keep subtracting gallons sold from gallons remaining in tank.

- Make sure your dates are accurate. This report shows how much fuel was sold during the month of January 2008.



Once or twice a month, dip the tanks for gallons remaining in tanks and compare this with what you have calculated from the QuickBooks Sales by Item Report.
If you have a large discrepancy, recreate the QuickBooks Sales by Item Report and refigure number of gallons remaining in tank. Redip the tanks.

If you still have a large discrepancy, you have a problem. You will have to alert your supervisor and make a change somewhere in your system. It is a good idea for your community to decide on "tolerance levels." That means decide how much of a discrepancy is acceptable when you perform these inventory checks. Procedures for handling discrepancies will have to be devised by your council. You should address this problem immediately as this is money going out of your community that could be used for other things.

15 MAKING DEPOSITS

Making Deposits seems straightforward. The money comes in and you put it in your bank account. What actually happens at your utility, though, may be a bit more complex. QuickBooks has a way to handle whatever your situation might be.

What type of deposit am I making?

You have **two main types of deposits**:

- Money that comes from grant revenue, fuel sales, Bingo, washers and dryers—in other words, any money that does not relate to an outstanding invoice in QuickBooks.
- Payments received from customers whom you have invoiced for services such as water, sewer, cable, garbage.

Where is the money going? To the Safe or the Bank?

When money comes into your utility, what actually happens to it? Do you put it into your utility safe or deposit bag where it stays for a period of days or weeks before a deposit is made to the bank account? Or do you send checks and cash off to the bank at the end of each day?

Money coming into your utility that stays on hand for several days or a week before being sent off to the bank is temporarily stored in a Safe or a Cash Drawer. This Safe or Drawer becomes your utility's local bank. The bulk of your financial activity goes in and out of this Safe or Drawer. Therefore, when you make deposits in QuickBooks, you should show that the money goes into the Safe and then is later transferred to the bank.

Making a Deposit With No Outstanding Invoice

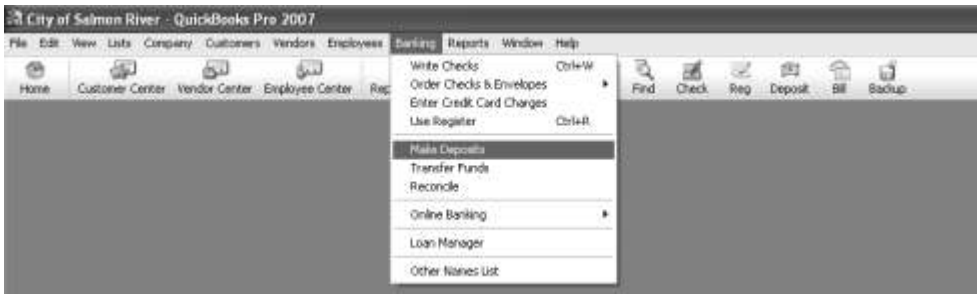
If there is **NO outstanding invoice** in QuickBooks and you receive money for a department or program in your utility, you will go to the **Make Deposit** screen.

Step 1

- Click on the **Deposits** icon at the top of the screen (if you don't have one, you can learn how to make it on page 58).

Or

- Select **Make Deposits** under the **Banking** menu at the top of the screen.



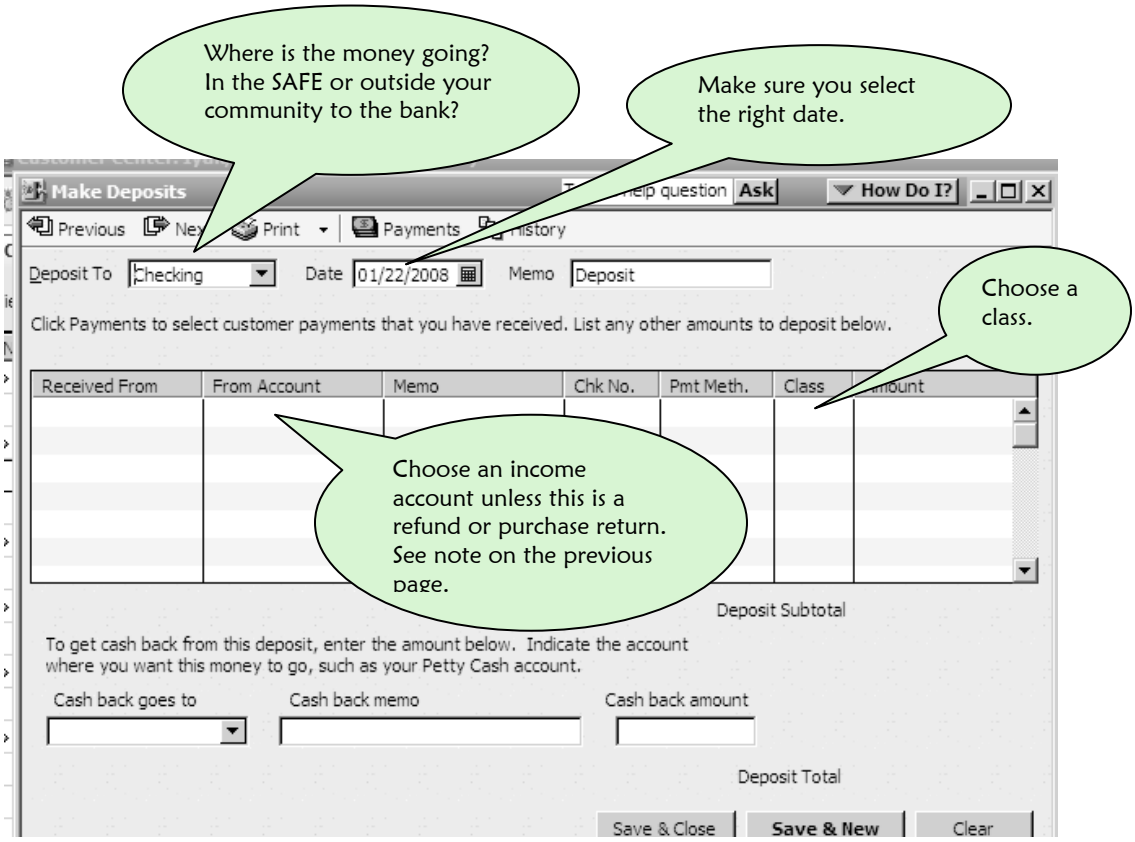
Step 2

- Select the correct bank account in the **Deposit To** box.
  AGAIN – If the check is actually going into your office Safe, choose that account—NOT the outside bank account.
- Select the **Date** of the deposit.
- In the **Received From** field, enter the name of the person or organization that sent the money. Set them up with address and contact information in QuickBooks. Granting agencies, the State of Alaska or the federal government will be set up as **Other.**

Choosing an Income Account

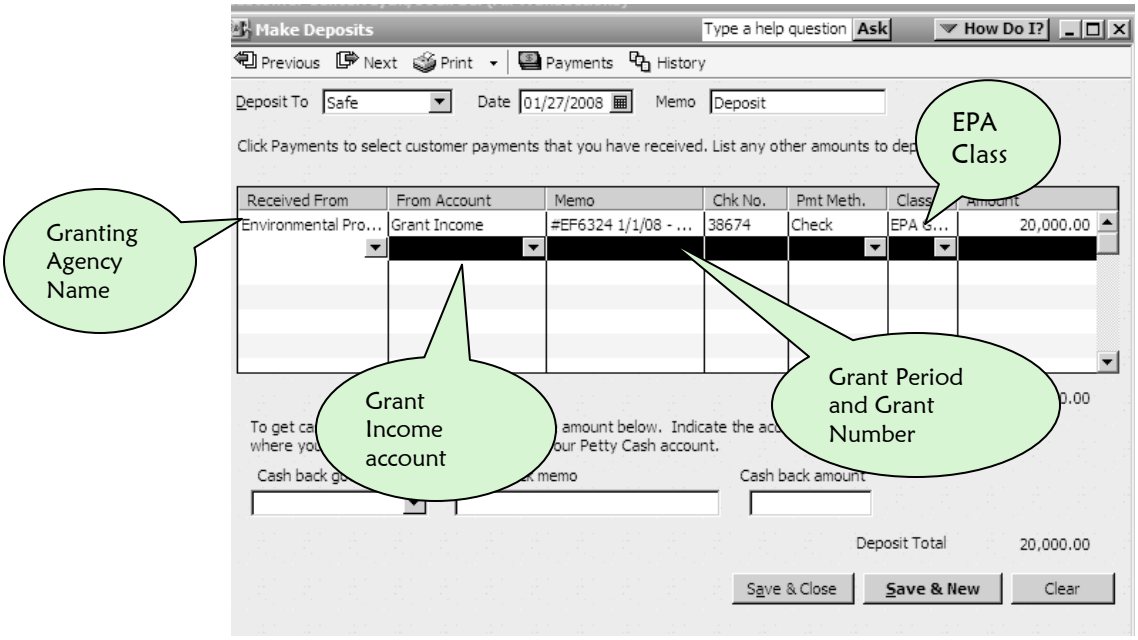
If the income is:	Select this account under **From Account:**
Grant Revenue	Select Grant Income. See page 93 for how to set up a Class to track this money
Sales Tax Money	Select Sales Tax Income.
Refunds from Vendors	Why is this money being refunded? Did you return an office supply purchase? To show the return, go to the original check where you made the purchase and use this same **Expense** account so the expense is decreased.
Bingo Money	Choose **Income**. Select **Bingo** class.
Laundry Money	Choose **Income**. Select **Washeteria** class.
Heating Assistance Money	Chose **Income**. Select **Fuel** class.

- Jot down any reminders concerning this transaction in the **Memo** column, for instance the date of the grant period, or specific uses for the money.
- If the deposit is cash: select Cash from the drop down menu under **Pmt Meth**.
- If the deposit is a check: Select Check under **Pmt. Meth.**, then type in the check number of the deposit check under **Chk. No**.
- Select a **Class**.
- The amount of the check is entered in the **Amount** column.
- Click **Save & Close** at the bottom of the screen.

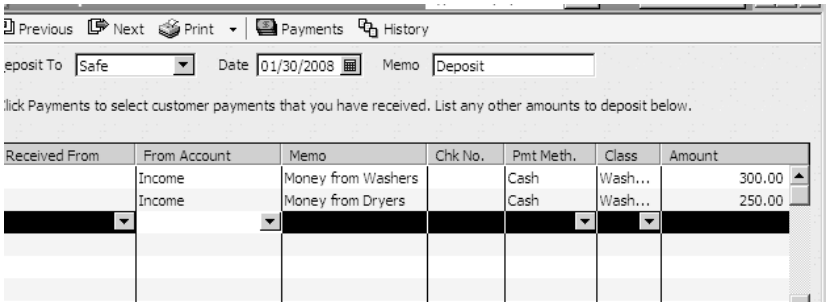


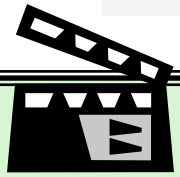
A completed deposit will look like this:

This is grant revenue ($20,000) received from the Environmental Protection Agency for the grant period 1/1/08 – 6/30/08.



Below is another example of a deposit. This one is for cash taken out of the washers and dryers at the Washeteria and put into the Safe.





BEHIND THE SCENES.....

When you deposit cash or checks with no outstanding invoice:

Income goes ↑

Your Checking Account or Safe balance goes ↑

Depositing Payments from Invoiced Customers Into Undeposited Funds

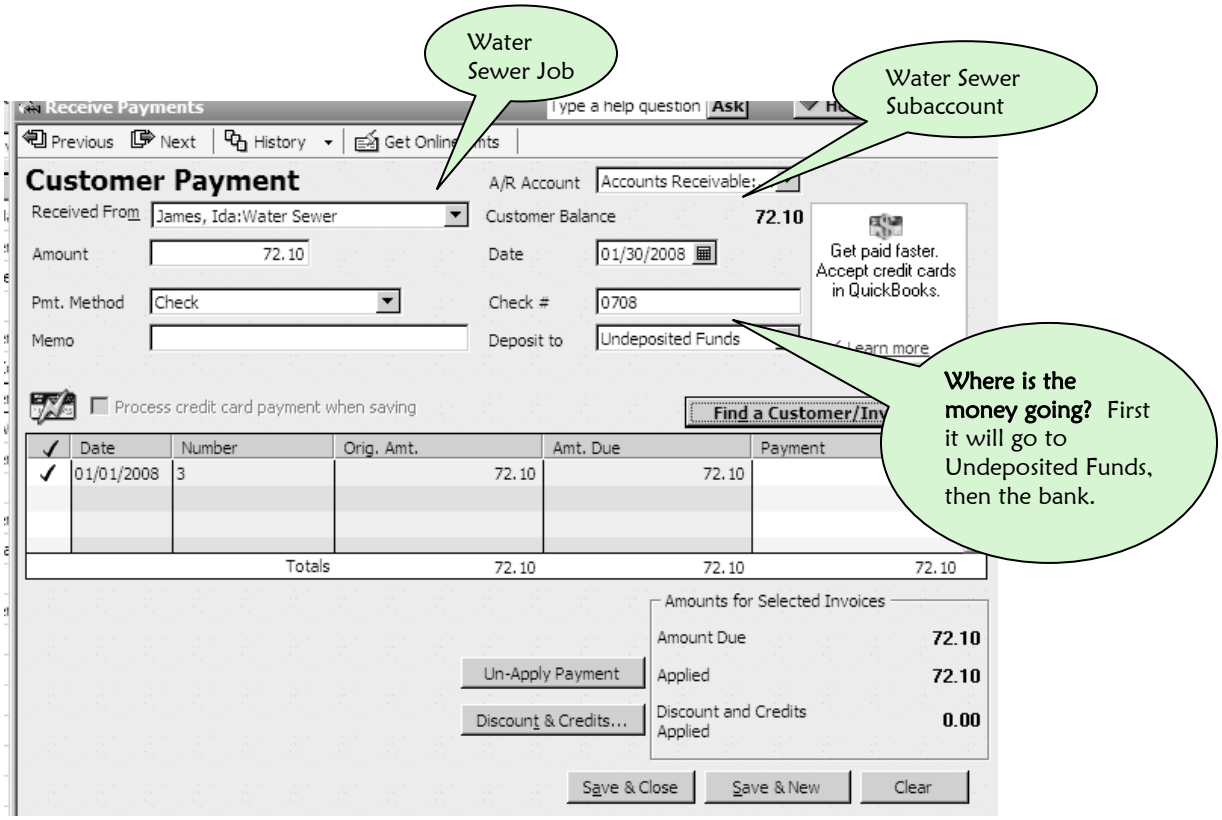
Depositing Payments from Invoiced Customers can be handled in two different ways. On page 254, you learned how to receive a customer payment for water/sewer service. The customer payment in that example went directly into the utility **Safe**. QuickBooks can also deposit the money to an account called **Undeposited Funds.**

For utilities that have banks located inside of their community, QuickBooks will enable you to receive your customer payments throughout the day and then make one deposit to the bank at the end of the day. As the payments come in and you receive them in QuickBooks, the checks go to **Undeposited Funds.** When the deposit is made at the end of the day, all of the checks and cash in the deposit are selected from Undeposited Funds and then transferred to the QuickBooks checking account.

Below is a **Receive Payment** window for a customer water/sewer payment.

- Notice the **Deposit to** field. **Undeposited Funds** has been selected from the account list.

What if you cannot select your account called UNDEPOSITED FUNDS from the list? Go to pages 47-50. You will have to make a change to the **Preferences** area of QuickBooks.



BEHIND THE SCENES.....

When you receive cash or checks as payment for invoices into Undeposited Funds:

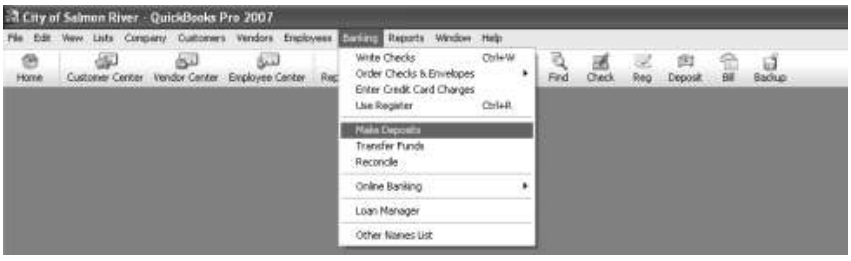
Moving Customer Payments from Undeposited Funds to the Bank

Step 1

- Click on the **Deposits** icon at the top of the screen (if you don't have one, you can learn how to make it on page 58).

Or

- Select **Make Deposits** under the **Banking** menu at the top of the screen.



You will now be in the **Payments to Deposits** Screen.
IF YOU ARE NOT IN THAT SCREEN, CLICK CANCEL AND START OVER!!

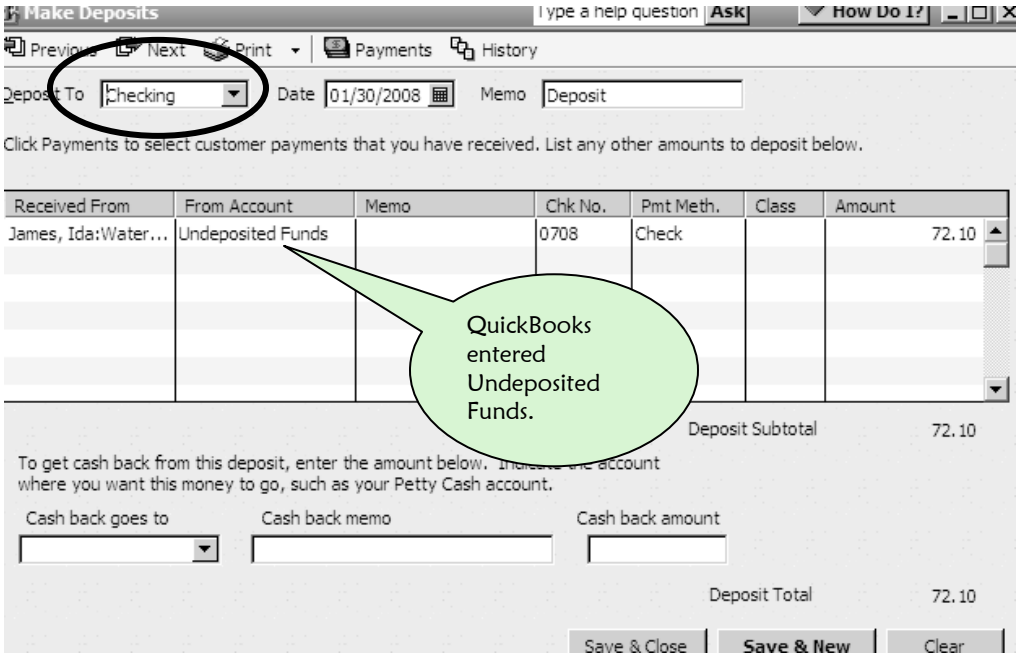
Step 2

- Place a check mark next to every check that will be included in your deposit, or **Select All** if you are depositing all of the checks.
- Click **OK.**

Now you are at the **Make Deposits** screen.

Notice that QuickBooks has transferred the check which you selected on the previous screen to a **Make Deposit** screen.

- Is it the correct bank account? You may have to change the bank account from the Safe to the Checking account.
- Click **Save & Close.**



BEHIND THE SCENES.....

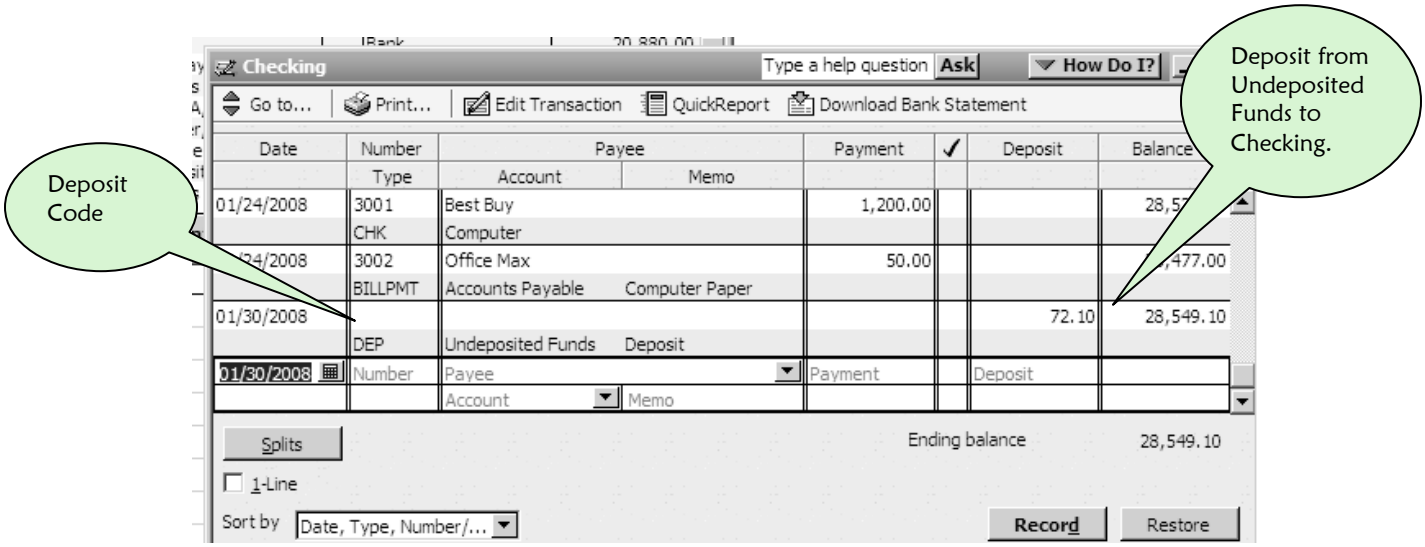
When you deposit customer payments from Undeposited Funds:

Undeposited Funds goes ↓

Your Checking Account or Safe balance goes ↑

Check Your Work!

Look in your check register. Here is the customer payment. This payment was received on the **Receive Payments** screen. **Undeposited Funds** was selected. Then you went to **Banking** to make a deposit. The Undeposited Funds screen came up. You selected the payment and were immediately taken to a deposit screen where you clicked **Save & Close.**



Adding On to a Customer Payments Deposit

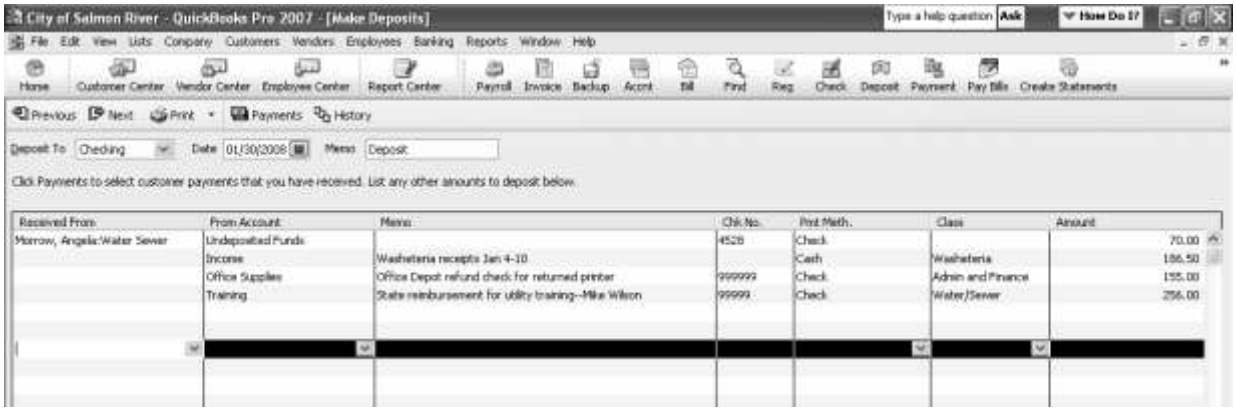
You may add other deposit items (money received from other sources that has not been invoiced) on to a deposit that has come from **Undeposited Funds.**

Step 1:

- Deposit Customer Payments just as described on page 282.

Step 2:

- Add a line to the end of the deposit by clicking in the white space of the **From Account** column just below the last **Undeposited Funds**.
- Select where the money is coming from, the payment method, the class and the amount just as you did on pages 280-281.



This deposit has several additions to the payments received:

- Washeteria money for the week of January 4-10.
- Refund for a printer that was sent back to Office Depot. Notice that the **From Account** selection here is the expense account used for the printer when it was originally purchased.
- Reimbursement for a training expense. The **From Account** selection here is also the expense account used in the original payment for the training.

Transferring Money from the Safe to the Checking Account

If you deposit customer payments and funds from outside sources to your safe, then at some point you will want to transfer money from your Safe to your checking account at your bank.

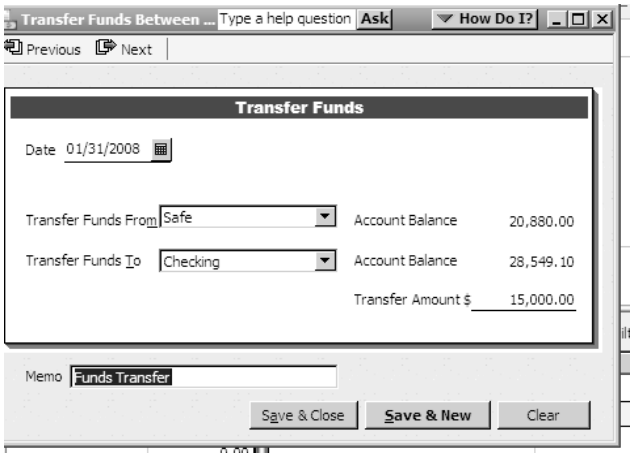
When you actually send in a deposit to the bank, all you have to do is transfer the money between the safe and the checking account. You will not list the checks.
To transfer funds:

Step 1

- Click **Banking.**
- Click **Transfer Funds.**

Step 2

- Enter the correct **date.**
- Make sure the bank accounts are correct in the **Transfer Funds From** and **Transfer Funds To** windows.
- Make sure the **Transfer Amount** matches the deposit amount on your banking deposit slip.
- Click **Save & Close.**



Transferring Funds Between Bank Accounts

You may have several bank accounts. When you call the bank and ask them to transfer funds from one account to another, you use the Transfer Funds screen just as above.

BEHIND THE SCENES.....

When you transfer funds between accounts:

Transfer from account goes ↓

Transfer to account goes ↑

Preparing the Bank Deposit

- Handling the Cash
  - -Count the bills and count them again.
  - -All bills should be face up and secured with a rubber band. No staples or paper clips.
- Handling Coins
  - -Count and roll the coins in bank wrappers.
- Xerox every check.
- Endorse the back of each check – this means putting your utility name and bank account number on the back of the check.
- Fill out a bank deposit slip and total up the deposit.
- Bundle the original checks, the deposit slip, the cash and the coins.

Preparing Your File Copy of the Bank Deposit

You should have a file copy packet of every deposit. This packet will include the xerox copies of every check in the deposit, a copy of the deposit slip and any notes explaining the origin of the cash and coins, or any other special situation that might be unclear in the future. File all the deposits together in a file folder. Separate the deposits by bank account so they are easier to find.

16 MANAGING YOUR SAFE

Most of the rural utilities in the state don't have a bank in their community. They bank by mail, and it is sometimes a week or more before the money that comes into their community actually gets to the bank. In the meantime, customers are making payments for services, checks are being exchanged for cash, people are purchasing fuel, and the money flow continues.

Any community that is committed to having a reliable accounting system will deal with this problem by creating a bank of their own—the safe. They will record in QuickBooks **everything** going in and out of this Safe, because this is where most of the financial activity takes place. It may not be called the safe—instead it may be the green bag, the brown box or the duct tape envelope. Whatever its name, it serves the same purpose. It acts as the utility's or community's bank.

The amount of money in the safe can be sizeable, and it needs to be accounted for just as the money in your bank account. You would be upset if the bank had no idea how much money you had in your bank account. The safe account needs as many safeguards as your bank account.

Keeping Your Cash Safe

Your office is a busy place. Cash comes in, cash goes out. People give you checks for payments, they want to exchange checks for cash, or they want to do both at the same time. How do you do your job and keep the cash safe at the same time? The answer to this is to set up procedures that you follow each and every day.

RULE 1: Always Know Your Account Balance

The balance in your QuickBooks Safe Bank account should **always** be equal to the amount of money actually in your Safe. Ensure this happens by:

- Making QuickBooks deposits to the safe as you receive payments.
- Write checks in QuickBooks from the safe when you spend safe money.
- Record all the transfers you make to and from the safe in QuickBooks as they happen.
- Reconcile QuickBooks with the actual safe often.

RULE 2: Limit Who Has Access to the Safe

Too many hands in the safe can cause problems. If you are short money, it may be impossible to figure out what happened if a lot of people go in and out of the safe.

- If possible, pick one person to handle the actual contents of the safe. They put the money in and they take it out.

RULE 3: Spread the Work If You Can

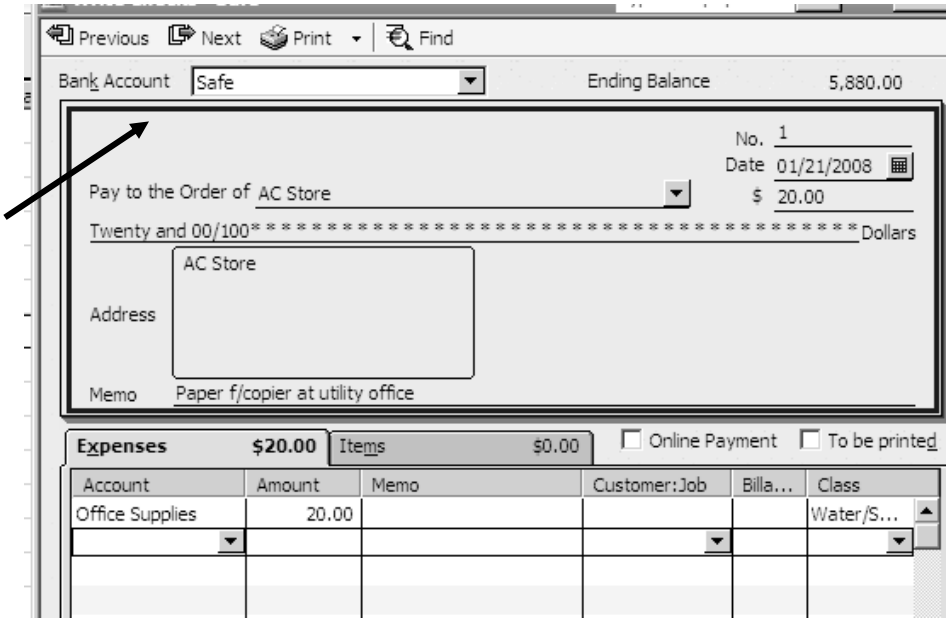
If you have the manpower, it is a good idea to assign the different "safe tasks" to different people. Having one person in charge of each of these tasks is ideal.

- Entering the cash transactions into QuickBooks.
- Putting money in and taking money out of the safe.
- Counting the cash and making sure that the amount agrees with the account balance in QuickBooks.

What Do You Do When You Spend Safe Money?

When you use money in the **Safe** for expenses, you write a check in QuickBooks for the expense just as you would if it were a real check. (See page 228)

- Just make sure that you select **Safe** as the **Bank Account** when you write your check.


Previous
Next
Print
Find
Bank Account
Safe
Ending Balance
5,880.00
No. 1
Date 01/21/2008
Pay to the Order of AC Store
$ 20.00
Twenty and 00/100* * * *

What Is in the Safe?

Customer Payments

Throughout the day, community members come into the office to pay for their Water/Sewer services. These checks and money orders can be placed in a Water/Sewer envelope inside the safe. They have been entered into the Safe Account in QuickBooks through the Receive Payments window. (See pages 254-255)

Cashed Checks for Community Members

Occasionally, community members will come into the office and write a check in exchange for cash. There is no accounting effect from this transaction. There is no entry into QuickBooks, because you will still have the same amount of money in the safe. You are simply swapping cash for a check of equal value.

Cash and Checks Received from Other Community Services

Your safe will also have money received from Fuel purchases, Washeteria Services and any other service that your community offers.

Checks Received from Outside Sources

The safe may also hold grant checks, heating assistance, state and federal money received but not yet transferred to your bank.

Petty Cash

You may hold back a small amount of cash from your **Safe to Bank transfers** for petty cash purchases. You can use this cash for purchasing postage, paying freight bills and making purchases from the community store. When you make a purchase, you still must write a check from the safe showing the expense.

What is the Opening Balance of Your Safe?

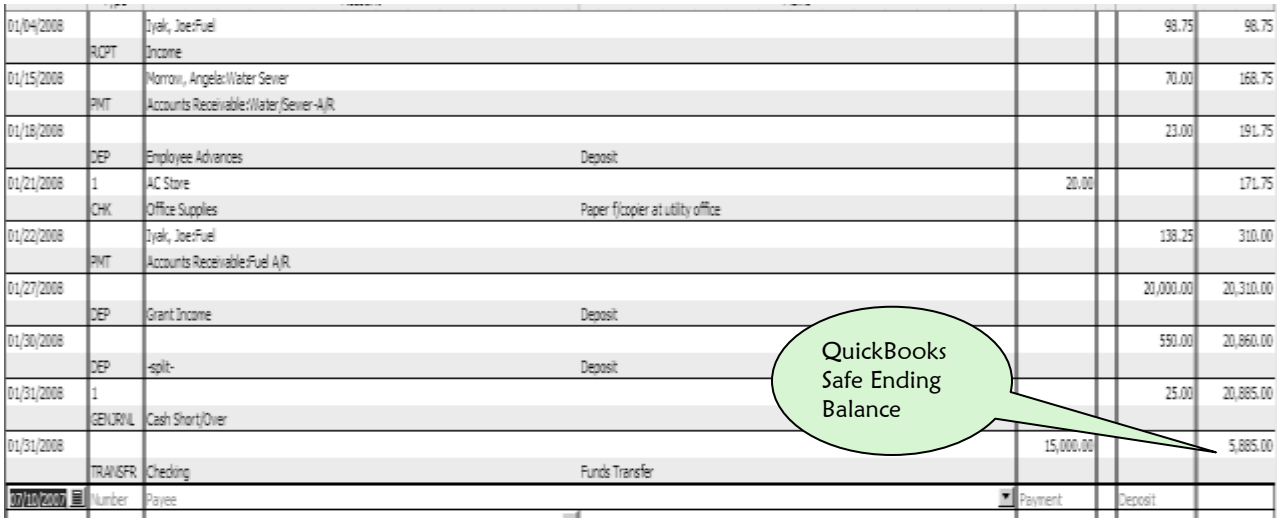
It is so important for you to keep track of the money coming in and out of your city or utility office. You now know that if you do not make deposits to the bank every day, you receive your customer payments and other day-to-day income into the **Safe**.

You also know that you **Write Checks** for small expenses purchased with safe money and use **Transfer Funds** to show money leaving the **Safe** and going into your **Checking** account.

Before continuing on with this chapter and learning how to reconcile your QuickBooks account balance with the balance in your office safe, you must now enter a beginning balance for your **Safe**. If you have been following along with this manual by creating your own company file, you now have some activity—customer payments, checks or transfers in your QuickBooks Safe register.

Look inside that register now:

- Click your **Accnt** icon.
- Double-click your **Safe**.
- You will see activity similar to the transactions in the following picture of our safe register. You will also see an ending balance for your **Safe**.



