

## Farm and Ranch Filing Systems

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The goal of record keeping is to be able to access the information you need quickly. This starts with a filing system that is tailored to the needs of your farm or ranch. Here are some considerations for starting or updating your filing system.

### How will you collect your documentation?

Do you have all the documentation that you need or are invoices, receipts, bank statements and other documents scattered over the kitchen table, the top of the washer or dryer, and in the glove box of the pick-up? Start by developing a system to collect these documents. Create a place where these documents can be “turned in” and assign someone who is responsible for collecting them. For example, set up a formal inbox in your office or put a small accordion file in each of the pick-ups. A more high-tech solution maybe to set up a system of photographing receipts and placing them in a cloud storage system or emailing them to a specified address for collection. Keep in mind, that the person collecting these documents, may not be the person filing them. By having convenient “inboxes” it is more likely the documentation will make it to them.

### How are you going to organize your documents?

The actual filing of documents is unique to each farm or ranch. Devise a plan for filing that allows you to find what you need easily. Filing systems have at least two levels of organization:

1. Files
2. Organization within the file

Some systems are more complex with additional layers of organization. Some operations may add levels using different colors of files, different drawers or boxes, and/or different cabinets.

It is important to keep your filing system as simple as possible. If it becomes too tedious to manage, or you cannot find what you need quickly you aren't going to use it. Start by

thinking about a two-level system, what are your files going to be and how are you going to organize the documents within the file?

For cash income and expense documentation most farms and ranches file by the date of the transaction, the entity, and/or the Schedule F Tax Line item.

The three most common two-level filing methods for cash income and expense records are:

	Level 1 (File)	Level 2 (Organization within the file)
1	Chronological by year or month	Chronological by day or alphabetical by entity
2	Alphabetical by entity	Chronological by date
3	Alphabetical by Schedule F Tax Line Item	Chronological by date or alphabetical by entity

EXAMPLE: If you need to find a receipt for diesel fuel purchased from ABC Convenience Store for a farm semi on July 14, what is easiest way to find it? In this example, the date is July 14, the entity is ABC Convenience Store, and the Schedule F Tax Line Item is Gasoline, Fuel & Oil.

	Level 1 (File)	Level 2 (Organization within the file)
1	July	Chronological by day <u>or</u> alphabetical under ABC Convenience Store
2	ABC Convenience Store	Chronological by day
3	Schedule F: Gasoline, Fuel & Oil	Chronological by date <u>or</u> alphabetical under ABC Convenience Store

A similar two-level organization approach can be adopted for electronic files. Consider organizing your computer files using a similar method. This allows your electronic files to match your physical document files.

No matter how you decide to file your documents, keep it simple and be consistent. Try to find a system that only requires you to organize and file documents once.

### **Where are you going to store your records?**

One of the most overlooked aspects of a record keeping system is its safety and security. For this reason, you may have documents stored in different places and in different formats. Consider the ease of replacing a document when determining the level of security it requires. In addition to security you will need to consider the ease of access. Some documents will need to be within arm's reach, while others may require less accessibility.

All documents that contain sensitive information, especially account numbers and/or social security numbers, should be placed in a locking, theftproof, fireproof cabinet or safe. Also consider offsite storage such as bank safety deposit boxes for valuable or irreplaceable documents.

Having multiple copies or formats of documents is also recommended, especially for electronic files. Make sure you have computer files saved to at least two locations, i.e. on your computer and a USB or Cloud Storage and/or a hard copy.

Also consider how you are going to dispose of documents no longer needed. Make sure that items containing account numbers, social security numbers, and other sensitive information are shredded.

When developing your farm or ranch filing system, keep in mind the goal of being able to access the information that you need quickly. Keep your system simple and be consistent.



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### **Filing Checklist: Your will need to determine how the following items will be organized and the location where they will be stored.**

**\*\*\* This list is not all inclusive.\*\*\***

#### **Active Ag Operation Financial "Files"**

Items 1-5 are active "files" and should remain within arm's reach. Remember that because these contain sensitive information, they may need to be in a locking drawer.

1. Check register and/or ledger of accounts
2. Checks & cash for deposit
3. Unpaid bills/invoices

TIP: When a bill or invoice is paid, be sure to write paid, the method of payment (check #, credit card or cash), and the date it was paid. You can also staple proof of payment to the bill or invoice.

4. Unreconciled documents

TIP: Reconciling should be done monthly to ensure the monthly financial records, balance with the farm/ranch check register and/or ledger of accounts.

5. Documents without enough information to file

TIP: Have the purchaser write notes on the receipt or invoice. Helpful information maybe the tax line item, the enterprise, landlord name, or equipment identification to assist with more detailed records.

#### **Current Year Ag Operation Financial Files**

Items 6- 14 are "current year" files. Although they are not accessed regularly, they are not ready for long term storage.

