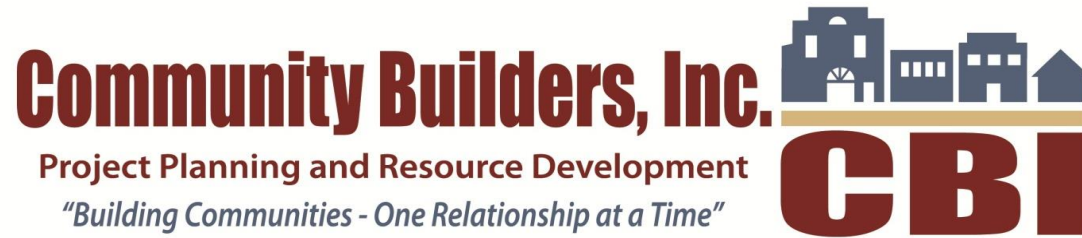


# Welcome to the World of Municipal Finance

Local Government  
Leadership  
Core Course



# Presenters



**Bobbe Fitzhugh**



**Joe Coyne**



# Why do Municipalities Need Money?

- To provide services and facilities provided by local government
- These services and programs cost money



# COUNCIL FINANCIAL OVERSIGHT DUTIES

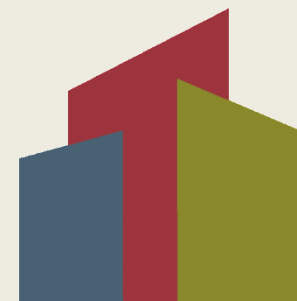
- Long-term - setting the mission, goals, and financial policies for the community
- Annual - setting budget priorities, establishing salary and benefit levels
- Constant - examining financial and budget reports; monitoring investments
- Periodic - reviewing contracts, adopting budget amendments



# It sounds extraordinary but it's a fact that balance sheets can make fascinating reading!

- Mary Archer

	Forward Estimates				
	-1	Budget	1	2	3
	General Government				
<b>Assets</b>					
Financial assets					
Cash and deposits	\$	\$	\$	\$	\$
Advances paid	\$	\$	\$	\$	\$
Investments, loans and placements	\$	\$	\$	\$	\$
Other non-equity assets	\$	\$	\$	\$	\$
Equity	\$	\$	\$	\$	\$
<i>Total financial assets</i>	\$	\$	\$	\$	\$
Non-financial assets					
Land and fixed assets	\$	\$	\$	\$	\$
Other non-financial assets	\$	\$	\$	\$	\$
<i>Total non-financial assets</i>	\$	\$	\$	\$	\$
<i>Total assets</i>	\$	\$	\$	\$	\$
<b>Liabilities</b>					
Deposits held	\$	\$	\$	\$	\$
Advances received	\$	\$	\$	\$	\$
Borrowing	\$	\$	\$	\$	\$
Superannuation liability (a)	\$	\$	\$	\$	\$
Other employee entitlements and provisions	\$	\$	\$	\$	\$
Other non-equity liabilities	\$	\$	\$	\$	\$
<i>Total liabilities</i>	\$	\$	\$	\$	\$
<b>Net worth</b>					
Net financial worth (b)	\$	\$	\$	\$	\$
Net debt (c)	\$	\$	\$	\$	\$



# **FISCALLY COMPETENT LOCAL OFFICIALS:**

- **Are concerned about their agency's fiscal condition**
- **Seek to hold administrators accountable by asking tough questions**
- **Become knowledgeable about their agency's finances and budget**
- **Most important tools - inquisitive manner and common sense**



# STATUTORY POWERS OF CITIES

- Preparation, maintenance and retention of required records and accounts
- Preparation of independent audits of the financial condition of the city
- Power to appropriate money and to pay all necessary expenses
- Power to levy and collect special assessments
- Power to borrow money on the credit of the corporation





- **Incorporated town – population under 4,000**
  - Title 15, Chapter 2
- **First class city – population over 4,000**
  - Title 15, Chapter 3





# INCORPORATED TOWN REQUIREMENTS

- When money received
- Source of funds
- When and to whom money paid out
- Quarterly financial reports to government body
- Publishing of receipts and expenditures at end of FY
- May choose to have CPA audit, but not required