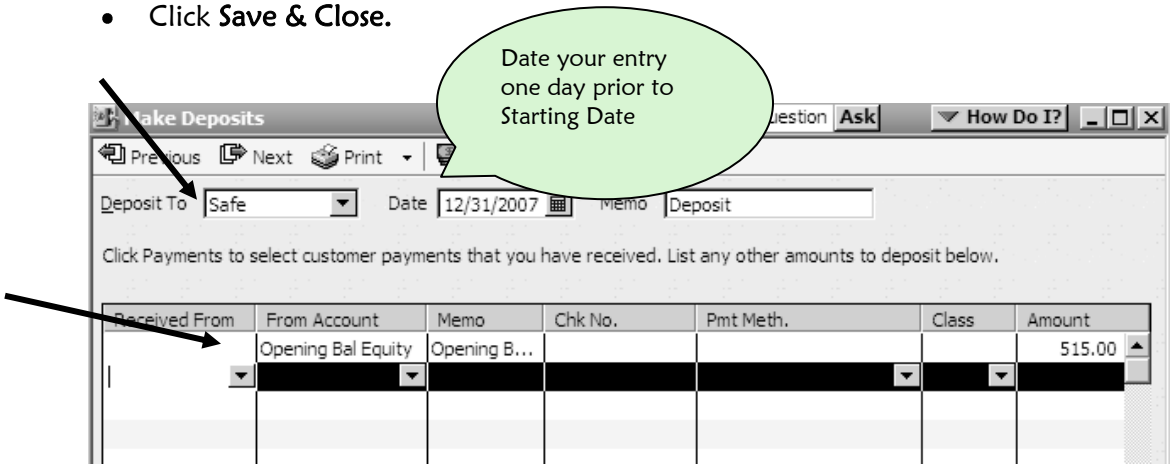
- Count the cash and checks in your office **Safe**.
- Compare the total with the ending balance in your **Safe** account in QuickBooks. It should be different.
- Calculate the difference.
- Follow along and make a beginning entry that adjusts your ending balance so that it agrees with the current balance in your office safe.

Example: Our **Safe** balance in QuickBooks is $5,885.00. The balance of our actual **Safe** in the office is $6,400.00. We need to increase the balance in QuickBooks by $515.00. This is an Opening Balance adjustment that will be dated one day prior to our **Starting Date**.

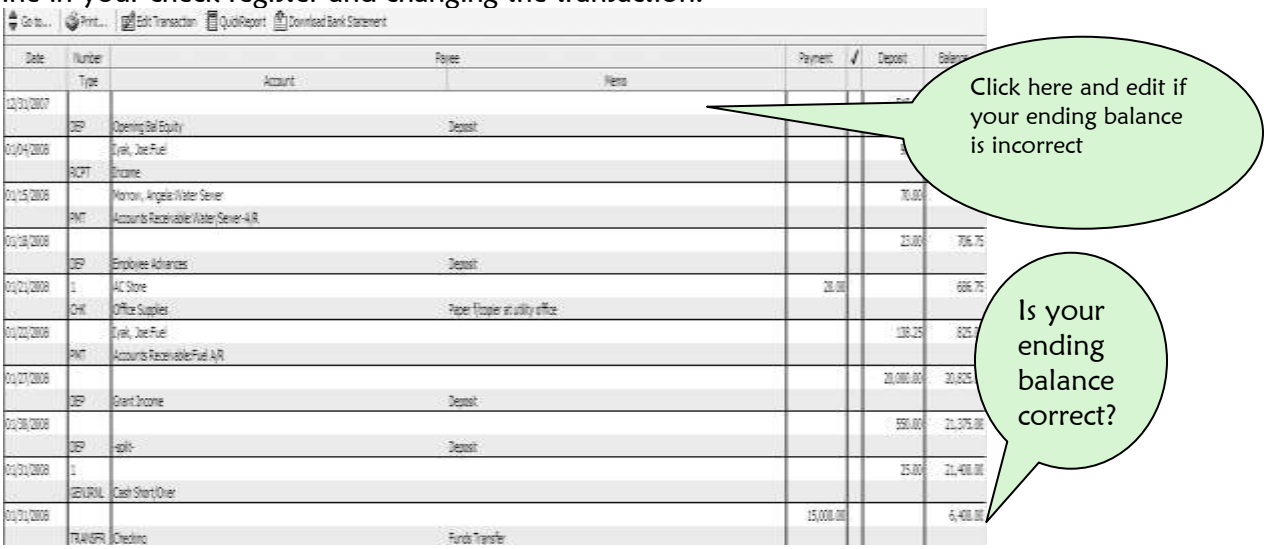
If You Need to Increase the Balance of Your Safe

If you need to increase your **Safe** balance in QuickBooks for the opening balance entry, you will make a deposit.

- Select **Safe** for the field labeled **Deposit to.**
- Make sure your date is one day prior to your Starting Date.
- Your account will be **Opening Balance Equity.**
- In the memo field note that this is your opening safe balance.
- Click **Save & Close.**



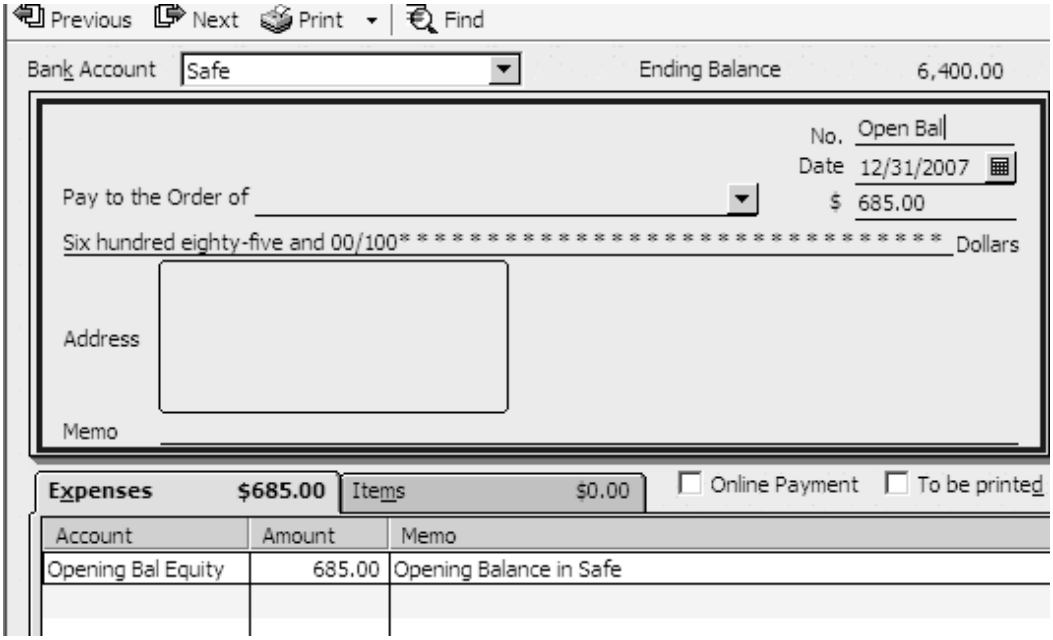
Look in your Safe Register and make sure the ending balance is the actual balance of your office Safe. If it is not, you will have to edit the transaction above by clicking on the entry line in your check register and changing the transaction.



If You Need to Decrease the Balance of Your Safe

If you need to decrease your **Safe** balance in QuickBooks for the opening balance entry, you will write a check.

Let's say that the actual balance in our office safe is $5,200.00. Our **Safe** register says $5,885.00. We will have to decrease the balance by $685.00.



Now our balance is $5,200.00.

Date	Number	Payee		Payment	✓	Deposit	Balance
	Type	Account	Memo				
01/01/2008	Open Bal	Payee		685.00		Deposit	-685.00
	CHK	Opening Bal Equity	Memo				
01/04/2008		Iyak, Joe:Fuel				98.75	-586.25
	RCPT	Income					
01/15/2008		Morrow, Angela:Water Sewer				70.00	-516.25
	PMT	Accounts Receivable:Water/Sewer-A/R					
01/18/2008						23.00	-493.25
	DEP	Employee Advances	Deposit				
01/21/2008	1	AC Store		20.00			-513.25
	CHK	Office Supplies	Paper f/copier at utility office				
01/22/2008		Iyak, Joe:Fuel				138.25	-375.00
	PMT	Accounts Receivable:Fuel A/R					
01/27/2008						20,000.00	19,625.00
	DEP	Grant Income	Deposit				
01/30/2008						550.00	20,175.00
	DEP	-split-	Deposit				
01/31/2008	1					25.00	20,200.00
	GENJRNL	Cash Short/Over					
01/31/2008				15,000.00			5,200.00
	TRANSFR	Checking	Funds Transfer				

Now that the balance in your office safe agrees with the balance in the QuickBooks **Safe** account balance, try very hard to keep them in agreement. Become familiar with the process in the following section—**Reconciling the Balance in the Safe** and do it regularly.

Reconciling the Balance in the Safe

Unlike your checking account, there is no bank statement for your safe. At least once a week, the cash and checks in the safe should be counted and the total compared with the total in QuickBooks for the **Safe** Bank Account. Perform the following steps:

- Count the cash (bills and coins) in the Safe.
- Total the checks.
- Add these figures all together.
- Compare the total to the **Safe** bank account balance in QuickBooks.

If the Balance in the office safe and the QuickBooks Safe Bank Account are different…

- Calculate the difference. Does this amount sound familiar?
- Ask yourself the following questions.
    - Have you purchased stamps or some other small purchase for which you have not created a QuickBooks check?
    - Have you made a bank checking account deposit which included cash or checks from the Safe that did not get entered as a transfer of funds?
    - Did you post cash or a check that was deposited to the bank to an expense account instead of the **Safe?**
    - Did you deposit laundry money and forget to record it going into the Safe?
    - Did you make an error when you made a Cash Exchange?

Hopefully, you will find your error. If you are unable to find it, hopefully it does not amount to a large amount of money. If it is a large amount of money, it is a good idea to take a look at your system and make changes so that this will not occur again.

Making a Journal Entry to Correct an Error in the Balance of the Safe Account

You must make an adjustment so that your total in the safe equals the total in QuickBooks. To do this, you will make a general journal entry which will tell QuickBooks how much to adjust the Safe account. First, however, you need to make a special account to hold the cash difference amount.

Step 1

See page 68 for setting up an Expense Account. This expense account will be called **Cash Short/Over.**

Step 2

Now, here's what you do to make the journal entry.

- Click **Company.**
- Click **Make General Journal Entries.**

Making an adjustment to your QuickBooks balance in the Safe account involves making changes to the following two accounts:

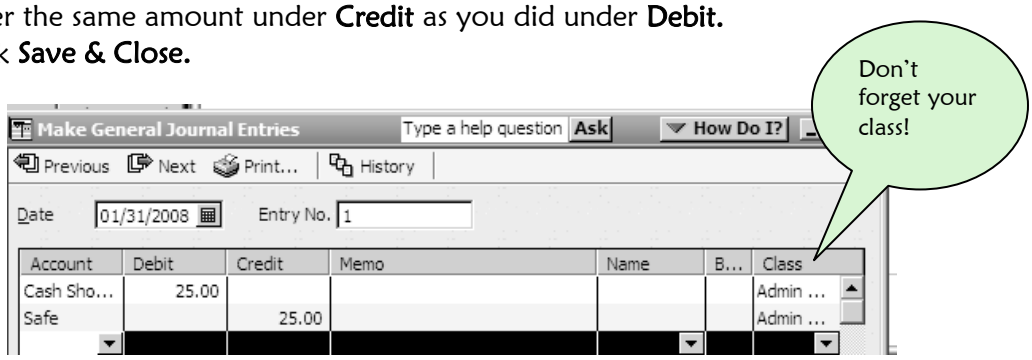
- **Safe**
- **Cash Short/Over**

Step 3

IF money in the Safe is Less than the QuickBooks Balance…

Make this entry if your actual balance in the office safe is LESS than the balance in the QuickBooks Safe Bank Account.

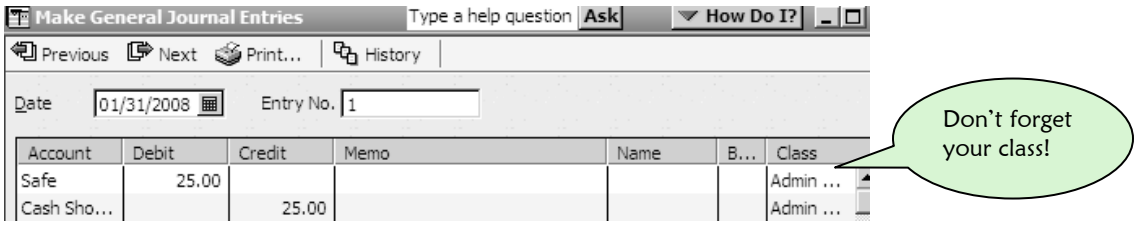
- When you click on the first line under **Account**, your **Chart of Accounts** will pop up.
- Select the **Cash Short/Over** account.
- Type in the amount of the cash difference in the box under **Debit.**
- Press the **Tab** key until you get to the next line. **Admin** is the class.
- Select the **Safe** bank account, or the name of your "Safe" account. In this example, the Safe bank account is called **Safe.**
- Enter the same amount under **Credit** as you did under **Debit.**
- Click **Save & Close.**



IF money in the Safe is More than the QuickBooks Balance…

Make this entry if your actual balance in the office safe is GREATER than the balance in the QuickBooks Safe Bank Account.

- When you click on the first line under **Account**, your **Chart of Accounts** will pop up.
- Select the **Safe** bank account, or the name of your "Safe" account. In this example, the Safe bank account is called **Safe**.
- Type in the amount of the cash difference in the box under **Debit.**
- Press the **Tab** key until you get to the next line. **Admin** is the class.
- Select the **Cash Short/Over** account.
- Enter the same amount under **Credit** as you did under **Debit.**
- Click **Save & Close.**



17 RUNNING THE PAYROLL

In this chapter, you will learn the many facets of processing a payroll. Processing a payroll is much more than just preparing a paycheck for your employees. It involves:

- Calculating your employees' time worked.
- Managing payroll deductions such as child support, employee advances and water sewer payments.
- Handling additions such as stipends.
- Creating paychecks.
- Calculating and paying payroll taxes.
- Creating and maintaining your office payroll records.

Calculating Employee Time

In order to have good payroll information coming out of QuickBooks you have to input the correct information. When you are calculating employee time worked, you will need to know the following for each employee:

Sample Employee: Michael Wilson

- Regular hours worked broken down by department

  Example: 20 hours Water/Sewer
  20 hours Admin & Finance

- Overtime hours worked broken down by department

  Example: 2 hours Water/Sewer
  1 hour Admin & Finance

When you are calculating overtime, State of Alaska and Federal law state that overtime is:

- Any time exceeding 8 hours in a day
- Any time exceeding 40 hours in a week

Go to the following website to read more about the Alaska overtime law.

http://www.labor.state.ak.us/lss/whact.htm

Managing Payroll Deductions

Every payday, you should have an updated list of payroll deductions for all of your employees. This list should include the type of additions and deductions—Child Support, Water/Sewer payment, stipend or employee advance—and the amount. Make sure that the deduction amount is for the **pay period** and not the **month**.

Example:

Michael Wilson

Deductions:	Child Support	$50.00
	Water/Sewer Payment	$70.00
Addition:	Stipend	$50.00

Our employee, Michael Wilson wants to pay $100.00 per month in Child Support. We have a biweekly payroll which means we pay twice a month. Therefore, each payday we should be taking out $50.00 for Child Support. In the months that have three bi-weekly payrolls, no deduction will be taken on the "extra" check. Michael also wants to have his Water/Sewer payment come out of the first check of every month. Therefore, the second (or third) check of the month will not have this payment deducted at all. Our employee is also a council member and he will receive a stipend in this paycheck.

NOTE: REFER TO THESE SECTIONS IF THEY APPLY TO YOUR UTILITY:

- **USING EMPLOYEE PAYROLL DEDUCTIONS FOR CUSTOMER PAYMENTS:** See page 311.
- **IMPORTANT INFORMATION ON STIPENDS:** See page 309.

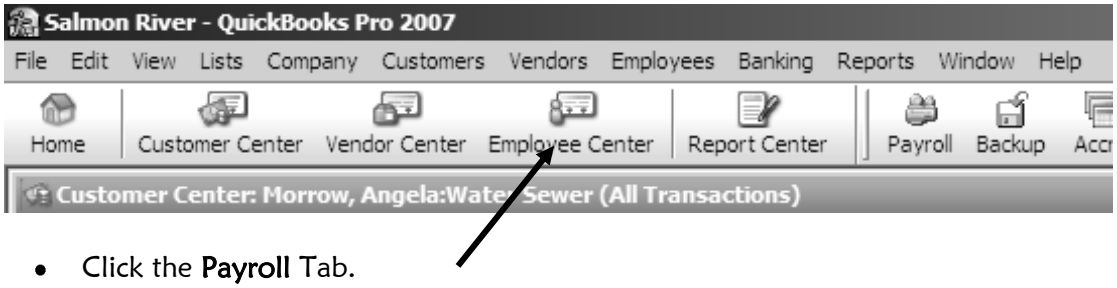
Creating Paychecks

Before you even get into the payroll area of QuickBooks, take a moment to figure out your pay period dates and your paycheck creation date.

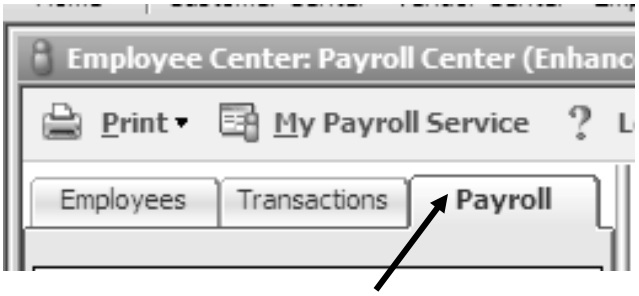
Example:
On page 182, we set up our Payroll Schedule so that our first payroll in QuickBooks would be for the pay period 12/23/07 – 1/5/08. This is a biweekly payroll which ends every other Saturday. We will issue the paychecks on Monday, January 7, 2008.

Let's go to payroll.

- Click the **Employee Center** icon on your **Icon Bar.**

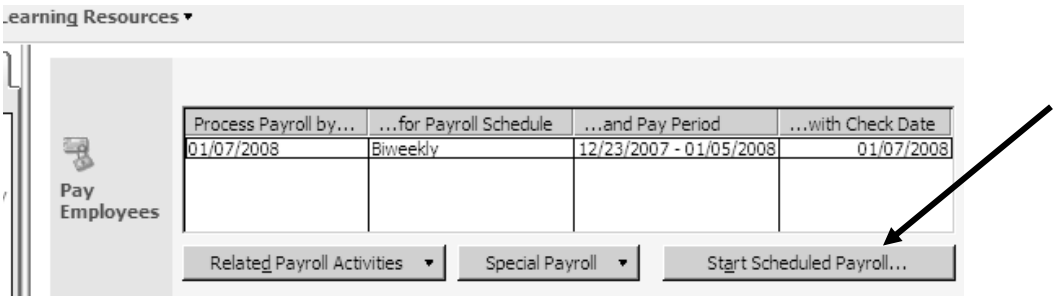


- Click the **Payroll** Tab.



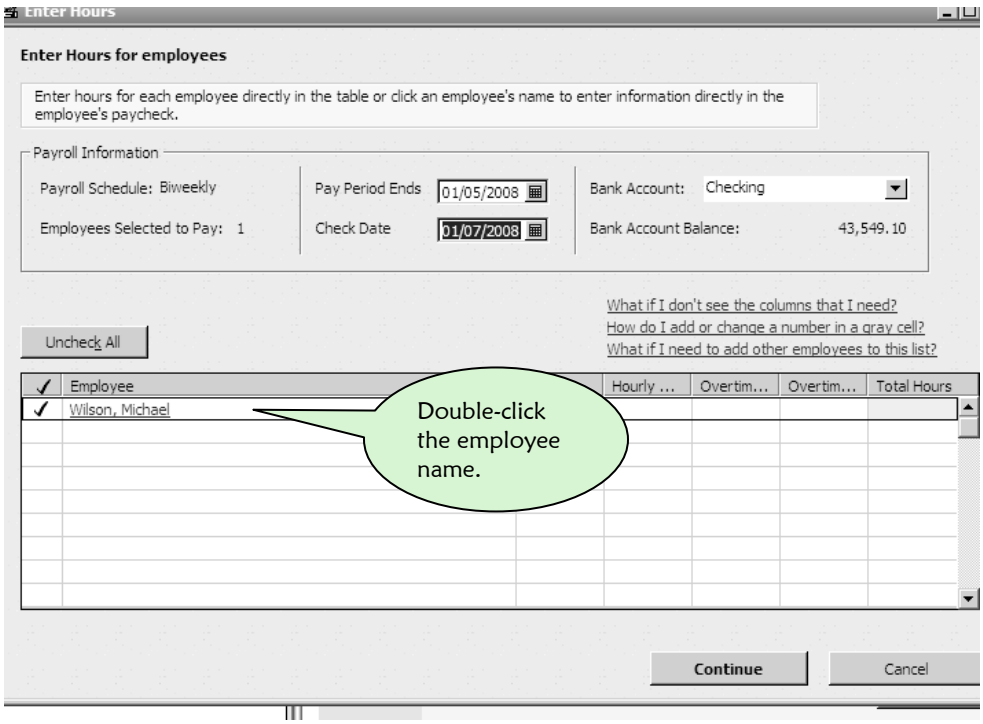
The correct payroll schedule should be in the window next to **Pay Employees.** (If this schedule is incorrect, or if there is no payroll schedule, go to page 182). If your schedule is accurate, move on.

- Click **Start Scheduled Payroll.**



Once again, check your dates.

- Make sure the **Pay Period Ends** date is correct.
- Make sure the **Bank Account** is a checking account.
- Make sure the **Check Date** is correct. You can change them here if it is necessary.
- If you are going to be paying employees for working in more than one department, the easiest way to input this information is to double-click the employee name and get into the paycheck screen.



Michael Wilson's Hours were:

Payroll Item Name	Rate	Hours	Department
Hourly Wage 1	$10.00	20	Water/Sewer
Overtime Wage 1	$15.00	2	Water/Sewer
Hourly Wage 2	$15.00	20	Admin & Finance
Overtime Wage 2	$22.50	1	Admin & Finance

Payroll Deductions

Child Support	$50.00	
Water/Sewer Payment	$70.00	(See page 311 to set this up)

Payroll Addition

Stipend Wage	$50.00

NOTICE!!

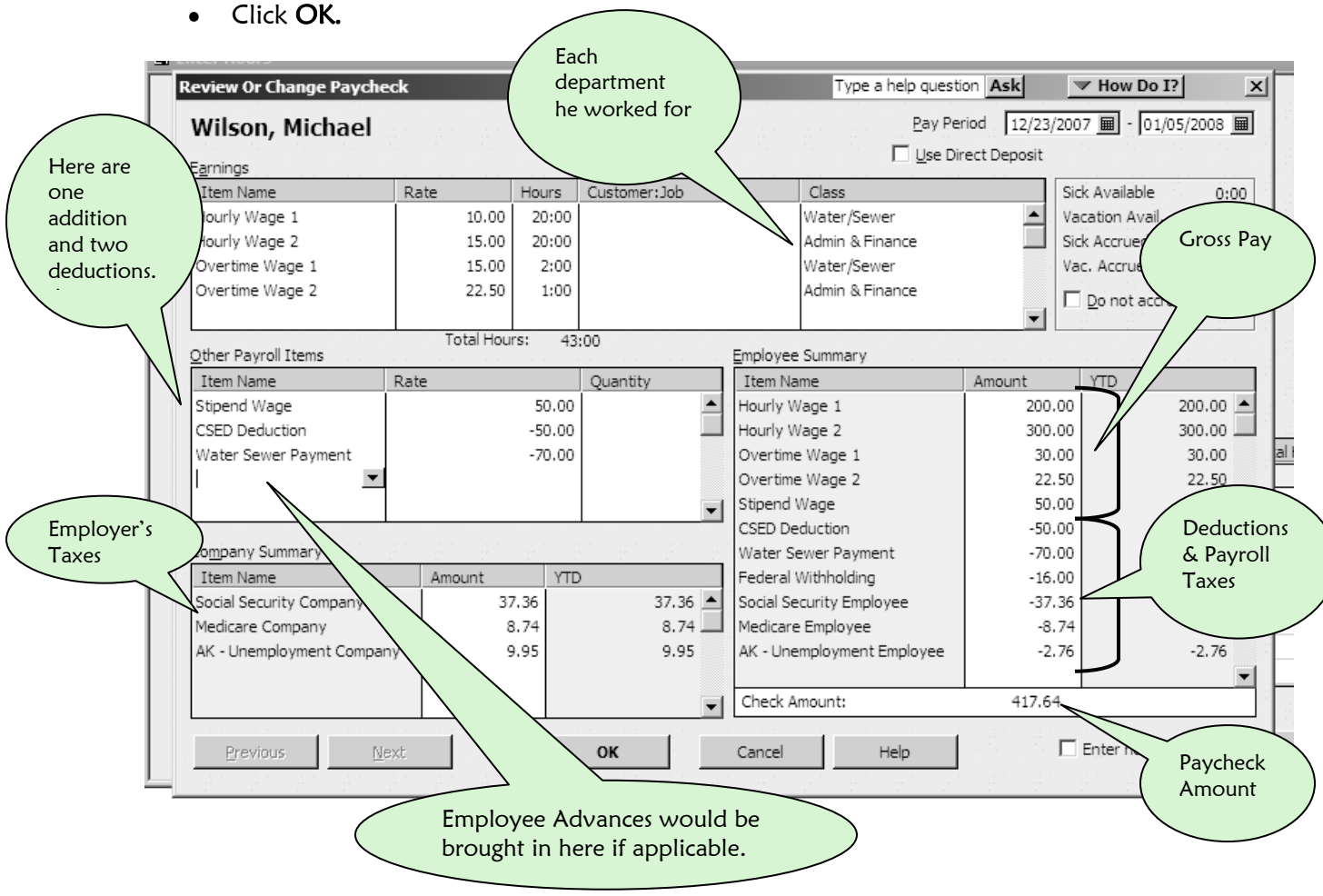
- The employee earns $10.00/hour for Water/Sewer, so **Hourly Wage 1** is $10.00 hour and the **Class** is Water/Sewer.
- **Overtime Wage 1** pairs up with **Hourly Wage 1**. It is $15.00 and the **Class** for **Overtime Wage 1** is the same as the **Class** for **Hourly Wage 1**—Water/Sewer.
- When paying employees for more than one department, you have to pay very close attention to the **Hourly Wage** and **Overtime Wage** items you select.

The right hand side of the paycheck screen has the employee's gross pay—Hourly Wage 1&2, Overtime Wages 1&2, Stipend Wage, followed by deductions—CSED, Water/Sewer payment and payroll taxes.

The bottom left side of the screen contains the **Employer's Taxes** in the **Company Summary Box.**

After thoroughly checking this screen for accuracy,

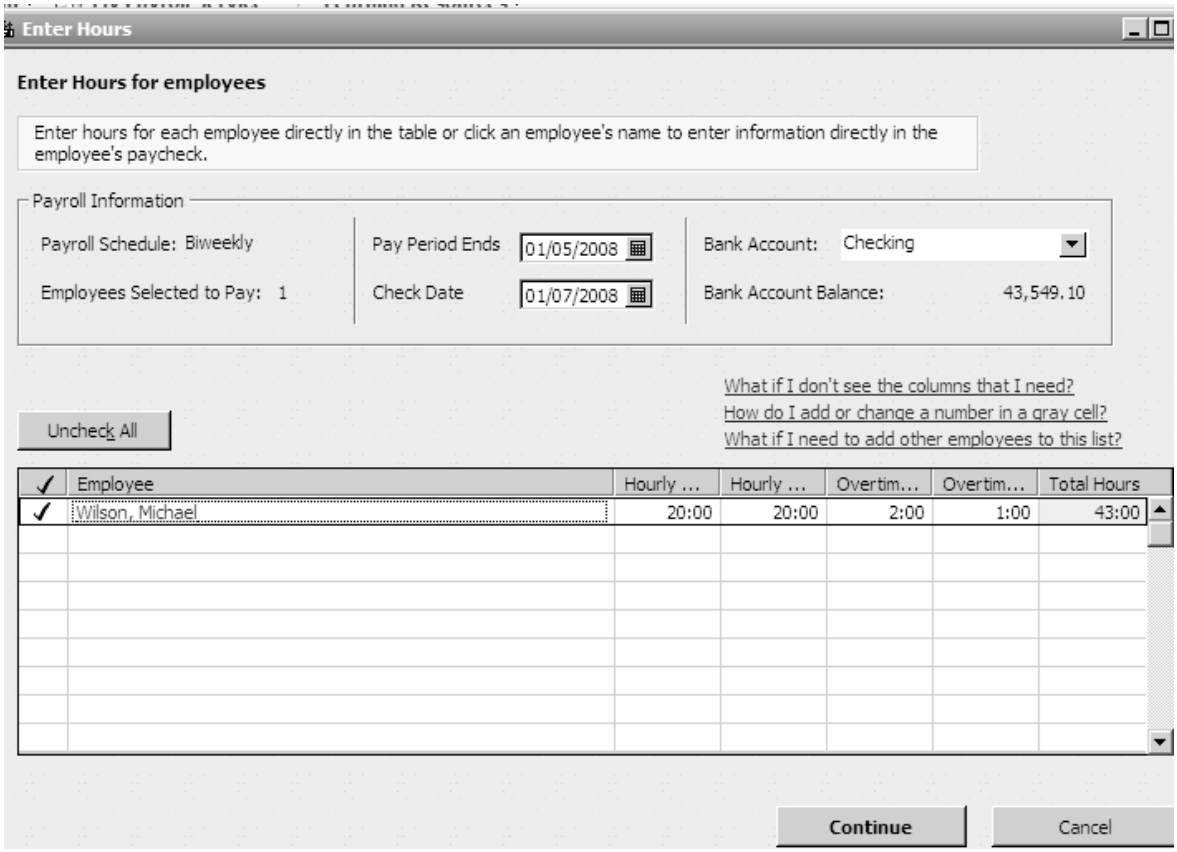
- Click **OK.**



NOTE: If the employee had a payroll advance, it would be brought into the **Other Payroll Items** area along with the other deductions and additions.

You will be brought back to this screen, but now the regular and overtime hours are filled in for the employee.

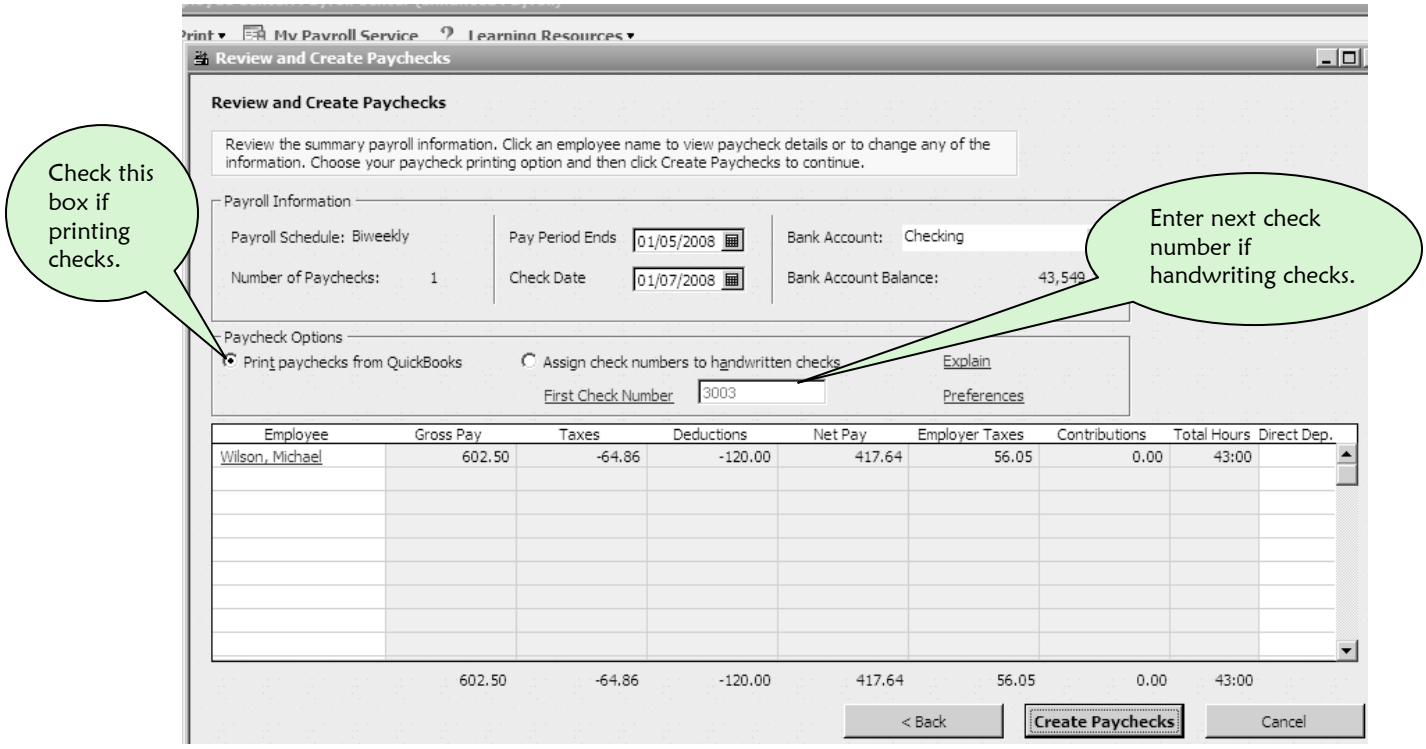
- Click on each employee in this screen and fill in the following: regular and overtime hours worked for each department (class), their additions and their deductions
- Follow the step above for each employee until all of your employees on this screen have their Hourly Wage hours, Overtime Wage hours and Total Hours filled in.
- Review everything for accuracy.
- Click **Continue.**



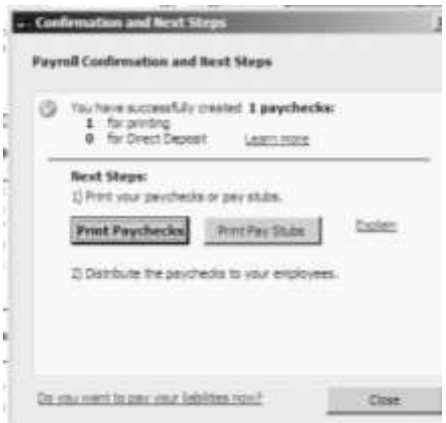
You have one more chance to review your paychecks.

Look at this screen carefully:

- Ask yourself if these numbers make sense.
- Look at gross pay and net pay. Are these paycheck amounts realistic?
- Are the total number of hours correct?
- If you are handwriting your checks, check the box that says **Assign check numbers to handwritten checks** and enter in the next check number.
- If you are printing checks, check the box labeled **Print Paychecks from QuickBooks.**
- Click **Create Paychecks.**



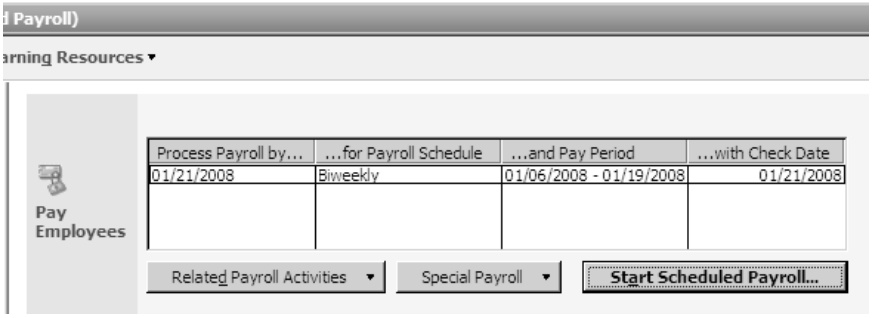
- Click **Print Paychecks** or assign a check number if you handwrite your checks.



