

2017 Wisconsin Lakes Partnership Convention

Lake District Commissioner Treasurer Workshop Budgeting, Bookkeeping, and Finances

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Budgets

- **Government Accounting Principals** – designed to inform and protect the taxpayers who are paying for the services.
 - Differs from household and corporate accounting – i.e. Excess funds are held as fund balances.
 - The format and content presented here is what is required by state law for appropriate accounting of funds.
- **4 step process :**
 - **appropriation** – asking for the money
 - **allocation** – assigning the money for a specific purpose
 - **authorization** – allowing the money to be spent
 - **accounting** – reporting that the money has been spent for the designated purpose

Annual Budget Document Requirements: Part 1

- Must show the actual revenues and expenditures for the preceding year.
- Disclose the actual revenues and expenditures for at least the first 6 months of the current year
- The last 6 months estimated revenues and expenditures for the balance of the current year.

Annual Budget Requirements: Part 2

- Existing indebtedness and anticipated revenue from all sources for the coming year
- Proposed expenses for each account category and reserve account for the ensuing year
- All anticipated unexpended or unappropriated account balances and surpluses (for informational purposes)

Operating Costs vs. Capital Costs

- **Operating costs** – cost of doing business
 - Mailings, insurance, conferences
 - Operating a harvester
 - Creating a lake management plan
 - Attending conferences/workshops
- **Capital costs** – equipment or asset – with useful value greater than 1 year
 - Purchase a weed harvester
 - Purchase land — park, wetlands

Non-lapsable Funds (As designated by District Action)

- **Only for Capital Costs**
 - Weed harvesting equipment
 - Water patrol boat, buoys
 - Land
 - Office furniture/equipment
- May also be used for the maintenance of capital equipment
- May not be used for the operation of capital equipment
- Could be designated for unforeseen contingencies, but the District should have a policy creating the amount and purpose of such funds.

** Note: creating these designations should be done in a publicly noticed meeting.*

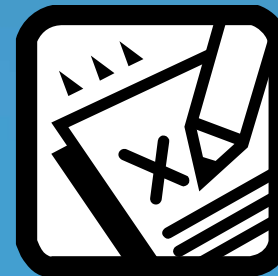
Specific Identification of Products or Services Exceeding \$10,000 in The Budget

- Any item or project with a cost to the district of \$10,000 or more must be specified in the budget individually.
 - Aquatic Plant Treatments
 - Capital costs
 - Grants

Large projects should not be broken up into smaller items to avoid listing of the expenditure

Adopting the Budget

- **The annual meeting adopts the budget**
 - Amendments may be made before final approval at the Annual Meeting
- The annual meeting will also designate the sources that will fund the budget: Tax Levy, Special Charges, Special Assessments, etc.



Notice of Annual Meeting

- 14 days before meeting:
 - Mail to property owners (required)
 - Mail to electors or publish notice in two successive issues of paper (resolution needed)
- Mail notice to DNR
- Post notice at least 24 hours before (3 locations)
 - Or provide a paid notice to official paper
- Provide notice to any media that requests it

Notice of Annual Meeting

- Time, date, place
- Agenda
 - list of items to be considered, be specific
 - public comment period
- **Proposed budget**
 - detail
 - proposed levy
- Candidates – not required



Fiscal Year

- Usually based on a calendar year
 - Fits well with local budgets and taxing cycles
 - Allows for 6 months of spending before annual meeting & budget presentation
- An alternative fiscal year can be established at an annual meeting

Year End Surplus

- May not be “banked” for a rainy day
- **Must be applied against next year’s levy**
- May be reallocated to same project as previous year ,
i.e. capital improvement not finished.
- Reserve balances “public policy?”



Financing lake district operations



Revenue for Lake District Operations

- General property tax (mil levy)
- Special charges
- Special assessments
- Grants, donations, other misc. revenue

Lake District Tax and Fee Revenue in WI

- 2015: \$7,594,794
- 2014: \$7,638,387

- 2015 total mil levy: \$5,405,806 (average: \$41,905)
- 2015 total charges: \$2,154,669 (average: \$32,191)

- About 50 (of 238) districts in 2015 with \$0 levy, \$0 charges
- Lauderdale Lakes, Walworth Co. \$360,000 total tax rev.

General Property Tax

- The general property tax (mil levy) is used for general district expenses like:
 - bookkeeping
 - postage
 - dam maintenance
 - monitoring
- Cannot exceed the rate of 2.5 mils (\$2.50 per \$1,000 **equalized** value of district).

Special Charges

- Special charges are used to pay for activities with temporary benefits to individual properties:
 - plant harvesting
 - algae control
- Cannot exceed the rate of 2.5 mils (\$2.50 per \$1,000 **assessed** value of district).

Special Charges

- Example:
Harvesting & herbiciding
 - Avoid arbitrary or capricious charges. There should be a defensible method of allocations for charges.
 - Assess charges based on number of boat slips:
 - Assume that every individual residential property has 2 slips
 - Charge marinas (commercial & subdivision) per boat slip (actual count) [Ch 33.32(3), Wis. Stats]

Special Assessments

- Special assessments are for larger projects
 - dredging
 - wetland purchase
 - harvester purchase
 - sewer/water
- Very complex to set up and administer
- Multi Year - May have up to 10 annual installments
- Bonding would be done with a bonding consultant you can trust.

