

# ARKANSAS MUNICIPAL LEAGUE



## **Municipal Finance and Budgeting Workshop**

(5 Hour Core Certification Course)

September 2015



# BUDGET LAW

Mark R. Hayes

Director of Legal Services

Arkansas Municipal League

501-978-6102

September 11th, 2015

THE SHALLS...

# THY MAYOR SHALL SUBMIT...

- **Ark. Code Ann. § 14-58-201. Annual submission.**
- On or before December 1 of each year, the mayor of ***all cities and incorporated towns*** having the mayor-council form of government ***shall submit*** to the governing body of the city or town, for its approval or disapproval, a proposed budget for operation of the city or town from January 1 to December 31 of the forthcoming year.

# THINE GOVERNING BODY SHALL PASS...

- **Ark. Code Ann. § 14-58-202. Adoption.**
- Under this subchapter, the governing body of the municipality shall, on or before February 1 of each year, adopt a budget by ordinance or resolution for operation of the city or town.

# SPEND

## ONLY WHAT'S IN THE BUDGET

- **Ark. Code Ann. § 14-58-203. Appropriations and changes.**
- **(a)** The **approval** by the municipal governing body of the budget under this subchapter **shall**, for the purposes of the budget from time to time amount to an appropriation of funds which are lawfully applicable to the items therein contained.

# THE MAYS...

- **Ark. Code Ann. § 14-58-203. Appropriations and changes.**
- **(b)** The governing body *may alter or revise* the budget and unpledged funds appropriated by the governing body for any purpose may be subsequently, by action of the governing body, appropriated to another purpose, subject to the following exceptions:
- **(SEE NEXT SLIDE...ALSO, PURPOSE MEANS PUBLIC PURPOSE!)**

# THE BE CAREFULS...

- **Ark. Code Ann. § 14-58-203. Appropriations and changes.**
- **(1)** Funds resulting from taxes levied under statutes or ordinances for specific purposes may not be diverted to another purpose;
- **(ILLEGAL EXACTIONS!!!)**
- **(2)** Appropriated funds may not be diverted to another purpose where any creditor of the municipality would be prejudiced thereby.
- **(CONTRACT LAWSUITS!!!)**

# THE A.G.

- Opinion 2002-268:
- “It is my opinion that municipalities may not formulate their budgets to end on January 31 of each year rather than December 31”
- Citing one of our shall statutes **Ark. Code Ann. § 14-58-201**
- “...the mayor ...shall submit to the governing body of the city or town...a proposed budget for operation of the city or town from January 1 to December 31 of the forthcoming year.”

# THE A.G. CONTINUED

- Opinion 2002-268:
- **Question 3 - Is there a conflict between A.C.A. § 14-58-201, which requires a budget period from January 1 to December 31, and A.C.A. § 14-58-202, which allows until February 1 for the annual budget to be adopted?**
- “It is my opinion that rather than conflicting, these two provisions simply permit a situation in which the city would be required to operate without a permanent budget for a limited time.”

# A.G. CONTINUED

- This conclusion, of course, raises the question of how the city is to operate during the time period between December 31 and February 1. During that time period, the city must operate by way of specific city council action for expenditures. Such specific city council action can take the form of simply adopting the previous year's budget on a temporary basis, or can be applied to individual expenditures.

# A.G. CONTINUED

- In my opinion, the city council's general authority over the city's fiscal affairs, see [A.C.A. § 14-43-502](#), and the council's general power of appropriation, see [A.C.A. § 14-58-203](#), provide a sufficient basis for its authority to operate the city by way of specific action for expenditures during that limited period (**JANUARY!**). Although this issue has not been addressed by the Arkansas Supreme Court, at least one court of another jurisdiction that has addressed the issue has adopted this approach. See [Wilson v. Dawson, 590 So.2d 263 \(Ala. 1991\)](#) (city council's statutory authority to control city's finances gave it authority to approve expenditures in absence of valid budget).

# THE SHALLS CONTINUED

- **14-43-313. City clerks and attorneys generally.**
  - “The city clerks and the city attorneys in cities of the first class shall ...receive such salary as is prescribed by ordinance in each of these cities.”
- **14-43-316. City clerk, treasurer, or clerk-treasurer in mayor-council cities of fewer than 50,000. (first class only per (a))**
  - (c) The city clerk and city treasurer, or city clerk-treasurer...shall receive a salary as is prescribed by ordinance in each of these cities.
- **Cities of the second class and incorporated towns...lucky you!**

# THE ROLE OF THE MAYOR...

- Report, report, report:
- Within the first 90 days of the year A.C.A. §§14-43-504 and 14-58-302.
- I suggest monthly financial reports.
- What do you do?
- Monthly, weekly...
- The better informed the council is, the better the budget.
- (and don't forget the shalls: submit, submit, submit)

# THE ROLE OF THE COUNCIL...

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- ❑ PASS THE BUDGET! SHALL, SHALL, SHALL!!
- ❑ Be well informed: read the financial statements early and often.
- ❑ Ask the mayor for specific department needs.
- ❑ Look at long term plans and needs.
- ❑ Meet and study long before the date of passage.

# First Class City “Maximum Amount” Statute

- In a city of the first class, the mayor or his duly-authorized representative may approve for payment out of funds previously appropriated for that purpose, or disapprove, any bills, debts, or liabilities asserted as claims against the city.
- The municipal governing body shall, by ordinance, establish in that connection a maximum amount, and the payment or disapproval of such bills, debts, or liabilities exceeding that amount shall require the **confirmation of the governing body**.
- Ark. Code Ann. § 14-58-305. (Home Rule: likely all cities and towns can do this)

# Limits on Mayor's Spending Authority

- § 14-55-204 – appropriations require a majority vote of the council.
- § 14-58-203 – the budget is an appropriation.

# So if it hasn't been appropriated...

- ... *Then it shouldn't be spent.*
- **AGAIN: NO APPROPRIATION; NO SPENDING**
- If it got spent anyway, amend the budget before the End of Year.
- If you don't do it by the EOY, do it ASAP!

