# Basics of Local Government Accounting Tax & Budgeting

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# Fund Accounting

- Local government accounting is Fund Accounting.
- Local governments must assign all revenues and expenditures to a specific fund.

# Three Fund Types

- Governmental
- Proprietary Funds
- Fiduciary Funds

# Governmental Funds

- Governmental Funds
  - General -This fund is used to account for all activities not reported in another fund, including the costs of operating a jail, police protection, tax collection, and administration.
  - Special Revenue -These funds account for activities restricted to special purposes. An example for counties and cities would be the road maintenance fund. These funds can only be used for their intended purpose.
  - Debt Service-These funds are used to account for the money received and used to pay principal and interest on the local government's debt.
  - Capital Projects-These funds are used to monitor the resources and costs of construction projects.
  - Permanent- These funds only allow earnings (interest) to be used.

# Proprietary Funds – Business Type Activities

- Proprietary– These funds are used to account for the revenues and costs of providing services. Below are some examples:

  - Water and sewer services
  - Garbage and sanitation services
  - Self-insured health insurance programs

# Fiduciary Funds

- Fiduciary Funds- These funds account for funds held for other parties/people.

# Local Government Revenue Sources

- Local Sources
- State Sources
- Federal Sources
- 16th Section Sources (school districts)

# Local Revenue Sources

- Local Revenue May Include:
  - Property Taxes
  - Road and Bridge Privilege Taxes
  - Licenses and Commissions
  - Fines and Forfeitures
  - Intergovernmental Shared Revenues
  - Charges for Services or Activities
  - Interest Income

# State Revenue Sources

- State Revenue Includes:
  - Homestead Exemption
  - State Aid Road Funds
  - Gasoline Taxes
  - Insurance Rebate Funds
  - Gas, Oil, and Timber Severance Taxes
  - Truck and Bus Privilege Taxes

# Federal Revenue Sources

- Federal Revenue Includes:
  - Grants
  - Loans
  - Gasoline Taxes
  - Payments in lieu of taxes

# Expenditures

- Expenditures are the costs the local government incurs.
- All funds expended by a local government must appear in one of the funds.
- Mississippi law prohibits a local government from allowing expenses that exceed the budgeted amount.

# Fund Balance

- An easy way to think of fund balance is the money that is left after you collect revenues and pay your bills, almost like a bank balance.
- When fund balances begin to decrease, it generally indicates negative events are happening.
- An increase in fund balance does not always indicate positive events. These are resources taken from taxpayers that were not utilized for additional services or projects that were not performed.

# Basics of Governing Authority Budgeting

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# Glossary

- Board – The board means the Board of Supervisors, Alderman, or Councilmen. These are the people elected to represent the citizens.
- Clerk –
  - The Chancery Clerk of the county, this position is also the county auditor and, in some instances, the county administrator.
  - The Municipal Clerk serves as the municipal auditor and is charged with making sure that no warrant is issued in excess of the budget.
- Code, code section, and law – Are used to reference the Sections of the Mississippi Code.
- Administrator – The person selected by the board to administer the operations of the county or municipality.
- Departments –Budget departments include elected and appointed offices such as the Sheriff, Tax Assessor/Collector, police, and fire protection.
- Minutes – Minutes are the official and permanent record of actions taken by the board.
- Tax Assessor – The person elected whose duties include appraising (determining the value of) property in the county or municipality.
- Tax Levy – The percentage of ad valorem tax applied to the property.

# Fiscal Year

- Section 19-11-5 of the Mississippi Code Annotated requires counties to operate on a fiscal year from October 1 to September 30 of the following calendar year.

- Section 21-35-3 requires municipalities (mayor board of aldermen) to operate on a fiscal year from October 1 to September 30 of the following calendar year.

# Importance of the Budget

The preparation and approval of a budget is the most important duty of government officials; because it determines what services will be provided and to what extent they will be provided. The budget process eventually determines what residents must pay in local taxes and thus affects every citizen.

# The Purpose of the Budget

- An accounting document (record & control expenditures)
- A management document (determines who can spend how much)
- Decision-making document (the basis for sound decision-making by elected officials & staff)
- Communications document (informing the public of how their money will be spent)

# County Road Maintenance and Administration

- Section 19-23-11 provides counties with two different methods of Operation.
  - Countywide system of road administration
    - Pursuant to Section 19-11-7, counties under this system shall have their purposed budget prepared by the county administrator.
  - Counties exempt from operating on a countywide system of road administration
    - Pursuant to Section 19-11-7, counties under this system shall have their purposed budget prepared by the board of supervisors.