Special Assessments

- District will probably need to borrow money to finance the project.
- Districts may borrow at municipal rates. Tax Exempt rates.
- Monies borrowed must be shown in budget, but are not subject to amendment.
- A special assessment creates a lien against the properties involved that will carry forward to new owners.
- Municipal properties are also subject to special assessments.

Apportioning the Levy

- In October the Dept of Revenue will send a certificate of equalized value to each lake district
 - Shows percent of value of each taxing body within the district
- Treasurer must calculate the levy for each taxing body within the district
- **Before the end of October**, treasurer must notify each taxing body of their levy
- Each municipal clerk will then apportion it among the properties within the district and collect the tax

WIS. DEPT. OF REVENUE SPECIAL DISTRICT CERTIFICATION OF 20XX VALUES 10/04/XX
BUREAU OF INFORMATION SYSTEMS
TX27110A

<u>64 8030 HONEY LAKE PRO & REHAB DIST</u>	<u>FULL VALUE</u>	<u>% TOTAL</u>
51 014 T ROCHESTER	\$14,942,789	47.828052
64 024 T SPRING PRAIRIE	\$16,299,941	
52.171948		
SPECIAL DISTRICT TOTAL	\$31,242,730	100.000000

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Example:

Levy: \$10,000

\$10,000 x 47.8% = \$4,780 T Rochester

\$10,000 x 52.2% = \$5,220 T Spr. Prairie

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Current mil rate: $\$10,000 / \$31,242,730 = 0.00032$ mils (\$0.32/\$1000)

Maximum levy: $\$31,242,730 \times .0025$ mils = **\$78,107.00**

(\$2.50/\$1000)

Spending the money



Spending the money

- **Treasurer** receives and pays out monies on behalf of the district .
 - Board must approve all expenditures
 - Sometimes in advance of receiving the invoice
 - *Operating policy* may authorize treasurer to pay routine expenses up to \$xx between meetings
 - Treasurer must report all such payments at the next meeting



http://www.doj.state.wi.us/dls/OMPR/2010OMCG-PRO/2010_OML_Compliance_Guide.pdf

Accounting for the money

- Open a bank account
 - Lake district address
 - PO Box
- How many signatories on a check
 - No legal requirement
 - Bank account should be reconciled monthly



http://www.doj.state.wi.us/dls/OMPR/2010OMCG-PRO/2010_Pub_Rec_Outline.pdf

Bookkeeping

- Budget Reports to the Board of Commissioners
 - Quarterly (or more frequent) reports to board
 - Monies spent
 - Current balances
 - New bills for payment approval
- Useful for preparing the next budget

Bids Required

- If entering into a contract for the performance of work over:
 - The purchase of any materials exceeding:
- \$2,500**
- Lowest **responsible** bidder
 - Typically — Written request for proposals sent to local paper and distributed to contractors/vendors
 - Don't be afraid to ask contractors/ consultants for references...
...and follow up on them.

Professional Services vs. Work

- Professional services –
 - Define – task requiring specialized knowledge
 - Examples: lake management plan, APM, insurance evaluation, legal advice
 - Bids not required, but a defensible process should be used in obtaining these services.
- Work
 - Define – repetitive tasks
 - Examples: dredging, purchase of insurance, aquatic plant treatments
 - Bids are required

Statutory purpose of bidding requirement

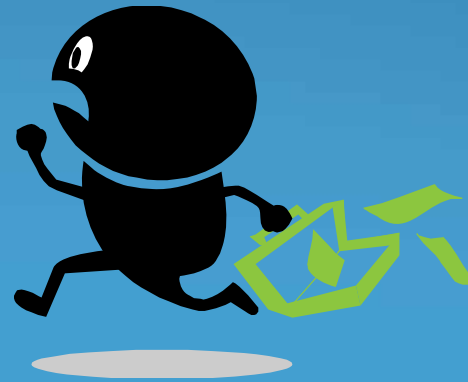
- Statutory bidding requirements are designed to prevent fraud, collusion, favoritism and improvidence in the administration of public business, as well as to insure that the public receives the best work or supplies at the most reasonable price practicable.

Exceptions to bidding requirement

- Under \$2500 (chopping up not allowed)
- The work involves making professional judgments or the exercise of educated discretion
- The work is unique or patented

Audit

- Prepared annually
- Report presented at annual meeting
- Usually done by an internal committee or an accounting firm. Independent audit needed if grant funds exceed \$300,000.



Tax Exemption and EIN

- Lake districts are local units of government that are automatically tax exempt (income, sales & use)
- Either obtain a standing certificate of exemption or use a single purchase form (WI DOR S-211)
- New requirement: WI DOA is requesting a FEIN from all new lake districts.



Contact us...

- Send questions or suggestions
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