# So basically...

- ... The budget (or possibly some other form of appropriation) sets the parameters for what the Mayor may spend.



# THE ROLE OF THE CLERK/RECORDER/TREASURER

# THE ROLE OF THE CLERK/RECORDER/TREASURER

- ❑ SUPPORT, RECORD-KEEPING AND CHECKS AND BALANCES!
- ❑ The Clerk/Recorder/Treasurer Handbook
- ❑ The AML Handbook.
- ❑ Others:
  - ❑ [https://static.ark.org/eeuploads/arml/MayorCouncil  
I Guidebook 2015 WEB.pdf](https://static.ark.org/eeuploads/arml/MayorCouncilGuidebook2015WEB.pdf)
  - ❑ [https://static.ark.org/eeuploads/arml/Guidebook  
City Managers 2015 WEB.pdf](https://static.ark.org/eeuploads/arml/GuidebookCityManagers2015WEB.pdf)



# ORDINANCE OR RESOLUTION?

# THE RESOLUTION

## SAMPLE

### Resolution for the Adoption of the Municipal Budget<sup>1</sup>

Resolution No. \_\_\_\_\_

A RESOLUTION PROVIDING FOR THE ADOPTION OF A BUDGET FOR THE CITY (OR TOWN) OF \_\_\_\_\_, ARKANSAS, FOR THE TWELVE (12) MONTHS BEGINNING JANUARY 1, 20\_\_ AND ENDING DECEMBER 31, 20\_\_, APPROPRIATING MONEY FOR EACH ITEM OF EXPENDITURE THEREIN PROVIDED FOR;<sup>2</sup> AND FOR OTHER PURPOSES.

WHEREAS, the City (or Town) Council has made a comprehensive study and review of the proposed budget submitted by the mayor, and;

WHEREAS, it is the finding and conclusion of the City (or Town) Council that the schedules and exhibits of anticipated revenues and expenditures for the calendar year appear to be as accurate as possible for budgetary purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY (OR TOWN) COUNCIL OF \_\_\_\_\_, ARKANSAS:

Section 1. This resolution shall be known as the budget resolution for the City (or Town) of \_\_\_\_\_, Arkansas, for the twelve (12) month period beginning January 1, 20\_\_ and ending December 31, 20\_\_. The attached budget, incorporated herein as if set out word for word and figure for figure, reflects estimated revenues and expenditures as set forth on the succeeding pages.

Section 2. The respective funds for each item of expenditure proposed in the budget for 20\_\_ are hereby approved and adopted for the operation of the City (or Town) of \_\_\_\_\_, Arkansas, by the City (or Town) Council on this date and constitute an appropriation of funds which are lawfully applicable to the items contained within the budget. This budget may be altered or revised by action of this governing body and \_\_\_\_\_

<sup>1</sup> NOTE: If this resolution is used as presented it must include the budget document. The resolution should be at the beginning of the budget document.

<sup>2</sup> Because the Arkansas Municipal League ("AML") cannot anticipate when every city (or town) will pass its budget, as an option the following emergency clause is included in this footnote. This Language should be added to the resolution if an emergency is to be declared:

A. After footnote 2 add: DECLARING AN EMERGENCY

B. After Section 4 add: Section 5. WHEREAS, the efficient operation of municipal government requires that a budget be planned and adopted by the governing body, and that without a budget the city (or town) may not pay its bills, debts or liabilities; now, therefore, an emergency is hereby declared to exist and this resolution being necessary for the preservation of the public peace, health and safety shall take effect and be in force from and after its passage and approval.

# THE AUDITORS

- **14-58-101. Audit by independent accountant.**
- (a) The audit or agreed-upon procedures engagement of every municipality shall be made by the Division of Legislative Audit or other independent persons licensed and in good standing to practice accounting by the Arkansas State Board of Public Accountancy, to be selected by the governing body of the municipality.
- **14-58-307. Annual audit.**
- In cities of the first class, the municipal governing body shall have the financial affairs of the city audited annually by an independent certified public accountant, who is not otherwise in the service of the city, or by the Division of Legislative Audit of the State of Arkansas.

# AUDITORS

A.C.A. § 14-58-101(b):

- Compliance with:
- (1) Arkansas Municipal Accounting Law of 1973, 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, 16-10-201 et seq.;
- (3) Improvement contracts, 22-9-202–22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., 14-58-201 et seq. and 14-58-301 et seq.;
- (5) Investment of public funds, 19-1-501 et seq.; and
- (6) Deposit of public funds, 19-8-101–19-8-107.

# AUDITORS

- (c) (2) (A) The financial statements of municipalities shall be presented on a fund basis with, as a minimum:
  - (i) The general fund and the street fund presented separately; and
  - (ii) All other funds included in the audit presented in the aggregate.
- (B) The financial statements shall consist of the following:
  - (i) A balance sheet;
  - (ii) A statement of revenues (receipts), expenditures (disbursements), and changes in fund equity (balances);
  - (iii) A comparison of the final adopted budget to the actual expenditures for the general fund and street fund of the entity; and
  - (iv) Notes to financial statements.

# AUDITORS

## A.C.A. § 14-58-101

- (C) The report shall include as supplemental information a schedule of **general fixed assets, including land, buildings, and equipment.**
- (3) In the alternative to subdivision (c)(2) of this section, the **governing body of the municipality may adopt an annual resolution** requiring their audit to be performed in accordance with the guidelines and format prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, and the United States Government Accountability Office, if applicable.