# FIRST CLASS CITIES, TOWNS OVER 4,000, CITY MANAGER FORMS

- Must comply with Uniform Municipal Fiscal Procedures Act (WSS 16-4-101 through 16-4-125)
- Purchase orders
- Cannot expend in excess of department appropriation
- Claims required
- Reporting requirements
- GAAP, GASB
- Annual CPA audit



# KEEPING TRACK OF THE MONEY

- “Generally accepted accounting principles” for state and local governments
- Designed to make municipalities fiscally accountable to public
- Requires accrual accounting for governmental activities and capital assets
- Depreciation requirements



# THE MUNICIPAL AUDIT

- **Every local government must prepare Annual City and Town Financial Report**
  - Summarizes all of government's financial activities – what it has received, borrowed, spent, obligated to spend, fund balance



# WHAT IS AN APPROPRIATION?

- Adoption of budget designating money to cover expenses for ensuing year
- Where the money comes from is the revenue
- How it is spent is the appropriation



# BORROWING

- **WSS allows municipalities to borrow on credit of corporation and issue bonds**
- **Subject to limitations in WSS 15-7-109**
- **Generally 30 years**
- **Election requirements to approve bond**
- **Limit - 4% of assessed valuation of taxable property**
- **Revenue bonds are different**



# LEVY OF TAXES

- *"The legislature shall restrict the powers of such municipal corporations to levy taxes and assessments, to borrow money and contract debts so as to prevent abuse of such power..."(Wyoming Constitution Article 13, Section 3)*



# PROPERTY TAX

- Constitution limits municipalities to 8 mill levy on property inside corporate limits
- Legislature can change assessment percentage
- The only true municipal taxing authority





# FUND ACCOUNTING

- **Governmental accounting systems should be organized and operated on a fund basis.**
- **A fund is defined as a group of accounts that is a separate, self-balancing entity.**
- **Dollars earmarked for specific purposes in a fund usually cannot be used for other purposes.**



# TYPES OF FUNDS

- General Funds
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Special Assessment Funds
- Enterprise Funds
- Trust & Agency Funds
- Intergovernmental Funds



# GENERAL FUND

- Accounts for revenue and expenditures not accounted for in any of the other funds - majority of activity
- General operations of City



# **SPECIAL REVENUE FUND**

- **Earmarked for special purposes**
- **Proceeds of specific revenue sources other than special assessments or to finance specified activities as required by law or regulation**



# DEBT SERVICE FUND

- Receive revenue from other funds to pay principal and interest on government's long-term general obligation debt



# CAPITAL PROJECT FUND

- Acquisition of capital assets other than those specified by enterprise and special assessment funds.
- May involve long-term debt and intergovernmental grants.
- Used for acquisition of major long-term assets that have a useful economic life greater than one year



# **SPECIAL ASSESSMENT FUND**

- **Receipt and disbursement of monies received from special assessments levied against properties specially benefited by the making of local improvements.**



# ENTERPRISE FUNDS

- **Financing of services to the general public where most or all of the costs involved are paid by the users of the services.**
  - Water, Sewer, Landfill, Electric
- **Designed to accumulate total cost, including depreciation, of providing a particular service**





# TRUST & AGENCY FUNDS

- **Assets held for others or for non-tax resources held by the municipality under specific trust instructions**
  - **Perpetual Care Fund**



# INTERNAL SERVICE FUND

- **Financing of special activities and services performed by a department to other departments (motor pool, health insurance fund)**



# FUND BALANCES

- All appropriations excluding capital projects lapse following the close of the budget year to the extent they are not expended
- Can accumulate retained earnings in enterprise fund or to accumulate a fund surplus in any other fund



# INVESTING

- **Statement of Investment Policy**
  - **Maturity limits**
  - **Types permitted**
  - **Liquidity requirements**
  - **Internal controls**
  - **Reporting requirements**



# DEPRECIATION

- Depreciation is an accounting method of allocating the cost of a tangible asset over its useful life
  - Straight-line
  - Declining-balance
- GASB-34 applies
- Accrual accounting must be used to depreciate capital assets
- Capital assets – land, buildings, machinery, infrastructure, etc.



