

Town of Cross Plains, Wisconsin Accounting Procedures

Introduction

The Board is responsible for establishing policies and procedures that govern the financial practices to be followed by the Town Clerk, Treasurer, and municipal employees. These policies are to be formally adopted by the Board and periodically reviewed to make sure they are being met or require modification.

This manual summarizes the accounting procedures and financial controls of the Town of Cross Plains (TCP), Wisconsin. In the process of writing this manual the following documents were reviewed and referenced;

- Financial Administration Handbook for Small Towns and Villages; June 1991
Bureau of Local Financial Assistance, Division of State & Local Finance Wisconsin
Department of Revenue
- Wisconsin Statutes Chapter 60 on Towns
- Wisconsin Statutes Chapter 74 on Collection of Property Taxes
- The Town of Cross Plains Ordinance 105.02 Policy on the Job Duties of Town
Clerk and Town Treasurer
- Personal and Policy Manual for the Town of Cross Plains

Fiscal Year

The Town of Cross Plains operates on a fiscal year that begins on January 1st and ends on December 31st.

Chart of Accounts

The Board has approved a formal “Chart of Accounts”, for tracking and processing the TCP financial transactions. This Chart of Accounts is based on the State of Wisconsin Uniform Chart of Accounts, and is consistent with the Wisconsin Department of Revenue’s Financial Annual Report Form CT. In the course of conducting TCP financial affairs it may become necessary to add an income or expense account to track certain inflows and outflows of the TCP funds. In such cases, the format of the State of Wisconsin Uniform Chart of Accounts should be followed.

Computerized Accounting System

Beginning in 2010 all accounting transactions are being processed by the Town Clerk using the accounting software QuickBooks Pro. Past accounting data for the fiscal years of 2008 and 2009 have been loaded into QuickBooks by the Town Treasurer.

Budgeting

Both Wisconsin state law and good management practices require Towns to prepare an annual budget. The budget is the fiscal blueprint that outlines how the municipal funds will be raised and spent. The budget is an opportunity to:

- evaluate current municipal services and facilities
- consider possible changes and
- review and adjust revenue sources

Wisconsin s. 65.90 requires every Town to prepare an annual budget. It also calls for public notification, specifies what information must be included in the notification document, and requires a public hearing. In addition to this general budget law the Town chapters of statutes contain other provisions. Section 60.10 and 60.40 clarify the budget related duties of the Town Board and the Town Meeting. Although the Town Board is ultimately responsible for preparing the annual budget, the responsibility falls to the Clerk. The budgeting process has three major components:

- 1) Organize and summarize all necessary information/data
- 2) Adoption of budget by the TCP Board after obtaining public comment regarding the tax levy
- 3) Monitor and amend the budget as necessary

The Budget Procedure (Step by Step)

Organize the Budget Work plan:

TCP Clerk prepares a budget calendar with realistic deadlines and indicates the TCP personnel responsibilities for each task.

- 1) The timetable serves several purposes; a.) ensures that no task is overlooked, b.) creates a logical sequence of steps, and c.) provides a record of who does what and when.
- 2) The Clerk establishes a budget worksheet utilizing the approved Chart of Accounts. The following columns are to be included in the budget worksheet:
 - a. Actual revenues and expenditures for the prior year
 - b. Actual revenues and expenditures for the current year to date
 - c. Estimated revenue and expenditures for the balance of the current year
 - d. Total of actual and estimated revenues and expenditures for entire current year (b plus c, above)
 - e. Budgeted revenues and expenditures for the current year
 - f. Estimated/proposed revenue and expenditures for the upcoming (budget) year

- 3) The Board establishes fiscal guidelines based upon best available data at the time. The TCP Board should establish guidelines with consideration of the following issues,
 - Wage and or salaries for municipal employees and officials
 - Indicate which municipal activities (services) should be considered for expansion, reduction or elimination.
 - Statement of tax policies (a targeted property tax levy)
 - If the goal of TCP Board is to maintain financial status quo, such a declaration statement should be made to avoid confusion and unnecessary future work.

