Establishing or Modifying an Account

Objective

To provide guidelines for establishing or modifying accounts in the Statewide Integrated Financial Tools (SWIFT) system, including understanding the Account chartfield structure and its relationships, in accordance with Minnesota Statutes and Governmental Accounting Standards Board (GASB) statements.

<table>
<thead>
<tr>
<th>Statute</th>
<th>Statute Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>16A.055</td>
<td>Commissioner’s Duties</td>
</tr>
<tr>
<td>16A.125</td>
<td>State Trust Lands</td>
</tr>
<tr>
<td>16A.1285</td>
<td>Departmental Earnings, Charges Levied by Agency</td>
</tr>
<tr>
<td>16A.50</td>
<td>Financial Report to Legislature</td>
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<tr>
<td>16A.53</td>
<td>Bookkeeping Accounts</td>
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</table>

Policy

Minnesota Statute 16A.055 requires Minnesota Management & Budget (MMB) to record the state’s financial activities in accordance with Generally Accepted Accounting Principles (GAAP). MMB manages the listing of accounts to ensure compliance with this statute and to assist with the financial reporting requirements of Minnesota Statute 16A.50. Financial activity accounts include balance sheet accounts, revenue accounts, and expense accounts.

Any requests for changes to accounts, including adding, modifying or inactivating accounts, will be reviewed centrally by MMB. Modifications are limited to name changes for the purpose of providing additional clarification only.

When adding a new account, the numbering values need to be consistent with the configuration rules of the Account chartfield. In addition the following criteria must be met:

1. The account must be unique in that no other account exists for the same purpose
2. The account should not be agency specific, except for departmental earnings accounts
3. The account must properly identify activity for the financial statements
4. The account provides sufficient detail in the ledger to allow agencies to properly manage and monitor activity
5. If applicable, legal authority must exist in order to charge a fee for a good or service to add a revenue account
For a complete listing of all SWIFT accounts see the SWIFT Account Report (https://mn.gov/mmb/accounting/swift/training-support/fisupport/index.jsp).

Balance Sheet Accounts

Balance sheet accounts consist of asset, liability and equity/fund balance account types. Balance sheet accounts are assigned to specific account categories and classes within SWIFT. Account types are identified by the first digit in the account number. Balance Sheet Accounts are identified using the asset, liability, equity and statistical classifications.

Revenue Accounts

Revenue accounts consist of revenue, departmental earnings, and operating transfer account categories. A revenue account is assigned to a specific revenue category and class in order to organize and record receipts for reporting purposes. Agency specific tracking can be completed through the use of the Sub-Account chartfields. Generally, the majority of Revenue Accounts are identified using the revenue and departmental earnings classifications. Additionally, the operating transfer accounts are classified as revenue accounts.

Expense Accounts

Expense accounts consist of payroll and non-payroll expense accounts. An expense account is assigned to a specific expense category and class in order to organize and record expenses for reporting purposes. Agency specific tracking can be completed through the use of Agency Cost chartfields.

Definitions

Account
Account chartfields are used in the traditional manner for classifying specific transactions according to the nature of a receipt, expenditure, or effect on a financial position of the fund. All accounting transactions in the SWIFT system will have an account. The account identifies whether an accounting line is classified as a balance sheet, revenue, expenditure, or statistical transaction. The account classifies chartfield classes into six (6) numeric characters for detail level classifications.

Account Types
Classifies chartfield as assets, liabilities, equity, revenue, and expense. The following table illustrates the range of all account types:

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Account Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Account beginning with 1, unless otherwise noted</td>
</tr>
<tr>
<td>Liabilities</td>
<td>Account beginning with 2, unless otherwise noted</td>
</tr>
<tr>
<td>Revenues</td>
<td>All accounts beginning with 5, 6, or 8, unless otherwise noted</td>
</tr>
<tr>
<td>Expenses</td>
<td>All accounts beginning with 4, unless otherwise noted</td>
</tr>
<tr>
<td>Equity</td>
<td>All accounts beginning with 3</td>
</tr>
<tr>
<td>Statistical</td>
<td>All accounts beginning with 9; <strong>NOTE</strong>: statistical accounts are not used in the SWIFT general ledger.</td>
</tr>
</tbody>
</table>

Account Category (Level 4 Reporting)
Classifies chartfield types into three (3) numeric character classifications.
**Account Class (Level 5 Reporting)**
Classifies chartfield categories into five (5) numeric characters for class level used in budgeting.

**Departmental Earnings**
Minnesota Statute section 16A.1285 defines departmental earnings as "any charge for goods and services and any regulatory, licensure, or other similar charges levied by any state agency and paid by individuals, businesses, or other non-state entities." This statute requires agencies to set or adjust charges at a level that neither significantly over recovers nor under recovers costs of providing the goods or service. Consequently, implementation of this statute requires that a link be made between expenditures and revenues so that the level of cost recovery can be determined. This statute further requires the Commissioner of Minnesota Management & Budget to "establish and maintain a classification system that clearly defines and distinguishes categories and types of departmental earnings and takes into account the purpose of the various earnings types." The biennial departmental earnings report is mandated to report this information. Departmental earnings revenue accounts should not be shared by multiple agencies. Agencies should set up unique accounts for their fees.

Departmental earnings revenue accounts must be set at the level at which legal authority was given to charge a fee for the good or service. Establishing revenue accounts based on legal authority has several purposes:

- This is the level at which an agency is given authority to charge for goods or services. In effect, the legislature defines the level of accountability.
- Establishing revenue account codes in this manner ensures centralized control and consistency across all agencies. A logic based on legal authority parallels the basis used for expenditures. Agencies are familiar with this logic; some already budget in this manner.
- When one legal citation grants authority to charge several different fees, the agency should consider the level at which they want to budget for these fees. For example, if each fee is budgeted for separately, then individual revenue source codes should be established for each fee.
- If one fee has several different legal citations, the agency must select the one that is most relevant to the receipts being collected. If all revenues within that legal authority are budgeted together, then one revenue account will suffice.

**Related Policies and Procedures**

- **MMB Statewide Operating Procedure 0207-01.1 Request to Add or Modify a Balance Sheet Account**

- **MMB Statewide Operating Procedure 0207-01.2 Request to Establish or Modify a Revenue Account**

- **MMB Statewide Operating Procedure 0207-01.3 Request to Add or Modify an Expense Account**

**Forms**

- **MMB Statewide Operating Form 0207-01.1F Request to Add or Modify a Balance Sheet Account**
MMB Statewide Operating Form 0207-01.2F Request to Add or Modify an Expense Account

MMB Statewide Operating Form 0207-01.3F Request to Establish or Modify a Revenue Account

See also

SWIFT ChartField Analysis (https://mn.gov/mmb/accounting/swift/training-support/fisupport/index.jsp)

GASB Statement 34: Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

GASB Statement 37: Omnibus – An amendment of GASB Statements 21 and 34.