# FUND BALANCE RESERVES

- Designated
- Reserved
- Unreserved



# RESERVE POLICY

- **Fixed # months**
- **% of Annual Operating Expense**
- **% of Annual Operating Revenue**
- **Fixed amount**
- **Per capita amount**



# INTERNAL CONTROLS

- Preventing fraud, theft, abuse
- Segregation of duties
- Cash handling
- Billing and accounts receivable
- Purchasing and accounts payable
- Personnel and payroll
- Inventory
- Capital assets
- Debt
- General ledger and journal entries
- Grant administration



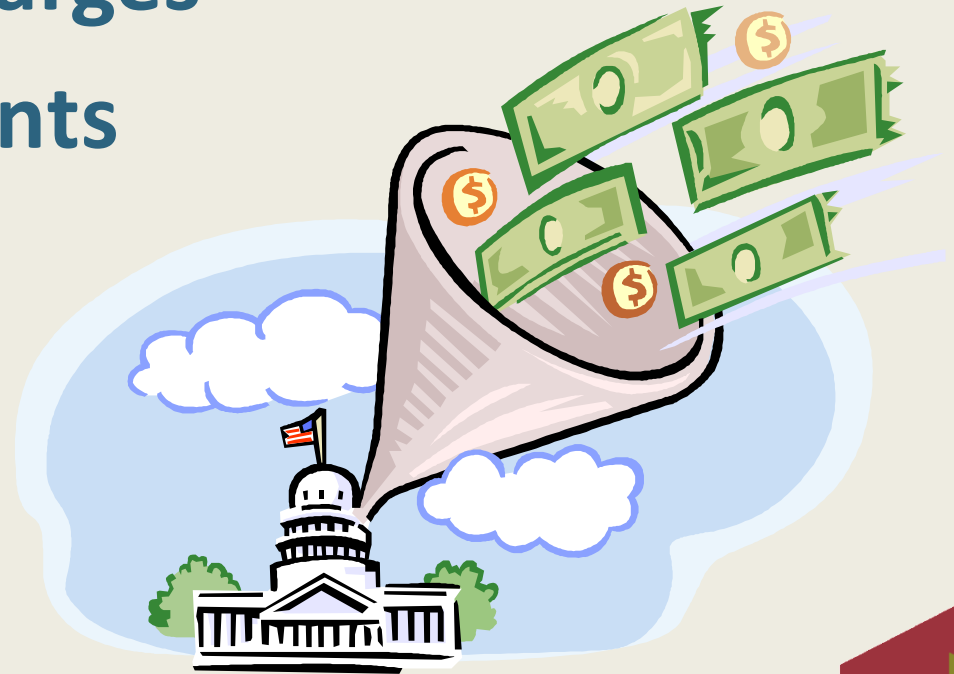


**"I wish I would have listened a bit more, questioned a bit more, and trusted just a bit less."**

*-Orange County Board of Supervisors Chair Thomas Reilly  
after the County Filed Bankruptcy*

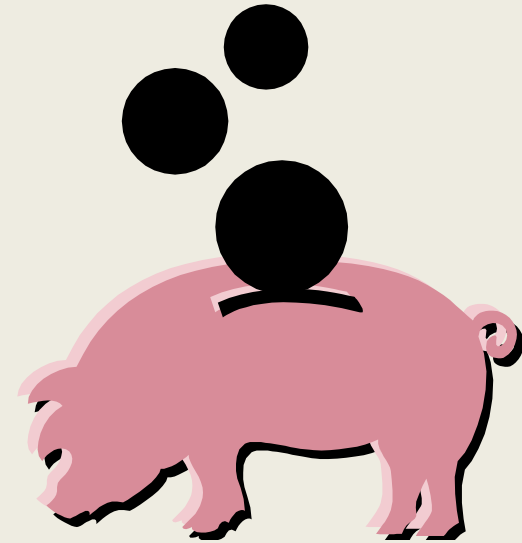
# WHERE DOES THE MONEY COME FROM?