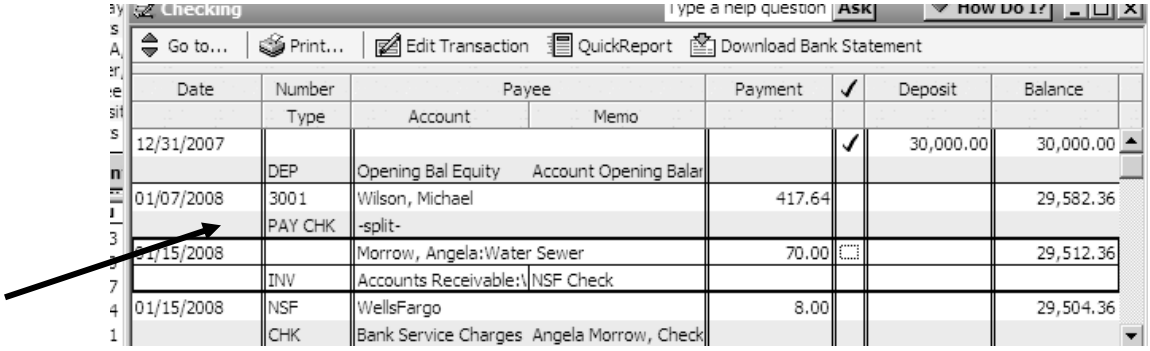
Check Your Work!

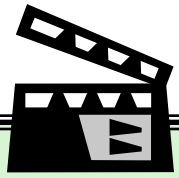
Let's look and see what happened after this paycheck was created.

Note that your Payroll Schedule has been automatically updated for the next pay period.



Your paycheck is in your check register. Its **Type** is **PAYCHK** so you can readily see it was created in the payroll section of QuickBooks.





BEHIND THE SCENES IN A PAYCHECK.....

Gross Pay	Payroll Expenses		Goes ↑
	Stipend Wage	Goes ↑	
	Payroll Taxes		Goes ↑
	FWT Payable		Goes ↑
	Medicare Payable		Goes ↑
	Social Security Payable	Goes ↑	
	ESC Payable		Goes ↑
	Child Support Payable	Goes ↑	
	** Utility Bank Account	Goes ↑	
Net Pay	Checking Account		Goes ↓

** This account is involved with a paycheck ONLY when the employee has elected to pay his or her water/sewer payment out of their paycheck. (See page 311)

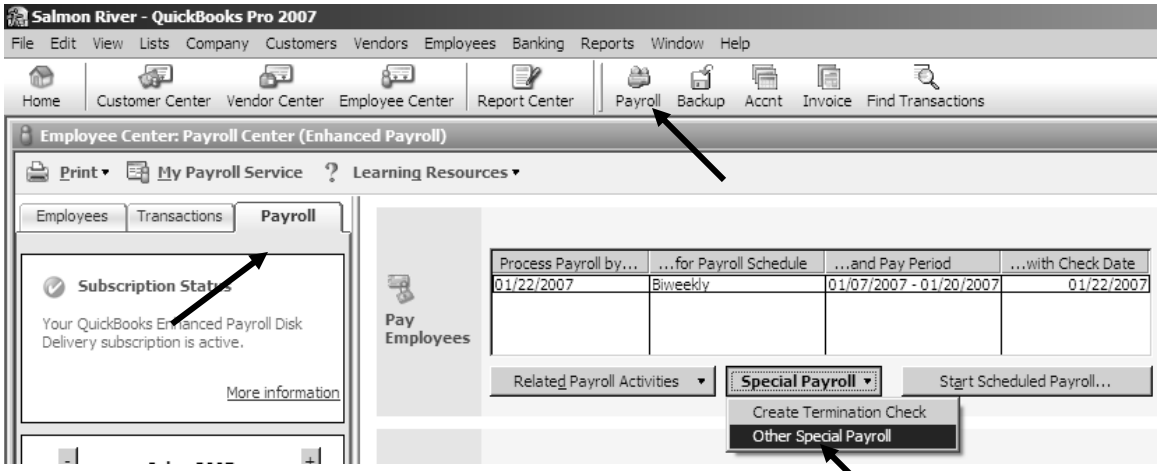
Unscheduled Payroll Checks

Sometimes, an employee will come into your office and ask for an early paycheck. We strongly suggest that you stick to your normal pay periods and tell the employee they must wait until payday. There are two very good reasons for having them wait:

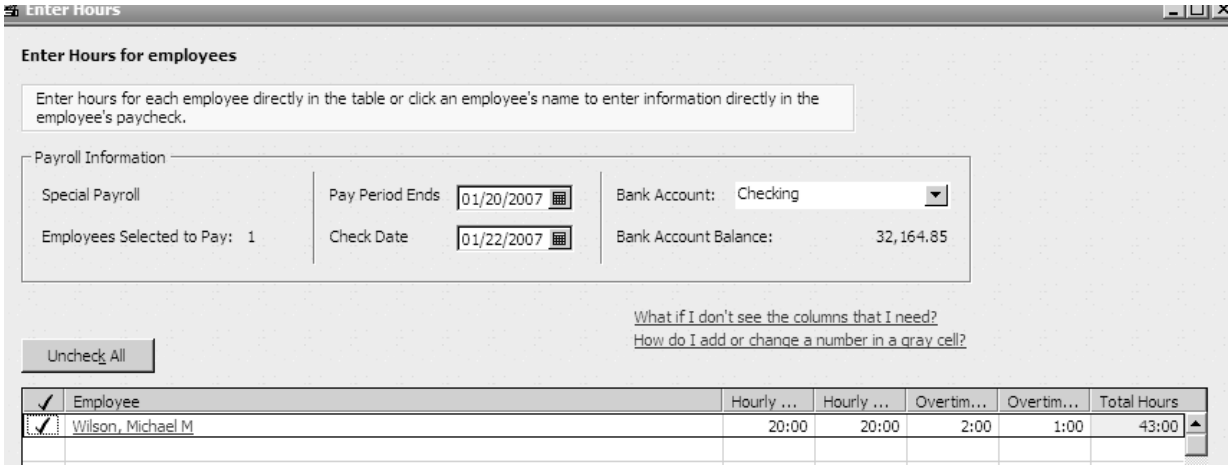
- If you issue an early paycheck, you are essentially giving your employee money that they have not yet earned. This is the same as loaning them money.
- There is a payroll liability attached to any paycheck. When the real payday arrives, you create another payroll tax liability for the rest of the employees. You must remember to pay taxes on all the paychecks. It is easy to become confused and omit the taxes from the check created earlier. Confusion leads to IRS penalties and fines.

If in spite of all this, if you decide to go ahead and issue an early check, follow these steps:

- Click **Payroll** on the **Icon Bar.**
- Click the **Payroll** tab.
- Click **Special Payroll or Unscheduled Payroll.**
- Click **Other Special Payroll.**



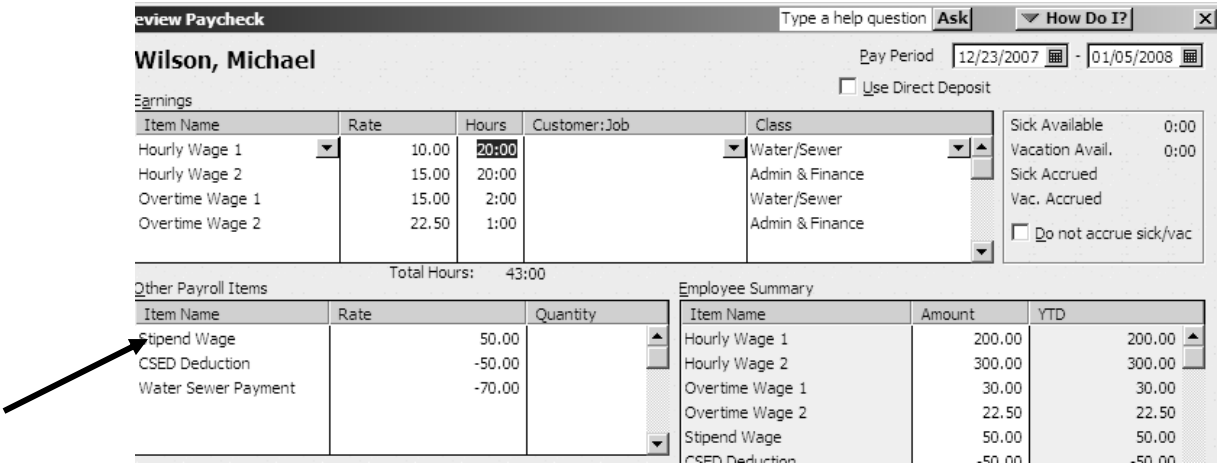
- Enter the **Pay Period Ends** date. Even if you are paying early, enter the actual ending date of the pay period.
- Enter the date you are creating this paycheck next to **Check Date**.
- Check the employee you wish to pay.
- Double-click his name to get to his payroll screen and proceed with the instructions in the Scheduled Payroll.
- By entering your employee's payroll screen through the Special Payroll screen instead of the Scheduled Payroll screen, you will not upset the dates of your scheduled payrolls.



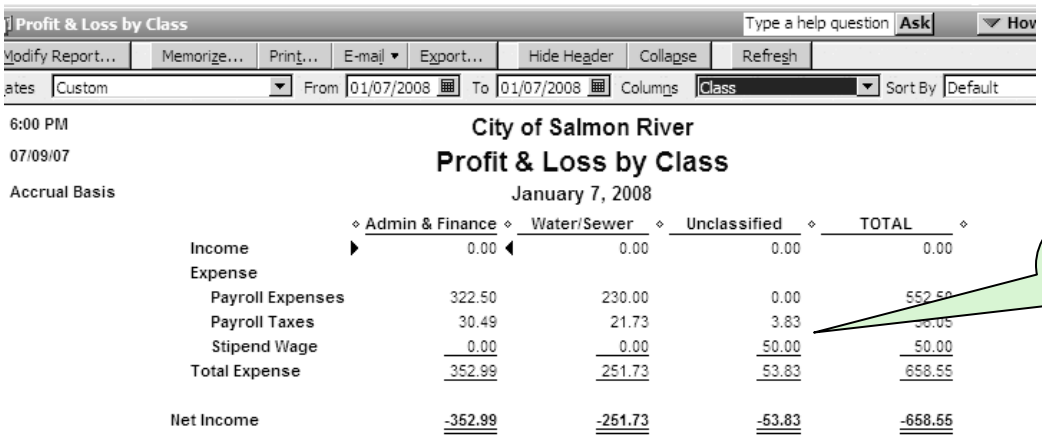
It is wise to pay the payroll taxes **right away** for this special payroll. That way, you will not forget, and there will be no fines.

Moving Stipend Wages to the Council Class

When you pay a stipend as an addition to a paycheck, the expense goes to the Stipend Wage expense account. A stipend wage is part of the budget for the council so it needs to show up in the Council class. Unfortunately, there is no place on the QuickBooks paycheck screen to enter a class for an addition to a paycheck. Therefore, you will need to make a general journal entry to move the stipend expense and its payroll tax into the Council class.

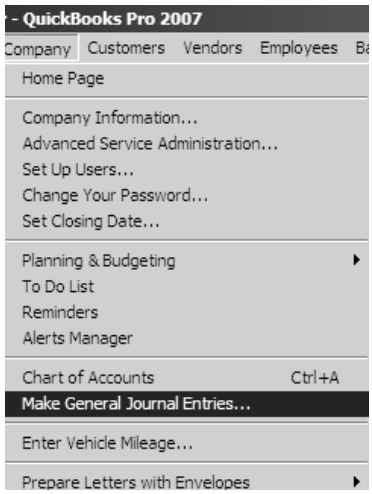


Looking at a Profit & Loss by Class dated the day of the payroll, you can see that the stipend expense and its tax is **Unclassified.**



Stipend Wage and Stipend Payroll Tax

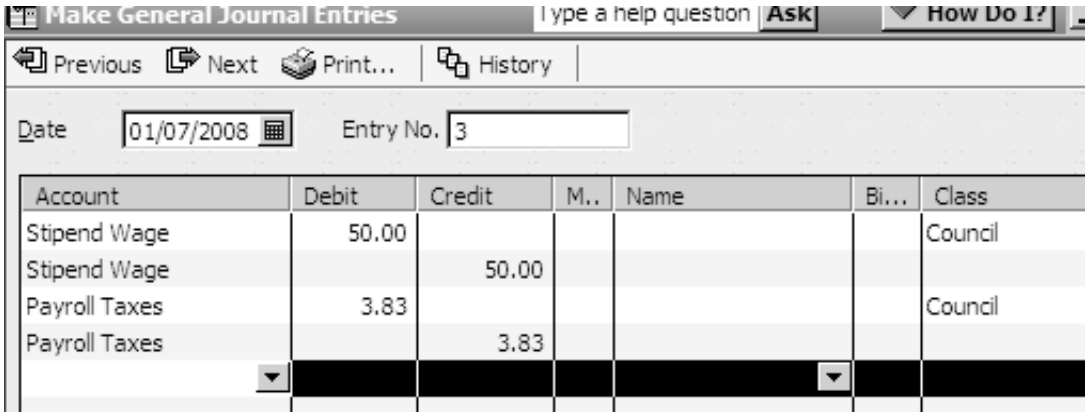
- Click **Company**
- Click **Make General Journal Entries**



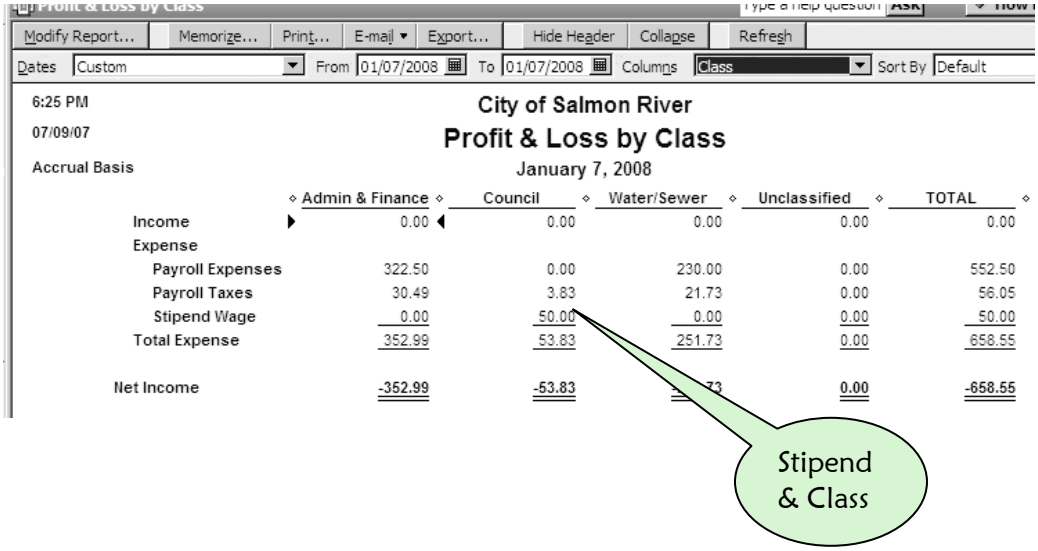
Making a general journal entry in QuickBooks involves the debits and credits of accounting. If you follow this format exactly, you will be successful.

This entry:

- takes the $50.00 amount of the Stipend Wage from no Class into the Council class.
- takes the $3.83 payroll tax from no Class into the Council class.



After you click **Save & Close**, your **Profit & Loss by Class** dated the day of the paycheck should change. You should see the stipend and its tax listed underneath the **Council** class.



Remember: If you want to see the total Stipend Wage expense and total payroll tax associated with the stipend, your **Profit & Loss by Class** must be the date of the paycheck. Make sure the general journal entry is also the date of the paycheck.

Using Payroll Deductions as Payments for Water/Sewer Services

It is a great idea to allow employees to make water/sewer payments through their paychecks. However, the process involves more than just deducting the payment amount from their paycheck. Follow through with the entire process before deducting any payments from employees' paychecks.

First, you will learn how to set up your system to handle these payroll deductions. The process goes like this:

- Create a **Utility Payments** bank account in your **Chart of Accounts**.
- Set up a payroll deduction payroll item called **Utility Payments** for the payment.
- Set up the employee record with the payroll deduction.
- Create a **Payroll Deduction** to your **Payment Method List.**

After you have set these up, the actual process is done in two steps:

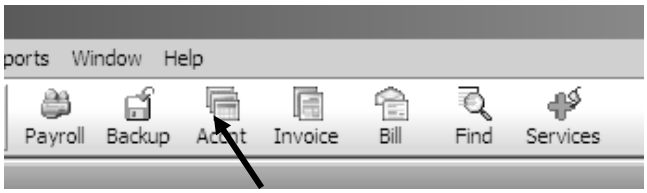
- Deducting the payment from the paycheck.
- Receiving the deducted amount as payment for utility services.

Creating a Bank Account for Employee Utility Payments

If you have employees that pay their utility bills out of their paycheck, then you need an additional bank account. This is not actually a bank account, but rather a holding account for the employee payments until they are credited to the employee's invoices.

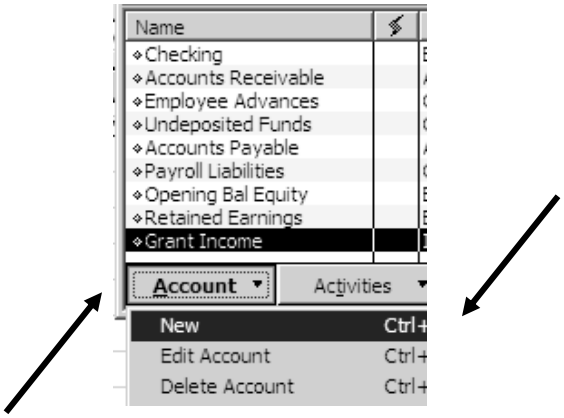
Step 1

- Click the **Accnt** icon on your **Icon Bar** or press **CTRL-A.**



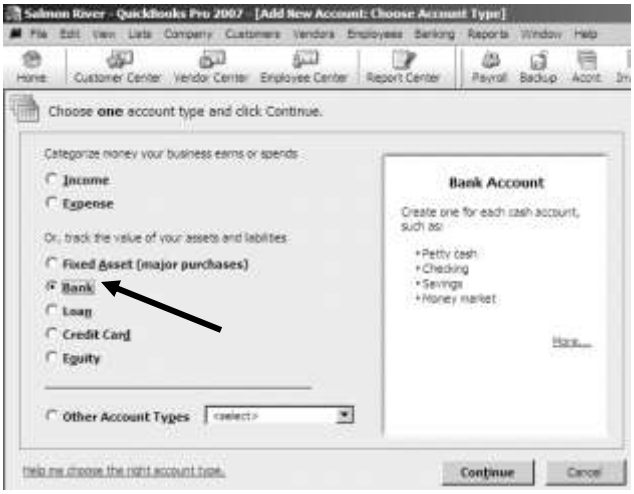
Step 2

- Click **Account.**
- Click **New.**



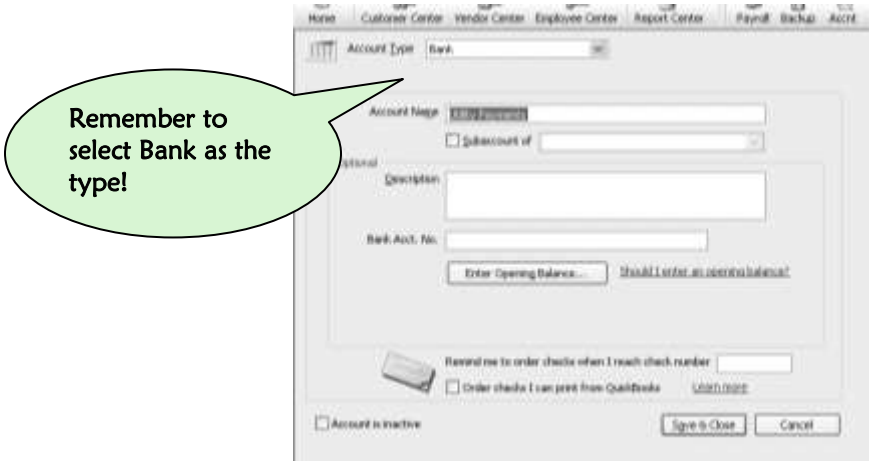
Step 3

- Select **Bank** as the account **type.**
- Click **Continue.**



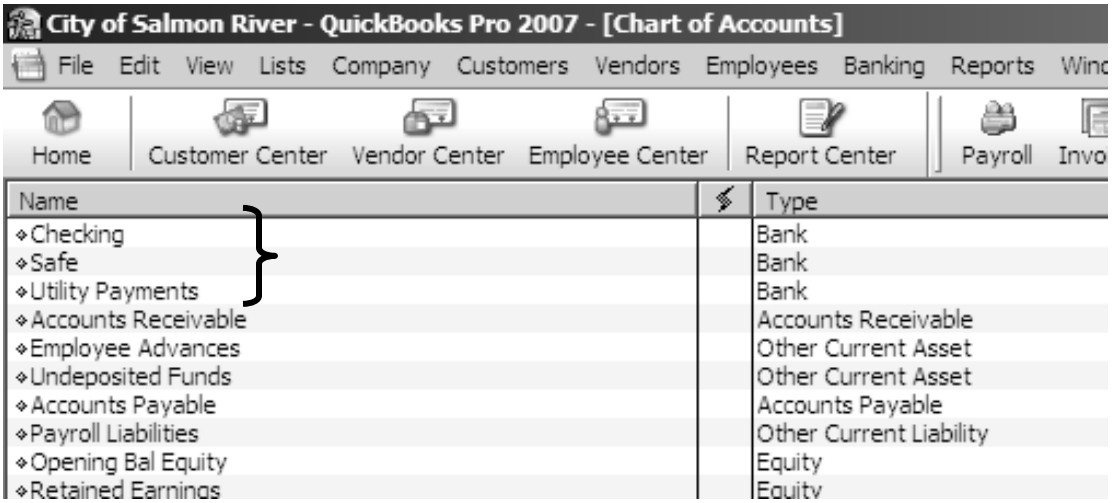
Step 4

- Name this new bank account **Utility Payments.**
- Click **Save & Close.**



Check Your Work!

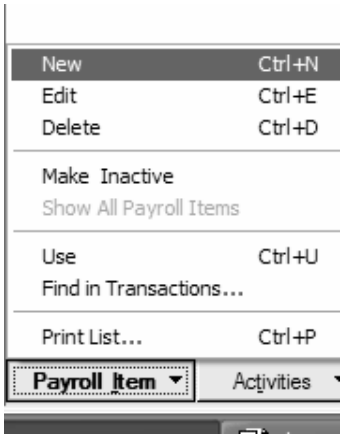
If your utility has only a checking account and a safe, your account list will look like the sample below:



Adding a Water/Sewer Payment Payroll Item

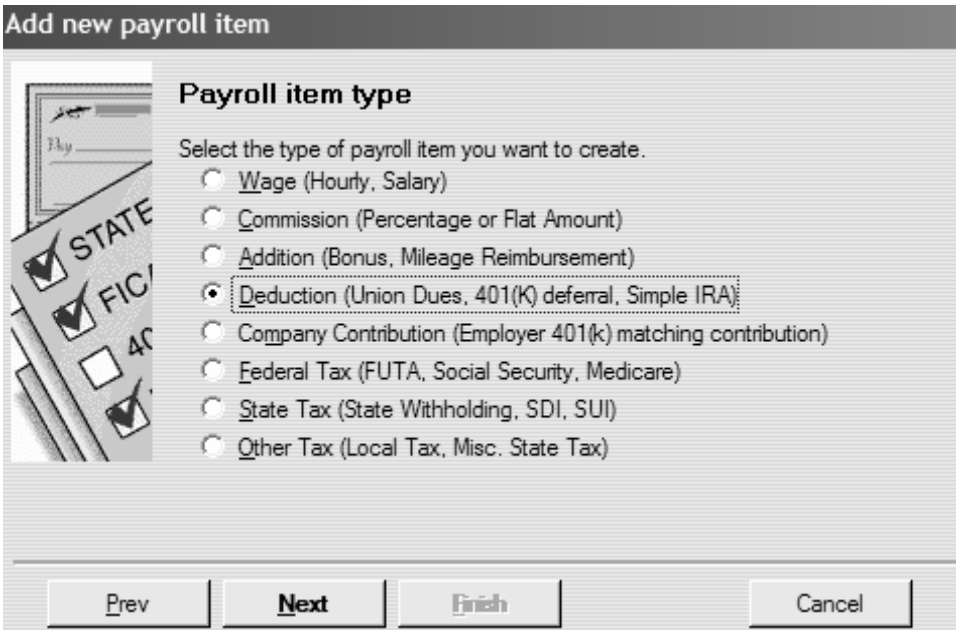
This item allows employees to make water/sewer service payments directly from their paycheck.

- Click **Payroll Item.**
- Click **New.**



- Click **Custom Setup.**
- Click **Next.**

- Click **Deduction.**
- Click **Next.**

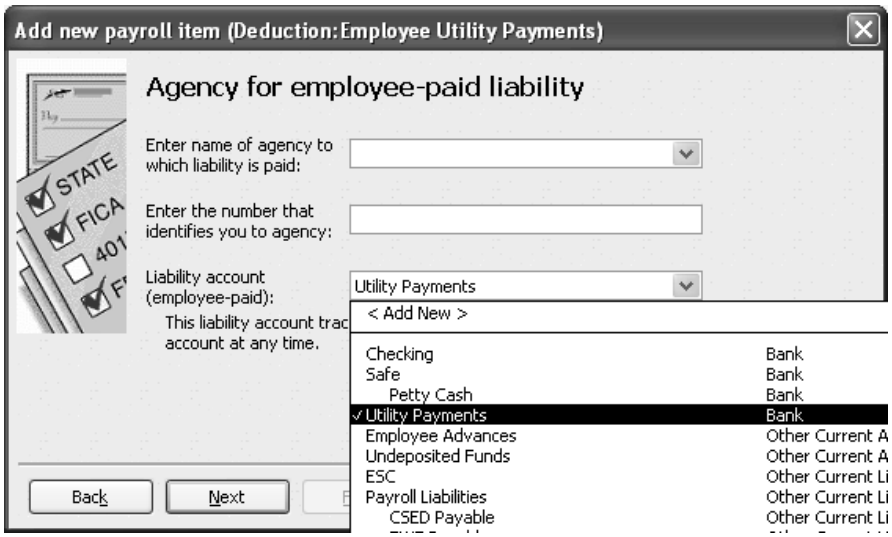


- Enter the name **Water Sewer Payment.**
- Click **Next.**

This next screen is important.

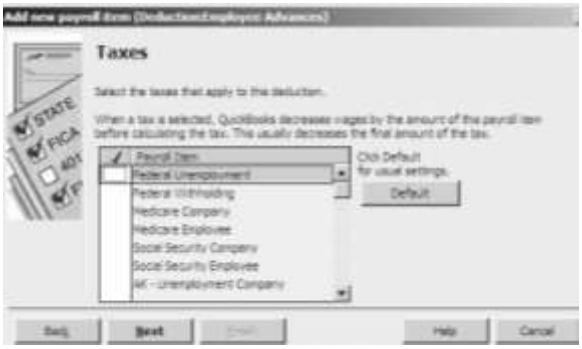
You will select the **Utility Payments** bank account from your account list. Every time an employee has a payroll deduction for utility payments, the payments will go into this account as a negative amount. When the payment is received, this payment will go into the same account **Utility Payments** bank account as a positive. The **Utility Payments** account will then show a zero balance when the process is completed.

- Select the **Utility Payments** Bank Account from your account list.

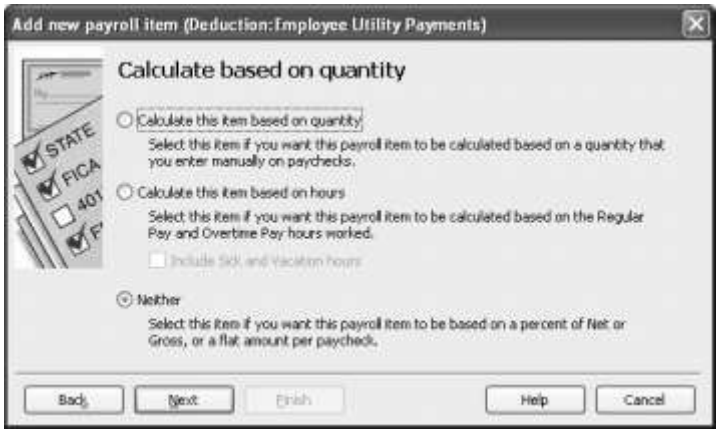


- Do nothing with this screen.
- Click **Next.**

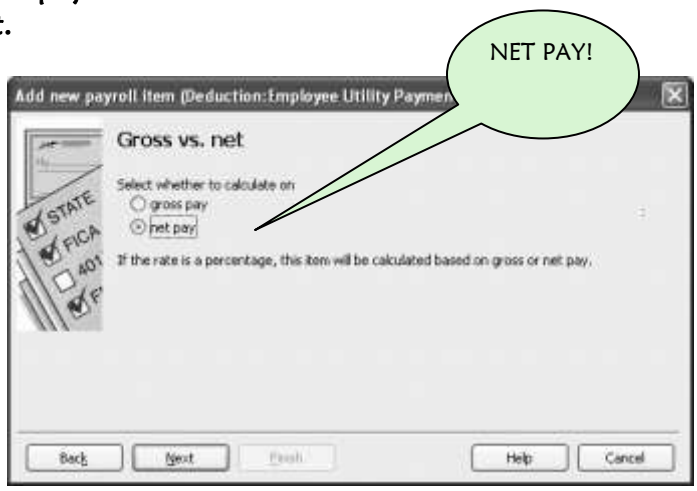
- Do nothing with this screen.
- Click **Next.**



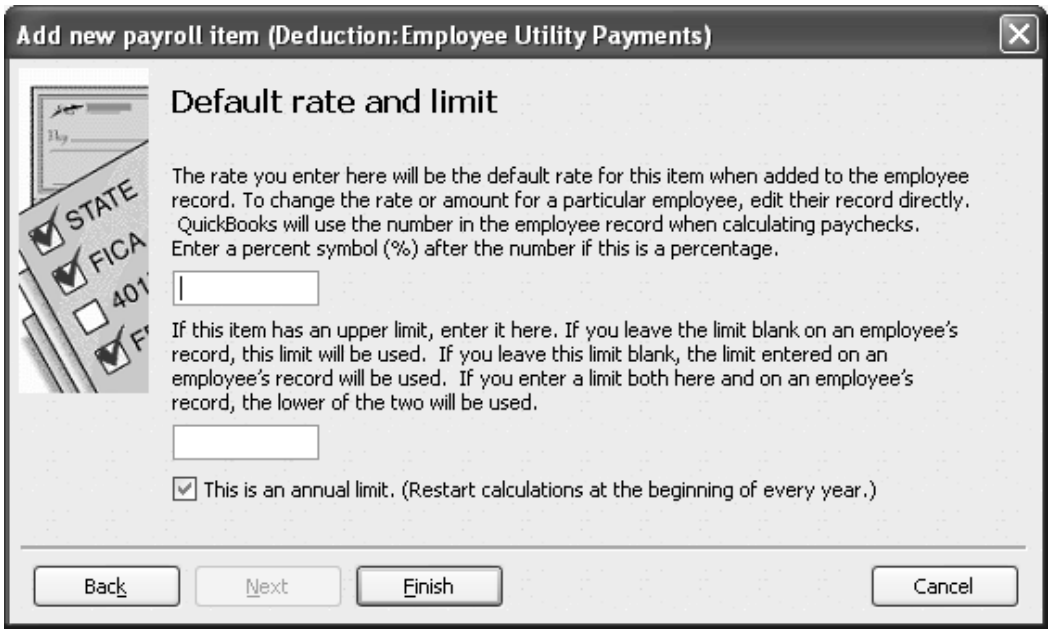
- Make sure **Neither** is selected.
- Click **Next.**



- Click **Net Pay.**
- **NOTE: It may not sound right, but if you do not select net pay, the employee's water/sewer payment will not have taxes taken out of it. It is taxable income.**
- Click **Next.**



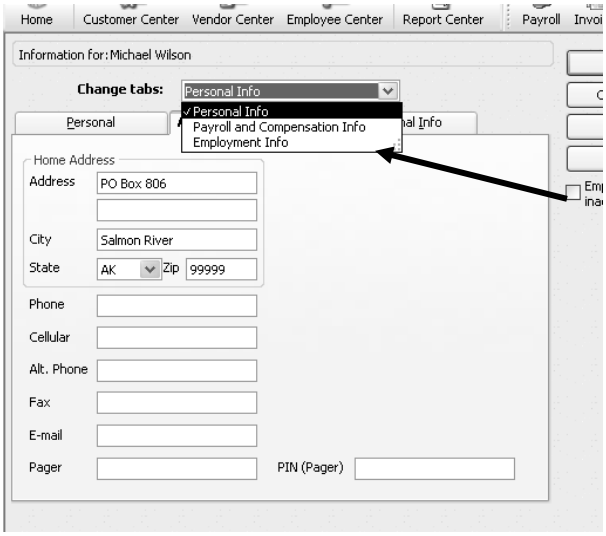
- Because utility payments vary, do nothing with this screen. You will set up a payment amount later in each employee's record.
- Click **Finish.**



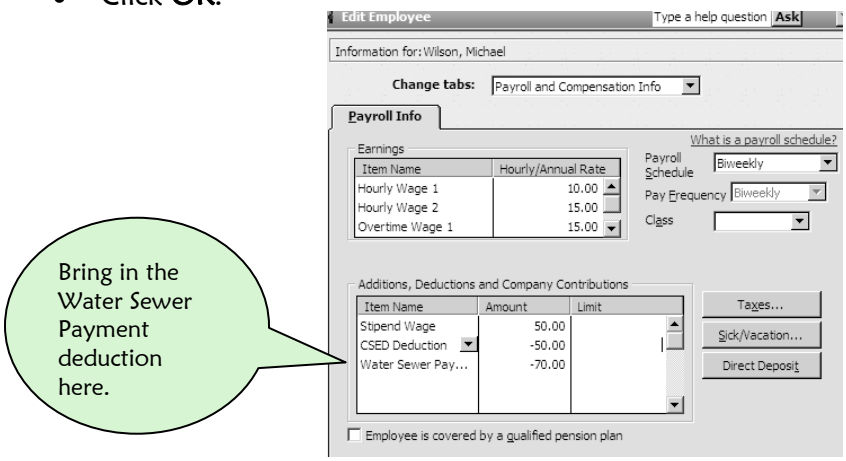
Setting Up the Employee Record with the Water/Sewer Payment Deduction

- Click **Employee Center** on your **Icon Bar.**

- Switch to the **Payroll and Compensation Info** tab in the **Change Tabs** field by clicking the arrow next to **Personal Info.**

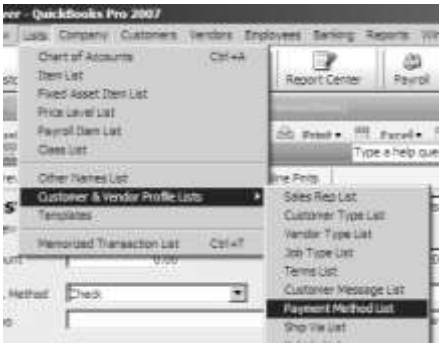


- In the **Additions, Deductions and Company Contributions** section of the window, bring in the **Water Sewer Payment** payroll item.
- Enter the amount of the payment.
- Click **OK**.