# Personal Interest

- (b)(1) No alderman, council member, official, or municipal employee **shall be interested, directly or indirectly, in the profits of any contract for furnishing supplies, equipment, or services to the municipality unless the governing body of the city has enacted an ordinance specifically permitting** aldermen, council members, officials, or municipal employees **to conduct business with the city and prescribing the extent of this authority.**

Ark. Code Ann. § 14-42-107

# Questions/Comments?

**Mark R. Hayes**

Director of Legal Services

Arkansas Municipal League

[mhayes@arml.org](mailto:mhayes@arml.org)

501-978-6102

# Major Sources of Revenue available to Arkansas Cities

Arkansas Municipal League  
Volunteer Certification Program  
Municipal Finance and Budgeting Seminar  
September 11, 2015

Presented by Don Zimmerman  
Executive Director

# Ad Valorem Property Tax for General Purposes

Ad Valorem tax is a tax levied/based on the value of real estate or personal property located within your city (annual real or property tax).

- Tax is levied at a fixed rate on the assessed value of real or personal property;
- Millage rate is set by City Council; and
- State law mandates, tax may not exceed 5 mills for general operations (Art. 12. Sec 4 AR Constitution).

# State General Fund Turnback

State Turnback is the apportionment to Municipalities of monies appropriated by the General Assembly annually to the Municipal Aid Fund from State General Revenues.

# State General Fund Turnbacks

- The revenue is distributed on the basis of population with the amount apportioned to each municipality in the proportion that its population bears to the total population of all municipalities, **according to the most recent decennial or special census.**

# State General Fund Turnback

The Arkansas Municipal League publishes the estimated per capita General turnback annually.

- 2015 estimated turnback is \$15.25 per capita
- 2016 estimated turnback is \$15.00 per capita

# Franchise Fees

Investor owned utilities pay franchise fees yearly for the use of public right-of-ways and streets for the delivery of their services.

Whatever fee is levied is then passed onto the utility user.

Let's look at some of those utility companies, within our cities statewide, that utilize franchise fees.

# Utilities that collect franchise fees:

- Cable TV (maximum 5%) - ACT 276 of 2013
- Electric (maximum 4.25%)
- Phone (maximum 4.25%)
- Gas (maximum 4.25%)

\* 4.25% is maximum unless agreed to by the affected utility or approved by voters of the municipality. A.C.A 14-200-101.

# Utility Services

Typical utilities offered by most cities to their residents or surrounding area residents are:

- Water
- Wastewater
- Electric
- Gas
- Cable

\* Water & Wastewater are the most common

\*A.C.A. Title 14, Chapters 234 and 235

# Solid Waste Utility Fees

Cities may charge a fee for the pick up and disposal of the following kinds of solid waste:

- Residential
- Commercial
- Industrial

\* A.C.A. 14-232-110

# Fines & Forfeitures

Municipalities receive sums collected from the following:

- Misdemeanors or violations of state or city ordinances; and
- Traffic offenses committed within city limits.

\*A.C.A. 16-17-707

# Permit & Inspection Fees

Municipalities have the duty/power to prevent injury or annoyances from dangerous, offensive or unhealthy conditions within their city.

- Consequently, the City has the authority to require building permits and exercise safety inspections.
- Charging individuals or organizations accordingly.

\* A.C.A 14-56-201-203

# Parks Department Revenue

Cities may charge fees to citizens for their participation in city run recreational programs such as softball, basketball, football, volleyball, etc.

Additional revenue may also come from municipal run golf courses, swimming pools and concession stands.

# Occupational Taxes/Privilege License

- Cities may charge and collect for the privilege of doing business or carrying on any trade, profession or vocation for a license fee or tax.

\* A.C.A. 26-77-102 et seq.

## Other sources of miscellaneous revenue

- Outside fire protection
- Sale of Equipment
- Animal licenses
- Hotel, Motel and Restaurant Tax  
(Advertising and Promotion – up to 3¢)  
\*A.C.A. 26-75-602

# More sources of misc. revenue

- Vehicle Tax (maximum of \$5)
- Interest earned from Special accounts
- Development Impact Fees (A.C.A 14-56-103)

# Sales and Use Tax

Cities and towns may levy a local sales tax on all gross sales not exempted by state law within their city or town.

- Sales and use taxes may **not** be enacted without a vote of the people.

State legislation grants broad powers and options to municipalities that should assist cities and towns in passing local option sales taxes.

## Citizens in cities or towns can vote on:

- Sales taxes of 1¢, 3/4¢, 1/2¢, 1/4¢ or 1/8¢ (or combinations) for operating or capital improvement purposes.
- Additional 1¢ for Bond Issues or Capital Improvement for 24 months with Bond Issue.
- Another 1¢ for park projects for two (2) years.
- Another 1¢ for economic development projects.

# Countywide Sales Taxes

- Share of countywide Sales Tax per person based on city or town population in relation to total population of county.

\* A.C.A. 26-74-214 & 313

# Home Rule Authority

In addition to all other authority of local government to levy taxes provided by law, any municipality acting through its governing body and upon approval of qualified electors of the city may levy any tax not otherwise prohibited by law.

A.C.A. 14-43-601 et seq. A municipality may legislate upon the state affairs described in subdivision (a)(1) of Section 14-43-601 if not in conflict with state law.

A.C.A. 26-73-103 The general rule is that a city may not levy a tax without approval by the voters.

\* Act 1187 of 2011

Ark. Code Ann. § 26-73-103. On the other hand, a city may impose a fee without an election. Telling the difference between a *tax* and a *fee* is not always easy. The Arkansas Supreme Court has stated that “a ‘tax’ is imposed to raise general revenue, while a ‘fee’ is imposed in the exercise of the city’s police power.” *City of Marion v. Baioni*, 312 Ark. 423, 850 S.W.2d 1 (1993). This means that a charge for a specific service or benefit is likely to be considered a fee rather than a tax.

\*See *Holt vs. City of Maumelle*, 302 ARK. 51, 786 S.W. 2d 581 (1990)

# Street Funds

**State Turnback** monies are apportioned to cities from highway revenues. These fees are primarily received from:

- Vehicle Licensing fees, Gasoline tax and Severance tax.
- Revenue is distributed on a basis of population, according to the latest census.
- The amount is paid to each municipality in proportion that its population bears to the total population of all municipalities.