# Forms of Municipal Government in Mississippi

- Mayor-Board of Aldermen - The mayor-board of aldermen form of government (also known as the "code charter" form) is today used by approximately 95 percent of Mississippi's nearly 300 municipalities.
- Commission Form
- Council-Manager Form
- Mayor-Council Form
- Special Charter

# Budget Calendar

| Date | Process |
|---|---|
| May Board Meeting | The board of should develop a budget policy |
| May Board Meeting | The budget officer should provide financial forecasts |
| June Board Meeting | Give department heads and elected officials budget request forms |
| July–First Monday | Last day for departments to submit budget requests |
| July Board Meeting | The board should review budget requests |
| August Board Meeting | Develop the proposed budget |
| August | Advertise the public hearing for the budget and tax levy |

# Budget Calendar

| | |
|---|---|
| August – Meeting | Hold a hearing on the budget, tax levy and adopt the tax levy |
| September 1st–15th | The last day to approve/adopt the budget (September 15th) |
| September 1st –15th | Publish or post adopted tax levy |
| September 30th | The last day to publish the budget |
| September 30th | The last day to amend/adjust the current year budget – counties |
| October 31st | The final amended (current year) budget must be recorded on the board minutes (October 30th for municipalities) |
| Monthly Board Meetings | Review budget vs. actual reports |

# Budget Policy

- What will be done in the upcoming year
- Responsibilities in the budget process
- Review past decisions
- Determine if there have been legal changes since last year that may create additional revenues or cause additional costs

# Review Budget Requests

- The board must determine what and how much of each department's request will be funded.

# Develop the Proposed Budget

- The board must develop the proposed budget in August.
- Remember, no matter the process, the board is solely responsible for the approval and adoption of the budget.
- Revenue budgets are required to be adopted by revenue type, while costs are required to be budgeted by department and purpose.
- The board may include additional detail levels in the budget, but liability for any costs incurred in excess of the budget occurs at the lowest level adopted.

# Hearings Budget vs. Tax Levy

- Counties and municipalities must have a hearing on the proposed budget and a hearing on the proposed tax levy. The hearings may be combined, and most entities do a combined hearing. However, for municipalities, the budget and the lax levy follow a different timeline.

- Counties and municipalities must adopt the tax levy on the date of the hearing or, the advertising process for the tax levy must be repeated.

- The hearing on the budget must be 7 days before the budget may be adopted for municipalities.

# Advertising the Public Hearings

- Section 27-39-203 requires all taxing entities to hold a public hearing to consider the proposed budget and tax levy. This section sets forth the requirements for advertising or posting notice of the hearing.

- If a municipality is not proposing an increase in the tax levy and has a population of less than 2,000, the board may post notice of the tax levy in 3 public places.

- All other taxing entities must advertise the hearings as described in the next slide.

# Advertising Requirements

- The advertisement must be no less than ¼ of a page
- The size and type shall be no less than 18 point font
- The advertisement must be surrounded by a ¼ inch solid black border
- The advertisement can not be placed in the portion of the newspaper where legal notices and classified advertisements appear
- The Legislature intended for the advertisement to appear in a newspaper that is published at least five (5) days a week
- If there is newspaper published five (5) days a week in the county; that is acceptable provided:
  - The advertisement shall be run once each week for the two (2) weeks preceding the adoption of the final budget
  - The newspaper selected shall be one of general interest and readership in the community, and not one of a limited subject matter
  - The advertisement shall state that the taxing entity will meet on a certain day, time, and place, which will be 7 days or more after the day the first advertisement was published
  - Any increase in the projected budget revenues or any increase in the millage rate over the current fiscal year (budget) will be explained by the taxing entity giving the reasons for the proposed increase

# Changing the Budget

- Budget changes are known as amendments.

- The budget can be amended as needed during the year with limitations as set forth below:
  - A budget amendment resulting in a 10% or more change in a departments originally adopted budget must be publicized in the same way the original budget was publicized. (This applies to municipalities only.)
  - A municipal budget may only be revised one time during the first three months of a new term of office.

# Publishing the Adopted Budget

- Once the budget has been adopted, the budget must be published /advertised by September 30th.

# Additional Information

- For additional information, you may access the Mississippi Code using the following:

  - Go to www.sos.ms.gov
  - Select Education and Publication
  - Select Mississippi Code Search

Or Call

OSA Technical Assistance Division – 1-800-321-1275