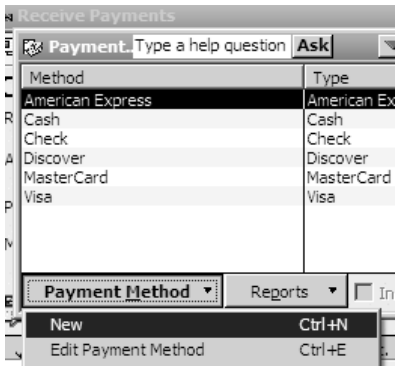


Adding Payroll Deduction to the Payment Method List

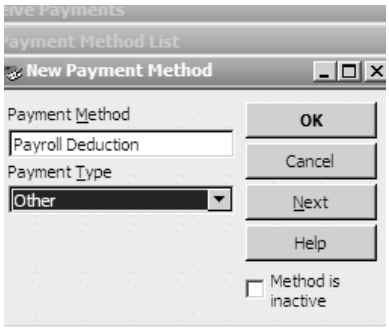
- Click **Lists.**
- Click **Customer & Vendor Profile Lists.**
- Click **Payment Method List.**



- Click **Payment Method.**
- Click **New.**



- Name the method **Payroll Deduction.**
- Select **Other** as **Payment Type.**
- Click **OK.**

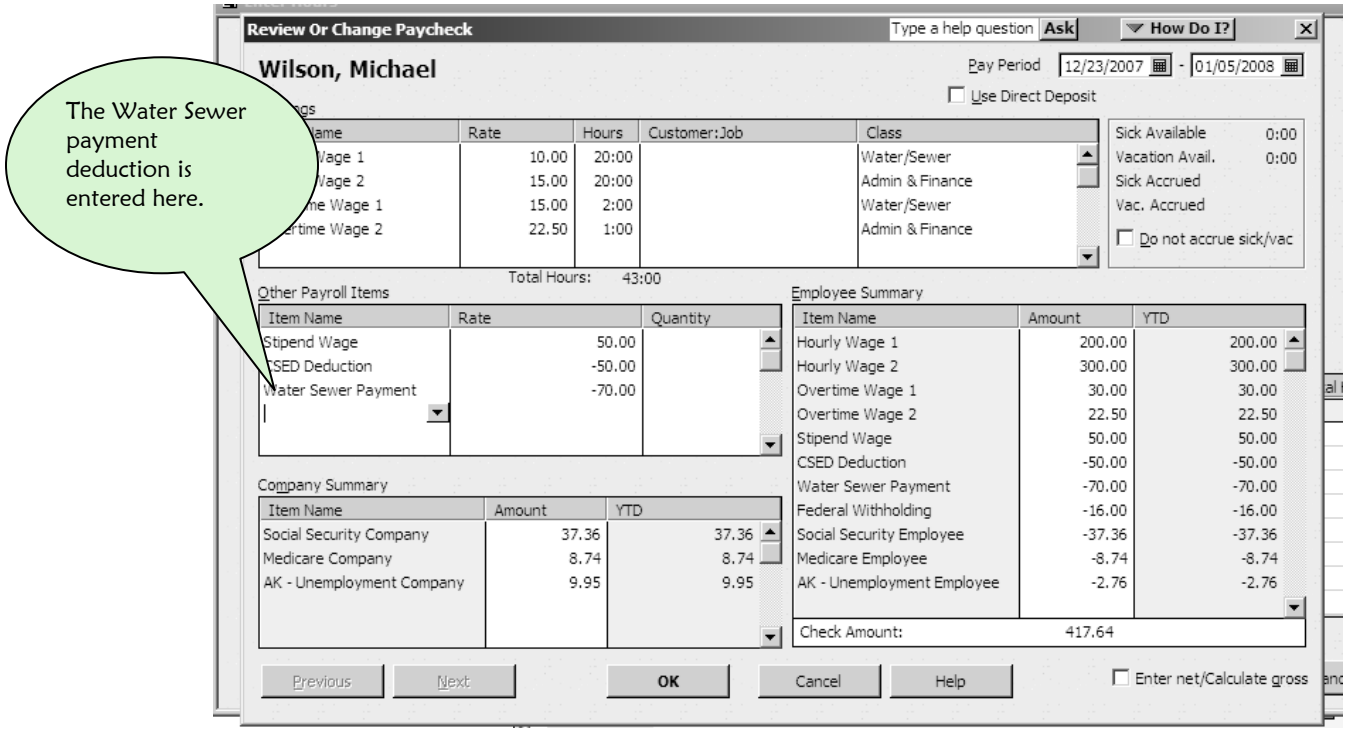


Your set up is now complete for handling water/sewer payment payroll deductions. The process you will now go through each time you use this deduction in a payroll requires

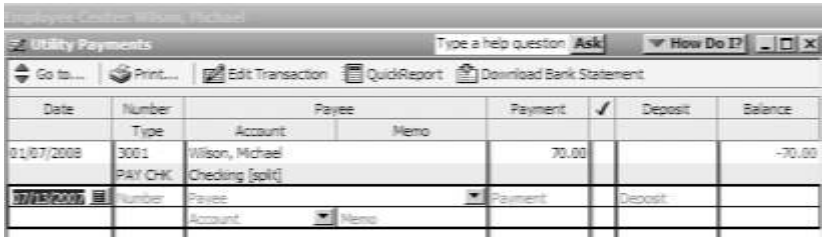
two steps—the deduction from the paycheck and applying the payment to the customer's account.

Creating a Paycheck with a Water/Sewer Payment as a Payroll Deduction

Everything in the payroll process on pages 301 through 305 is the same except you will add the Water Sewer deduction to the employee's pay screen.



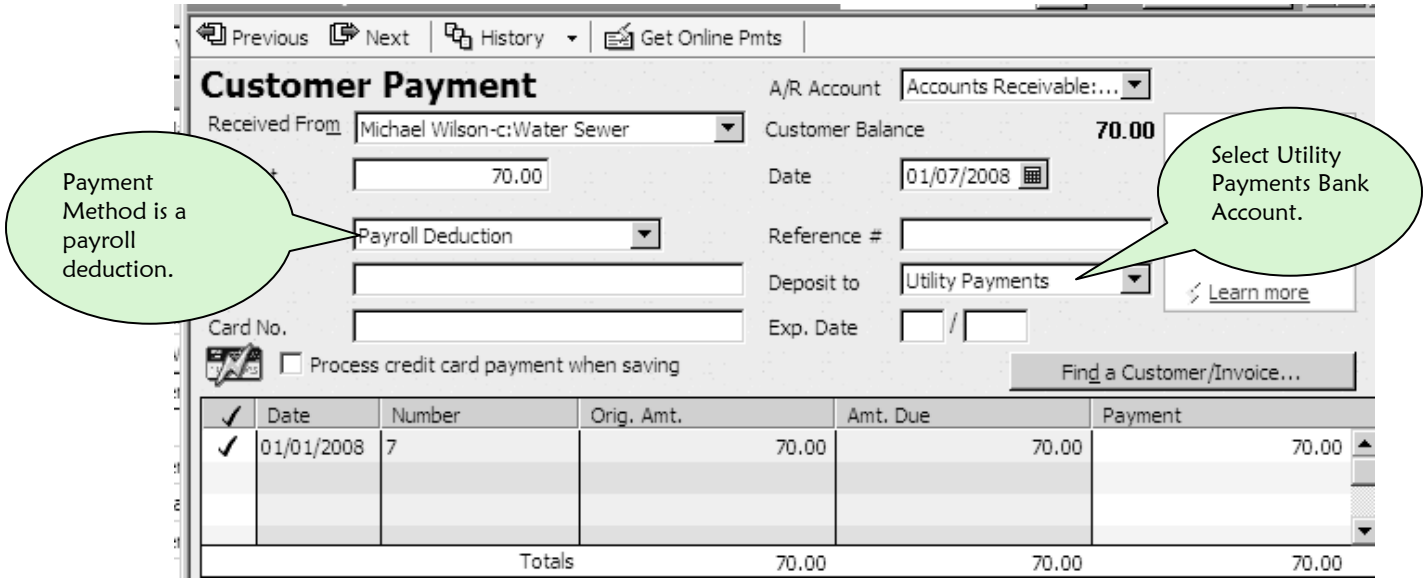
Immediately after creating a paycheck with a water/sewer payment payroll deduction, the payment is posted to your Utility Payments bank account as a negative.



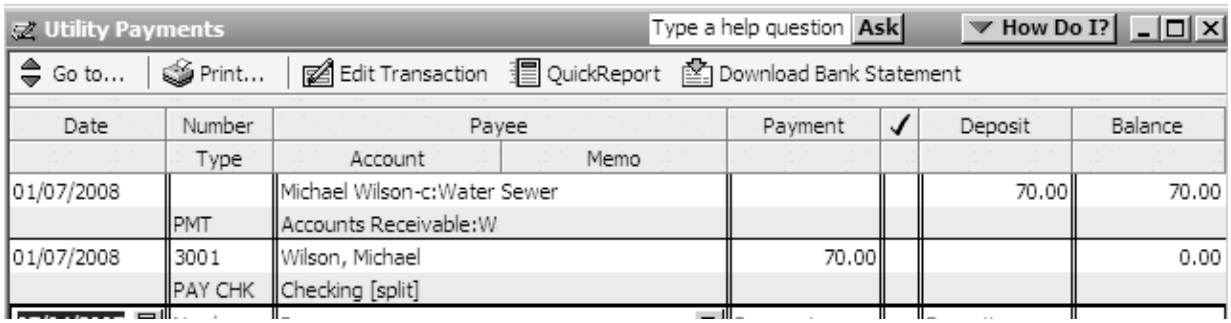
Applying the Water/Sewer Payment to the Employee's Customer Account

Immediately, after completing your payroll, you will complete the process by receiving the employee's customer payment against their Water/Sewer invoice. In order for this to happen, your employee must be set up as a customer with a water/sewer job and there must be water/sewer invoices created every month along with the other customers. This invoice should be memorized in the Water/Sewer group along with the other customers. (See page 244)

NOTE: QuickBooks will not allow identical names. You cannot have the exact same name as a customer and an employee. We added a dash and the letter c (for customer) to the end of Michael Wilson's name when we made him a customer.



The following screen shows the **Utility Payments** account. The first item (with the Type Code **PMT)** is having a positive affect on the account when the payroll deduction payment is applied to the employee's customer invoice. The second item (with the Type Code **PAYCHK**) is having a negative affect on the account when the payment is being deducted from the employee's paycheck. In the end, this account zeroes itself out.



BEHIND THE SCENES.....

When the utility payment payroll deduction is made:

Utility Payments balance goes ↓
Employee's paycheck goes ↓

When the employee/customer's payment is received:

Your customer's Accounts Receivable balance goes ↓
Utility Payments balance goes ↑

TIP: If you ever get confused and can't remember if you applied the employee water/sewer payment or withheld the employee water/sewer deduction, look in the **Utility Payments** bank account. It will give you the name of the employee and you can easily tell if the item is a payroll deduction or an invoice payment. At the end of a complete payroll, this account should always be zero.

Calculating and Paying Payroll Liabilities

After completing your first payroll, you should have payroll taxes calculated and waiting to be paid.

- Go to your **Employee Payroll Center.**
- Click the **Payroll** Tab.

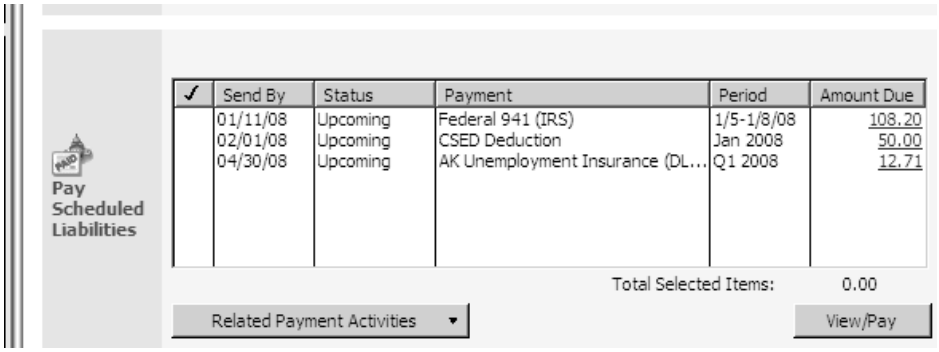
In the screen below, there are three items. The first item is your 941 payroll taxes due from the paycheck. These taxes should be sent out or paid electronically on the same day as the paychecks.

Remember 941 taxes are:

- Federal Withholding
- Social Security
- Medicare

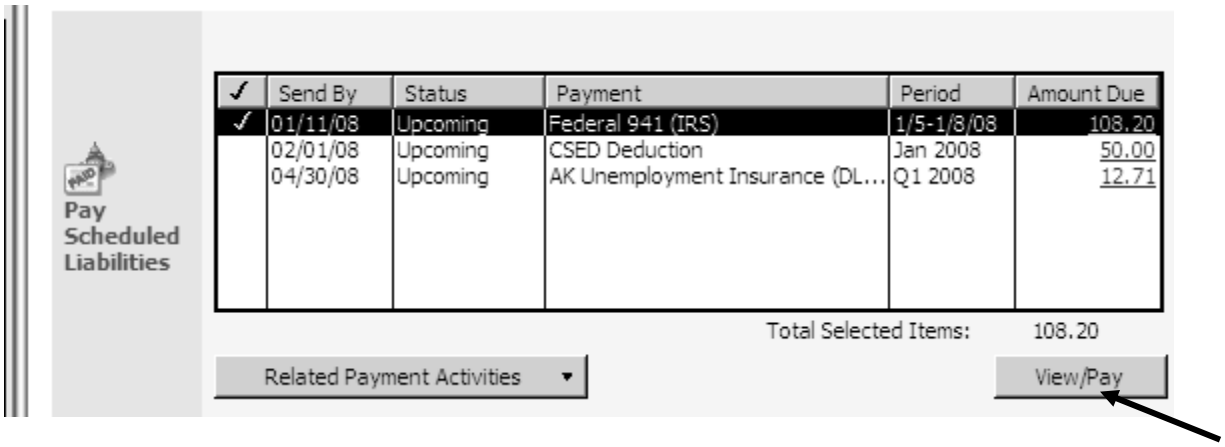
The next item is the $50.00 which will be sent to Child Support Enforcement Division. We scheduled the Child Support to be paid once a month, therefore they are due by February 1.

The last item is the Alaska State Unemployment Tax. This tax is a quarterly tax. The quarter ends March 31. The tax must be paid by the last day of the month following the end of the quarter.



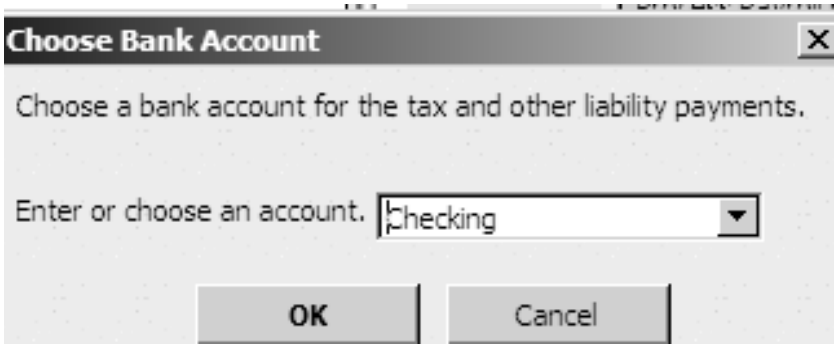
Paying the 941 Taxes

- Highlight the 941 Taxes.
- Click **View/Pay.**



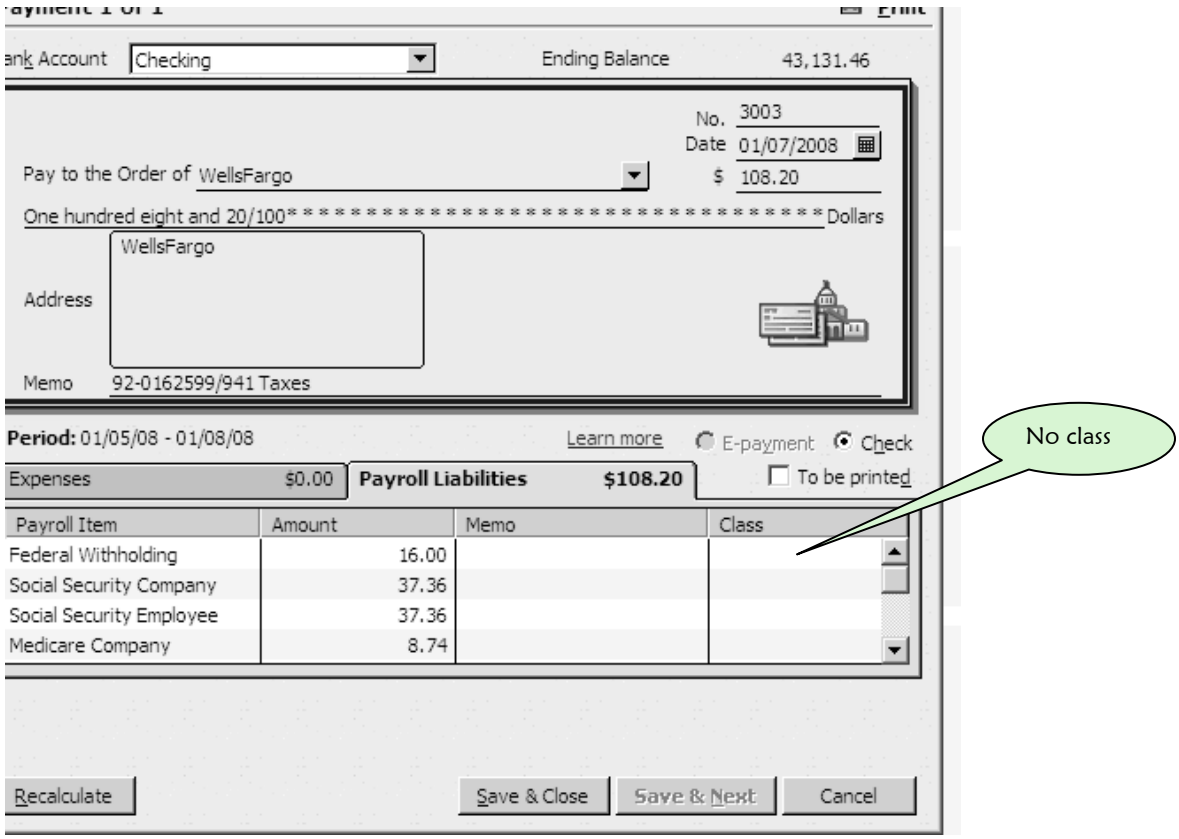
QuickBooks asks you to select a bank account from which you will pay the payroll taxes.

- Click your **Checking Account.**
- Click **OK.**



QuickBooks has prepared the check for you.

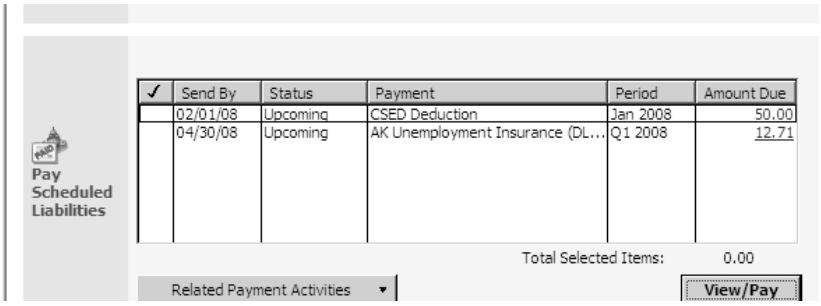
- Make sure the **check number** is accurate.
- Check the **date.**
- It is a good idea to enter your **EIN number** in the memo and identify the check as a 941 tax check.
- You do not **Class** this check. It was already classed on the paycheck.
- Click **Save & Close.**


Bank Account
Checking
Ending Balance
43,131.46
No.
3003
Date
01/07/2008
Pay to the Order of
WellsFargo
$
108.20
One hundred eight and 20/100* * * *

Check Your Work!

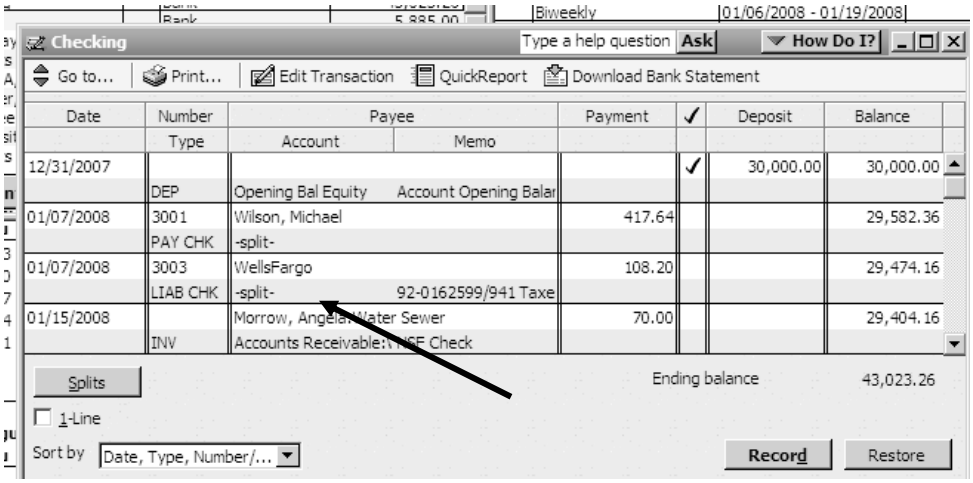
Look at your list of taxes to be paid.

- Notice that the 941 tax liability is no longer listed.



Look at your 941 tax check in your check register.

- Notice the **Type** code is **LIAB CHK.**



When they are due, pay the other Payroll Liabilities—such as CSED and IRS Levies—the same way.

BEHIND THE SCENES.....

When you pay your payroll taxes:

FWT Payable	Goes ↓
Medicare Payable	Goes ↓
Social Security Payable	Goes ↓
ESC Payable	Goes ↓
Child Support Payable	Goes ↓
Checking Account	Goes ↓

Creating and Maintaining Your Office Payroll Records

In case of a payroll audit, you must keep your payroll records on file for three years. In an audit, the state or the IRS would ask to see your payroll records. They would expect to see the following documents all grouped together by payroll.

- Employee Time Cards
- QuickBooks Pay Stubs
- QuickBooks Payroll Report

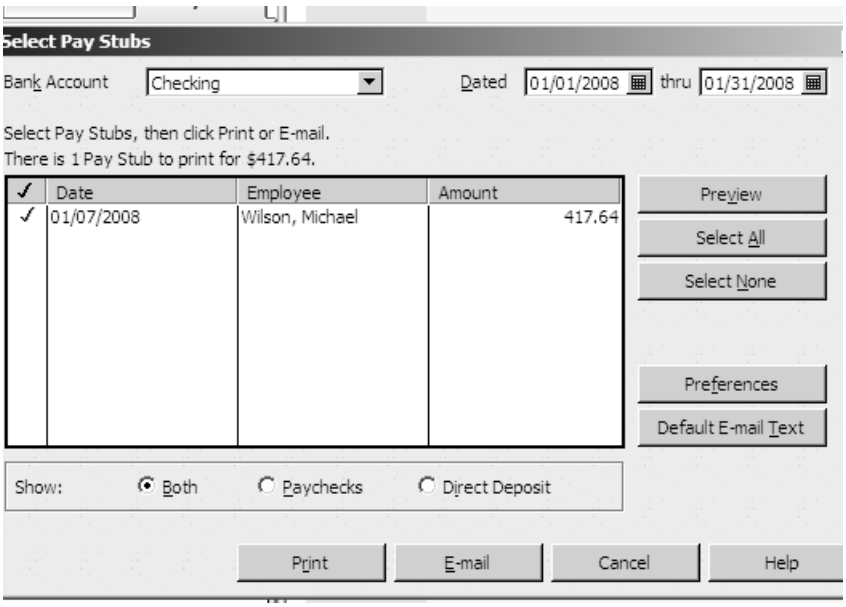
Depending upon how many employees you pay each payday, this packet would vary greatly in size. If you have less than ten employees, you could put each payroll packet in a quarterly file folder. This quarterly folder would contain 8 payrolls if you have a biweekly payroll (2 per month). If you pay greater than 10 employees, you might want to have one file folder per payroll. Make sure you label and date your file folders.

Printing Pay Stubs

- Click **File.**
- Click **Print Forms.**
- Click **Pay Stubs.**

Your date range on this screen must include the creation date of the paycheck.

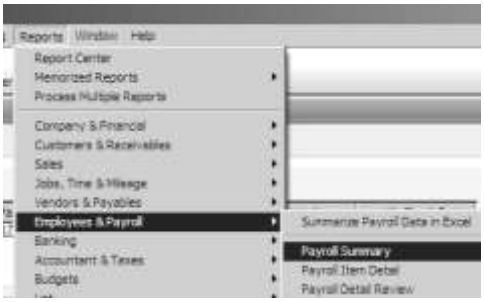
- Click **Print.**



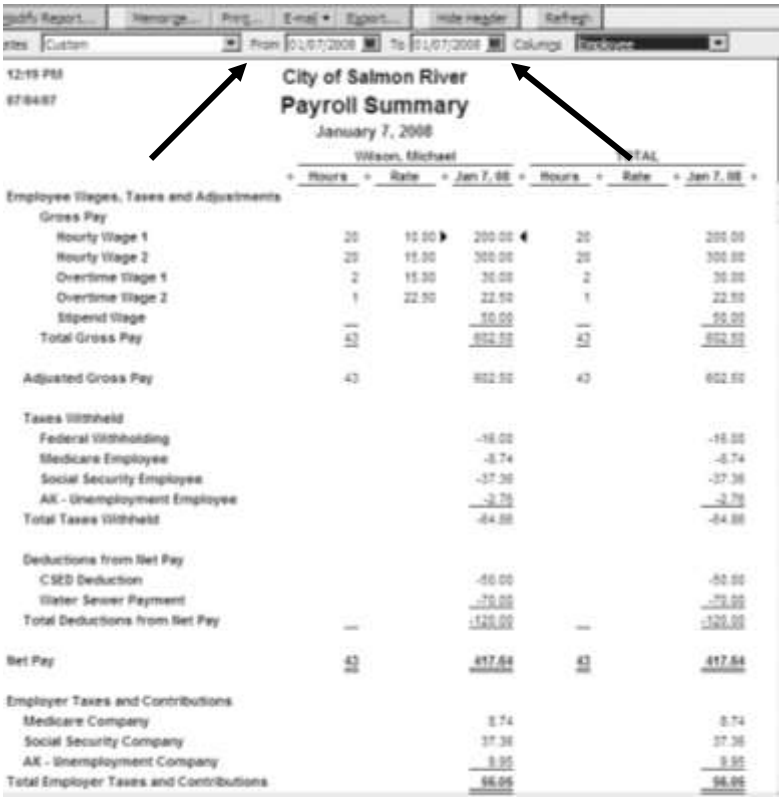
Creating a Payroll Report

QuickBooks has a great payroll report which shows details on each employee and also includes a total page for the entire payroll. To create this report:

- Click **Reports.**
- Click **Employees & Payroll.**
- Click **Payroll Summary.**



- Enter the date your paychecks are dated in the **From** and the **To** fields of this report to ensure that you do not get more than one payroll in this report. Notice that this is the SAME date in each field.
- Click **Print** at the top of the report.



Preparing Payroll Tax Reports

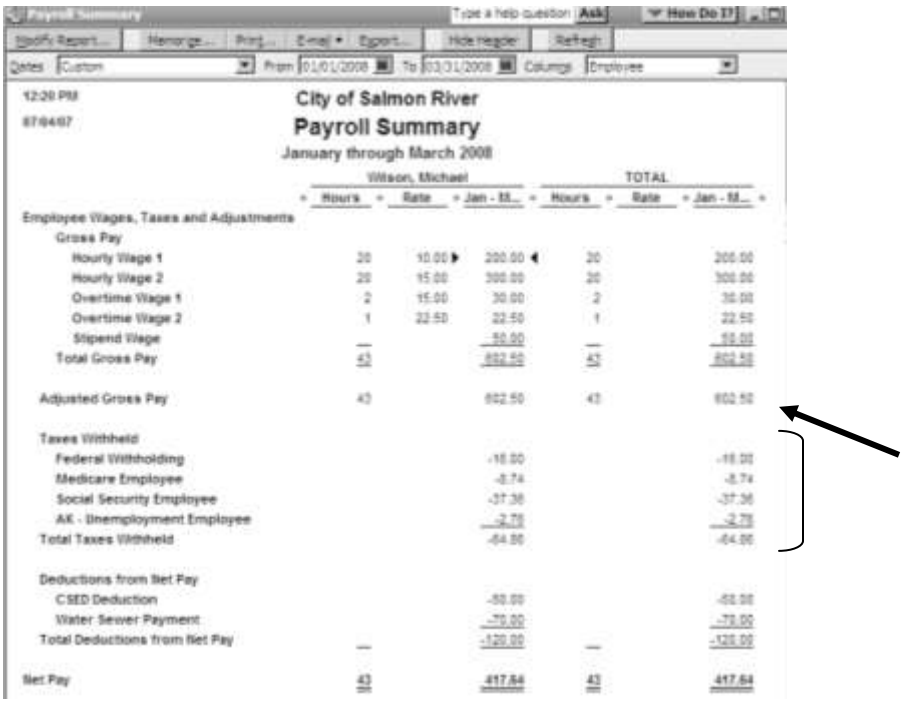
941 Quarterly Reports

Each quarter you must file a 941 Quarterly Report. It is due the last day of the month following the end of each quarter. Before processing the 941 in QuickBooks, create an **Employee Payroll Summary** report for the quarter for which you are reporting. The dates for the report should be the beginning and ending dates of the quarter. The report shown here is for the first quarter. Look at the Total column on the last page of this report. The 941 report will tell the Internal Revenue Service how much you paid in gross wages and what the 941 taxes were on these wages. As you process the form in QuickBooks, make sure that the numbers agree with this report.

BEWARE: When you create a new company file in QuickBooks, it is possible that the first set of quarterly tax reports will have incomplete data. How can you tell? Look at the following quarterly accounting periods.

1st Quarter: January 1 through March 31
2nd Quarter: April 1 through June 30
3rd Quarter: July 1 through September 30
4th Quarter: October 1 through December 31

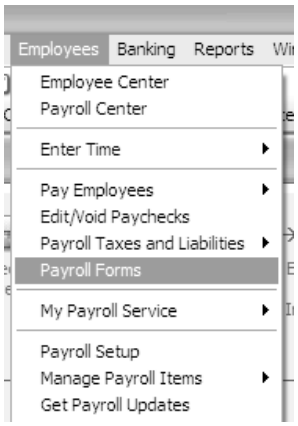
What was your starting date? If your starting date was not the first day of a quarter, you probably have incomplete payroll data for your first set of quarterly reports.



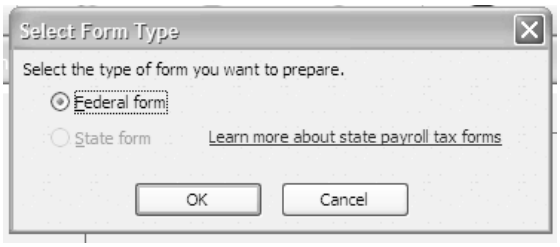
City of Salmon River
Payroll Summary
January through March 2008

	Wilson, Michael			TOTAL		
	Hours	Rate	Jan - M...	Hours	Rate	Jan - M...
Employee Wages, Taxes and Adjustments						
Gross Pay						
Hourly Wage 1	20	10.00	200.00	20		200.00
Hourly Wage 2	20	15.00	300.00	20		300.00
Overtime Wage 1	2	15.00	30.00	2		30.00
Overtime Wage 2	1	22.50	22.50	1		22.50
Stipend Wage			50.00			50.00
Total Gross Pay	43		602.50	43		602.50
Adjusted Gross Pay	43		602.50	43		602.50
Taxes Withheld						
Federal Withholding			-16.00			-16.00
Medicare Employee			-8.74			-8.74
Social Security Employee			-37.36			-37.36
AK - Unemployment Employee			-2.78			-2.78
Total Taxes Withheld			-64.88			-64.88
Deductions from Net Pay						
CSED Deduction			-50.00			-50.00
Water Sewer Payment			-70.00			-70.00
Total Deductions from Net Pay			-120.00			-120.00
Net Pay	43		417.64	43		417.64

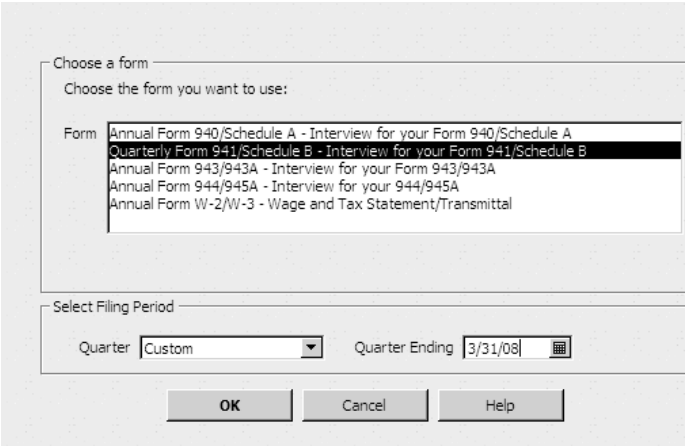
- Click **Employees.**
- Click **Payroll Forms.**



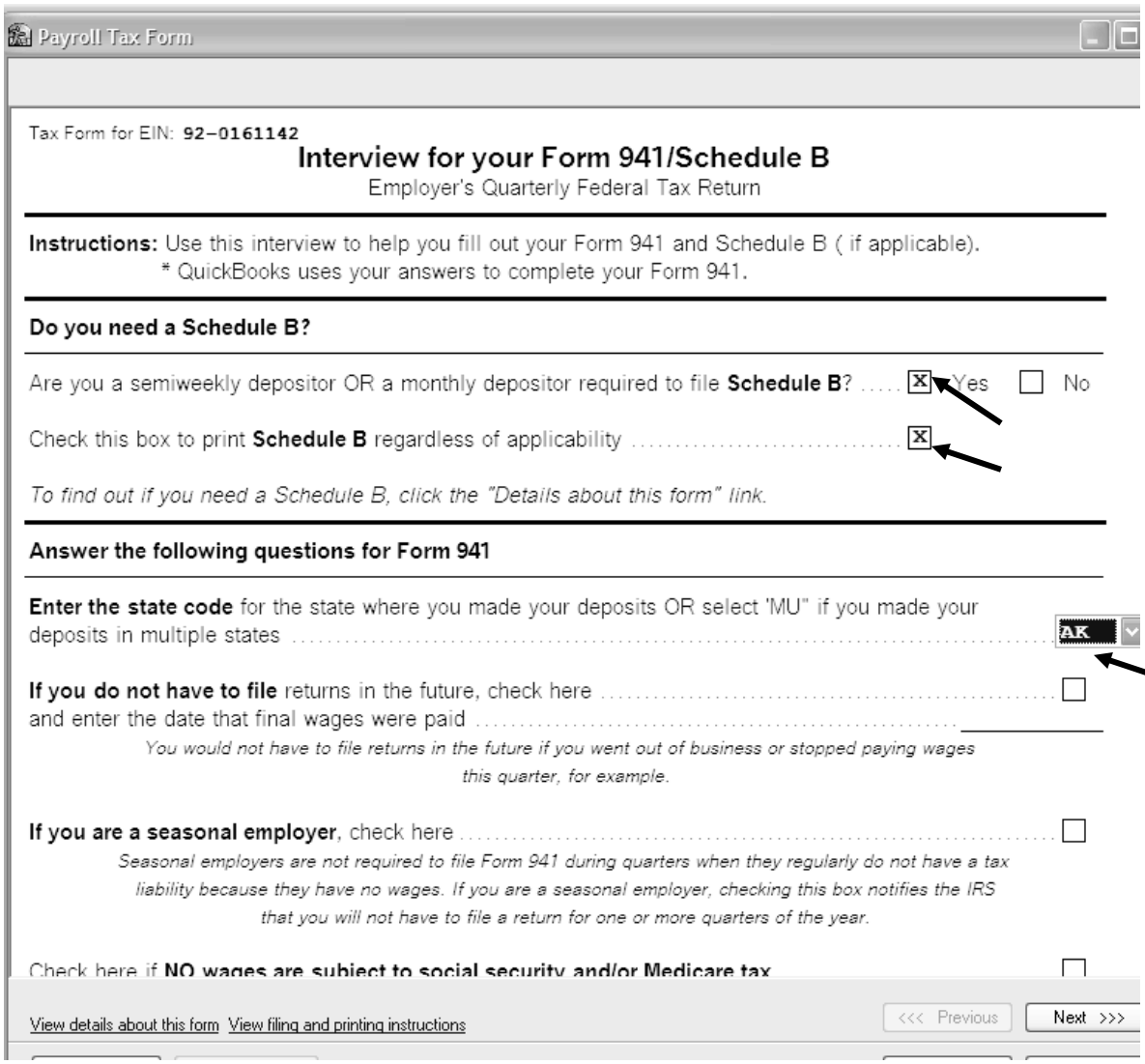
- Select **Federal Form.**
- Click **OK.**



- Make sure that **Quarterly Form 941** is selected. Verify that your dates are correct.
- Click **OK.**



- Check the two boxes as indicated below and select **AK** from the list.
- Click **Next.**

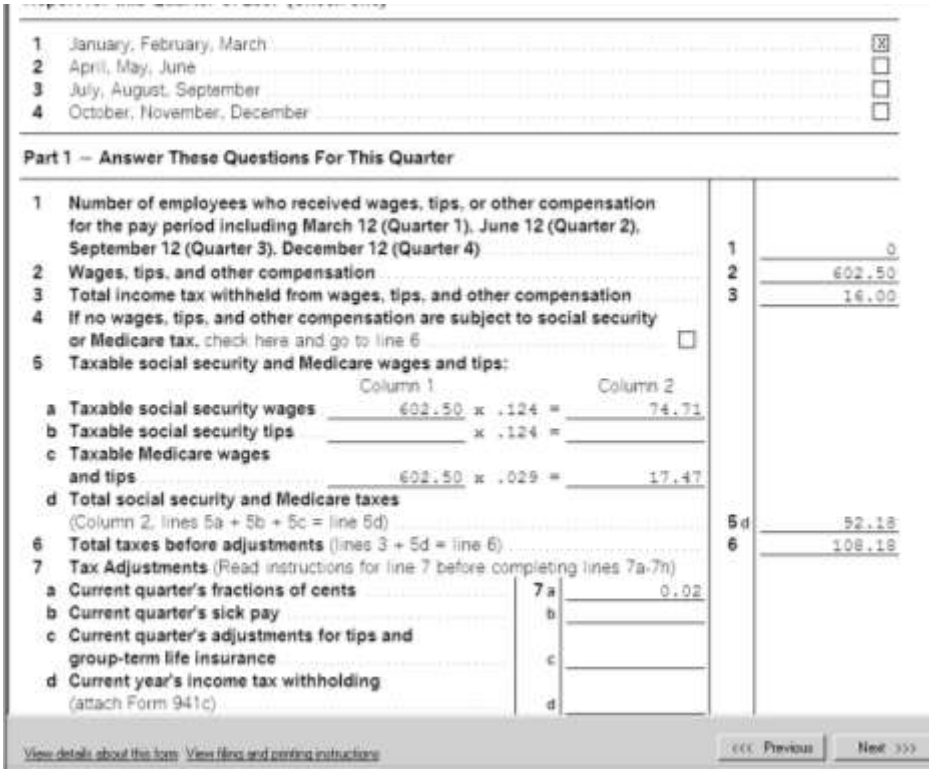


Carefully review this report on your screen. Compare it with your Payroll Summary Report. Pay particular attention to:

- Line 2—Wages, tips and other compensation
- Line 3—Total Income Tax withheld
- Line 5a—Social Security taxable wages and Social Security taxes
- Line 5d—Medicare Taxable wages and Medicare taxes

Make sure that Line 11 is accurate. This line tells the IRS the total of the payroll taxes that you have already sent in. If you are up-to-date on your payroll taxes, Line 11 will equal Line 10, and Line 12 will be blank.