6. Reconciled financial documents
7. Monthly/Quarterly/Annual financial statements
8. Current balance sheet, cash flow budget, and loan guarantee documents
9. Current year supporting tax documents: W-2, 1099, DPAD letters, etc.
10. Current lease agreements
11. Copies of documents submitted to USDA
12. Inventory of supplies

TIP: Supply inventories and production records should also be reconciled on a regular basis to ensure accuracy.

13. Livestock production records
  - Beef Quality Assurance certification
  - Breeding records
  - Calving records
  - Purchase/sale records
  - Death records
  - Medication and vaccination records
  - Brand Inspections
  - Registration papers
  - Feed records
14. Crop production records
  - Pesticide applicator proof of certification
  - Soil tests
  - Weather records
  - Seeding records
  - Chemical application records
  - Marketing contracts
  - Purchase/sale records
  - Yield records

TIP: The Internal Revenue Service can request an audit for the 6 previous years. For example, if 2021 is the current year they can audit records back to 2015. The IRS will accept digital files.

### On file Ag Operation Records

15. Past Tax Documents
  - Federal tax returns
  - State tax returns
  - Items 6-14 for each year
  - Digital backup
16. Entity (Partnership, L.L.C., S Corp or C Corp) records articles of incorporation, bylaws, operating agreements, contracts, annual meeting minutes, tax identification numbers (TIN), extra checkbooks
17. List of farm/ranch checking accounts including bank name, account number, exact name on account, who has signature authority, online username and password, PIN#, payable on death (POD) or transferrable on death (TOD), and details regarding automatic withdrawals and deposits
18. List of farm/ranch credit cards, lines of credit or operating notes including bank or company name, account number, exact name on account, persons with account access, online username and password, and details regarding automatic withdrawals/payments
19. Farm/ranch insurance policies: motor vehicle, crop/livestock, health, liability, worker compensation
20. Employee/custom hire/contractor information including W-9, social security numbers, permanent address, background checks, driver's license, DOT physical, hours worked, amount paid
21. List of farm/ranch real estate, exact names on the title, legal descriptions, year acquired, purchase price, mortgage information, appraisals, improvement records, lease agreements
22. List of farm/ranch vehicles, equipment and machinery, exact names on the title, year acquired, purchase price, loan information, VIN/Serial/ID #, license plate #s, warranties, maintenance records,

logbooks, depreciation schedules,  
operating manuals

23. List of farm/ranch accounts receivable including the name of the person who owes you, year acquired, liens filed, and payment details

**Non-farm records**

The following documents should be kept on file for you, your spouse, and your children. If you serve as the executor or personal representative for someone else's estate, you may also want to discuss the location of their government issued and estate planning documents.

I. Government Issued Documents

- Birth Certificate(s)
- Social Security Cards
- Social Security Records
- Passports
- Marriage license
- Divorce Certificate
- Death Certificate
- Armed Forces Records
- Tax ID numbers

II. Estate Planning Documents

TIP: Estate planning documents should be updated every 3-5 year, or after major events (marriage, divorce, birth of a child/grandchild, death of a loved one).

- Will
- Trust
- Power of Attorney
- Living will
- Durable power of attorney
- Health care power of attorney
- Life Insurance Policies
- Do Not Resuscitate (DNR) Orders
- Side instruction letter
- Funeral directions
- Cemetery Plot Proof of Purchase

III. Other Records

- School Transcripts
- Diplomas
- Immunizations
- Other health records
- Employer information
- Insurance policies (home, auto, PULP, health, disability)

IV. List of Personal Assets and Debts

- Checking accounts
- Credit cards, loans, mortgages, reoccurring payments
- Usernames and passwords
- Real estate
- Vehicles
- Other personal property
- Saving, investment, or retirement accounts

V. List of Key People Including Name, Address, Phone Number, Email Address, Company or Relation

- Family members
- Business Partners
- Employees
- Landlords
- Tenants
- Attorney
- Banker
- Financial Planner
- Investment Advisor
- Insurance agent (home, life, auto)
- Trustee
- Executor
- Doctors
- Clergy
- Personal Representative
- Childcare provider
- Guardian



**RECONCILING PRACTICE:**

**Jon & Joan Case are closing their books and must prepare a bank reconciliation for the following items.**

1. Bank statement contains an ending balance of \$56,776 on June 30th 20XX, whereas the Farm ledger shows an ending balance of \$58,000
2. The bank statement shows a service charge of \$15.
3. The bank statement shows interest income of \$48
4. Case Farms issued check #233 for \$8,933 that has not yet cleared the bank.
5. Case Farms deposited \$10,000 but this did not appear on the bank statement.
6. An ACH payment for electricity was paid from the bank account for \$190

**What transaction entries, if any, need to be made to Jon and Joan Case’s records?**

Complete this online: <https://go.unl.edu/know1-3>

Ending Bank Balance	
Entry #1	
Entry #2	
Entry #3	
Entry #4	
Adjusted Bank Balance	<hr/> <hr/>

Ending Book Balance	
Entry #1	
Entry #2	
Entry #3	
Entry #4	
Adjusted Book Balance	<hr/> <hr/>



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