\*A.C.A. 27-70-206,207

# Street Funds

The Arkansas Municipal League publishes the estimated per capita Street turnback annually.

- Estimated 2015 turnback is \$64.75 per capita
- Estimated 2016 turnback is \$65.00 per capita

\* Act 1032 of 2011 – State Aid Streets Law

# Road Taxes

- City residents pay a countywide millage rate for the upkeep of all roads in the county.
- One-half ( $1 / 2$ ) of the revenue raised in the city is returned to the city except where a greater amount is allowed.

\*A.C.A. 26-79-104

# Other revenues

- Cities may charge a fee to utility or construction companies for street repairs (i.e. street breaking permits).

# Utilizing your Department Heads

**Presented by Ken Wasson**  
**Director of Operations**  
**Arkansas Municipal League**  
**September 11, 2015**

# 6 Distinct City Departments

- **POLICE**



- **FIRE**



- **STREETS**



- **SANITATION & SOLID WASTE**



- **PARKS**



- **UTILITIES**



# Involving Department Heads

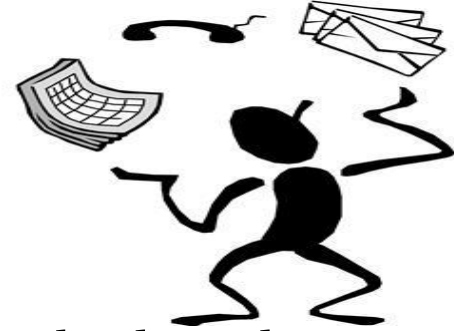
- City budget discussions and preparations should involve department heads (DH) because...
  - Department heads are on the front line battling to provide efficient city services to all citizens.
  - Department heads not only know the needs of their department but ...
  - also know what resources they need to operate their department in the most cost effective way while still providing reliable services to their customers.

- The involvement of the DH's give them an opportunity to add input into the budget process.
- After all they are going to be the ones required to perform their department services for the next year with the budget given them.
- You might be surprised to learn that they will have some good ideas about how to provide improved services and possibly save the city some money along the way.
- But when do you involve them and how?

# How to involve DH'S

- Meet with them, ask how were their departments current years needs were met in regard to:
  - Personnel
  - Supplies
  - Equipment
  - Contracts
- Then ask what goals or new projects do they have planned for the up and coming year?
- Anticipating how future projects will affect or change their financial needs in the new budget year is critical.





# When to involve DH'S

- Involve Department Heads early on in the budget discussions and decision making process.
- You will need to know sooner than later that the city's only back hoe is broken before a big project is to be implemented or....
- That current year funds ran dry earlier than expected.
- By involving them early on you will learn valuable information and...
- just as important you will get them to buy into and take pride in the results of their finished projects.

# Analyzing your Expenditure Requests

## Budget Request Documents

**Presented by Ken Wasson**

**Director of Operations**

**Arkansas Municipal League**

**September 11, 2015**

# Specific Justification for each Individual Account Code

- The most significant portion of the department head's planning and analysis of his department needs is reflected in the individual justification of account codes used in the Chart of Accounts.
- This information must be accurate and provide sufficient detail for Mayor and Council to make a determination as to the level of expenditures.
- The information should present a sufficient narrative to justify those items listed as expenditures.
- It is important to state the need along with a thorough job explanation when you prepare these forms.

# Budget Request

**Department**

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**Number from Chart of Accounts**

**2016 Request Amount**

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**EXPLANATION**

# Budget Request with Detail

## DEPARTMENT

Street Department

**Number from Chart of Accounts**

6029 Minor Tools

**2016 Request**

\$ 1,200.00

As a result of spring storms, flooding and the summer heat wave this past year our streets require additional maintenance. Also, as a result of an anticipated increase in street revenue, the street department plans to overly 7 blocks of street. This will require the purchase of some additional tools such as asphalt rakes and shovels to replace existing ones that are broke and the purchase of new ones. Additionally, we need to purchase two new chain saws to replace the one, six year old chainsaw currently used to remove broken, tree limbs.

4 Asphalt Rakes	450.00
2 Shovels	100.00
<u>2 Chain Saws</u>	<u>650.00</u>
<b>TOTAL EXPENDITURES</b>	<b>\$1,200.00</b>

# Budget Request

## Department Parks

Number from Chart of Accounts

7060 Utilities - Electricity

2016 Request Amount

\$ 4,500

Late summer saw the complete of our new water theme aqua park with only three weeks of use. We anticipate a minimum of 12 weeks in 2016. The completion of one new soccer field will also add to our costs.

Aqua Park	\$ 2,000.00
Ball Fields (Soccer & Softball)	\$ 1,000.00
Outdoor Tennis & Basketball Courts	\$ 500.00
Parks Building (Office)	<u>\$ 1,000.00</u>
<b>TOTAL EXPENDITURE</b>	<b>\$ 4,500.00</b>

Then before you know it  
you will be...



# Municipal Property Program Checklist

**Linda Montgomery, Director MVP/MPP**  
**Office (Direct) 501-978-6123**  
**lm@arml.org**

**Katie Gleason, MVP/MPP Representative**  
**Office (Direct) 501-537-3786**  
**kgleason@arml.org**

[illegible]

# Evaluating Municipal Property



Municipal Finance: Preparing Your Budget Agenda

September 11, 2015

Neil Foreman, Loss Control Specialist

# Budget process is a good time to:

Review the property inventory

Review current property coverage limits

Increase (or decrease) coverage limits

- **Obtain a current Enumeration Schedule (list)**
- **Department Head Involvement**
- **Review Property Values**
- **Complete the Municipal Property Program Checklist**

