

The Importance of a Good Set of Financial Records

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Regardless of the time of year, it is important for farm operators to spend some time in their office completing their least favorite activity – paperwork. Most farmers enjoy getting their hands dirty, from digging in the soil, repairing machinery, or working with livestock. They will reluctantly compile the necessary information for income tax preparation, credit borrowing, and crop reporting.

Farmers may report minimum profits to the Internal Revenue Service (IRS) and to the lender, maximum profits may be projected. With that motivation for record keeping, it is not likely that records are of much use in making management decisions.

Today, a good set of financial records will do much more than satisfy the IRS or the lender. Today's successful farm operators are using detailed financial statements to identify the most profitable farm enterprises for their operation, determine per unit production costs, track trends and financial progress in the business and to create comprehensive business plans. Accurate and detailed financial records can be used to more effectively manage cash flows, to make investment or liquidation decisions and to explore alternative uses of capital investments in the farm operation.

Before discussing the financial statements that are likely a part of most farm financial record keeping systems, there are a few important concepts that apply to all of them. Records and the management decisions made from prepared financial statements are only as good as the data entered. The old adage, "Garbage in – Garbage out" really does apply to financial records.

It is important to be consistent in how values are entered in the different statements. If you are going to conservatively value assets, then do it consistently across all assets and enterprises. If you are selling commodities at market value from one enterprise (i.e., crops), then it is important that the enterprise (i.e., dairy) that is buying that commodity also buys it at market price.

One other consistency concern is to try and match expenses with production for making management decisions. For example, you may have the cash on hand at the end of one fiscal year, and for tax purposes, you may choose to prepay for fertilizer in December for the following year's crop. For management decisions you should view that fertilizer expense as occurring in the year actual production occurs, even though the expense was prepaid earlier to reduce tax liability.

The financial position and performance of a farm business can be summarized by four important financial statements. The major statements and their purposes are as follows:

- Net Worth Statement (also known as Balance Sheet) — summarizes the property and financial assets owned, the debts owed, and the net worth of the farm business at a point in time.
- Net Income Statement (also known as Profit and Loss Statement) — summarizes the income generated, the expenses incurred, and the net income earned by the farm business during a period of time.
- Statement of Cash Flows (also known as Cash Flow Projections) — summarizes all the sources and uses of cash by the business during a period of time.
- Statement of Owner Equity — shows how net worth changed from the beginning to the end of the year.

For more information on farm management, including Excel spreadsheets to assist in the update or creation of farm financial statements, please visit the Extension Farm and Risk Management (FARM) Team website at <https://fyi.extension.wisc.edu/farmteam/> or the UW Center for Dairy Profitability (CDP) website at <http://cdp.wisc.edu/>. Material adapted from *Farm and Ranch Financial Statements*, Utah State University

2019 Dunn County Clean Sweep Hazardous Waste Event

Wednesday, September 18, 2019

Colfax Fairgrounds

831 E Railroad Ave, Colfax, WI

4:00 pm to 6:00 pm for VSQG Businesses, Farms, and Households

Thursday, September 19, 2019

Dunn County Transfer Station & Recycling Center

E3900 Hwy 29, Menomonie, WI

2:00 pm to 3:00 pm for VSQG Businesses

3:00 pm to 4:00 pm for Farms

4:00 pm to 7:00 pm for Households

Pre-registration for VSQG Businesses and Farms Required

All VSQG businesses and farms must pre-register by Friday, September 13, 2019, or as soon as possible, with the Dunn County Solid Waste & Recycling Division office at 715-232-4017 or online

by completing the registration form at co.dunn.wi.us/hazardouswaste. You will be asked for a list of materials and quantities you wish to dispose of.

Costs of Disposal:

VSQG Businesses - Costs for businesses classified as VSQG's will be significantly less than onsite pick-up by a licensed hazardous waste hauler. To be considered a VSQG business, no more than 220 pounds of hazardous waste can be generated in a single month, and no more than 2,205 pounds of hazardous waste can be stored annually at your facility.

Farms & Households - There is no charge for agricultural or household hazardous waste or chemicals, except for latex paints.

Costs for Latex Paints: \$1 pint, \$2 quart, \$4 gallon, \$20 five-gallon bucket. The charge is based on the size of the container, not the amount of paint remaining in the container, so consolidate and save money.