- Taxes
- User fees and charges
- Other governments



# REVENUE SOURCES - TOP TEN LIST

- Basic Sales and Use Tax (Excise tax)
- Local Option Sales and Use Tax
- Supplemental Revenue Appropriation
- Property Tax
- Federal Mineral Royalty
- Mineral Severance Tax
- Fuel Tax
- Vehicle Registration Taxes
- Cigarette Tax
- Grant funds



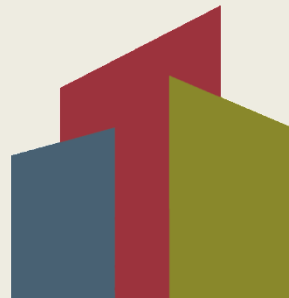
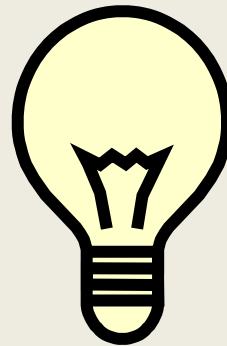
# User Fees

- **Charging for services**
  - **Swimming pools**
  - **Golf courses**
  - **Utilities**



# ENTERPRISE FUNDS

- Water
- Sewer
- Sanitation
- Landfill
- Electric



# SETTING ENTERPRISE FUND RATES

- Should generate adequate revenue to pay costs of operation and maintenance as well as establishing replacement fund for future capital needs.
- Typical components of a user charge system:
  - Customer service charge
  - Demand charge
  - Commodity charge



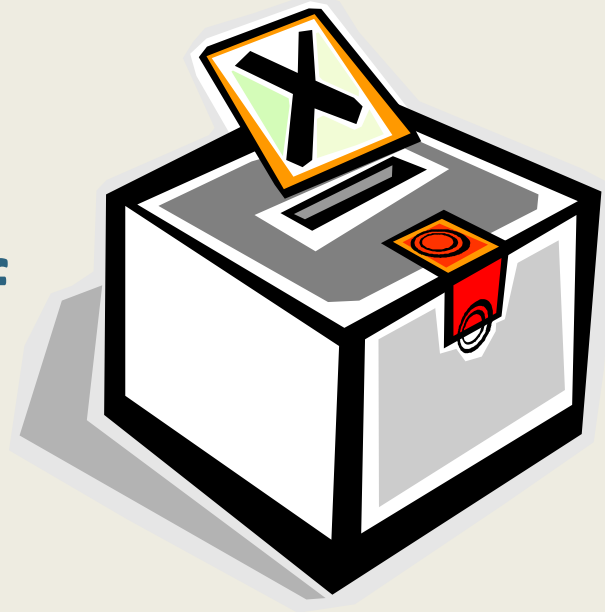
# CAPITAL PROJECT FUNDING SOURCES

- **Grants**
- **Capital Facilities Tax**
- **Loans**
- **Savings**
- **Lease-purchase**
- **Bonding**
- **Private Contributions**



# CAPITAL FACILITIES TAX

- Can levy up to 2%
- Requires ballot proposition
- Tax ends when amount of money approved has been collected





# PURCHASING

- **Centralization of all purchasing where possible**
- **Establishment and maintenance of adequate inventory controls**
- **Competition among suppliers**
- **Obtaining informal quotes on all purchases and services**



# BILL PAYMENT

- Itemized invoice from vendor
- Written claims
- Certified by vendor
- Budgetary appropriation required
- Approval of claims; issuance of check
- Signing of checks



# CONTRACTS AND BIDDING

- Advertise for bids on all contracts exceeding \$35,000 (15-1-113)
- New automobile or truck requirements
- Publishing requirements
- Lowest responsible bidder
- Execution of contract by mayor and designee
- Financial guarantees (bonds)
- Design-build/construction-manager-at-risk



# Thank You!

This presentation was prepared by Community Builders, Inc., a Wyoming-based consulting firm specializing in community and economic development - Bobbe Fitzhugh and Joe Coyne, Principal Consultants - [www.consultCBI.com](http://www.consultCBI.com), under contract and in cooperation with the Wyoming Association of Municipalities.