# Enumeration Schedule

**What's on the schedule is covered.**

ACCOUNT	CITY	COUNTY	SEQ	DESCRIPTION	LOCATION	RATE	VALUE	PREMIUM
7166	GATEWAY		1	City Hall	Hwy 62	0.15	\$ 185,965.00	\$ 278.94
7166	GATEWAY		2	City Shop	Hwy 62	0.15	\$ 73,338.00	\$ 110.00
7166	GATEWAY		3	Park Restroom	Hwy 62	0.15	\$ 62,389.00	\$ 93.58
7166	GATEWAY		4	Park Pavillion	Hwy 62	0.15	\$ 13,038.00	\$ 19.55
7166	GATEWAY		5	Small Park Pavillion	Hwy 62	0.15	\$ 3,520.00	\$ 5.28
7166	GATEWAY		6	Park Swing Set	Hwy 62	0.15	\$ 2,835.00	\$ 4.25
7166	GATEWAY		7	Park Entrance	Hwy 62	0.15	\$ 35,000.00	\$ 52.50
7166	GATEWAY		8	Park Benches, BBQ Pits & Tables	Hwy 62	0.15	\$ 4,000.00	\$ 6.00
7166	GATEWAY		9	Park Playground Play System	Hwy 62	0.15	\$ 45,000.00	\$ 67.50

# Enumeration Schedule (continued)

**In a recent survey 16 of 42 structures/equipment were not on the schedule; were not covered.**

## **Other Survey Observations:**

- **Water plant not included on the schedule.**
- **Rifles and ammunition not in contents. \$20,000**
- **Contents item sold; not removed from schedule.**

		Yes	No	Don't Know
1.	Is the Enumeration Schedule (list of property being insured) reviewed at least annually to verify that all city property requiring coverage is listed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Are values for each structure or item insured, adequate in the event of damage to the structure?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Have contents values been considered in the structure being covered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	If a city structure was constructed, purchased, or donated during the policy year, was the Enumeration Schedule updated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	If a city structure has been renovated, has the insured value been updated on the Enumeration Schedule?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Has the contents value changed in a specific location, including items purchased <u>or</u> disposed of? If so, has the value on the Enumeration Schedule been updated to reflect the change?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Are there duplicate entries for individual property locations on the Enumeration Schedule?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Are correct street addresses used to identify property being insured on the Enumeration Schedule?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Have parks and their associated equipment, fences, and light systems been considered for insurance coverage?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Has a property valuation survey been performed within the past five (5) years to determine current property values?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	Has the Fire Class Code changed for the city and been reported to the Municipal Property program?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	Has the Municipal Property Program brochure been reviewed at least annually? The brochure is available at <a href="http://www.arml.org">www.arml.org</a> or on request.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Under Valued Property (continued)

- ☐ Building has significant tornado damage.
- ☐ \$200,000 damage.
- ☐ The schedule value shows \$150,000.

**The Program issues a check for \$145,000 (\$5,000 deductible) on a \$200,000 loss.**

# Municipal League Resources

[www.arml.org](http://www.arml.org)

## Services

### Benefit Programs

#### Municipal Property Program

## Property forms

### Municipal Property Program Checklist

## Neil Foreman

Email: [nforeman@arml.org](mailto:nforeman@arml.org)

Phone: 501.374.3484 ext. 122

Cell: 501.749.9077

The background of the slide features a large, faint, circular seal of the Arkansas Legislative Auditor. The seal contains the text "LEGISLATIVE AUDITOR" at the top and "ARKANSAS" at the bottom. In the center is a shield with various symbols, including a sunburst at the top, a banner with "REGNAT POPULUS", and a banner with "MERCY" on the left. The shield is flanked by two figures, one holding a scale and the other a sword.

# **IT Controls Top 10**

## **2015 Municipal Finance & Budgeting Workshop**

# Goals for Today's Presentation

- Define IT controls (at a high level)
- Understand the importance of
  1. Data Integrity
  2. Remote Access
  3. Access Security
  4. Password Controls
  5. Wireless Access
  6. Disaster Recovery
  7. Audit Log Report Review
  8. Audit Log Enabled
  9. Offsite Backups
  10. Physical Security

# Information Systems Auditing

- To ensure data confidentiality, integrity, and availability
- To support the financial audit
- To evaluate compliance with applicable laws, policies, and standards related to IT

# What are IT Controls?

## Two Major Categories

- **General controls** apply to all systems components, processes, and data for a given organization or systems environment
- **Application controls** (a.k.a. business process controls) pertain to the scope of individual business processes or application systems

# 1. Data Integrity

- Transactions should perform upfront validation and editing to ensure data integrity before being entered into a system

GARBAGE IN, GARBAGE OUT

# RISK

Weak process controls can lead to:

- Inaccurate processing of transactions leading to wrong outputs/results.
- Some of the transactions being process by the application may remain incomplete.
- Allowing for duplicate entries or processing which may lead to duplicate receipts.
- Unauthorized changes or modifications to the existing data.
- Absence of audit trail could render the application unauditale.

## 2. Remote Access

- Enables users outside a network to have network access and privileges as if they were inside the network

# Remote Access Policy

The purpose of a Vendor/User Access Policy is to establish the rules for vendor access to Information Resources and support services; and their responsibilities to protect these resources.

### 3. Access Security

- Privileges/permissions are granted once the user logs in
- Ensure privileges/permissions are associated with roles and users are granted appropriate roles based on job responsibilities
- Ensure the use of unique user IDs that can be traced back to individuals

## 4. Password Controls

- Ensure overall logical security
- Established by “best practices”
- Apply to application and network security

# Risk

- Users have access to areas and resources other than related to the performance of their duties, causing the potential for unauthorized data manipulation.
- Employees are not barred from performing incompatible functions or functions beyond their responsibility.
- Inadequate password controls can lead to potential unauthorized access.

## 5. Wireless Access

- Easier and greater access to data at reduced costs and with low access barriers
- Vulnerable to data compromise and security breaches

# Wireless Access Policy

The purpose of an Wireless Access Policy is to establish the rules for the access and use of the wireless network. These rules are necessary to preserve the integrity, availability and confidentiality of information.