Determine Revenue for Prior, Current, and Budget Years

- 1) TCP Clerk accumulates all prior year actual revenues for the financial records.
- 2) TCP Clerk estimates current year revenues, using year to date actual revenues and estimating the remaining revenues for the current year.
- 3) TCP Clerk estimates all other ‘non-property tax’ revenues for the budget year, based on prior-year actuals, current year estimated, and other available information, such as state aid notices received.

Determine Expenditures for Prior and Current Years

- 1) TCP Clerk accumulates prior year actual expenditures from financial records.
- 2) TCP Clerk estimates current year expenditures by using year to date actual expenditures and estimating the remaining expenditures for the year.
- 3) Estimate expenditures for budget year. This step requires a great amount of time due to; reviewing, analyzing, and estimating a budget for each expenditures line item. Non-fixed budget items such as snow removal, vehicle maintenance, and some other costs can only be estimated; therefore municipalities should build necessary flexibility into their budgets.

Estimate Available Current Year end Cash Balance which will be applied as a cash asset for the following years’ budget.

Surplus cash can accumulate during the year, which can then be applied to the next year’s budget to reduce the property’s tax levy.

- 1) The Clerk identifies beginning cash balance for current year.
- 2) The Clerk estimates current year-end cash balance

$$\begin{aligned} & \text{Current Year Beginning Cash Balance} \\ & + \text{Total Current Year Estimated Revenues} \\ & - \text{Total Current Year Estimated Expenditures} \\ & - \text{Estimated Expenditure of Reserve for Contingencies} \\ & = \text{Estimated Current Year-End Cash Balance} \end{aligned}$$

- 3) The Clerk recommends the amount of estimated current year end cash balance to be used to reduce the levy

Calculate Tax Levy and Submit Budget to Board

- 1) TCP Clerk calculates the Levy.

$$\begin{array}{r} \text{Total proposed expenditures and reserves} \\ - \text{ Total proposed non-property tax revenues} \\ - \text{ Available current year-end cash applied} \\ = \text{ Proposed Levy} \end{array}$$

- 2) Board reviews and adjusts budget worksheet if necessary.

Consider and Adopt Final Budget

- 1) The Clerk posts/publishes the budget summary and a public meeting notice.
- 2) Board holds public hearing on budget.
- 3) A Special Town Meeting is held to approve the tax levy and transportation budget. The budget hearing must be at least 15 days after the summary is published or posted. Towns can combine the public hearing with a special town meeting called for the purpose of approving the tax levy. At the public hearing any resident or taxpayer of the municipality will have an opportunity to be heard on the proposed budget.
- 4) Board adjusts budget if necessary and adopts final budget.

Monitor and Amend Budget

- 1) TCP Clerk monitors actual revenues and expenditures against budgeted amounts. The Budget to Actual Report is presented monthly the Town Board at the monthly Board Meeting.
- 2) The Board reviews monthly Budget to Actual Report
- 3) The Board amends the Budget, if necessary. When the Budget is amended, a Budget Resolution should be issued and signed by the Chairperson and Town Clerk.

Receipts

The Importance of properly handling a town's cash assets cannot be emphasized enough. It is critical that the Clerk and Treasurer adopt well-defined procedures to protect the municipality's resources. Funds are received from various sources such as taxes, specials assessment, intergovernmental revenues, licenses and permits, etc.

Sufficient security bond amounts are set by local officials and employees. The State of Wisconsin S 70.67 (1) requires the Treasurer to be bonded and proof of this bonding must be shown in order to receive the annual tax bills or per s. 70.67 (2) the Town Board may

pass an Ordinance of Substitution of the Municipal Treasurer's Bond. TCP passed such an Ordinance on December 6, 1984.