- Click **Next.**



1	January, February, March					☒
2	April, May, June					☐
3	July, August, September					☐
4	October, November, December					☐

Part 1 – Answer These Questions For This Quarter

1	Number of employees who received wages, tips, or other compensation for the pay period including March 12 (Quarter 1), June 12 (Quarter 2), September 12 (Quarter 3), December 12 (Quarter 4)				1	0
2	Wages, tips, and other compensation				2	602.50
3	Total income tax withheld from wages, tips, and other compensation				3	16.00
4	If no wages, tips, and other compensation are subject to social security or Medicare tax, check here and go to line 6					☐
5	Taxable social security and Medicare wages and tips:	Column 1		Column 2		
a	Taxable social security wages	602.50	x .124 =	74.71		
b	Taxable social security tips		x .124 =			
c	Taxable Medicare wages and tips	602.50	x .029 =	17.47		
d	Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)				5d	92.18
6	Total taxes before adjustments (lines 3 + 5d = line 6)				6	108.18
7	Tax Adjustments (Read instructions for line 7 before completing lines 7a-7h)					
a	Current quarter's fractions of cents			7a		0.02
b	Current quarter's sick pay			b		
c	Current quarter's adjustments for tips and group-term life insurance			c		
d	Current year's income tax withholding (attach Form 941c)			d		

View details about this form | View filing and printing instructions

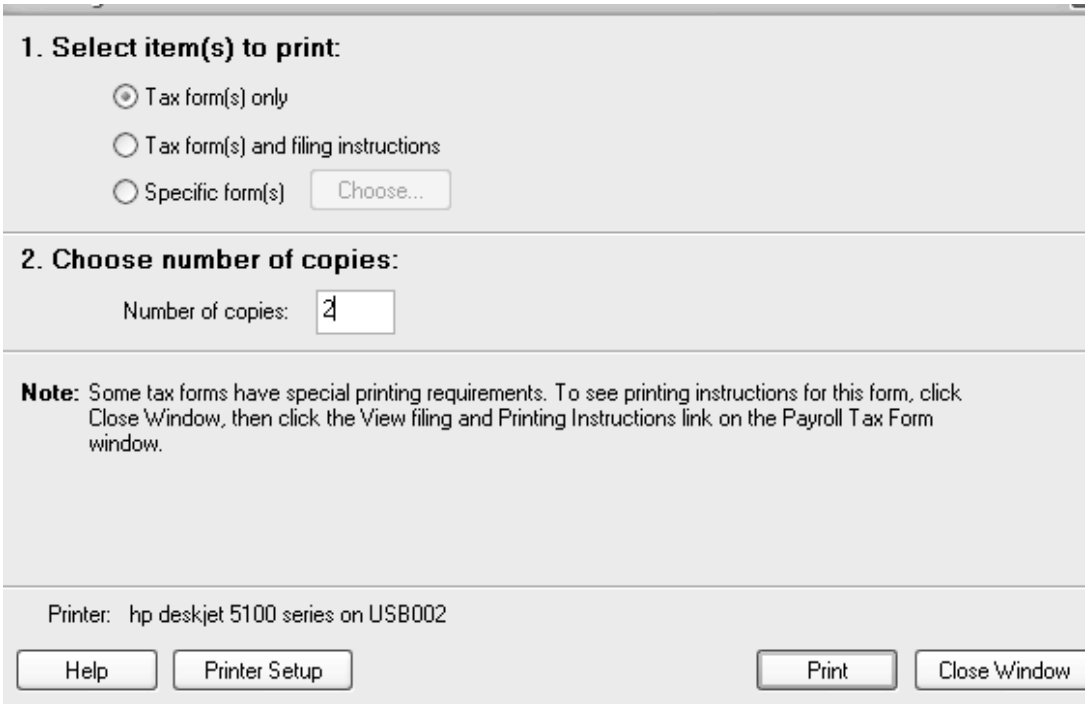
<<< Previous | Next >>>

- Check the box that says **You were a semiweekly schedule depositor** for the quarter. You may have to right click in the box and select Override to do it.
- Click **Next.**

This next page is a schedule of your payroll deposits.

- Look it over for accuracy. Click **Check for Errors** and correct any errors.
- Click **Next.**

- Click **Print.**
- Select **Tax Forms Only.**
- Select **2 copies.**
- Click **Print.**



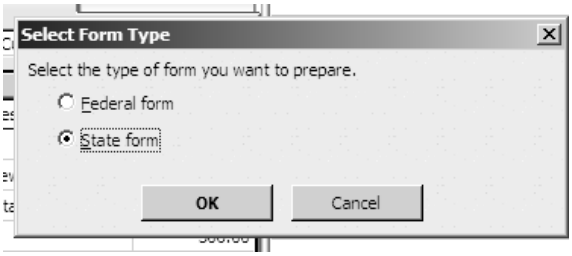
If you have been sending your 941 tax payments with every payroll, you should not owe any money. Make sure you send the form in on time. File a copy of the 941 with your payrolls from the same quarter, or you may want to have a separate file folder for all the 941s from one year.

Alaska State Unemployment Quarterly Contribution Report

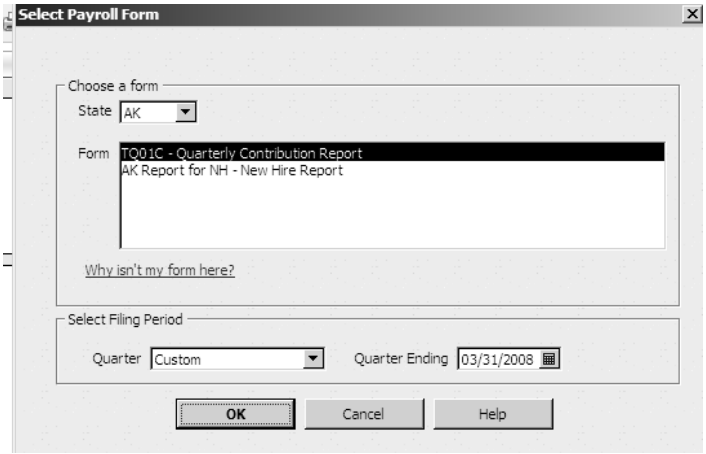
Your new version of QuickBooks has the capability of producing this report for you.

- Click **Employees.**
- Click **Payroll Forms.**

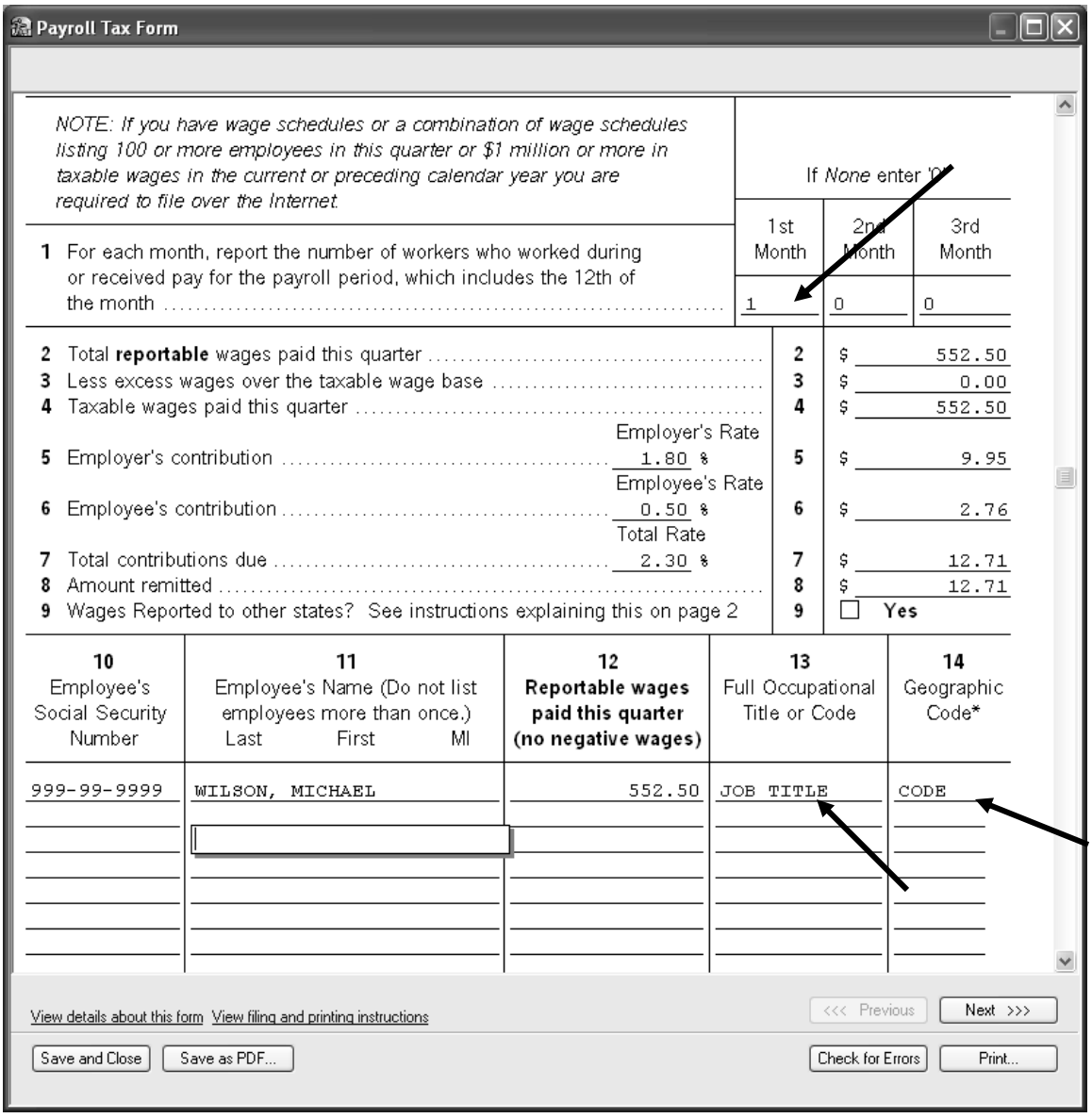
- Select **State Form.**
- Click **OK.**



- Select **AK.**
- Select **Quarterly Contribution Report.**
- Select the ending date of the quarter for which you are reporting.
- Click **OK.**

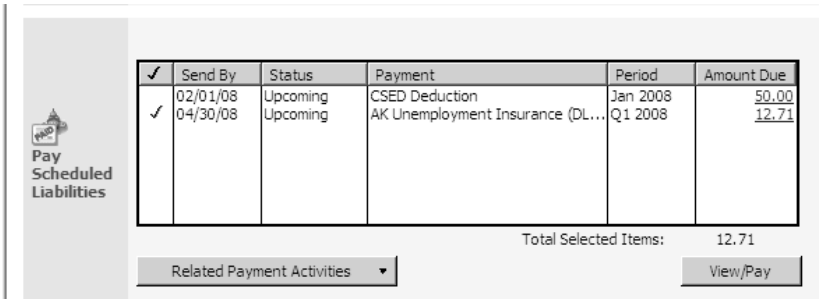


- Enter the number of employees you paid in the 1st, 2nd and 3rd months of the quarter.
- Enter Occupational Titles or Codes in Box 13.
- Enter Geographic Codes in Box 14.
- Go to the following link: http://labor.state.ak.us/estax/forms/toc_forms.htm Halfway down the page is a section titled: Occupational Coding Manual. You may look up occupational titles and geographic codes here.
- Print two copies: one for the State of Alaska, one for your files.

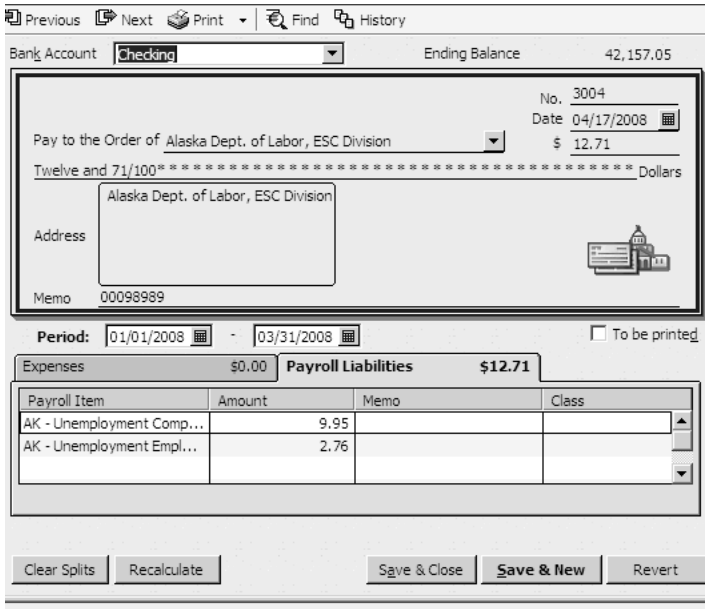


Preparing the Check to Pay Alaska State Unemployment Tax

- Go to your employee center by clicking **Employee Center** on your **Icon Bar**.
- Click the **Payroll** Tab.
- Notice that QuickBooks displays your AK Unemployment Insurance payment due and the amount matches your report.
- Place a check mark next to the AK Unemployment line.
- Click **View/Pay.**

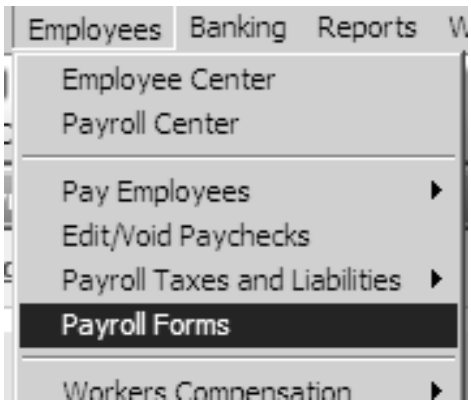


- Carefully review the tax check.
- Make sure the check number and dates are accurate.
- Click **Save & Close.**

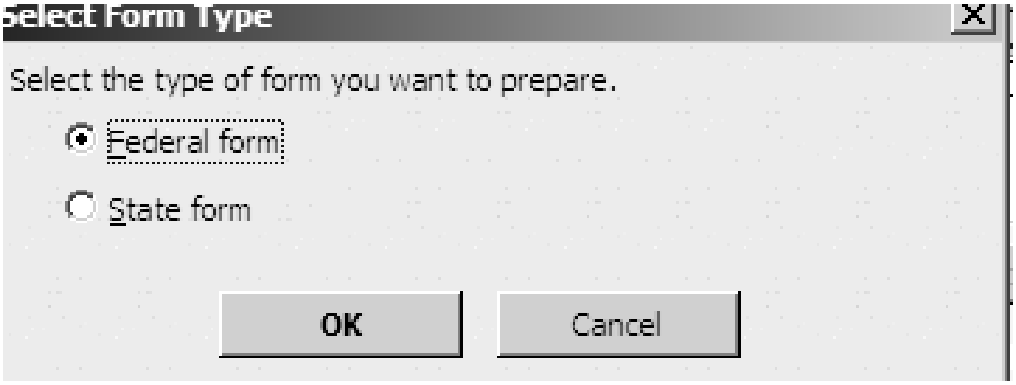

Previous Next Print Find History
Bank Account Checking Ending Balance 42,157.05
No. 3004
Date 04/17/2008
Pay to the Order of Alaska Dept. of Labor, ESC Division
$ 12.71
Twelve and 71/100* * * *

Preparing Year-End W-2 and W-3 Forms

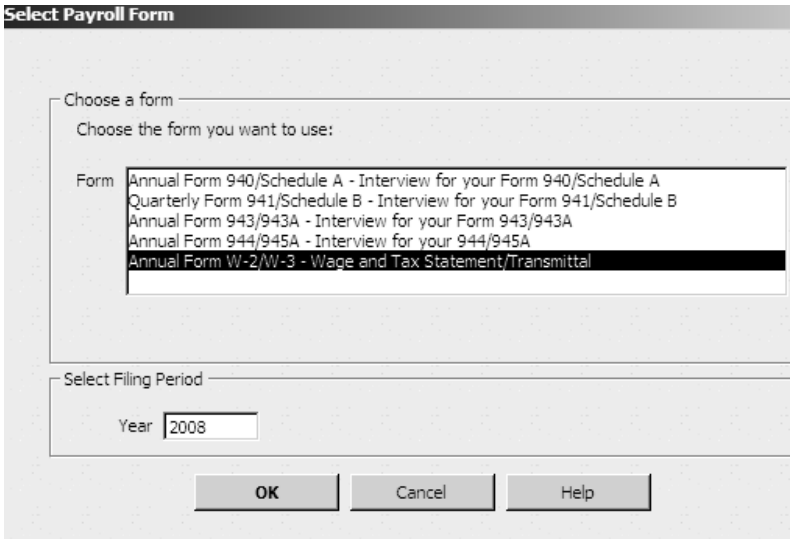
- Click **Employees.**
- Click **Payroll Forms.**



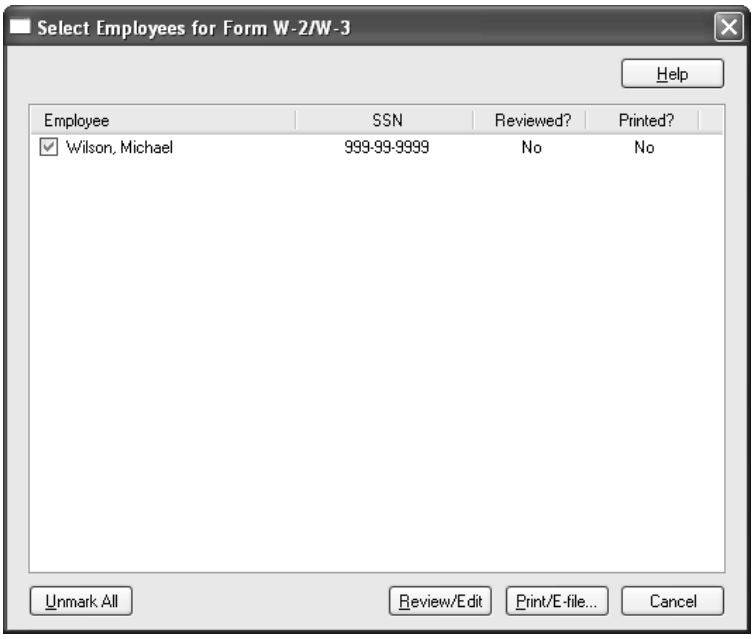
- Select **Federal Form.**
- Click **OK.**



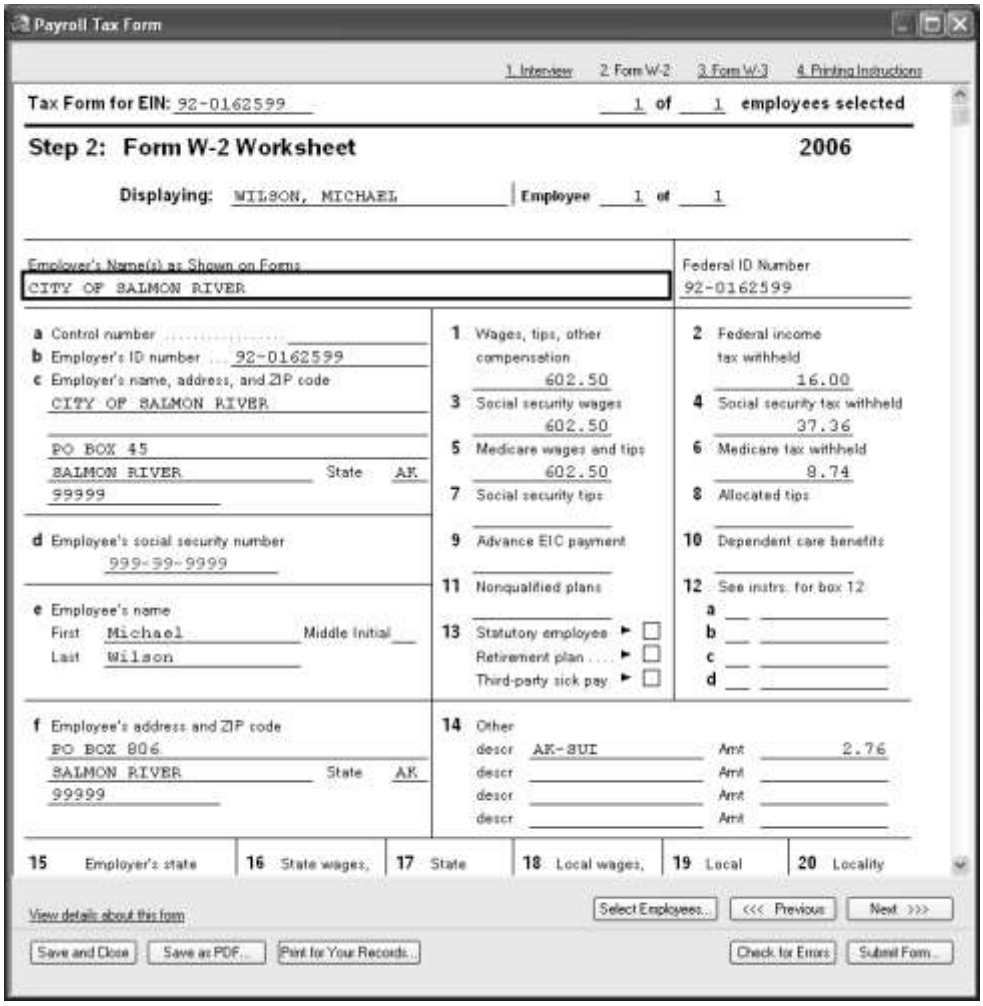
- Select **Annual Form W-2/W-3** from the list.
- Make sure you have the correct year.
- Click **OK.**



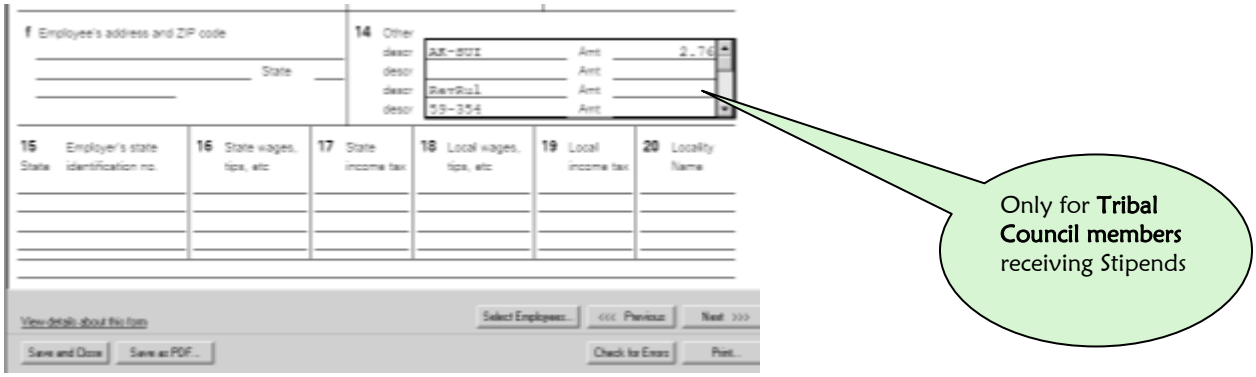
- You will see your list of employees.
- You must review each employee before you can print them.
- It is a good idea to once again create an **Employee Payroll Summary Report**. The date range will be for the entire calendar year, 1/1/XX – 12/31/XX. You will compare the annual wages for each employee on this report with the W-2 screens for each employee.
- Click **Review/Edit.**
- Click **Next.**



- Review the next two pages for accuracy.
- Review each employee.



- If you are preparing a W-2 for a Tribal Council member receiving a stipend, you will have to enter Rev Rul 59-354 in Box 14. This will explain to the Social Security Administration and the Internal Revenue Service why there are no amounts listed in boxes 2, 3, 4, 5, and 6.



After reviewing every employee, you will arrive at the **W3** screen. The **W3** summarizes all of the **W2s** with totals. Review this form also.

- Click **Next.**
- Click **Print.**

Mail your end of year reports on time. Make sure you keep a copy of all the W-2s and the W-3 in a file folder that is labeled and dated.

Preparing Year End Form 1099 and 1096

Every independent contractor that your community paid $600 or more to in a calendar year and was **NOT** paid as an employee should receive a 1099. You will file a 1099 MISC form for each contractor and Form 1096 will summarize all the 1099s. Your contractors must be set up as Vendors and the 1099 box in their vendor file must be checked. See page 132 for these instructions.

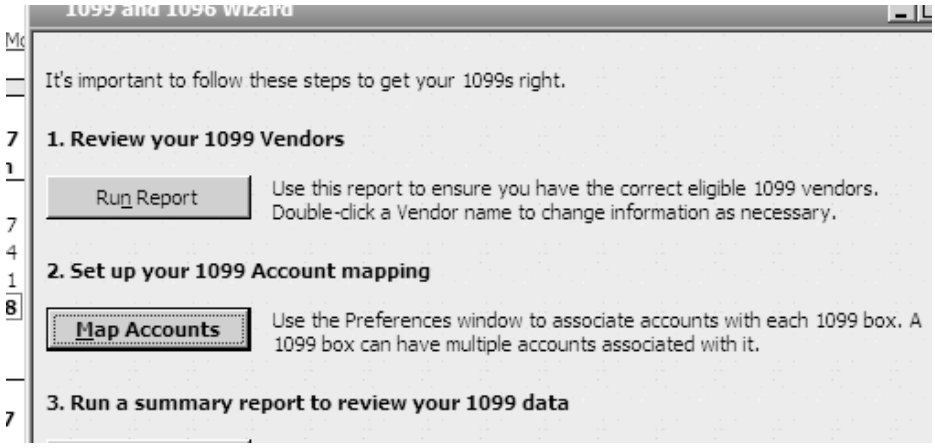
- Click **File.**
- Click **Print Forms.**
- Click **1099s/1096.**

- Click **Run Report.**

You will see a list of all your vendors. The list will tell you which vendors are Eligible for a 1099. Read through the list for accuracy. If any vendor in the list requires a 1099 and is not showing up as Eligible, go to their vendor file and check the 1099 box. See page 134. This vendor tells us that only Larry Wright requires a 1099.

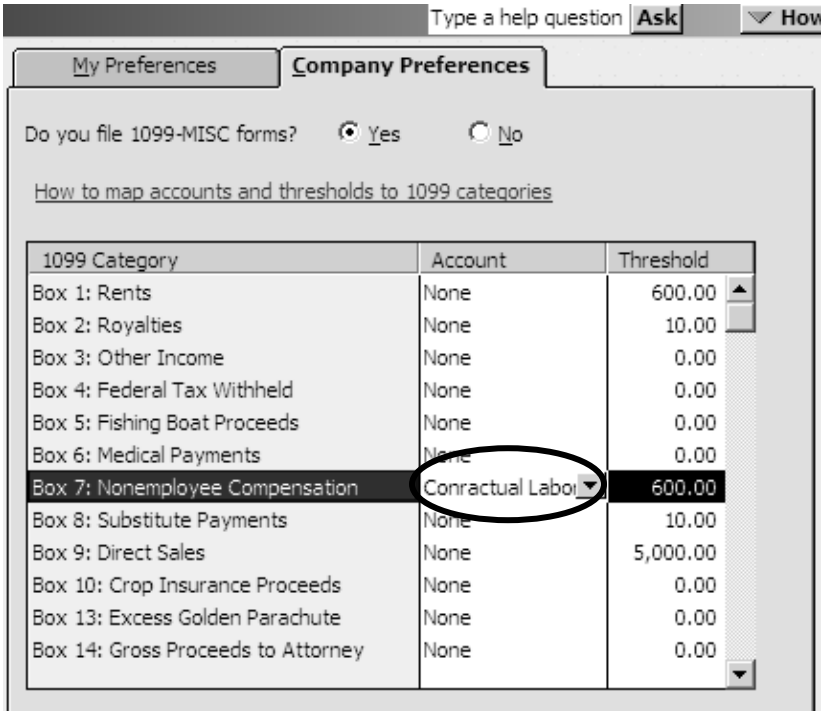
Vendor	Tax ID	Eligible for 1099	Address
AC Store		No	AC Store
Alaska Dept. of Labor, ESC Division		No	Alaska Dept. of Labor, ESC Division
Best Buy		No	Best Buy
Child Support Enforcement Division		No	Child Support Enforcement Division PO Box 10276...
Internal Revenue Service		No	
Larry Wright	555-55-5555	Yes	Larry Wright PO Box 364 Fairbanks, AK 99999
Office Max		No	Office Max
Telalaska		No	Telalaska 201 E 56th Street Anchorage, AK 99518
WellsFargo		No	WellsFargo

- Escape out of this report with the Escape key.
- Click the **Map Accounts** button.

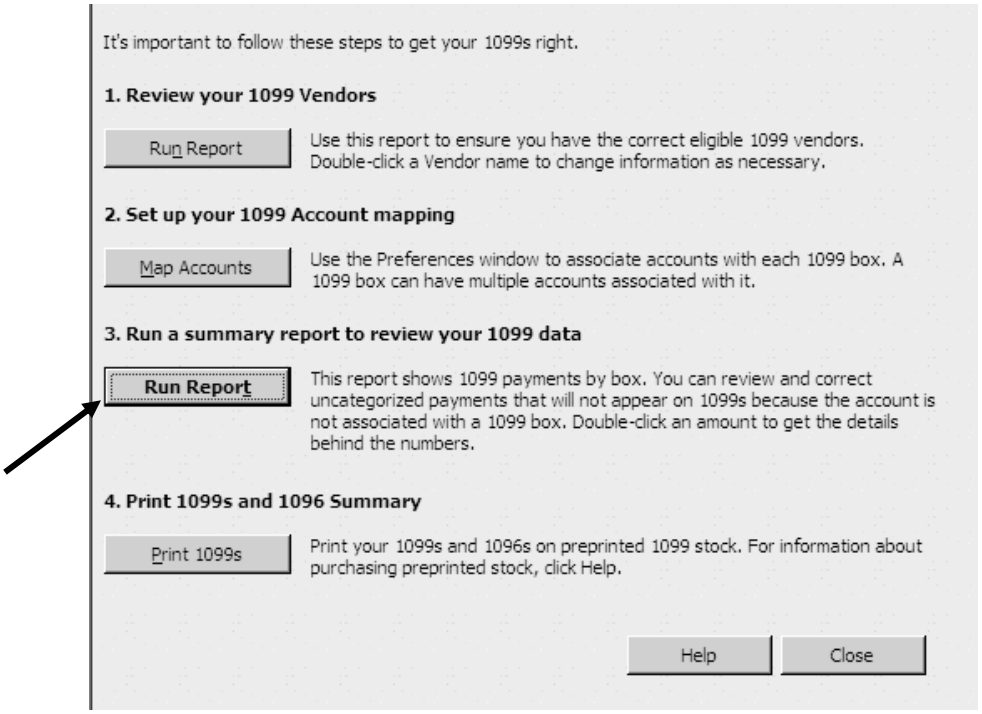


You need to tell QuickBooks which expense account contains your contract labor. We have an account named **Contractual Labor** for the 1099 vendors.