## 6. Disaster Recovery

- A documentation of procedures to ensure that the organization continues to operate by providing the ability to successfully recover computer services in the event of a disaster.
- Must ensure that plans are comprehensive, up-to-date, and approved by management.
- Must test the plans regularly and document the results.

# Risk

The absence of a tested Business Continuity and Disaster Recovery Plan may pose the following major threats to the very existence of the organization itself in the event of a Disaster:

- To keep intact all the organizational activities after the disaster.
- To reconstitute operations at the earliest, to minimize loss in terms of money, goodwill, human resources and capital assets.

## **7. Audit Log Report Review**

- A record of events occurring within an organization's systems
- Monitoring and review

# Audit Log Review

- Audit logs should be reviewed regularly by the official or designee.
- Anomalies should be investigated and reported if necessary.

## 8. Audit Log Enabled

The “after” event

- Update
- Delete

Where data input fields are subject to change audit logging should be in place.

## 9. Offsite Backups

- Provide a means to back up relevant data on a regular basis
- Backups to media (e.g., tape or external hard drive) or to a remote location via the cloud (i.e., the Internet)
- Backups should be tested for reliability



14 ½ Miles of Destruction

# 10. Physical Security

Measures used to protect facilities, resources, or proprietary data stored on physical media

- **Facility monitoring** (surveillance systems, cameras, guards, exterior lighting)
- **Access controls** to facilities/data center/computers (access cards)
- **Alarm systems** (fire, burglar, water, humidity, power fluctuations)
- **Shred** sensitive documents
- **Proper storage/disposal** of hard drives and other electronic storage media
- **Secure storage** of back-up copies of data and master copies of critical software

# Contact

**David Coles**

**david.coles@arklegaudit.gov**

**501-683-8600, ext. 1040**

The background of the slide features a large, circular, light-blue seal. The seal's outer ring contains the text "LEGISLATIVE AUDIT" at the top and "ARKANSAS" at the bottom. The center of the seal depicts a figure holding a torch, surrounded by stars, with a shield below showing a landscape with a river and a sun. The word "QUESTIONS?" is written in large, bold, white capital letters across the middle of the seal.

**QUESTIONS?**

The background of the slide features a large, faint, circular seal of the Legislative Auditor of the State of Missouri. The seal contains a central shield with various symbols, including a building and a plow. Above the shield is a figure holding a torch, and the words "LEGISLATIVE AUDITOR" are inscribed around the top half of the circle. The word "MISSOURI" is partially visible at the bottom.

# **Common Findings in Municipal Reports**

**September 11, 2015**

# Common Findings

Municipal reports presented to the LJAC or early released since January 2015: **134**

Common findings relate to:

- Fixed Assets
- Bank Account Reconciliations
- Budgets
- State Aid for Street Fund
- Journals
- Electronic Disbursements
- Receipts
- Financial Statement Errors
- Payroll
- Shortages

# Fixed Assets

21 instances

Findings include:

- Not having records at all
- No fixed assets policy
- Records without all required information

# **Fixed Assets (cont.)**

Ark. Code Ann. § 14-59-107

“The governing body shall adopt a policy defining fixed assets. At a minimum, the policy shall set forth the dollar amount and useful life to qualify as a fixed asset.”

# **Fixed Assets (cont.)**

Ark. Code Ann. § 14-59-107

“All municipalities shall establish by major category and maintain, as a minimum, a listing of all fixed assets owned by the municipality. The listing shall be totaled by category with a total for all categories.”

# Fixed Assets (cont.)

Ark. Code Ann. § 14-59-107

Categories shall include:

- Land
- Buildings
- Motor vehicles, by dept.
- Equipment, by dept.
- Other assets

List shall include:

- Property item number
- Brief description
- Serial number
- Acquisition date
- Cost of property

# Budgets

Ark. Code Ann. § 14-58-203

**20 instances** – Expenditures exceeding budgeted amounts

“The approval ... of the budget ... amount[s] to an appropriation of funds. The governing body may alter or revise the budget....”

# Journals

19 instances

Findings include:

- No journals
- Journals without year-to-date totals
- Journals not properly classified
- Journals not properly posted

# Journals

Ark. Code Ann. § 14-59-110

Requires cities to “establish a cash receipts journal or electronic receipts listing” for each fund.

“All receipts shall be posted to and properly classified in the cash receipts journal/listing. The journal shall be properly balanced and totaled monthly and on a year-to-date basis.”

# Journals (cont.)

Ark. Code Ann. § 14-59-110

The receipts journal/listing shall indicate:

- Receipt number
- Receipt date
- Payor
- Receipt amount
- Classification or g/l account

# **Journals (cont.)**

Ark. Code Ann. § 14-59-110

Classification of receipts shall include:

- State revenues
- Property taxes
- Sales taxes
- Fines, forfeitures, and costs
- Franchise fees
- Transfers in
- Other

# **Journals (cont.)**

Ark. Code Ann. § 14-59-111

Requires cities to establish a cash disbursements journal or electronic check register for all funds. All disbursements shall be posted to and properly classified in the cash disbursements journal/register. The journal shall be properly balanced and totaled monthly and on a year-to-date basis.

# Journals (cont.)

Ark. Code Ann. § 14-59-111

The disbursements journal/register shall indicate:

- Date
- Payee
- Check/transaction number
- Check/transaction amount
- Classification or g/l account

## **Journals (cont.)**

Classification of expenditures shall be by department in the following major type of expenditures:

- Personal services
- Supplies
- Other services and charges
- Capital outlay
- Debt service
- Transfers out

# Receipts

14 instances

These findings were generally for not issuing receipts for a particular fund or a particular type of revenue.

# Receipts (cont.)

Ark. Code Ann. § 14-59-109

“All funds received are to be formally receipted at the time of collection or the earliest opportunity by the use of prenumbered receipts or mechanical receipting devices.”