By Statute, the Town Treasurer is responsible for collecting moneys owed the Town and for depositing them in the financial institutions designated by the Board. The Treasurer follows specific steps for the receipting, handling, and depositing all moneys submitted to the town.

Receipting: The Treasurer will issue a pre-number receipt as requested by the payer. For the collection of taxes, the individual Statement of Real Estate Taxes (i.e., the tax bill) for each parcel of land is used as the Receipt. The Treasurer assigns a number to these tax receipts as taxes are collected on the parcel as requested by the payer. A receipt may also be printed directly from the Municipal Collection Software when the payment is posted to the appropriate tax bill.

Handling: The Treasurer immediately upon receiving payment checks, stamps on back of the check with the town's deposit endorsement stamp, to prevent the further transacting of that check. Until moneys are deposited, the Treasurer keeps all funds received in a secure location.

Depositing: At a minimum, weekly deposits should be made. During the annual tax collection period deposit may be required daily due to the amount of funds being received. When depositing funds the Treasurer should and will not withhold any cash from the deposit. The deposit documentation should identify the source and amount of each check. The Treasurer staples the bank's receipt to deposit documentation the gives the Town Clerk a copy. The Treasurer also provides the Clerk with copies of letters, notes, or other remittance advices that accompanied any payments. The Clerk posted the deposit specifying the income account of each amount into the Town's computerized accounting system. All deposits are made into the Town's Money Market/Investment Account to maximize interest income. The Treasurer will export/submit tax collection information to the County as required.

Tax collections

Tax collections are made up of a numbers of factors and need to be accounted for appropriately.

Advance tax roll payments: Payments received in December, which are actually for the following budget year. To keep the proper relationship between tax collections and budgets, these early tax payments are treated as if they were collected in the year budgeted for. Tax payments are posting when received (in December) and then an adjustment must be made to assign the taxes to the subsequent year. The Clerk accomplishes this adjustment through opening and closing memo entries in the financial records of the Town.

Tax Overpayments: Real Estate tax payment from lending institutions escrow account are frequently made for more then the tax due. When accepting these payments the Treasurer maintains records of the excess payments so that refunds to the taxpayers can be made at a later date. This list of excess payments should be presented at the next scheduled board meeting for approval to pay the refunds. These excess payments should be recorded as "escrow account overpayments" when refunds are issued, they should be posted against the "escrow account overpayments".

Taxes collected for other governments: Tax collections related to the property tax levy include taxes collected on behalf of counties and other units of government. These payments are initially recorded to the #41110 General Property Taxes. The account recorded as General Property Taxes must be reduced to reflect only the municipality's share of collections to date. Throughout the year, the clerk adjusts this revenue account by recording taxes paid to other government units.

Accounting/Procedure for Receipt of NSF Checks

- 1) The Treasurer pursues collection of moneys from issuer of NSF check and notifies the Clerk of the NSF
- 2) The NSF Check is recorded. If the Issuer immediately covers the NSF, the treasurer prepares a separate deposit slip and redeposits the funds. Doing so makes it easier to identify the redeposit funds.
- 3) If the issuer doesn't immediately cover the NSF the Treasurer and Clerk both must adjust their Tax Collection Records.
- 4) If the municipality has settled with the County in the interim, the Treasurer notifies the County Treasurer of the NSF check so that the County's tax records can be adjusted.

Cash Disbursements

Local officials and employees adequately review and properly authorize claims before payment is made. The Clerk is primarily responsible for the initial stages of this process, the roles of the Board and Treasurer are necessary for a sound system of checks and balances.

Payment and reimbursement to Town Officials will be made on a quarterly basis. Reimbursement will be made only upon the receipt of a properly approved and completed expense reimbursement form as required by Town Ordinance 102.2 Town Elected Official Compensation. All required receipts must be attached.