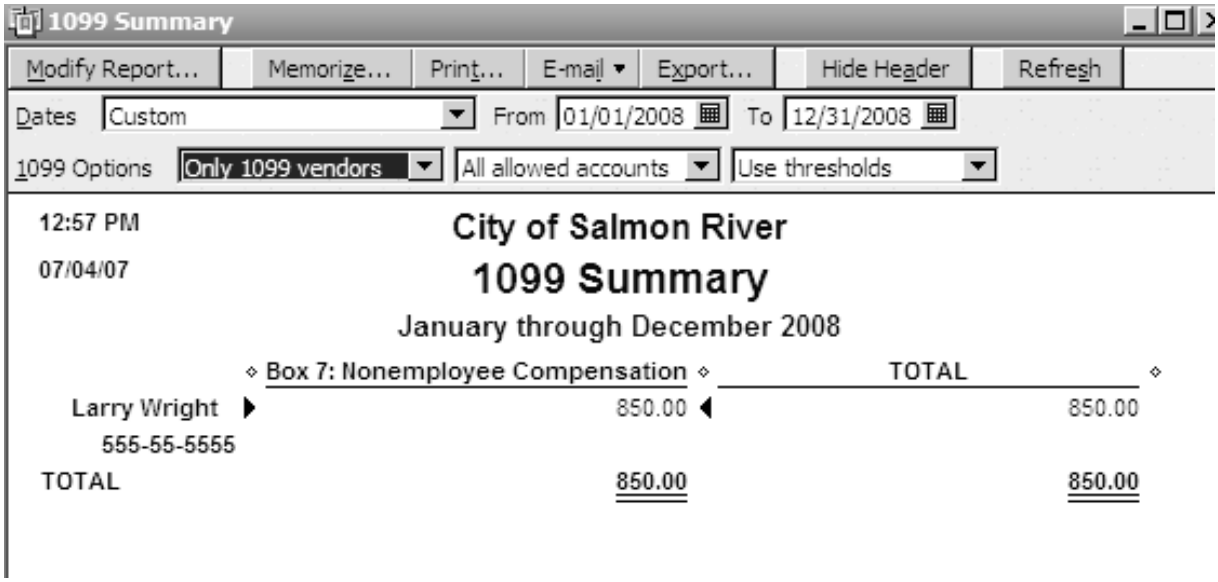
- Select this account next to **Box 7** and click **OK.**



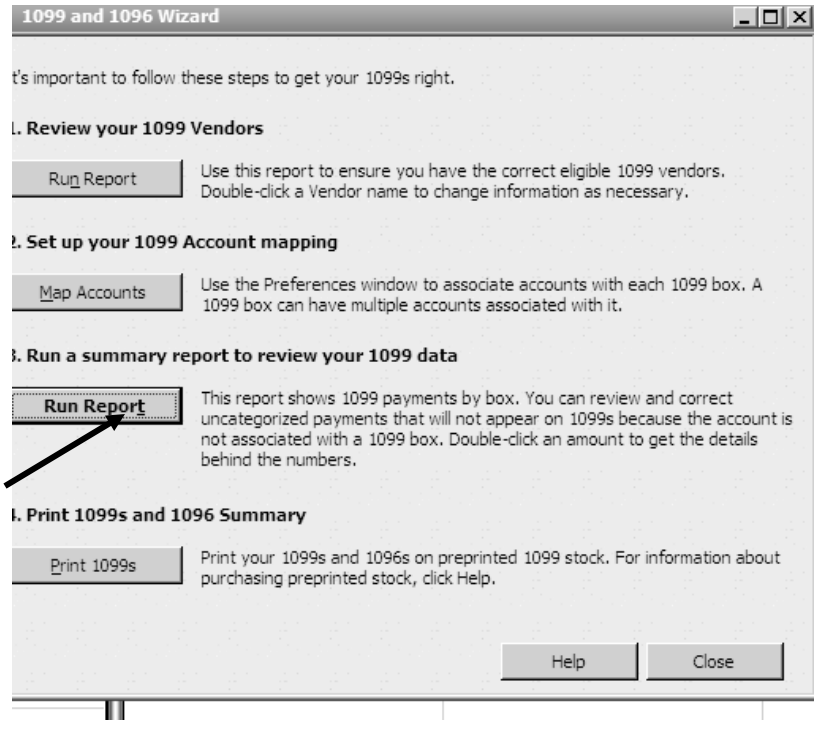
- You are now ready to **Run Report** and **Print 1099s** and **1096 Summary.**
- Click **Run Report.**



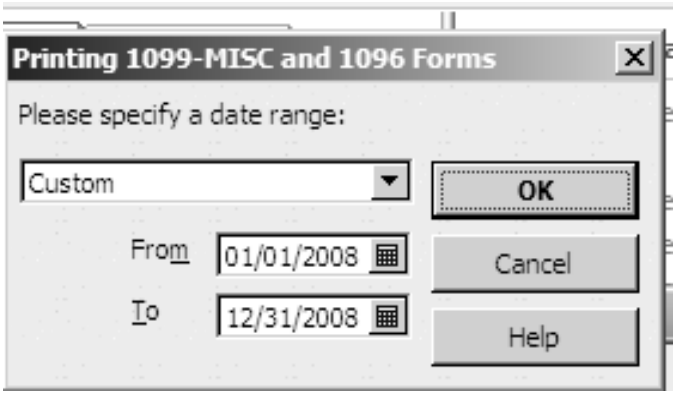
- Verify that your dates are accurate.
- Click **Print.**



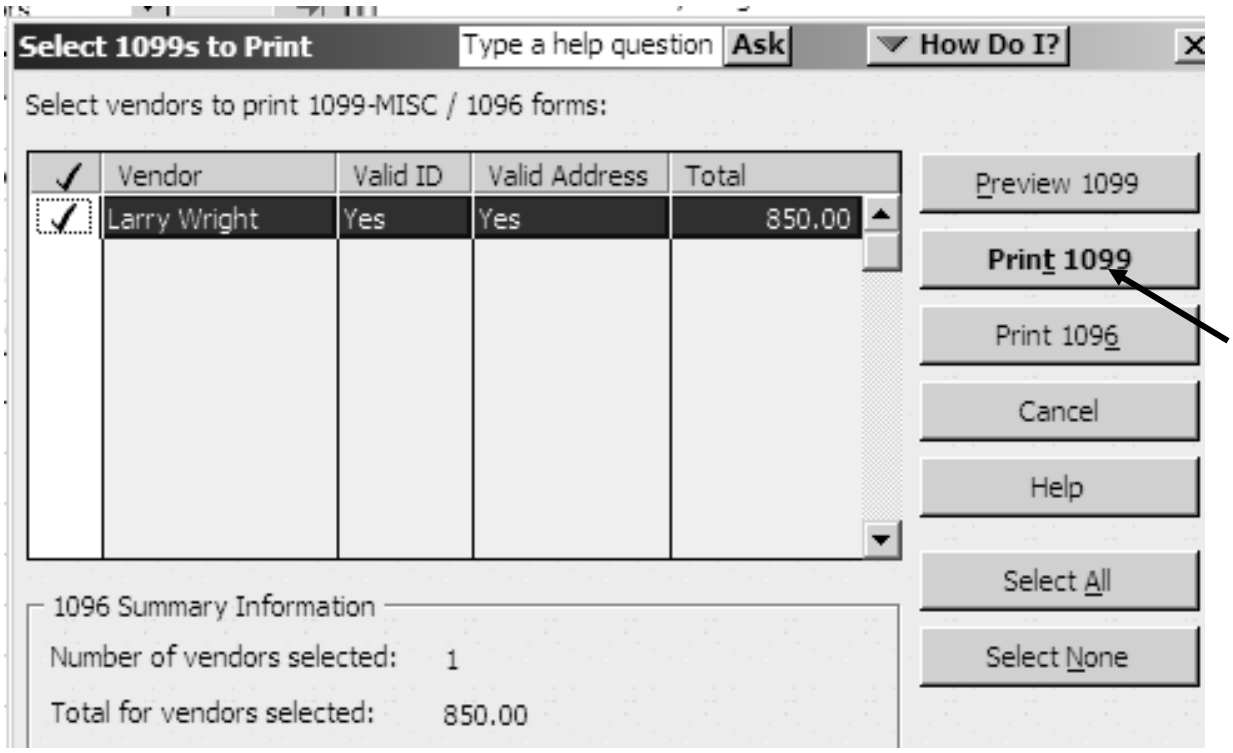
- Click **Print 1099s.**



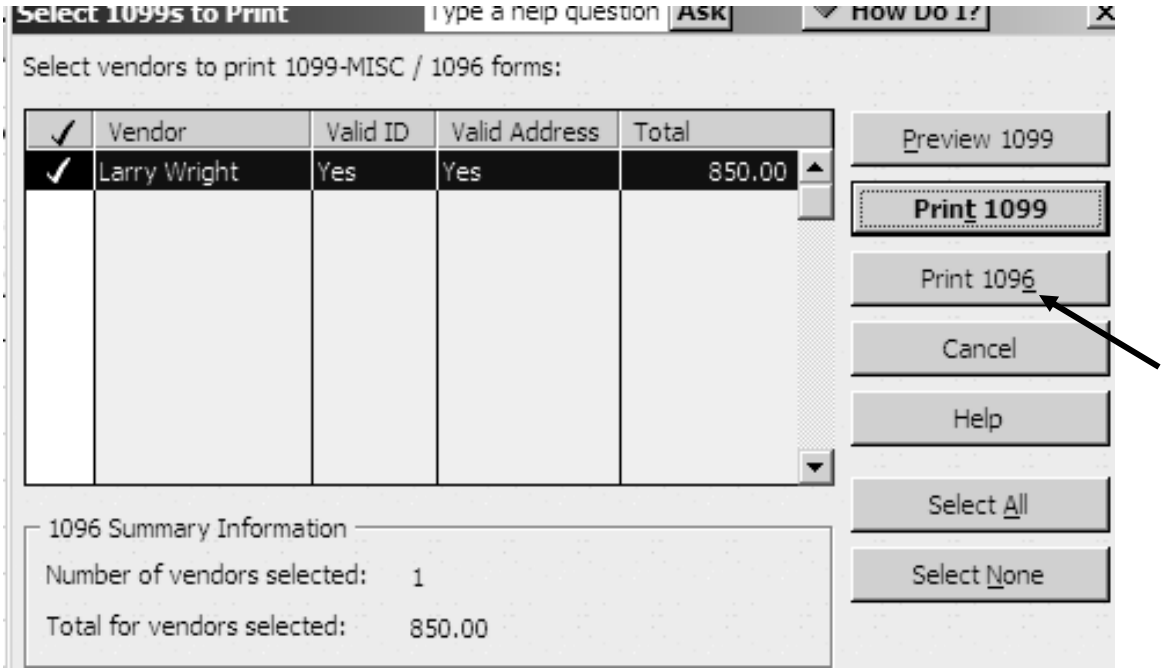
- Make sure your dates are accurate.
- Click **OK.**



- Click **Print 1099.**



- Click **Print 1096.**



- Mail your end of year reports on time.
- Make sure you keep a copy of all the 1099s and the 1096 in a file folder that is labeled and dated.

18 RECONCILING BANK ACCOUNTS

Reconciliation is the process of making sure that your QuickBooks bank account agrees with your bank. Each month, a statement arrives from your bank. The bank statements show all the deposits and checks received concerning your account. If there is any deposit or withdrawal on this bank statement that you do not have in your QuickBooks file, reconciling your check book will help you catch it. You always want to know exactly how much money you have in your bank account because making a mistake here can be costly. Non-sufficient funds charges can add up quickly. Remember, it doesn't matter what you think you have—the bank is the authority here.

NOTE: If you are reconciling for the first time, see **The First Time You Reconcile** at the end of the chapter for special reconciliation instructions.

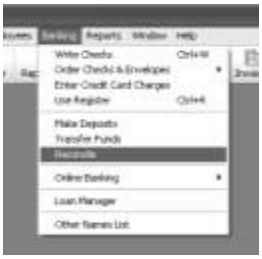
Before You Reconcile...

- Reconciling a bank account sometimes takes time and concentration, so pick a time when you can work uninterrupted.
- Have your bank statement handy.

Reconciling an Account

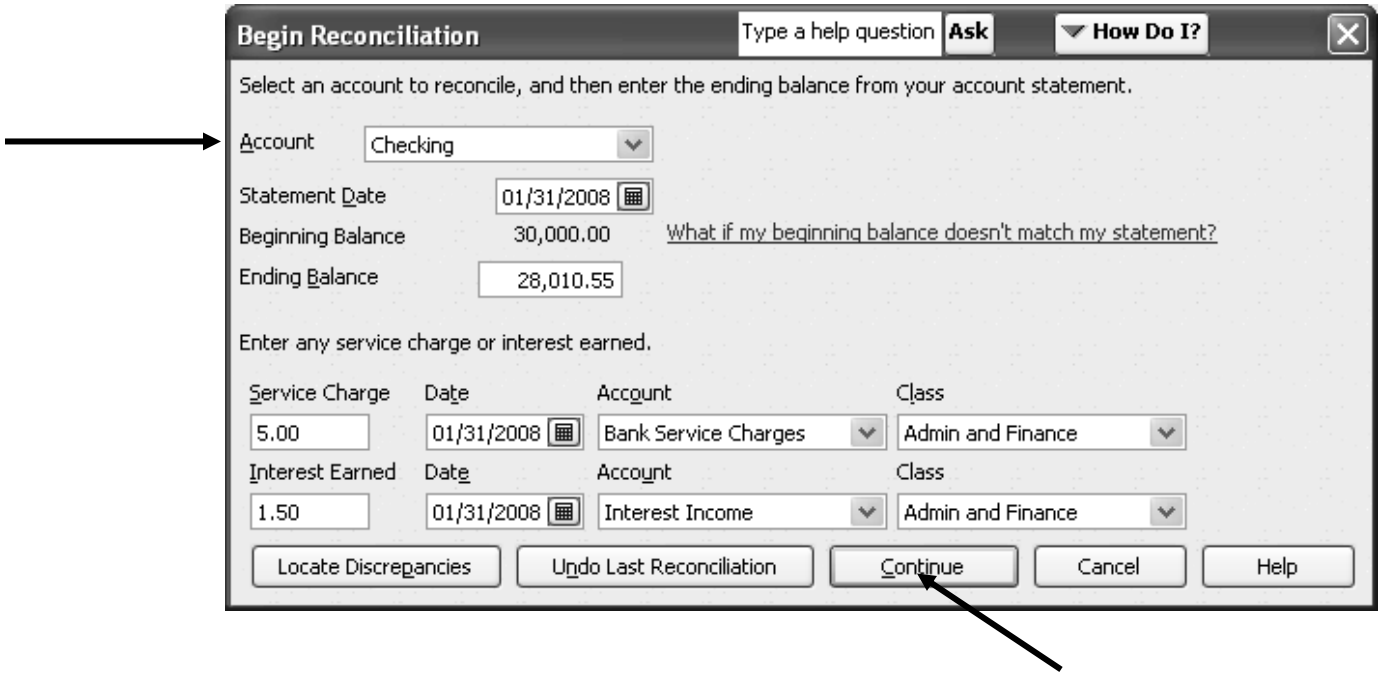
Step 1

- Click **Banking.**
- Click **Reconcile.**



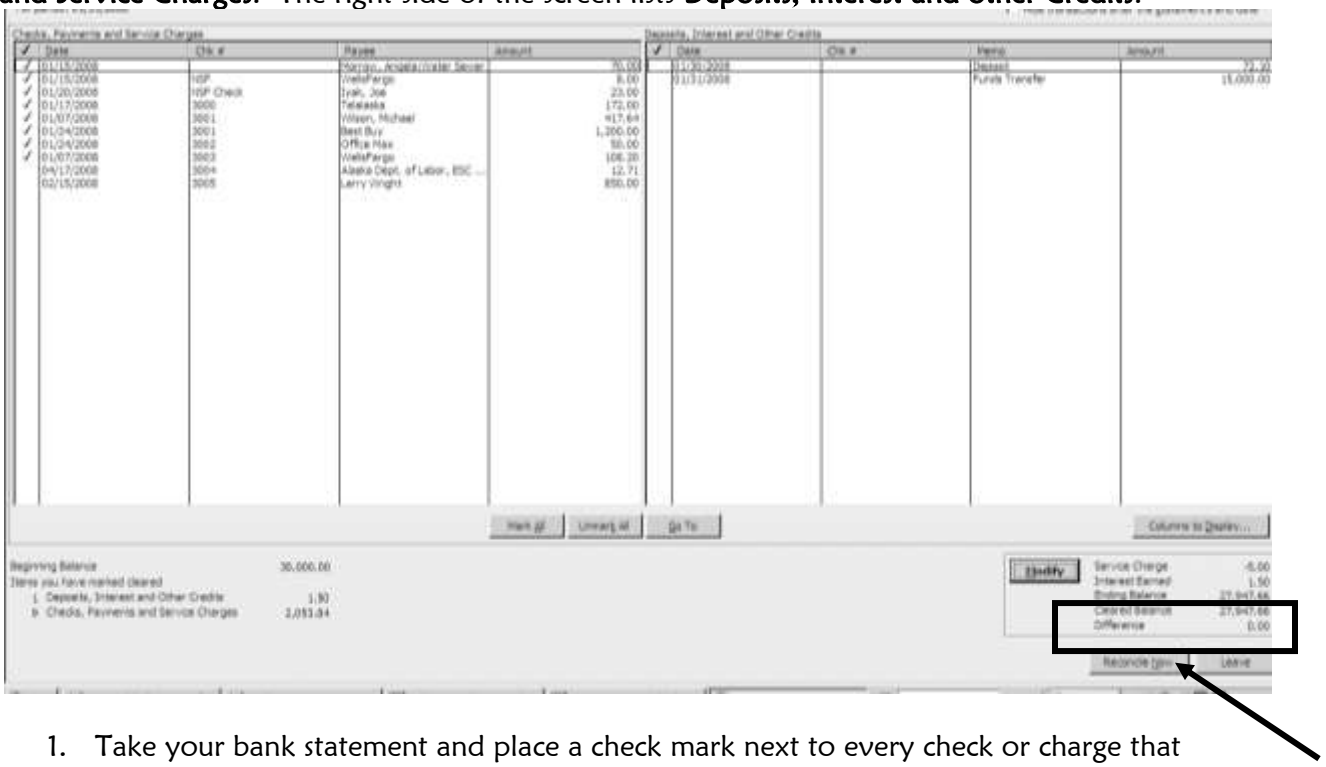
Step 2

- Select the correct bank account in the **Account** field on top.
- The **Statement Date** in this window should match the date of the bank statement itself.
- The **Beginning Balance** amount should be the same as the beginning balance amount on the bank statement. **IF THIS BALANCE DOES NOT AGREE, YOU HAVE A PROBLEM. DO NOT CONTINUE UNTIL YOU CAN EXPLAIN WHY THE BEGINNING BALANCES DO NOT AGREE! SEE PAGE 353 FOR HELP WHEN YOUR BEGINNING BALANCE DOES NOT MATCH.**
- If the beginning balance agrees, locate the ending balance on the bank statement and enter it into the **Ending Balance** field.
- If there is a service charge, enter it into the **Service Charge** field. On that line, make sure the **Date** is the date of the service charge and that the **Account** is **Bank Service Charges**. **Class** it to **Admin**.
- If you were paid any interest, enter the amount into the **Interest Earned** field. Make sure the date in the **Date** field is the date the interest was paid and that the **Account** is **Interest Income**. **Class** it to **Admin**.
- When all of this information is filled in,
- Click **Continue.**



Step 3

You should now be in the Reconciliation screen. The left side of the screen lists **Checks, Payments and Service Charges**. The right side of the screen lists **Deposits, Interest and other Credits**.

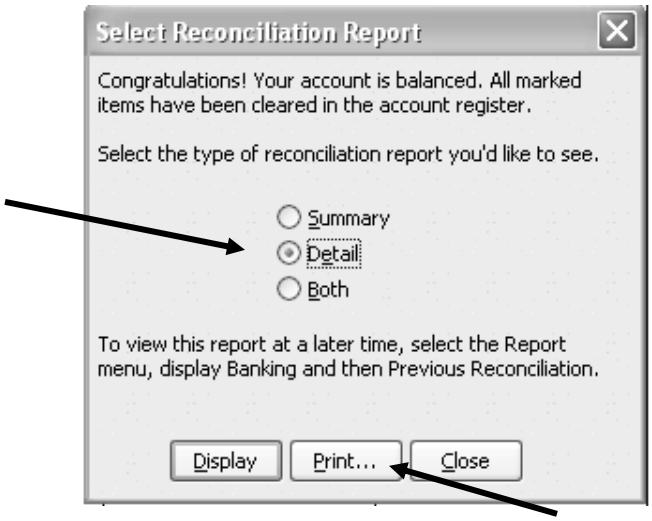


1. Take your bank statement and place a check mark next to every check or charge that appears on both the bank statement and the screen. You place a check mark on the screen by clicking right next to the transaction in the column under the check mark. Make a check mark next to each transaction **ON YOUR BANK STATEMENT** as well, so you can keep track of what items you have reconciled.
2. Check off all the deposits and credits in exactly the same way.
3. Look at your bank statement. Are there payments or deposits on your bank statement that you haven't checked off? If there are, do they appear on the screen in QuickBooks and you just haven't checked them off yet because you missed them the first time through, or are they amounts that haven't been entered into QuickBooks?
4. If a check or a deposit has cleared on your bank statement but you do not have it in QuickBooks, you are going to have to enter it. Research this check or deposit and try to find out why it never got entered into QuickBooks. Once you have entered it, check off this check or deposit on your reconciliation screen.
5. Are there **NSF returned checks** and **NSF bank fees** on your statement? These will appear separately in the bank statement in the **Checks and Payments** column.
6. **LOOK AT THE AMOUNT NEXT TO THE WORD DIFFERENCE IN THE BOTTOM RIGHT CORNER OF THE SCREEN.** As you check off deposits and checks on this reconciliation screen, this difference amount keeps changing. Your goal is to get this difference to zero.
7. When it is zero, it means that QuickBooks and your Bank are in balance. **If it is zero**, then you may click **Reconcile Now.**

Step 4

After clicking Reconcile you will be given an option to print a Reconciliation Report.

- Click **Detail.**
- Click **Print.**



Print the **Detail** report and staple it to your bank statement. File all your bank statements with their reconciliations together in one file folder. Label and date the folder. Keep your bank accounts separate.

City of Salmon River
Reconciliation Detail
Checking, Period Ending 01/31/2008

Type	Date	Num	Name	Clr	Amount	Balance
Beginning Balance						30,000.00
Cleared Transactions						
Checks and Payments - 9 items						
Paycheck	01/07/2008	3001	Wilson, Michael	✓	-417.84	-417.84
Liability Check	01/07/2008	3002	WellsFargo	✓	-108.20	-526.04
Invoice	01/15/2008	6	Morrow, Angela W...	✓	-70.00	-596.04
Check	01/15/2008	NSF	WellsFargo	✓	-8.00	-604.04
Bill Pmt -Check	01/17/2008	3000	Telalaska	✓	-172.00	-776.04
Check	01/20/2008	NSF ...	Iyak, Joe	✓	-23.00	-798.04
Check	01/24/2008	3001	Best Buy	✓	-1,200.00	-1,998.04
Bill Pmt -Check	01/24/2008	3002	Office Max	✓	-50.00	-2,048.04
Check	01/31/2008			✓	-5.00	-2,053.04
Total Checks and Payments					-2,053.04	-2,053.04
Deposits and Credits - 1 item						
Deposit	01/31/2008			✓	1.50	1.50
Total Deposits and Credits					1.50	1.50
Total Cleared Transactions					-2,052.34	-2,052.34
Cleared Balance					-2,052.34	27,947.66
Uncleared Transactions						
Deposits and Credits - 2 items						
Deposit	01/30/2008				72.10	72.10
Transfer	01/31/2008				15,000.00	15,072.10
Total Deposits and Credits					15,072.10	15,072.10
Total Uncleared Transactions					15,072.10	15,072.10
Register Balance as of 01/31/2008					13,019.76	43,019.76

What Checks Have Not Cleared?

After you have reconciled, go to your check register for that account. When you told QuickBooks to **Reconcile Now**, it placed check marks beside the checks and deposits in your check register as well. You can now scroll through your register and see immediately which checks and deposits have cleared and which have not.

What If the Beginning Balance Does Not Match?

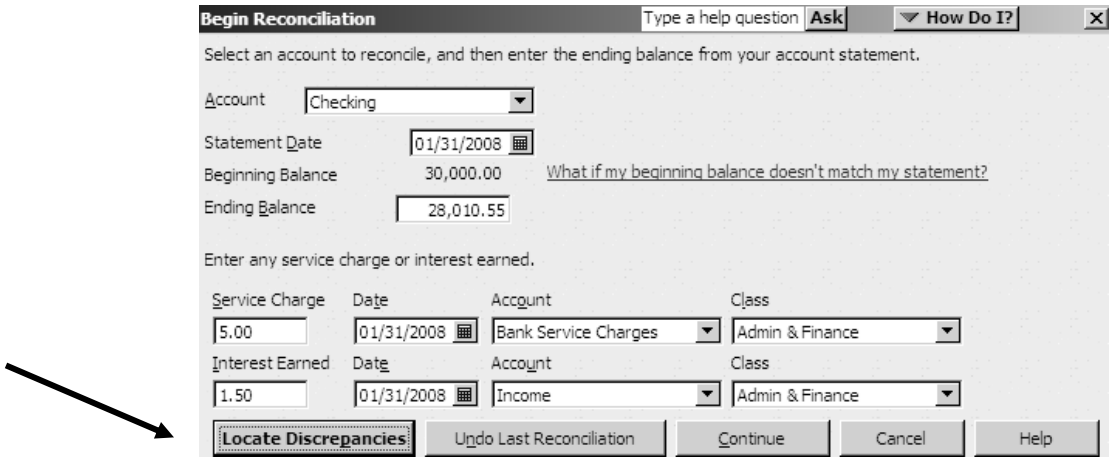
If the beginning balance in the Begin Reconciliation Window has changed since your last reconciliation, you have a problem. It could have changed for any of the following reasons:

- You have accidentally deleted a transaction that has already cleared.
- You have accidentally changed a transaction that has already cleared.
- You have accidentally cleared a transaction that has not been previously cleared.
- You have accidentally uncleared a transaction that has been previously cleared.

Your version of QuickBooks (2007) has a great new feature to help you locate Reconciliation problems.

- Click the **Locate Discrepancies** button at the lower left of the **Begin Reconciliation Screen**. (see next page)

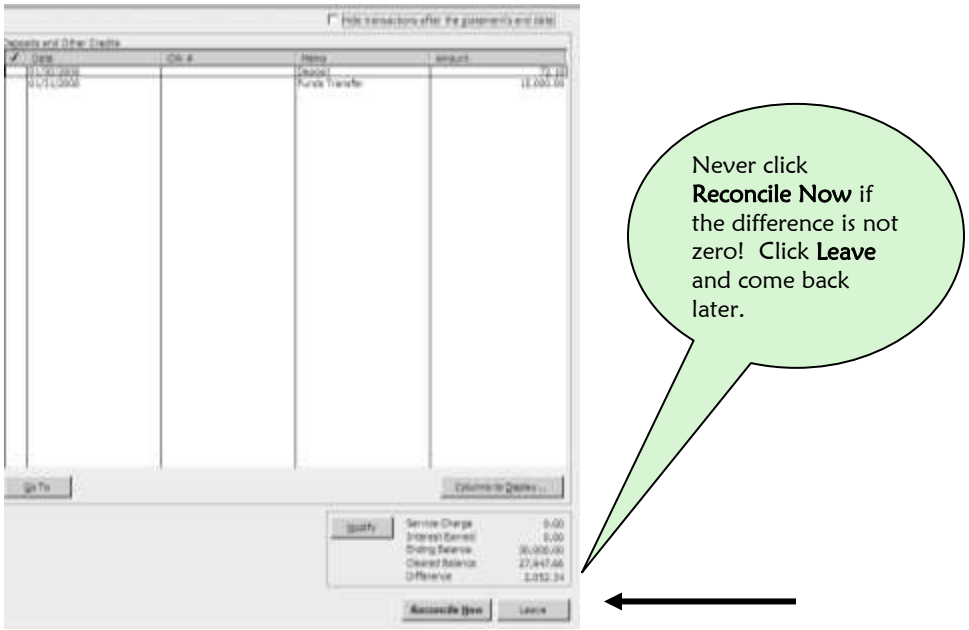
QuickBooks will create a report that shows any changes or deletions made to previously cleared transactions. Based on the information in this report, you will have to repair the changes that were made to the reconciled transactions.



What If You Want to Leave Before You Finish?

Sometimes the reconciliation process can take a long time. If it is time for you to go home and the difference is still not zero (meaning you are still not in balance with the bank) you may click **Leave.** Your work will be saved and you can start again tomorrow.

- **NEVER, NEVER, NEVER** click **Reconcile Now** if the difference is not zero!!!



If you click **Reconcile Now** and the difference is not zero, QuickBooks will deposit or withdraw from your checking account the amount of the difference by creating a Balance Adjustment Entry.

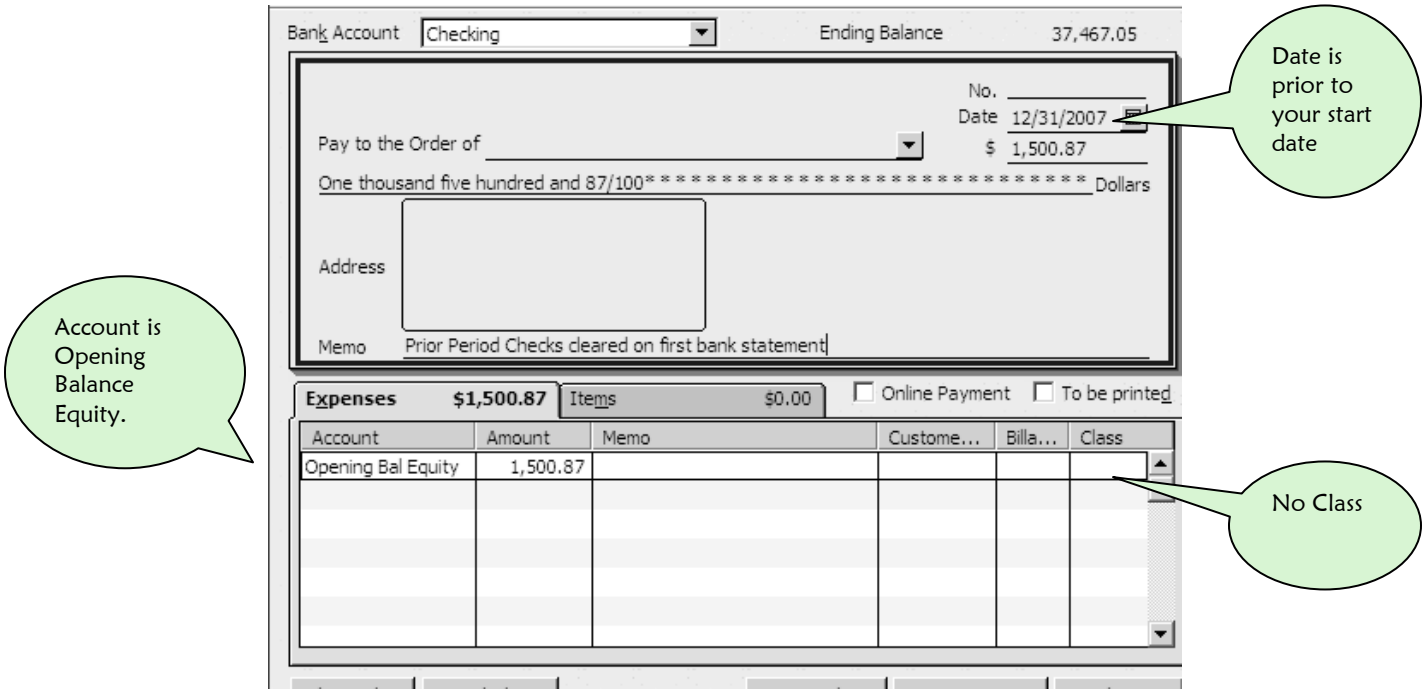
Instead, click **Leave** and come back in the morning and start looking for the missing transactions when you are fresh.

The First Time You Reconcile

The first time you reconcile your bank account in QuickBooks there are going to be some checks and deposits on the bank statement that belong to the accounting period prior to your starting date. You will have to enter these into QuickBooks so that you can check them off on the reconciliation screen and balance with the bank.

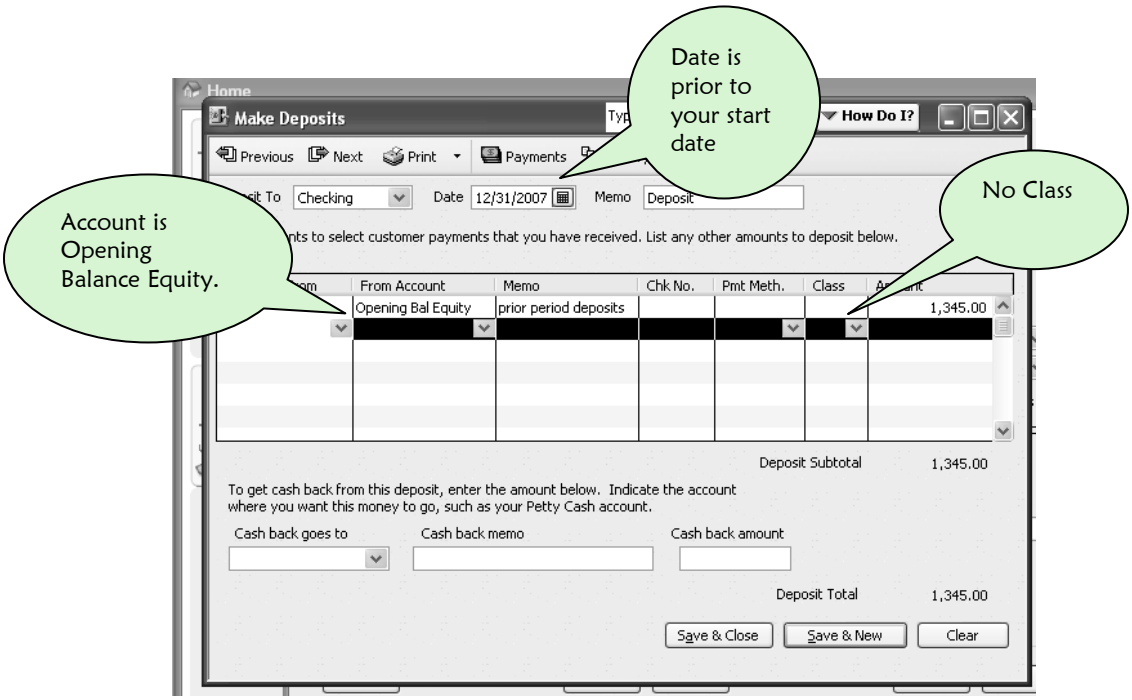
These checks are called **Prior Period Checks**, and they will show up on your bank statement at the beginning of your list of checks.

- Total up the amounts of all the checks written prior to your start date.
- Create one QuickBooks check.
- The amount of the check will be the total of all the prior period checks.
- The account will be **Opening Balance Equity**.



You will also have to handle all the deposits made prior to your **Starting Date** that show up on your bank statement. These **Prior Period Deposits** will be at the beginning of your list of deposits.

- Total up the amounts of all the deposits made prior to your start date
- Create one QuickBooks deposit. The amount of the deposit will be the total of all the prior period deposits. The account will be **Opening Balance Equity**.



Once the prior period checks (entered with one check) and the prior period deposits (entered with one deposit) are entered, you will be able to clear them in the reconciliation window. When you are reconciling for the first time, if you find that you cannot get the **difference** on the reconciliation screen to zero, double-check that you correctly added the lists of prior period checks and prior period deposits.

19 SAFEGUARDING YOUR FILE

Backing Up Your Company File

Your QuickBooks company file should be backed up at the end of the day and preferably every time you use QuickBooks for a lengthy period of time. Some offices backup the company accounting file every morning and every afternoon.

- Recreating and re-keying payrolls, checks, deposits and budgets can be very time-consuming, frustrating, difficult and unnecessary, so **Backup** frequently!!

Backing up your company file is quick, easy, smart and necessary!!

Here are the steps for backing up your file.

Step 1

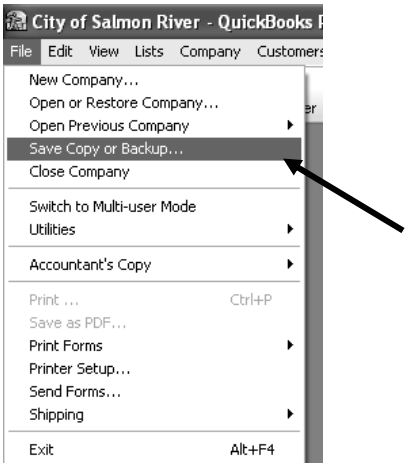
- Decide what media you want to use to backup. Since files get large quickly, you probably want to use a CD-ROM or a flash or jump drive. You can order a flash drive over the internet. Get the 512MB or 1GB size.

Step 2

- Insert your flash drive in the USB port on your computer, or your CD-ROM in the CD-RW drive in your computer.