# Payroll

15 instances

Findings include:

- Not properly filing reports or forms
- Not remitting taxes
- Not reporting compensation
- Not preparing reports or forms
- Not reconciling amounts on forms with city records

# Bank Account Reconciliations

13 instances

Findings include:

- Not reconciling bank accounts at all
- Not properly reconciling
- Not having the reconciliation approved by someone other than the preparer

# **Bank Account Reconciliations (cont.)**

Ark. Code Ann. § 14-59-108

Requires that cities reconcile on a monthly basis their cash receipts and disbursements journal to the bank accounts.

# **Bank Account Reconciliations (cont.)**

Ark. Code Ann. § 14-59-108

The bank reconciliation “shall be approved by a municipal official or employee, other than the person preparing the reconciliation, as designated by the chief executive officer of the municipality.”

# State Aid for Street Fund

13 instances

These findings concern the direct deposit of the Street Fund state turn back into the General Fund and it not being subsequently transferred to the Street Fund.

# **State Aid for Street Fund (cont.)**

Ark. Code Ann. § 14-59-104

Requires state aid in the form of highway revenues to be deposited into the Street Fund bank account.

In late 2011, the State Treasurer allowed this money to be directly deposited into the Street Fund bank account.

# Electronic Disbursements

10 instances

Using EFTs without LJAC approval

# **Electronic Disbursements (cont.)**

Ark. Code Ann. § 14-59-105

Allows electronic funds transfer for payment of salaries and wages and payments to federal or state governmental entities.

Any other electronic payment method must be approved by the LJAC.

# Electronic Disbursements (cont.)

- Complete EFT Approval Request form located on Legislative Audit's web site
- IS staff will review proposed process
- LJAC will issue approval letter

# Financial Statement Errors

8 instances

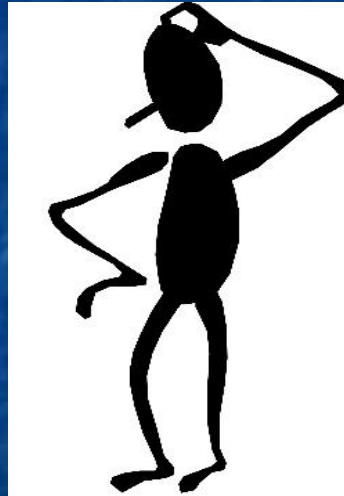
Findings include:

- Posting errors
- Omitted entries
- No accounts receivable/accounts payable listing

# Shortages

- Inadequate documentation for travel
- Donations to nonprofits
- Personal items charged to city credit cards
- Ethics

# Questions



## Arkansas Continuity of Operations Program (ACOOOP)

Since 2004, the Arkansas Continuity of Operations Program (ACOOOP) has provided the methodology, hardware, software, training, and user assistance to develop and maintain continuity of operations plans.

Plans are developed based on an all hazards approach and are customized to each individual entity.

Initially, planners consider three scenarios.

- ◆ loss of physical infrastructure
- ◆ loss of data
- ◆ loss of personnel.

This ensures timely continuity of operations with minimal disruption of critical services to citizens.

### ACOOOP Can Assist You With

- ◆ Conducting Risk Assessments
- ◆ Identify Threats
- ◆ Prioritize Critical Services
- ◆ Identify Required Resources
- ◆ Assign Tasks of Recovery to Teams
- ◆ Test and Maintain the Plan
- ◆ Alternate Locations

## Availability of Government Services



The State of Arkansas relies on critical services that cannot be delayed and are essential to the well being of our citizens. Critical Government Services include everything from Incarceration of Prisoners, the distribution of Food Stamps, the public services industry, K-12 schools, city and county operations.

Along with ensuring that agencies have recovery plans, the ACOOP database provides officials with the opportunity to view critical employee information, resources and alternate locations.

The standards for continuity of operations are derived from the Federal Emergency Management Agency (FEMA) and have been adopted by the Arkansas Department of Emergency Management and the Department of Information Systems. These standards are supported by the Arkansas Legislative Audit.

### Tools for Program Planning

ACOOOP utilizes a custom software solution for its planning needs. The software's web-based system allows the planner to access and maintain plans at their convenience.

The Department of Information Systems (DIS) houses the system and provides the database server. There is no fee to any state, county, city, higher education institution, or K-12 entity for the use of the system.

The system maintains relational databases which can be compiled into a unified plan suitable for printing and distribution to agency personnel.

## Training

Training and access to the system is offered at no charge to all Arkansas state and county entities. Training can be customized on request for any group and delivered on site. All training and work sessions give the participants hands-on planning experience.

### Classes

- ◆ Continuity Concept Training
- ◆ Refresher Training
- ◆ Test, Training, & Exercise
- ◆ Workshop Sessions
- ◆ Tabletop Exercises
- ◆ Plan Maintenance

To register for classes or to request customized training please contact :

Courtney Dettlinger

501-682-4307

Courtney.Dettlinger@arkansas.gov

# IT in a Box

A complete IT solution for city governments.



## New City Website

*Modern fresh design. We manage the content. Accept online payments.*

- > Your **city website** on your **city domain** providing pages for city hall, public safety, parks and recreation, news, events, and more.
- > Accept **online payments** to reduce cost and provide convenience.
- > Post city council agendas, **meeting minutes**, and videos.
- > Site **search**.
- > **Save time**. Submit your website updates to us and we will post them for you.

## Data Backup and Offsite Storage

*Unlimited offsite data backup storage for disaster recovery. Realtime monitoring. Quarterly testing.*

- > Onsite data storage for **quick recovery**. Hourly backups for many recovery points.
- > **Unlimited offsite data backup storage**. Maintain all versions of your files and documents.
- > The data remains **protected** with encryption while onsite, in transit, and offsite.
- > Ongoing realtime **monitoring** & quarterly **testing** to ensure data is safe & recoverable.

## Document Management

*Protect city records. Apply record retention schedules.*

- > Protect your city documents from **fire, flooding, tornadoes**, and other disasters.
- > **Scan** your paper files. Free up file cabinets and floor space.
- > Apply the **state's record retention schedules** to keep archives up-to-date.
- > **Search** for documents based on their content as well as data fields.