1) Payroll taxes, health insurance and retirement plan contribution payments are made by electric funds transfer (EFT). These monthly payments are still approved by the Board members at the monthly board meeting as appropriate expenditures of the Town. As government agencies became more automated, more and more electronic payments may become required.

2) The Clerk receives claims (bills and invoices), examines/reviews, and codes to the appropriate expense account.

Checklist of Items to Review by Clerk

- a) Determine that funds are available under the approved budget to pay the claim.
- b) Verify that the purchase in question has been properly authorization by a Town Official.
- c) Verify that the description, quantity and price of each item or service on the claim agree with municipality's request. When a contractual agreement exists between the vendor and the municipalities, check to make sure the contractual provisions have been met.

- d) Determine that goods requested have been received in satisfactory condition and, if applicable, have been counted. This may require verification of quantity/quality by another town official or employee.
 - e) In the case of services, determine that the activity billed for has been provided in an adequate and timely manner. (Again, this may require verification by another town official or employee.)
 - f) Verify that sales tax has not been charged to the municipality.
 - g) Determine that the claim is the original, not a copy, and that it has not already been paid.
 - h) Recalculate the claim to ensure that price/quantity computations are correct.
- 3) The Clerk collects all pending claims and submits them to Board for approval at the monthly Board meeting. The Board reviews a list of the pending payments and the original invoices are available for review if requested. The Board discusses and votes on the approval of these bills. This Town Board's approval or any variation of approval/disapproval is indicated in the Board meeting minutes.
- 4) The Clerk prepares checks for all approved bills/invoices. Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "Void". All voided checks shall be retained by the Treasurer to aid in preparation of bank reconciliations.
- 5) All approved payment checks are signed by the Chairman, Treasurer, and Clerk. The Chairman, Treasurer, and Clerk will only sign checks that have been properly prepared and approved. Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks). If the Chairman, Treasurer and Clerk are not all available to sign a needed payroll or vendor payment check, Supervisor #1 will be authorized to substitute as a signer for the Town.
- 6) The Clerk marks the bills/invoices as paid indicating the check number; date paid, and attaches the check voucher as documentation.
- 7) The Clerk mails the payment checks.
- 8) The Clerk posts each payment in the appropriate account register and to the appropriated expense account.
- 9) Once the Clerk has determined the required cash needed to cover the approved bills, the Clerk will transfer the needed funds from the Money Market/Investment Account to the Operating Account. The Clerk notifies the Treasurer of the transferred amount.
- 10) All payment for the Town's debt service (loan payments) are setup as automatic payments out of the Money Market/Investment Account, so no loan payment will ever be late and require additional interest or late fees.

Payroll

Payroll for the full time Road Maintenance Employee is processed on the first of each month for hours worked during the proceeding month. The Clerk calculates the gross payroll based on the Board approved hourly pay rate of the employee. The Clerk also follows all Town policies established in the Personal and Policy Manual for the Town of Cross Plains. The Clerk prepares the payroll paystub and has it available for the Chairman and Treasurer to review when they sign the payroll check. This payment is included in the list of bills to be approved at the next Town Board Meeting. The Clerk also is responsible for tracking sick and vacation time of all the Town's full time employees.

All other employees that are not considered full time are paid monthly after the monthly Board meeting. Employees' time cards are processed by the Clerk based on the Board approved hourly pay rates of each individual employee and policies established in the Town of Cross Plains Personal and Policy Manual. The Clerk follows all Federal and State payroll laws regarding withholding for taxes, Medicare and Social Security and files all required forms and payments with the State and Federal Governmental Agencies.

Filing of Financial Documentation

Properly organized and maintained files will make it easy to access important documents and records. Financial information should be filed as follows:

Invoices – Filed in a monthly expendable folder; filed in the month paid.

Receipts – Filed with the deposit documentation of the funds that are indicated on the receipt.

Cancelled Checks & Voided Checks – Filed with the appropriate monthly Bank Statement.