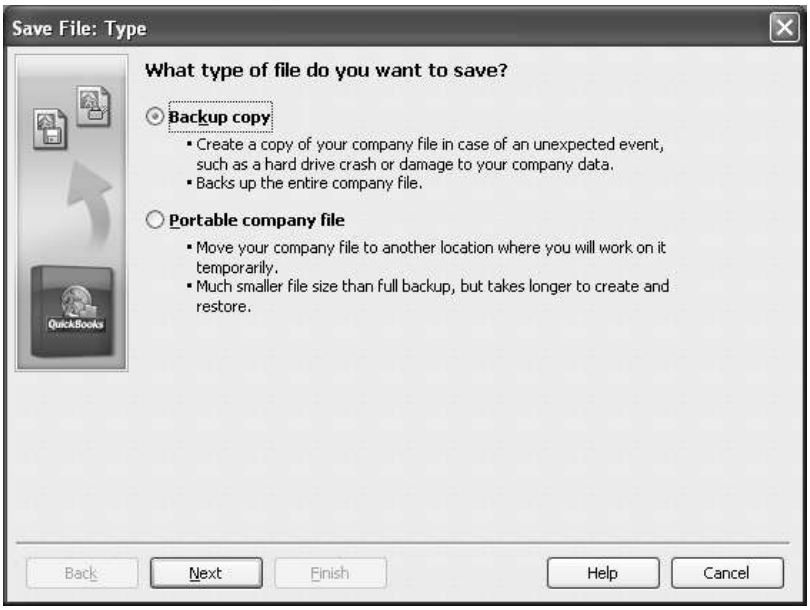
Step 3

- Close all open windows inside your QuickBooks file by pressing **ESC** until no windows are open.
- Click **File.**
- Click **Save Copy or Backup.**



Step 4

- Select **Backup Copy.**
- Click **Next.**

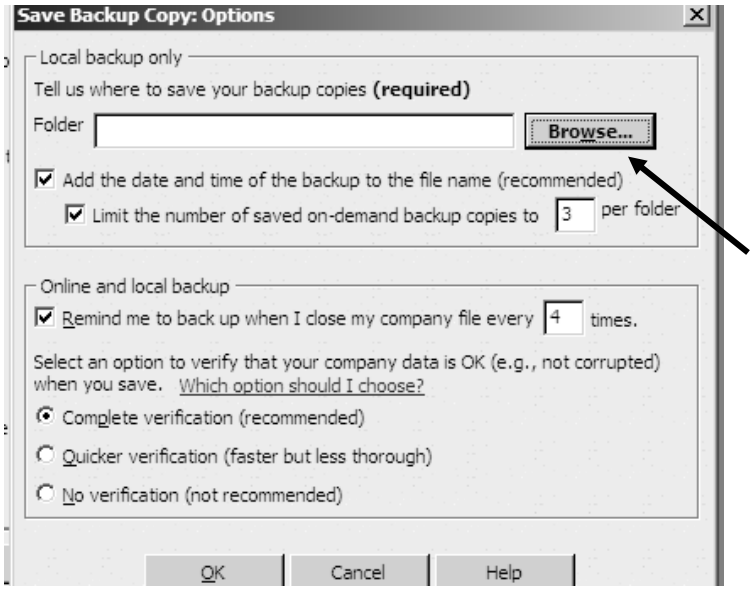


Step 5

- Select **Local Backup.**
- Click **Next.**

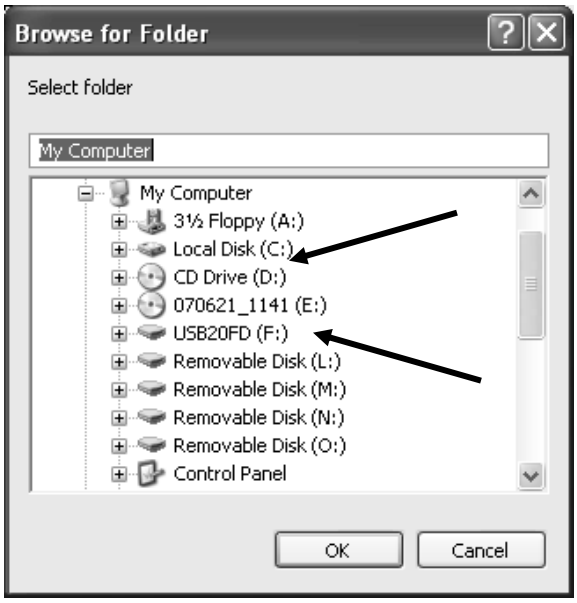
Step 6

- Click **Browse** to tell QuickBooks where to save your file.



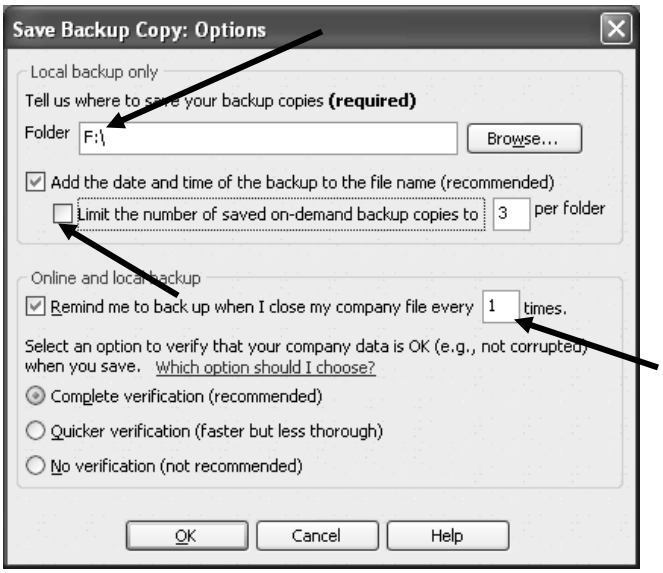
Step 7

- Select either your CD-ROM drive or your Flash Drive.
- Click **OK.**



Step 8

- Make sure the correct folder comes up in the **Folder** box.
- Uncheck the **Limit the number of saved on-demand backup copies to** box.
- Change the reminder number to remind you to **Backup** every 1 time.
- Click **OK.**

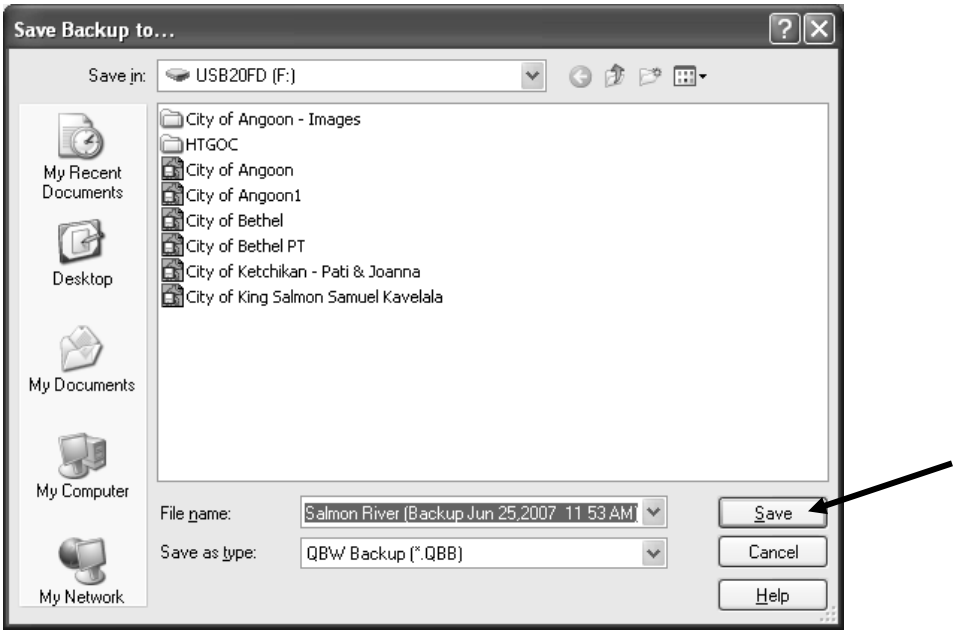


Step 9

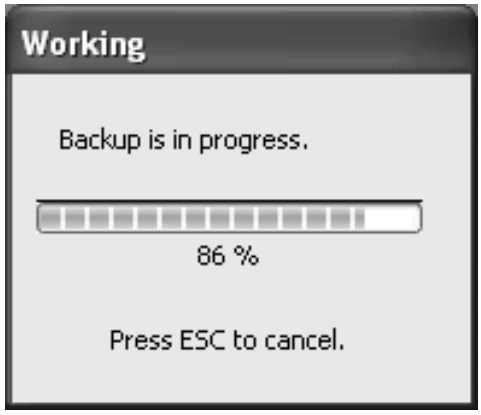
- Select **Save Right Now.**
- Click **Next.**

Step 10

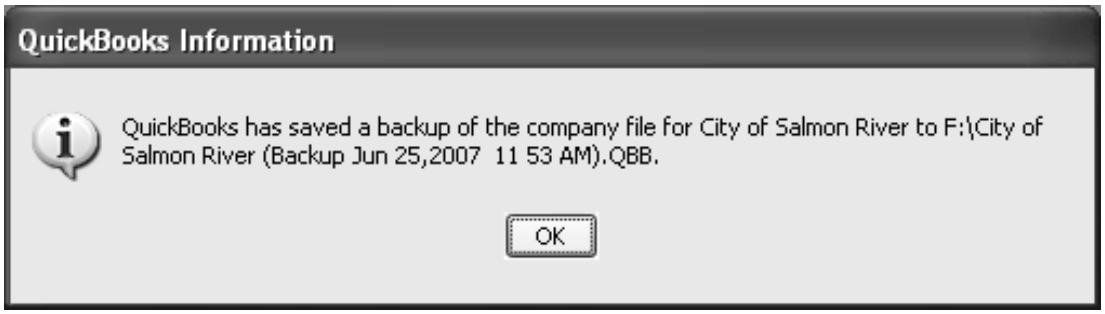
- Click the down arrow at the right of the **Save In:** field.
- Select the Flash Drive or your CD-ROM.
- Click **Save.**



- You will receive a message that the QuickBooks backup is in progress,



- Finally, you will receive a message that the backup has been done correctly.



Restoring the File from a Backup File

The QuickBooks Backup command compresses your company file into a smaller file and gives it a file extension of ".qbb". This file is not a copy of your company file. You cannot open this backup file and use it. You must **Restore** it first.

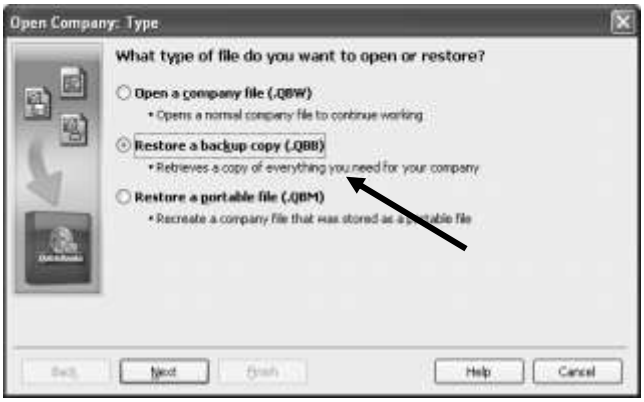
If something happens to your original data and you need to restore the QuickBooks company file:

Step 1

- Insert your Flash Drive or CD-ROM into your computer.
- Open QuickBooks.
- Click **File.**
- Click **Open or Restore Company.**

Step 2

- Select **Restore a Backup Copy (.QBB).**
- Click **Next.**

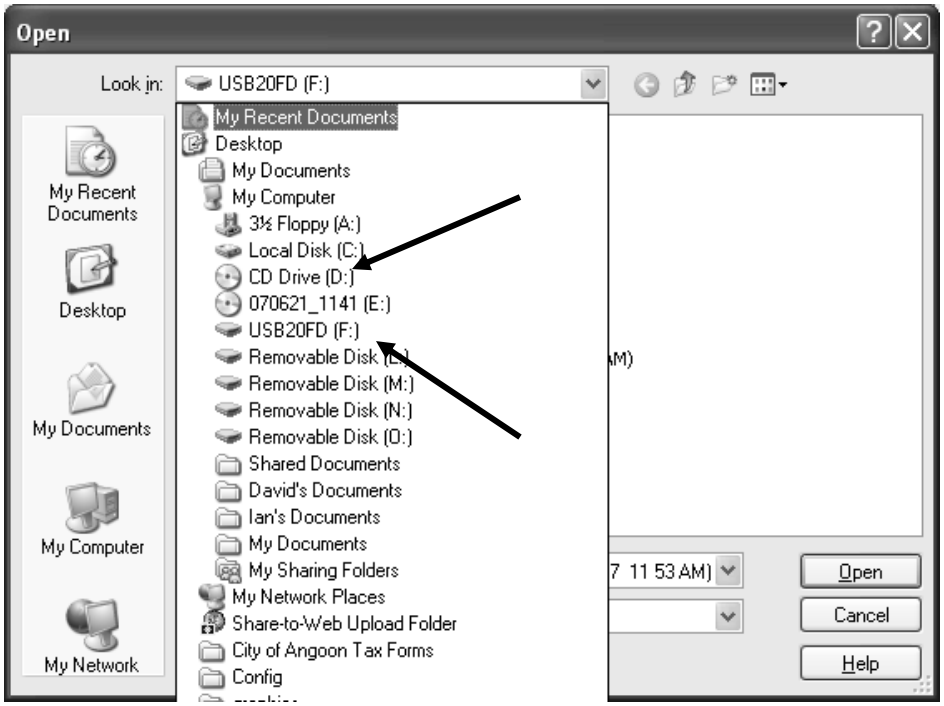


Step 3

- Select **Local Backup.**
- Click **Next.**

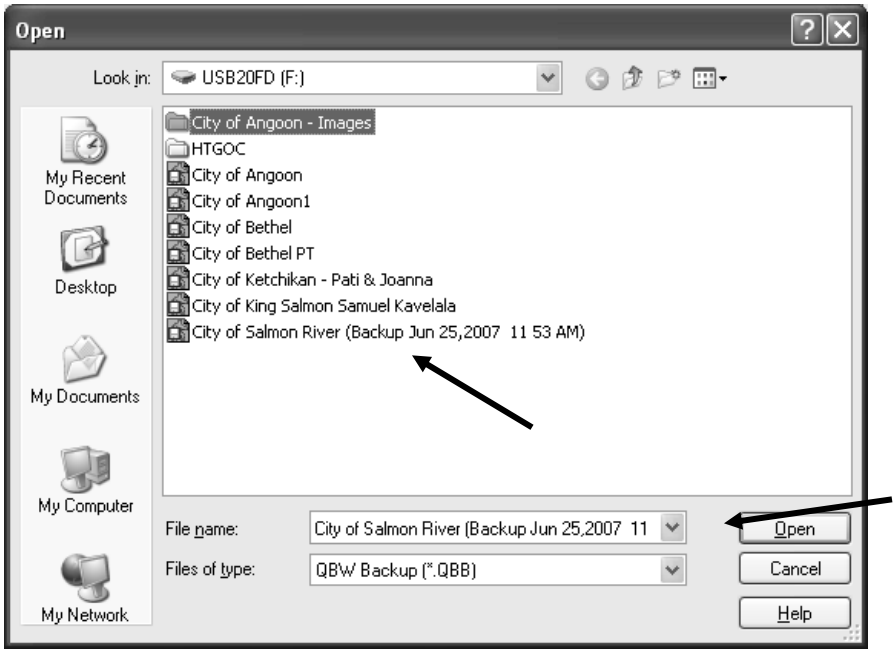
Step 4

- Select your Flash Drive or your CD-ROM from the field labeled **Look in.**



Step 5

- Select your Filename by clicking on it once.
- Click **Open**.

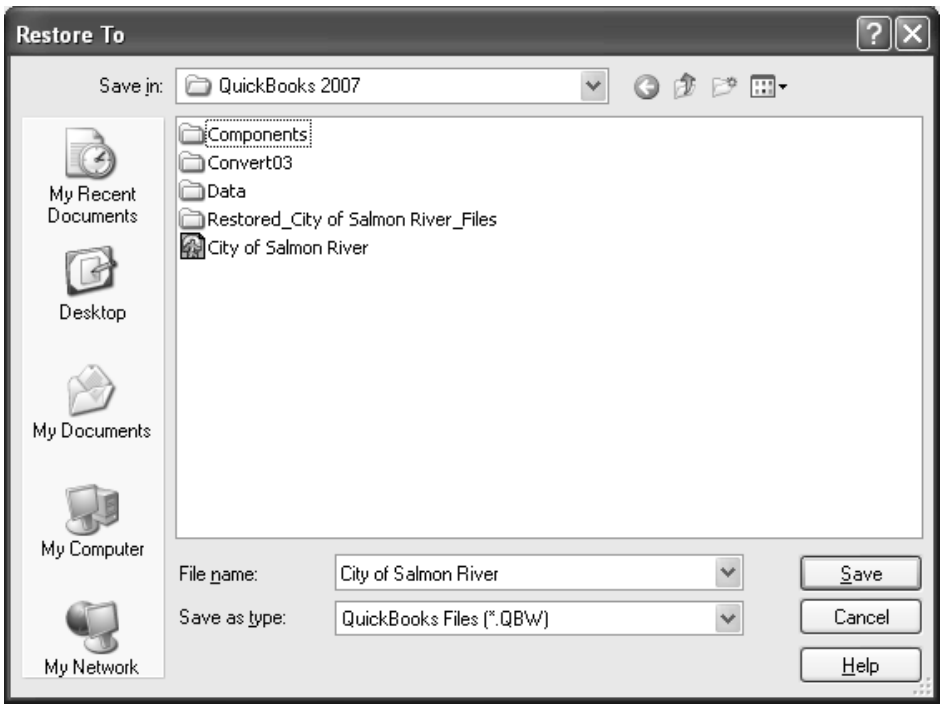


Step 6

- Click **Next.**

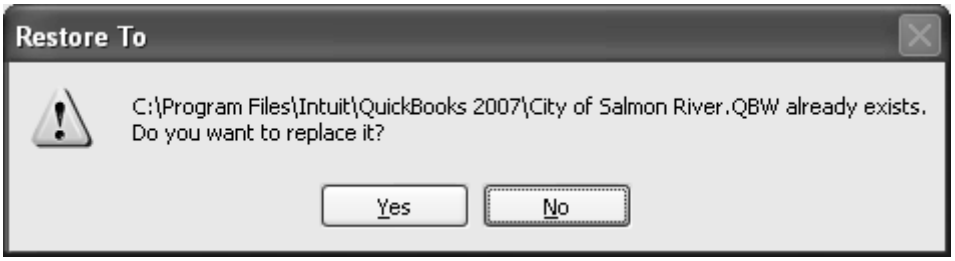
Step 7

- QuickBooks will prompt you with the place it stores your file on your computer.
- Click **Save.**



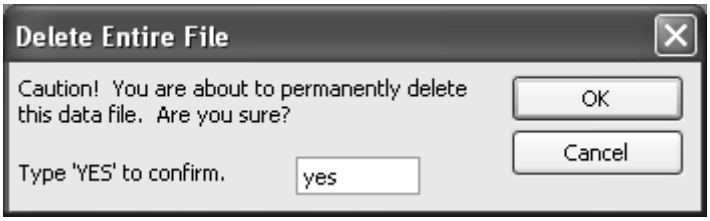
Step 8

- QuickBooks will now ask if you are sure you want to restore this backup by replacing the old file with this backup.
- Click **Yes.**



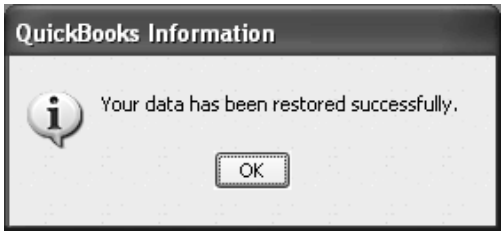
Step 9

- QuickBooks gives you another chance to back out of this restore. Since the old file will be written over by your backup, **stop and think. Is this what I want to do?**
- If you are sure that you want to restore your backup file to your computer, type **yes** in the box after **Type "YES" to confirm.**
- Click **OK.**



Step 10

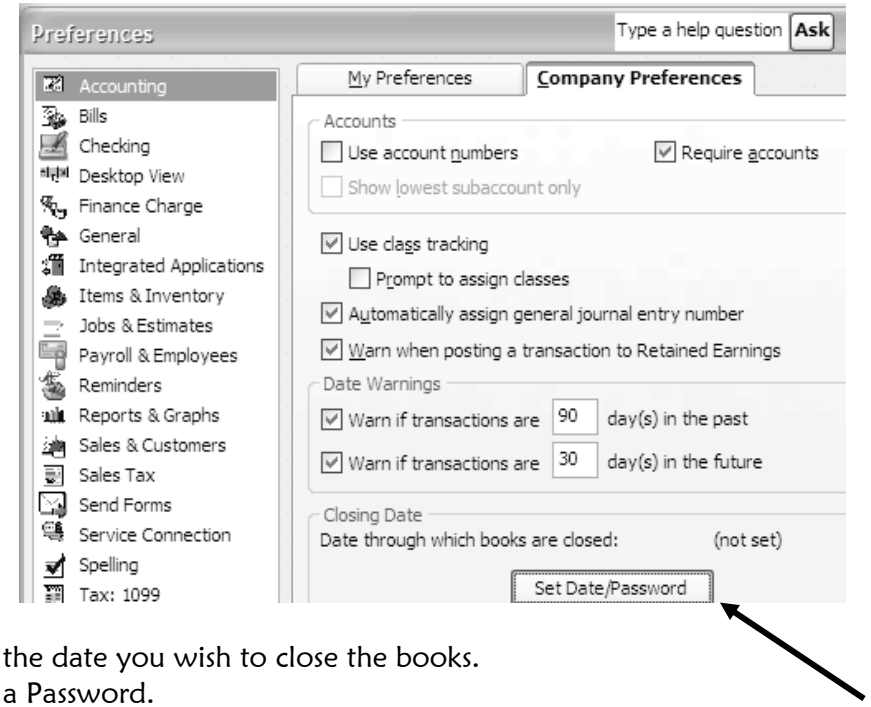
- You've done it!
- Click **OK.**



Closing Out Prior Periods

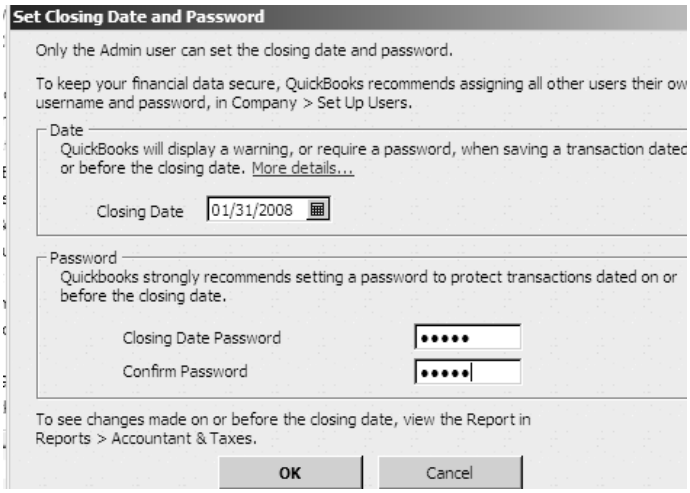
At some point in time it is very helpful to lock the company file to prevent changes. A good time to do this may be at the end of a tax year or the end of a fiscal year. If you reconcile your checkbooks, credit cards and accounts every month, you may want to close the books every month. Once you have closed the books, if you or anyone else tries to change anything in a prior period, you will get a QuickBooks message and have to enter in a password to continue.

- Click **Edit.**
- Click **Preferences.**
- Click **Accounting.**
- Click **Company Preferences.**
- Click **Set Date/Password.**



- Enter the date you wish to close the books.
- Enter a Password.
- Click **OK.**

CAUTION!! MAKE SURE THAT YOU WRITE THIS PASSWORD DOWN AND LET SOMEONE ELSE IN YOUR OFFICE KNOW WHERE THE QUICKBOOKS PASSWORDS ARE LOCATED. IF YOU LEAVE YOUR JOB OR GO ON VACATION WITHOUT ANYONE ELSE KNOWING THESE PASSWORDS, YOU WILL LEAVE YOUR OFFICE IN A BIND. QUICKBOOKS CHARGES HEFTY FEES TO UNLOCK PASSWORDS IN COMPANY FILES.



Now, all the transactions that you entered on or before this date are protected. If anyone tries to change or delete any information on or before this date, they will be stopped unless they have the password.

20 USING YOUR FINANCIAL SYSTEM

Putting the financial information into your system is only half of the job. You must be able to get the information out and you must be able to interpret the information. This chapter will help you do that.

Retrieving Information From Your System

The Find Feature

The Find command helps you if you are looking for:

- Customer Names, Invoices, Payments, Sales Receipts
- Employee Paychecks
- Checks you have written to a specific vendor
- A specific amount on a check, invoice, sales receipt or some other QuickBooks form

To use it:

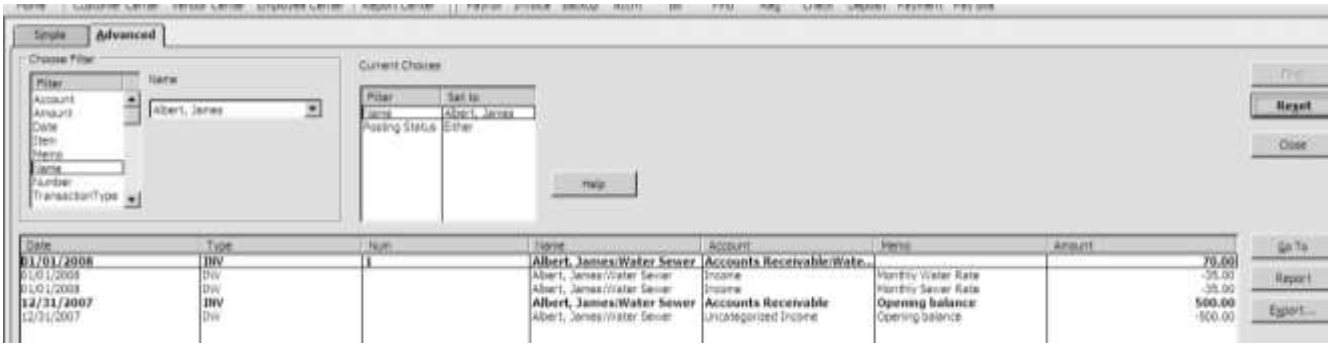
- Click **Find** on your **Icon Bar.**

- Click on the **Advanced** tab.
- If you are searching for a specific name, select **name** on the side bar.
- Select the name of the customer, vendor or employee from the drop down list.
- Click **Find.**

QuickBooks will bring up every financial transaction that has been created for this person.

- If you want to view these forms, double-click the line that you are interested in.

As you go backwards through the screens, you can keep double-clicking and view more screens as if you were peeling away an onion. This is called "drilling down".



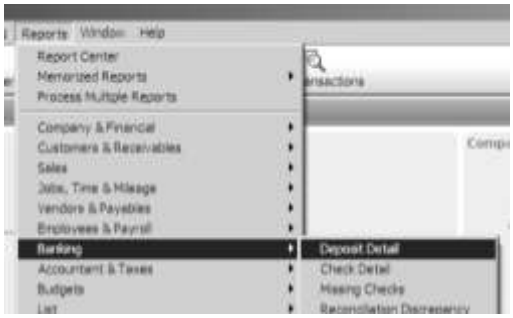
Searching for Deposits

Looking for a specific deposit? You can find it by scrolling through the check register.

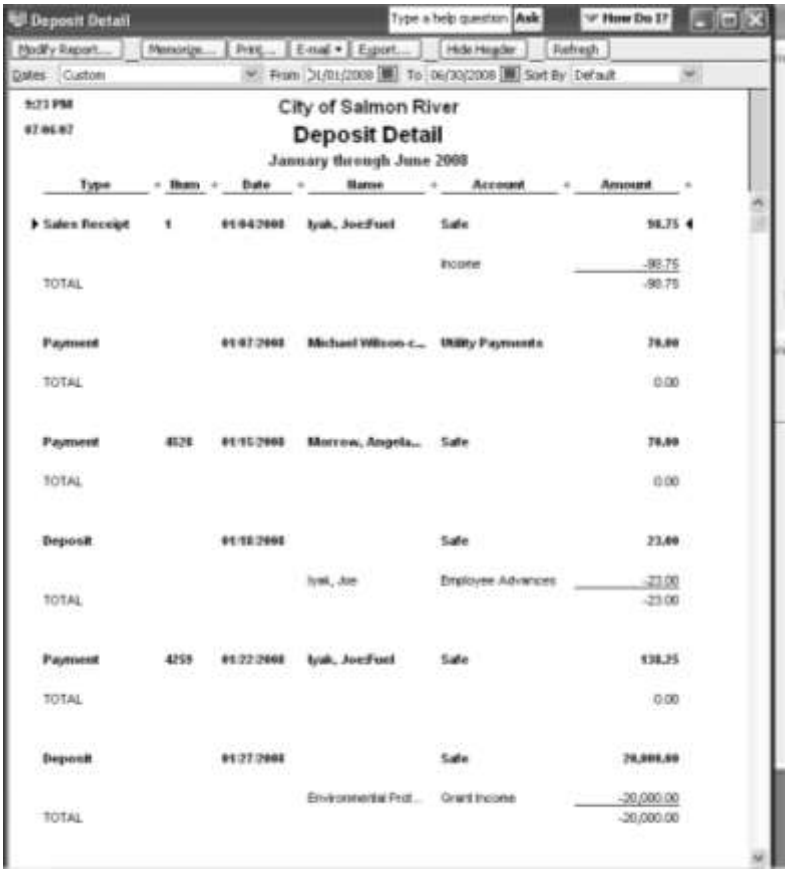
- Click the **Accnt** icon on your **Icon Bar.**
- Double-click your checking account.

A second way of locating deposits is to create a **Deposit Report.**

- Click **Reports.**
- Click **Banking.**
- Click **Deposit Detail.**



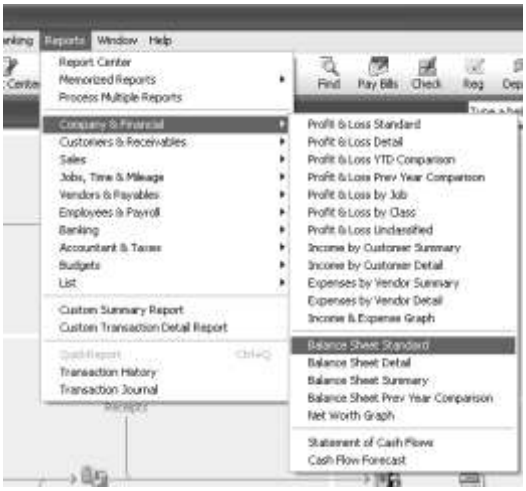
- Look through any of these transactions for the one you are looking for.
- You can double-click on a transaction to see the original.



Checking the Bank Accounts and Accounts Receivables Balances

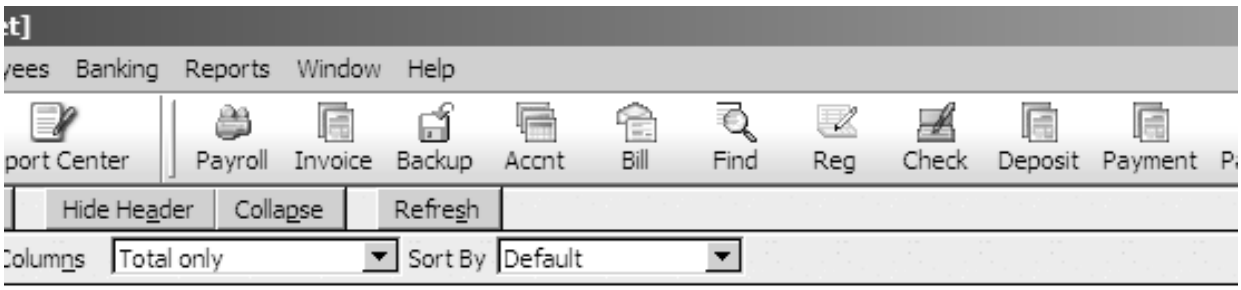
For a quick look at the balances of all your bank accounts, total accounts receivables outstanding and total bills owed, look at your Balance Sheet.

- Click **Reports.**
- Select **Company and Financial** under the Reports Menu.
- Select **Balance Sheet Standard.**



The Balance Sheet is presented here in two parts: **Assets** and **Liabilities and Equity**. The Assets are presented in the top part.

- Make sure to enter the current date.
- Note the balance in the bank account—checking.
- The total amount of unpaid water sewer invoices is $1,399.00.
- The total assets are $50,303.76.



City of Salmon River

Balance Sheet

As of January 31, 2008

	Jan 31, 08
ASSETS	
Current Assets	
Checking/Savings	
Checking	43,019.76
Safe	5,885.00
Total Checking/Savings	48,904.76
Accounts Receivable	
Accounts Receivable	
Water/Sewer-A/R	1,399.00
Total Accounts Receivable	1,399.00
Total Accounts Receivable	1,399.00
Total Current Assets	50,303.76
TOTAL ASSETS	50,303.76

The Liabilities and Equity are presented in the lower part of the Balance Sheet.

Let's talk about the Liability Section first:

- It tells us that Salmon River owes $50.00 to the Child Support Enforcement Division for Child Support and $12.71 to the State of Alaska for State Unemployment tax. Remember, the date of this Balance Sheet is January 31, therefore it does not show the Alaska tax as having been paid.
- Salmon River doesn't owe anything else, so their total liabilities are $62.71.

The equity section:

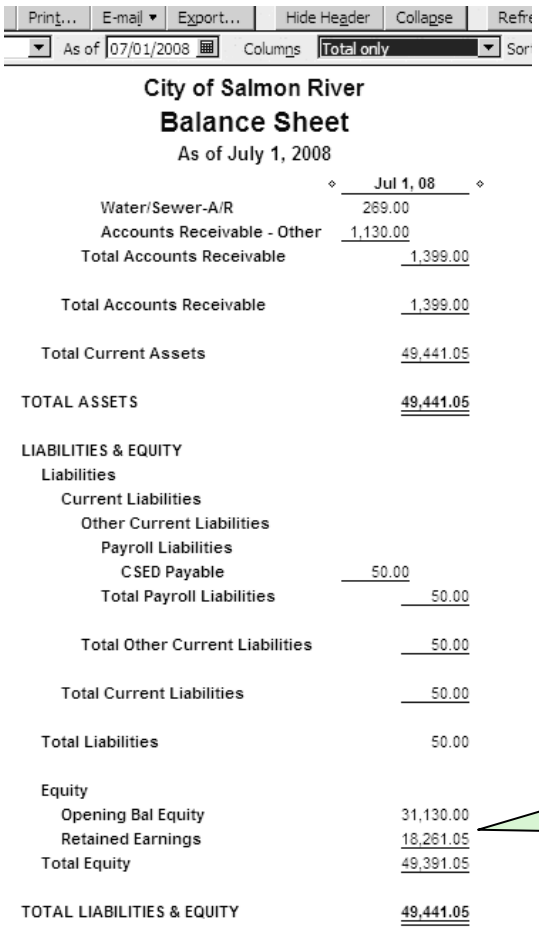
- Opening Balance Equity contains the opening balance of the checking account ($30,000) plus the total of all our customer opening balances ($1,130.00) which we transferred in the General Journal Entry made on page 115.
- Net Income ($19,111.05) is brought in from the Profit & Loss Statement and added to Equity if it is a profit, and subtracted if it is a loss. Notice, that it is the same number as on the Profit & Loss Statement on page 377. This will always be the case as long as you are looking at the same period of time.

