

Patronage System

There are two possible steps when paying patronage:

1. Set up a brand new year for which patronage will be paid (and usually pay patronage for this new year – see next step). Once a year has been setup, it never needs to be setup again.
2. Pay patronage for a year that has already been setup (print patronage checks).

Set Up a Patronage Brand New Year:

1. Review items that are not included in patronage sales (PT-2-4):

- a. Any item on this can be change to be included in patronage sales by changing “30. Use For Patron. :” to “Y” in IN-1-4
- b. If you know of an item that should not be included in patronage sales, change “30. Use For Patron. :” to “N” in IN-1-4

2. Create a file to hold the patronage information (PT-9):

- a. Enter the last two digits of the year at:
Create File for Which Patronage Year:
- b. Unless you are doing Grain, enter “R” at:
R)egular Patronage or G)rain Patronage:
- c. Answer “Y” to create the file and you should see a message that the file was created

3. Load the sales for the patronage year (PT-8):

- a. Enter the last two digits of the year at:
Patronage for Which Year:
- b. Enter “Y” at (unless you think you might have already loaded sales for the year):
If you have already loaded patronage sales for this year, you probably do not want to re-load the sales. Are you sure you want to continue?
- c. Enter the periods for the year (should be xxxx01 thru xxxx12):

```
ENTER RANGE OF PERIODS
                                Calendar
                                Month/Year
BEGINNING PERIOD <START>: 200501      1/2005
ENDING PERIOD <END>: 200512          12/2005
```

- d. For the dates, just use all dates (like this):

```
ENTER RANGE OF DATES
BEGINNING DATE <START>: START
ENDING DATE <END> : END
```

4. Calculate the equity to be retained for the patronage year:

- a. The percentage of equity should be determined by your accountant
- b. Run **PT-3-1**
- c. Enter the last two digits of the year at:
Patronage for Which Year:
- d. Enter the percentage at:
Patronage Percentage:
(if the percentage is 2.1432%, enter as a decimal like .024132)
- e. Enter minimum to equity to retain at:
Minimum Equity to Retain:
(anything less than what is entered here will be permanently written off of the patronage equity due to the customer – eg. if you enter \$1.00 here and a customer's equity is calculated to \$.99, then all \$.99 will be written off and the customer will have no equity for this year)

5. Print customer 1099 forms for the calculated equity:

- a. You must obtain the correct 1099 form to be printed
- b. Run **PT-3-2**
- c. You can include more than one year on the 1099 if you calculated equity for more than one year at this time.

6. At this point, the sales and equity for the year will be loaded into the file that was created. You can see the sales and equity that were loaded by running the report, PT-2-1.

Pay patronage for a year that has already been setup (print checks):

1. Determine what percentage of the year's equity will be paid. This figure often comes from your accountant or the board of directors.
2. **Calculate the amount of the checks (PT-4-1):**
 - a. Enter the last two digits of the year at:
Patronage for Which Year:
 - b. Enter the percentage at:
Enter Cash Portion Percent (20%=.20):
(if the percentage to be paid is 20%, enter as a decimal like .02)
 - c. The calculated amount can be applied to Past Due A/R balances by answering "Y" at:
Pay A/R Past Due Balances if Found?
(please consult with DDS if you want to use this option)
 - d. If you want to avoid breaking up checks into small amounts when you plan on paying the equity over several years, you can pay all equity due for small amounts by entering an amount at:
Pay All if Patronage Due Less Than (blank to ignore):
(for example, if a customer has only 1.25 of equity, if you enter 2.00 here, then that customer will be paid 1.25 on this check and will have no equity remaining for future checks)
 - e. If you do NOT want to include small amounts for the checks to be printed, enter that amount at:
Pay Only if Patronage Due is Equal To or Greater Than:
(for example, if a customer's calculated check amount turns out to be .75, if you enter 1.00 here, then that customer's check will not print and the customer's equity will remain unchanged)
3. **Print the checks (PT-4-2):**
 - a. Enter the last two digits of the year at:
Patronage for Which Year:
 - b. Select the bank account for the patronage checks
 - c. Enter the date to use for the patronage checks at:
Date to Use for Check Date:

- d. Enter the date to print on the stub of the check at:
Date the Business Year Ended:
(This should be a string like: October 5, 2005)
- e. Enter whether you are paying at Current or Past Equity at:
C)urrent or P)ast Equity:
(If you are paying a year for which no checks have been printed, enter "C" otherwise enter "P")

4. Print the check register (PT-4-3) - OPTIONAL:

- a. Enter the last two digits of the year at:
Patronage for Which Year:
- b. This will give you a record of the checks that were printed

5. Update Checks to Check Reconciliation (PT-4-4) - REQUIRED:

- a. Enter the last two digits of the year at:
Patronage for Which Year:
- b. You will be given the opportunity to update to a different period, if needed.
- c. You must enter the Patronage Equity general ledger account (see your bookkeeper) and a comment. This comment should say something like "Paid 50% of equity for 2005...."

6. Final Patronage Check (PT-4-5) - REQUIRED:

- a. Enter the last two digits of the year at:
Patronage for Which Year:
- b. After this step, patronage check printing is completed

Notes:

1. You MUST update checks to reconciliation and finalize in order to complete the process
2. You can printout a history of patronage for customers by running PT-2-5
3. Other patronage reports are available on the PT-2 menu
4. To manually edit a customer's patronage record for any year, run PT-1