Payroll & Employee Files – alphabetically by employee's last name. In a locked file cabinet.

Employee Time Sheets – Filed in the payroll paystub booklet in chronologically order.

Reconciling Bank Accounts

The monthly bank statements are mailed directly to the Town Treasurer's home address. The Treasurer shall open the statements and review them for any unusual and unexplained items. The Town Treasurer and Clerk will reconcile monthly independently. The Treasurer will keep the original bank statement, deposit documentation and voided checks until the fiscal year is over and reconciled, then these records will be stored at the Town Offices. The Clerk also keeps a copy of the bank statement and their reconciliation documentation.

Monthly Financial Statements

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method of providing information to interested parties. Financial statements also reflect year-to-year historical comparisons or current year budget to actual comparisons.

The Year to Date Financial Statement is prepared monthly by the Town Clerk. The Town Clerk presents the Town's Financial Statement at the monthly Board Meeting.

At each of the monthly Board Meetings the Clerk should provide the Board members with Bank Account Balances, Actual to Budget Financial Statement, and Loan Balances. These reports shall be available to Town residents. These reports also should become part of the official Town records.

Security

A lock will be maintained on the door leading into the Clerk's Office. This door shall be closed and locked whenever the office is vacant. The key to this lock will be provided to the Town Clerk, Treasurer, and Chairman. The Town seal, blank check stock, and employee records shall be stored in a locked file cabinet in the Clerk's Office. Access to this file cabinet shall be by keys in the possession of the Town Clerk and Treasurer.

Storage of Back-up Files

The Town of Cross Plains maintains a back-up copy of the Clerk's electronic files, including the QuickBooks Accounting file, monthly. The Town Treasurer keeps this back-up file off-site in a secure location.

Storage of Sensitive Paper Documents

Adequate safeguards to protect financial records should be taken. Files should be stored in a clean, dry, yet accessible place. All Town records, maps, and tax documentation will be stored in the locked records room and this door will be locked when the Clerk is not present. The most important and irreplaceable Town documents will be kept in a fireproof safe.

Retaining Records and Public Access

Financial records, like other records of the municipality, must be preserved for legal and historical reasons. The records held by the Clerk and Treasurer and other officials are passed to their successors so they can properly perform their duties. State law, specifically s. 19.21, requires that municipal records be preserved for a minimum period of time. Towns should contact the State Historical Society before any records are destroyed. General, financial records must be retained for a minimum of seven years before they are destroyed and then only after the Town Board authorizes their destruction. The Town shall retain a log of all destroyed documentation.

s. 19.35 of the Wisconsin Statutes requires that municipalities provide the public with access to any public records if so requested, including financial records, unless otherwise specified by laws.

Recordkeeping Associated with Independent Contractors

The Town shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year end. Payments to such vendors shall be accumulated over the course of a calendar year. A Form 1099 is issued to all independent contractors that are paid \$600.00 or more in a calendar year. An attorney or law firm is issued a 1099 for all payments in a calendar year.

Personnel Files

The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

1. Employment Application
2. Applicant references (work & personal)
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. Form WT-4 State Withholding Certificate
6. Form I-9 Employment Eligibility Verification
7. Copy of Driver's License (if not valid driver's license – see Form I-9 instructions for alternative documents).
8. Copy of Social Security card issued by the Social Security Administration (for employees without Social Security card – see Form I-9 instructions for alternative documents).
9. Starting date and scheduled hours
10. Job title and starting salary – Job description and responsibilities should be enumerated unless spelled out elsewhere.
11. Authorization of direct deposit of paycheck, along with a voided check or deposit slip

All of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Change in income tax withholding status
6. Court-ordered payroll deductions

Investment Policy

The Town Board, Clerk and Treasurer will research possible investment options when the Town has accumulated surplus funds. All Town funds are held in insured Town Money Market Account(s) until needed to pay expenses, in order to maximize interest income.