Assets	minus	Liabilities	=	Equity
50,303.76		62.71		50,241.05

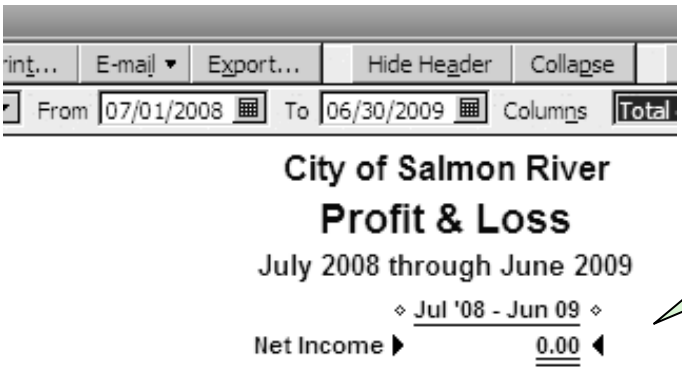
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Payroll Liabilities		
CSED Payable	50.00	
ESC Payable	12.71	
Total Payroll Liabilities		62.71
Total Other Current Liabilities		62.71
Total Current Liabilities		62.71
Total Liabilities		62.71
Equity		
Opening Bal Equity		31,130.00
Net Income		19,111.05
Total Equity		50,241.05
TOTAL LIABILITIES & EQUITY		50,303.76

Note that the gain from January is added to equity.

At the end of each fiscal year (in this example, the date will be 6/30/08), QuickBooks empties all the Income and Expense accounts into Retained Earnings. The new Profit & Loss Statement for the new year will begin recording income and expenses all over again. The Balance Sheet as of 7/1/08 will show Retained Earnings and no Net Income.



Notice, all income & expenses are closed out to Retained Earnings. There is no Net Income on this Balance Sheet.

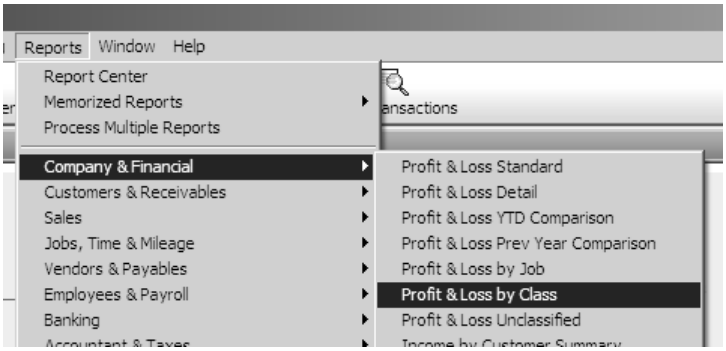


No activity recorded yet in the new fiscal year.

Finding Income and Expense Information for a Specific Department

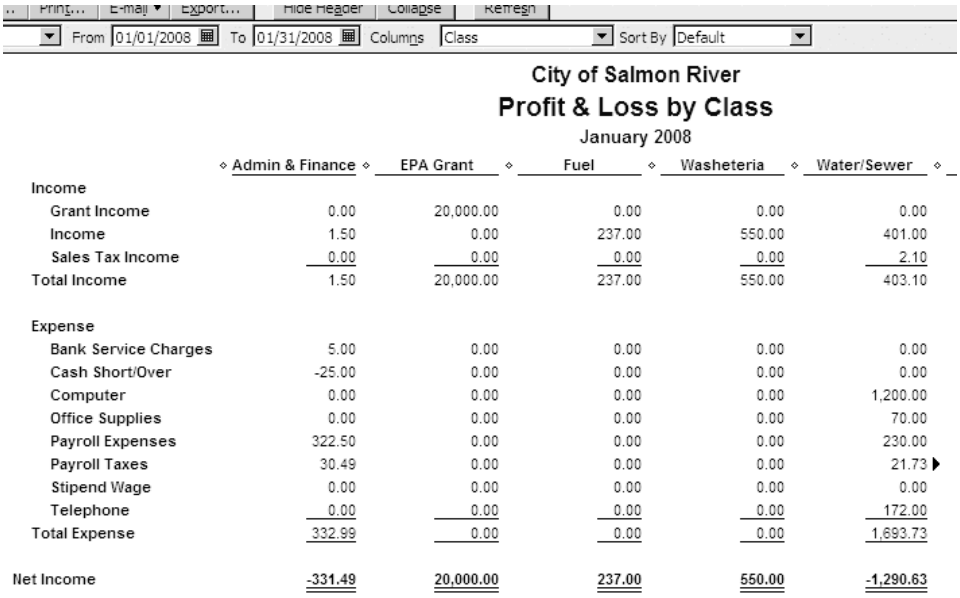
Create a Profit & Loss by Class

- Click **Reports.**
- Click **Company & Financial.**
- Click **Profit & Loss by Class.**



Notice the Profit & Loss Statement below.

- The date range is set for the month of January.
- The activity is reported **by department** with a total column at the end.



Print... E-mail Export... Hide Header Collapse Refresh

From 01/01/2008 To 01/31/2008 Columns Class Sort By Default

City of Salmon River

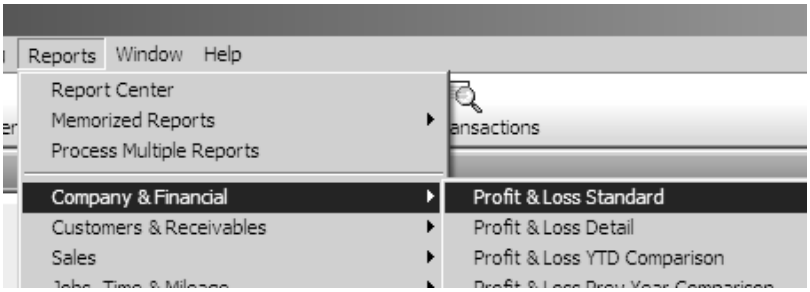
Profit & Loss by Class

January 2008

	Admin & Finance	EPA Grant	Fuel	Washeteria	Water/Sewer
Income					
Grant Income	0.00	20,000.00	0.00	0.00	0.00
Income	1.50	0.00	237.00	550.00	401.00
Sales Tax Income	0.00	0.00	0.00	0.00	2.10
Total Income	1.50	20,000.00	237.00	550.00	403.10
Expense					
Bank Service Charges	5.00	0.00	0.00	0.00	0.00
Cash Short/Over	-25.00	0.00	0.00	0.00	0.00
Computer	0.00	0.00	0.00	0.00	1,200.00
Office Supplies	0.00	0.00	0.00	0.00	70.00
Payroll Expenses	322.50	0.00	0.00	0.00	230.00
Payroll Taxes	30.49	0.00	0.00	0.00	21.73
Stipend Wage	0.00	0.00	0.00	0.00	0.00
Telephone	0.00	0.00	0.00	0.00	172.00
Total Expense	332.99	0.00	0.00	0.00	1,693.73
Net Income	-331.49	20,000.00	237.00	550.00	-1,290.63

- Click **Reports.**
- Click **Company & Financial.**
- Click **Profit and Loss Standard.**

You will then see a Profit & Loss Statement of all your departments merged into one complete picture of your community.



This sample **Profit and Loss Standard** shows several things.

- There was a profit of $19,111.05 for the month of January, but look a little closer.
- General Income for January was really only $1,189.50.
- The computer purchase in January cost more than the entire month's income.
- The profit in January was due to $20,000 in Grant Income, not because of normal operations.
- That is why it is a good idea to separate your grant income from your utility income. You can easily see here that Grant Income was the source of most of the money this month.

City of Salmon River
Profit & Loss
January 2008

	Jan 08
Income	
Grant Income	20,000.00
Income	1,189.50
Sales Tax Income	2.10
Total Income	21,191.60
Expense	
Bank Service Charges	5.00
Cash Short/Over	-25.00
Computer	1,200.00
Office Supplies	70.00
Payroll Expenses	552.50
Payroll Taxes	56.05
Stipend Wage	50.00
Telephone	172.00
Total Expense	2,080.55
Net Income	19,111.05

An overall gain for the month of January, but look closely. Where did this gain come from?

Viewing the Profit & Loss in Two Different Ways

If things weren't already complicated enough, there is one more important thing you should know about interpreting your Profit & Loss.

There are two different ways you can look at it.

- Cash
- Accrual

QuickBooks will let you modify your Profit & Loss so that you can see it either in the Cash Basis or the Accrual Basis.

What Is the Difference between Cash Basis and Accrual Basis?

Cash Basis

If you look at your **Profit & Loss** in the cash basis, you will see only the income that has actually been received by your utility during the time period in question. If you have invoiced customers during this time period, but you have not received payment against these invoices, this income will not be on this **Profit & Loss**.

On a **Profit & Loss** in the cash basis, you will also see only the expenses that have actually been paid by your utility during the time period in question. If you have entered bills during this time period, but you have not yet paid them, these expenses will not appear on this **Profit & Loss.**

Accrual Basis

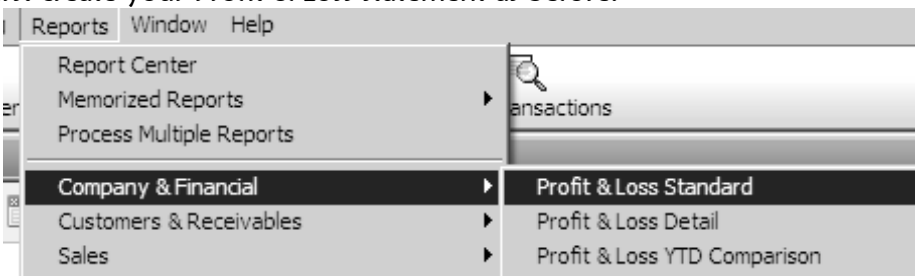
If you look at your **Profit & Loss** in the accrual basis, you will see all the income that your utility has actually received **AS WELL AS** any income for which your utility has invoiced during the time period in question—even if these invoices have not yet been paid.

On a **Profit & Loss** in the accrual basis, you will also see any expenses that have been paid by your utility during the time period in question **AS WELL AS** any expenses for which your utility has entered bills during the time period in question—even if you have not paid these bills.

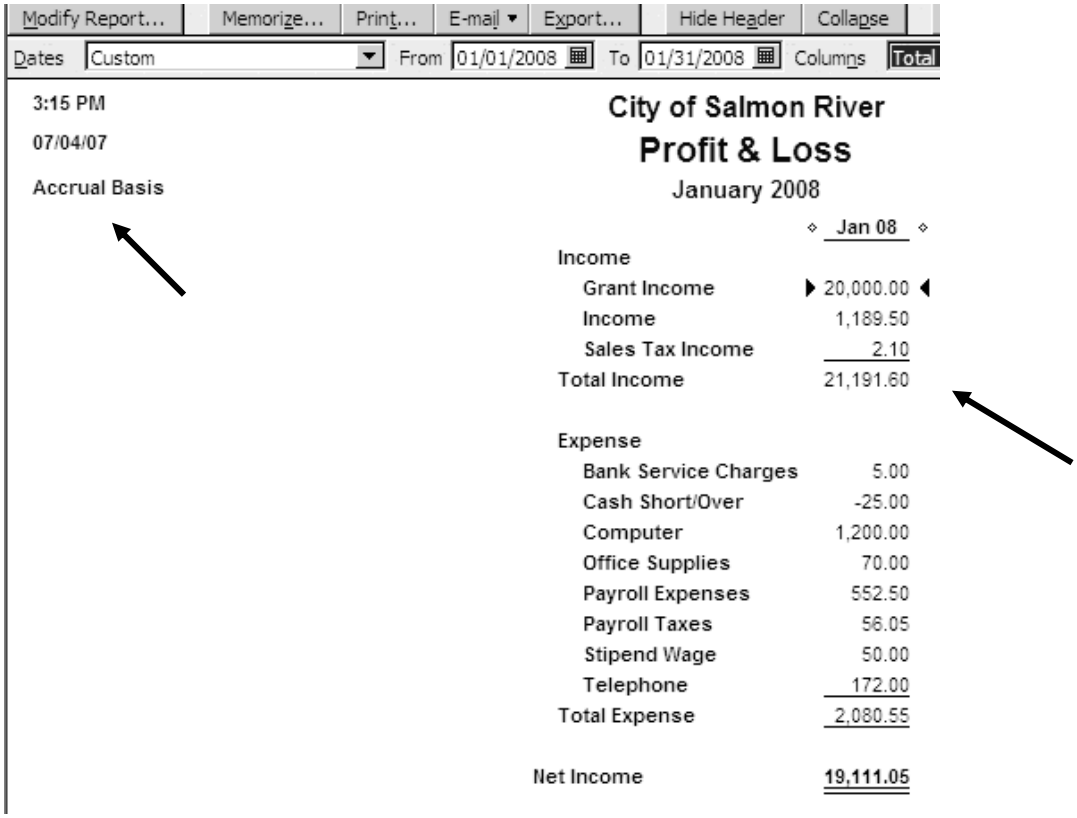
How Cash Basis and Accrual Basis Reports Look

Let's learn how to change from Cash Basis to Accrual Basis and look at the same **Profit & Loss Statement** both ways.

- First create your Profit & Loss statement as before.

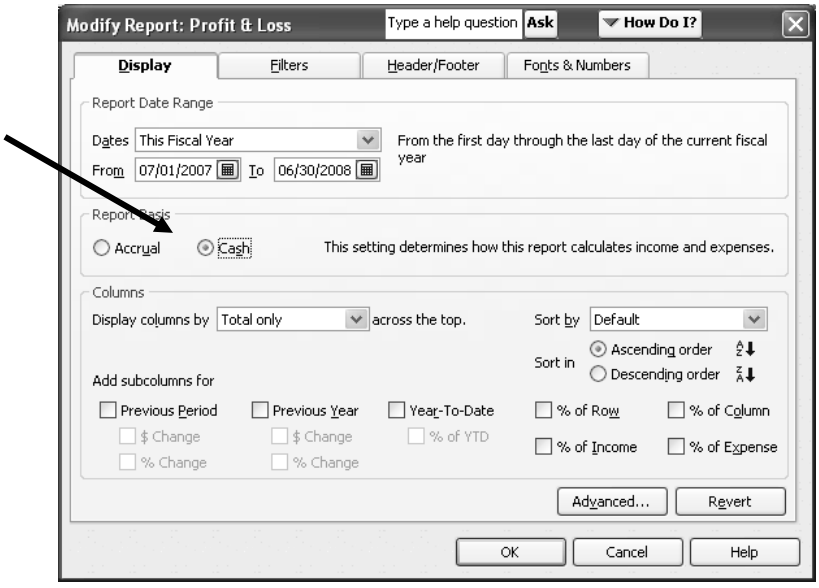


- QuickBooks will automatically show you an Accrual Basis Profit & Loss Report.



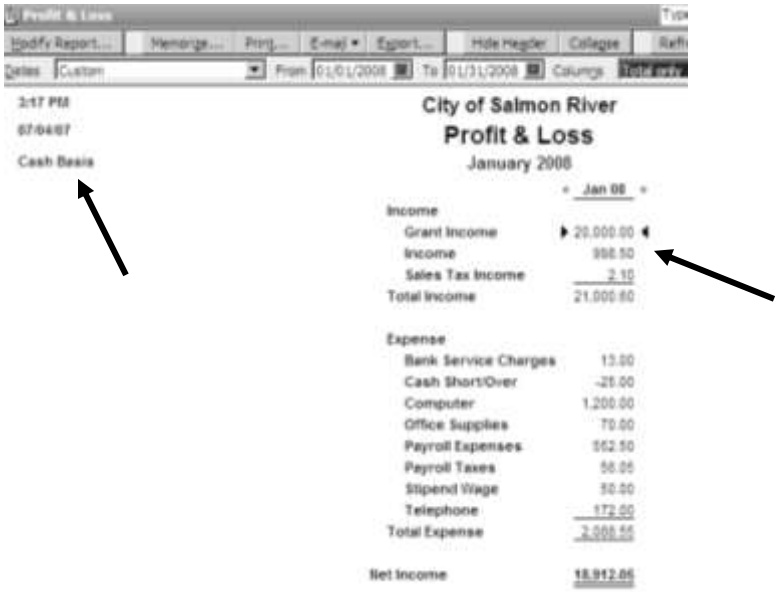
If you want to change the report to Cash Basis:

- Click **Modify Report.**
- Select **Cash.**
- Click **OK.**



Here is the same statement for the same period of time stated in the Cash Basis.

- Notice that Income is less on this report. The difference is coming from the income which was invoiced but not received. In the accrual method, QuickBooks will report all income invoiced during the time period even if it was not received. The accrual method also reports all income received. In the cash method, only income **received** during the time period is reported.



Why Do You Care About This?

In many communities in rural Alaska, money is tight. When your council or Mayor or the Tribe is looking at Profit & Loss Statements, it becomes more meaningful to look at it in a cash basis.

You may be invoicing $2,000 per month for water sewer, but if only $800 is coming in, your decision makers need to know this.

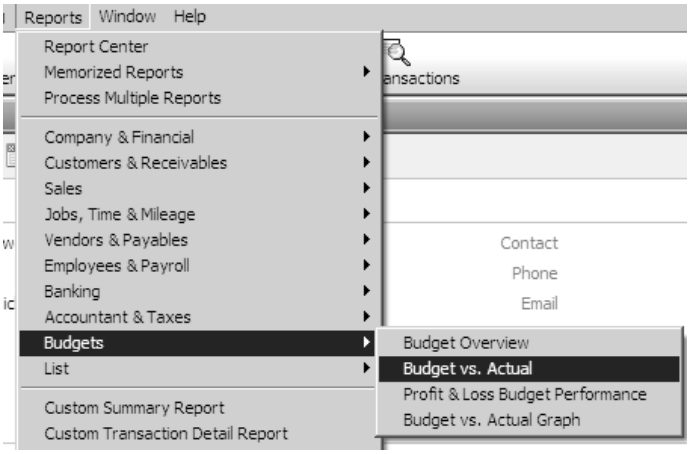
Get used to looking at both the Balance Sheet and the Profit & Loss in cash and accrual methods. Know what the numbers mean. Know how both statements relate to one another.

Comparing Your Actual Income and Expenses with Your Budget

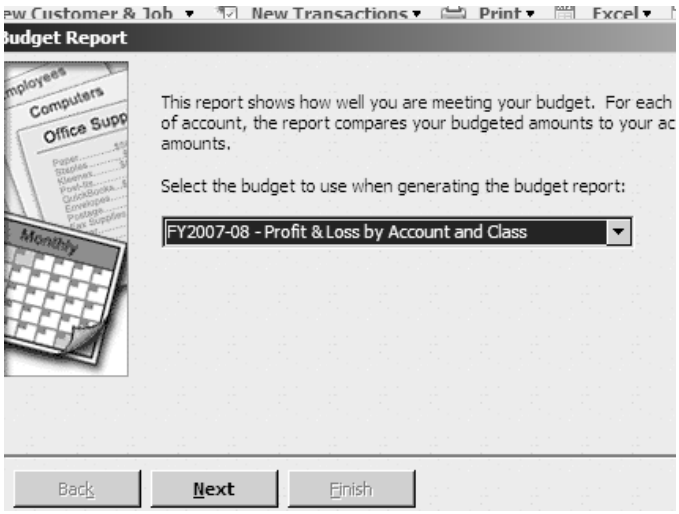
Each year your community approves a budget. Chapter 9 showed you how to enter your Budget in QuickBooks. As the year progresses, you can create a report that compares what has actually happened with what you predicted would happen in your budget.

To create this report,

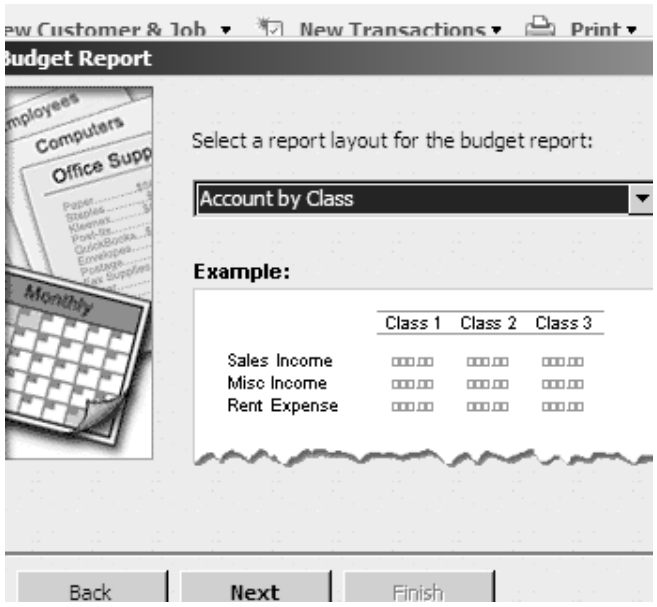
- Click **Reports.**
- Click **Budgets.**
- Click **Budget vs. Actual.**



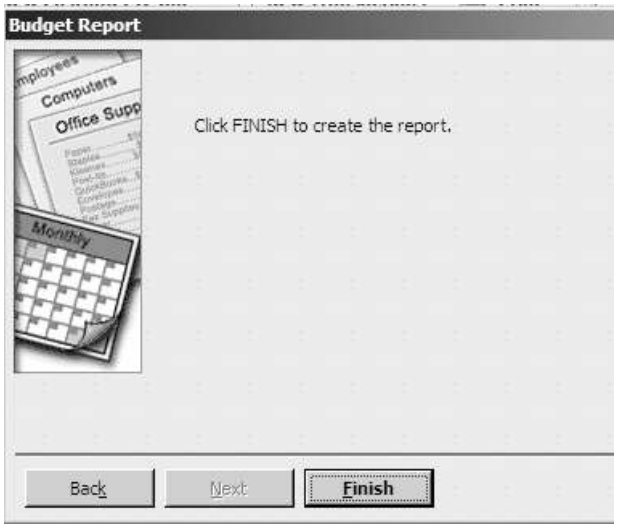
- Select **Profit & Loss by Account and Class.**
- Click **Next.**



- Select **Account by Class.**
- Click **Next.**



- Click **Finish.**



In the Budget *vs.* Actual Report below, you can see what actually happened in Salmon River and compare it to what was budgeted.

Actual Income & Expenses

City of Salmon River
Profit & Loss Budget vs. Actual
July 2007 through June 2008

Accrual Basis

	Water/Sewer				TOTAL			
	Jul '07 - Jun 08	Budget	$ Over Budget	% of Budget	Jul '07 - Jun 08	Budget	$ Over Budget	% of Budget
Income								
Income	401.00	150,000.00	-149,599.00	0.3%	401.00	150,000.00	-149,599.00	0.3%
Sales Tax Income	2.10				2.10	0.00	2.10	100.0%
Total Income	403.10	150,000.00	-149,596.90	0.3%	403.10	150,000.00	-149,596.90	0.3%
Expense								
Bank Service Charges	0.00				0.00	0.00	0.00	0.0%
Chemicals	0.00	4,750.00	-4,750.00	0.0%	0.00	4,750.00	-4,750.00	0.0%
Computer	1,200.00	1,100.00	100.00	109.1%	1,200.00	1,100.00	100.00	109.1%
Contractual Labor	850.00				850.00	0.00	850.00	100.0%
Electricity	0.00	33,000.00	-33,000.00	0.0%	0.00	33,000.00	-33,000.00	0.0%
Fuel Purchase	0.00	25,500.00	-25,500.00	0.0%	0.00	25,500.00	-25,500.00	0.0%
Insurance	0.00	7,000.00	-7,000.00	0.0%	0.00	7,000.00	-7,000.00	0.0%
Office Supplies	70.00	2,000.00	-1,930.00	3.5%	70.00	2,000.00	-1,930.00	3.5%
Payroll Expenses	230.00	90,000.00	-89,770.00	0.3%	230.00	90,000.00	-89,770.00	0.3%
Payroll Taxes	21.73	8,500.00	-8,478.27	0.2%	21.73	8,500.00	-8,478.27	0.2%
Postage	0.00	960.00	-960.00	0.0%	0.00	960.00	-960.00	0.0%
Repairs	0.00	3,000.00	-3,000.00	0.0%	0.00	3,000.00	-3,000.00	0.0%
Stipend Wage	0.00	1,800.00	-1,800.00	0.0%	0.00	1,800.00	-1,800.00	0.0%
Supplies	0.00	10,000.00	-10,000.00	0.0%	0.00	10,000.00	-10,000.00	0.0%
Telephone	172.00	1,300.00	-1,128.00	13.2%	172.00	1,300.00	-1,128.00	13.2%
Training	0.00	2,000.00	-2,000.00	0.0%	0.00	2,000.00	-2,000.00	0.0%
Total Expense	2,543.73	191,910.00	-189,366.27	1.3%	2,543.73	191,910.00	-189,366.27	1.3%
Net Income	-2,140.63	-41,910.00	39,769.37	5.1%	-2,140.63	-41,910.00	39,769.37	5.1%

Getting Control of Your Water/Sewer Accounts

To get and keep control of your water sewer customer accounts, you need to be consistent, fair, and serious.

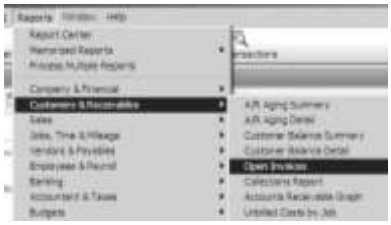
What does this mean?

- Make sure you send your invoices out at the same time each month.
- The statements and invoices should be easy to understand with the following information clearly stated on them:
  - **The customer's service**
  - **The cost of service**
  - **The time period for the service**
  - **Any past-due balances**
  - **Final balance**
  - **Due date for payment**
- The invoices and statements should look professional and should be free of any errors.
- You should make it easy for your customers to pay their invoices. Have regular office hours or put a payment box outside the office.
- Say thank you when your customers pay and tell them what a difference their payment makes to the entire community.

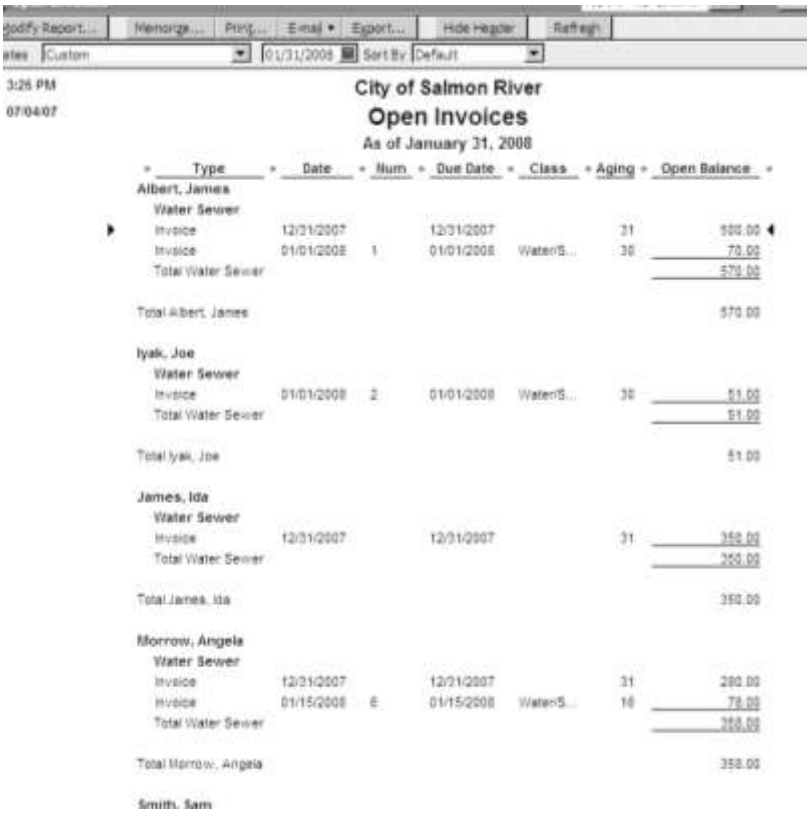
Using Your Accounts Receivable Reports

The easiest report to use is the **Open Invoices Report.**

- Click **Reports.**
- Click **Customers & Receivables.**
- Click **Open Invoices.**



This report lists all unpaid customers alphabetically by last name.

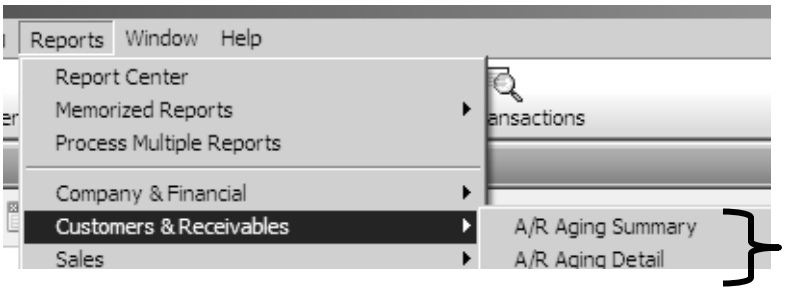


City of Salmon River
Open Invoices
As of January 31, 2008

Type	Date	Num	Due Date	Class	Aging	Open Balance
Albert, James						
Water Sewer						
Invoice	12/31/2007		12/31/2007		31	500.00
Invoice	01/01/2008	1	01/01/2008	Water/S...	30	70.00
Total Water Sewer						570.00
Total Albert, James						570.00
Iyak, Joe						
Water Sewer						
Invoice	01/01/2008	2	01/01/2008	Water/S...	30	51.00
Total Water Sewer						51.00
Total Iyak, Joe						51.00
James, Ida						
Water Sewer						
Invoice	12/31/2007		12/31/2007		31	350.00
Total Water Sewer						350.00
Total James, Ida						350.00
Morrow, Angela						
Water Sewer						
Invoice	12/31/2007		12/31/2007		31	280.00
Invoice	01/15/2008	6	01/15/2008	Water/S...	16	78.00
Total Water Sewer						358.00
Total Morrow, Angela						358.00
Smith, Sam						

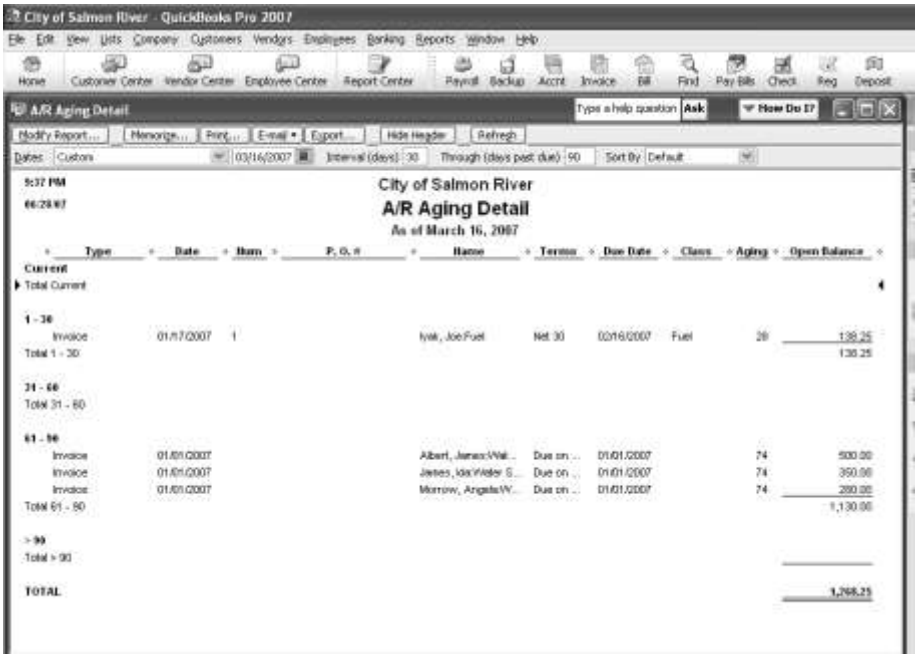
There are two other good receivable reports that you should look at.

- Click **Reports.**
- Click **Customers & Receivables.**
- Click **A/R Aging Summary** or **A/R Aging Detail.**



A/R Aging Summary and A/R Aging Detail will allow you to see who is paying on time and who is not.

- This Detail Report shows that Joe Iyak is 1-30 days overdue with his fuel payment.
- It also shows that there are three people with a balance more than 60 days overdue for utility services.



USE THESE REPORTS TO HELP YOU COLLECT THE MONEY OWED YOUR UTILITY!

Consequences for Non-Payment

Your community needs to have a plan of action for non-payment of a water sewer bill. Your Council or Tribe will have to agree on this plan and help you support it. Whatever the plan is, it should be applied fairly to everyone. Successful non-payment plans have some things in common:

- After the due date of an invoice has passed, a telephone call or letter will ask about the missing payment.
- The customer will be given some time (maybe ten days) to pay the invoice without a penalty.
- If payment is still not received, there should be consequences. Consequences can be late fees, finance charges, or disconnecting the service.

Periodic Tasks

Every time you use QuickBooks

- Backup your Company File on your flash drive or CD-Rom.

Every Pay Cycle

- Create your paychecks.
- Calculate your payroll taxes.
- Pay your payroll taxes.
- Create a hard copy payroll file.
- Backup your Company File on flash drive or CD Rom.

Monthly

- Reconcile all your checking accounts.
- Reconcile petty cash & cash drawers.
- Create your invoices and statements for customer billings.
- Print a collections report of past-due balances.
- Create a Budget vs. Actual Report—Year-to-Date.
- Create a Balance Sheet.
- Create a Profit and Loss Statement Year-to-Date – Cash and Accrual.
- Create a Profit and Loss Statement by Class Year-to-Date– Cash and Accrual.
- Create a Profit and Loss Statement for the past month – Cash and Accrual.
- Create other monthly reports for your community.
- Backup your Company File on flash drive or CD-Rom.

Quarterly

- 941 – Employer's Quarterly Federal Tax Return.
- Alaska Quarterly State Unemployment Report.
- Backup your Company File on flash drive or CD-Rom.
- If it is the 3rd quarter, order your end of year payroll forms.
  - W-2's – three for each employee, include extras for mistakes.
  - W-3's – one for each EIN number, include extras for mistakes.
  - 1099's – one for each consultant and/or casual labor contractor who earned more than $600 in the tax year.
  - 1096 – one for each EIN number .

Tax Year End – December 31

- Reconcile all your checking accounts.
- Print a General Ledger.
- Backup your company file on CD-Rom and store with General Ledger.
- Create and print any end of year reports.
- Create your last payroll of the year.
- Pay your payroll taxes.
- Make sure your year-to-date payroll totals are correct.
- Review and print your W-2s.
- Print Form W-3.
- Make sure you have all your information needed for the 1099s.
- Review and print the 1099s.
- Print the 1096.
- Prepare your Alaska Quarterly SUI Report.
- Prepare Form 941.
- Update your W4s for the new year.

Fiscal Year End – June 30

- Perform all your 2nd quarter tasks from the Quarterly List.
- Create and print yearly reports for community.
- Create and print General Ledger.
- Backup your company file on CD-Rom and store with General Ledger.
- Create your Certified Financial Statement.
- Enter your new budget.
- Create new file folders for this year's papers.
- Password protect last year's data.
- Reconcile the Balance Sheet Accounts.
- Reconcile petty cash & cash drawers.
- Reconcile all payroll advances and vacations.

Conclusion

The best chance for Water/Sewer sustainability is through a healthy financial system. QuickBooks is the perfect software to help your community achieve this goal.

Remember, however, it is not enough to just enter the accounting data. You must get the data out by creating reports. Take the time to understand what the numbers mean and how they relate to each other.

Share these reports with the Council, the Mayor or the Tribal Council. Understand that a healthy financial system requires these things:

- money coming in
- control of the money going out
- a clear picture of how it all fits together

Sometimes, practicing careful accounting and keeping good records seems overwhelming. If you are feeling that way, we have one tip to leave you with which may make the task of learning this system seem smaller.

TIP: Look at your Profit & Loss Statement and your Balance Sheet every time you:

- Create a check
- Make a deposit
- Process a payroll
- Create an invoice
- Receive a payment
- Enter a bill

Notice what changes have taken place. Make sure your dates for these statements include the date of the check, deposit, invoice or bill.

When you look at these reports, try to answer these questions:

- Which account or accounts have changed?
- Have they gone up or down?
- What happened to Net Income? Did it go up or down?
- Did the transaction affect both the Balance Sheet and Profit & Loss or only one report?
- Switch between looking at a report on a cash or accrual basis. Do you see a difference? Which report basis is best for your community?

If you do this in the beginning, we guarantee you will quickly get an understanding of how different transactions affect your community's finances. Soon you will not only have a sound financial system, but also a real understanding of how your utility can help your community thrive and grow financially.