## Email

*Separate personal and city business. Share calendars. Includes Microsoft Office Professional Plus.*

- > Hosted **email** on your **city domain**. Includes email **archiving**.
- > **Shared calendars** and contacts with 50GB **mailbox storage** per user.
- > **Office Professional Plus** for your desktop providing the latest versions of Outlook, Word, Excel, PowerPoint, Access, InfoPath, Publisher, and OneNote.

## Open Records Requests

*Be prepared for FOIA and Open Records Requests. We will help the clerk process them.*

## Vendor Management

*No more frustrating calls with vendors. We got it.*

- > Issues with your software? **Call us for support**. We will work with the vendor directly to resolve the issue instead of you losing hours and days on the phone.
- > Need a new computer? **Call us for procurement**. We will work with well known vendors to get government pricing with no markup.

Who guarantees  
IT services  
based on your  
expectations?

## WE DO!

### Our GUARANTEE

- > **Love I.T.** We don't meet your expectation, cancel the service!
- > **Easy out.** 30 days notice!
- > **Flat monthly fee.** No hourly charges. Predictable!
- > **No upfront project fees.** Onboarding, equipment, and setup included!
- > **Flexible.** Increase or decrease subscription monthly!
- > **Proven.** Tailored for cities.

### Helpdesk

*24x7. We are always there when you need help.*

- > **U.S.-based IT Helpdesk.** All staff undergo criminal background checks and drug screening.
- > **24x7x365.** Support in the office, working from home, and on the road.
- > Experienced senior engineers to address any IT issue remotely ASAP. **No trip charges** for scheduled onsite support visits.
- > We have years of experience supporting **municipal staff** and **municipal applications**.

### Certified

*Experienced certified senior engineers. We are GCIC certified.*

### Server, Desktop, & Mobile Management

*Guard against Cyber risks. Keep your computers patched, protected, and healthy.*

- > **Always-on** 24x7x365 monitoring & alerting.
- > Antivirus, Antispam, and Content Filtering licenses for **safe** internet browsing & email.
- > Support for mobile **phones** and **tablets**.
- > Windows **Updates** and Patch Management. Performance and **Health** monitoring.
- > Secure remote access when **teleworking**.
- > Asset Management.

# Long Term Financial Planning

**Presented by Ken Wasson**  
**Director of Operations**  
**Arkansas Municipal League**  
**September 11, 2015**

# Long Term Financial Planning

- The prospect of developing a long term financial plan may seem out of reach considering that you may be working in an environment where there is not enough money to solve all your city's problems much less think about long term financial planning.
- However, the reality of everyday life is that;
  - Equipment wears out and needs replaced;
  - Buildings need renovating; and
  - City services need to be re-evaluated.

# We recommend that your city:

- Develop a long term financial plan.
- The *Government Finance Officers Association* (GFOA) describes a Long Term Financial (LTFP) this way.
  - Long-term financial planning combines financial forecasting with financial strategizing to identify future challenges and opportunities. Good financial planning does not simply project the status quo “x” number of years into the future. Financial planning stimulates discussion about the long-term impact of decisions made today and how the city can position itself now to deliver a stable environment for essential services in the future.

*Government Finance Officers Association, Financing the Future*

# Purpose/Benefits of LTFP

- LTFP can provide a roadmap for future projects.
- LTFP should be based on a structured plan that integrates long term financial goals with the long term fiscal stability of a municipality.
- LTFP can give municipalities an opportunity to conduct Strengths, Weaknesses, Opportunities & Threats (SWOT) analysis.
- This can help municipalities evaluate potential opportunities and risks while operating more proactively.

# LTFP (continued)

- Provides direction to city council members.
- A long term financial plan should include input from council members and department heads.
- When presented properly an established plan allows for continuity and prevents a lapse in focus on key goals as councils change.

# Developing a LTFP

- Key Component is that your city forecast revenues and expenditures and combine those for analysis.
- Steps:
  - Prepare an analysis of your financial environment. Include revenue and expenditure forecast. Do you understand all of the funding sources available to you as a municipality?
  - Identify key variables that impact revenue. What trends do you see that could impact your revenue such as:
    1. Population growth;
    2. Employment; and
    3. Decline in consumer spending.

- Define your capital needs. Often this is done by dividing municipal needs into a minimum of two categories:
  1. Equipment - Fire Trucks, Sanitation trucks, Public works equipment ie road graders, bull dozers, etc.
  2. Structures – Public buildings such as city hall, fire/police stations, park pavilions, community centers & utility stations.
- Identify and analyze your needs.
  - What is the current condition of your equipment and structures?
  - When will they need to be replaced?
  - What will be the estimated cost of replacement, repair or construction of the new structure?

# Putting it all together

- Once you complete your analysis of your revenue projections and expenditure needs you must lay out a plan to address all your future municipality necessities.
- Identify your **Equipment** needs:
  - If a three story apartment building is going up you might need to replace your 25 years old fire department truck with a newer ladder truck.
  - With recent annexations you might need to purchase another large sanitation truck to service those new residents.

- Identify your **Public Structure** needs:
  - Current population growth might facilitate:
    - Adding a new fire sub-station near the newly annexed area;
    - Build an additional sewer lift station to serve a part of town in which growth is occurring.
    - Replace storm sewers where flooding has occurred regularly for the past 3 years.
    - Construct a new soccer field, community center or swimming pool to serve the new demographics development in your community.

# Summary

- Your long range plan should provide you with the information needed to make priority decisions.
- Once priorities are identified then research will need to be done to determine how best to finance the project.
- Key to success will be involving community leaders as well as citizens and local business owners.
- Public hearings may be needed to explain the city's financial plan and gather citizen feedback.
  - By linking expenditures to service outcomes, your citizens are given a better understanding of each area of need and the anticipated costs to accomplish your long range financial goals.

# Putting it all together

**Presented by Ken Wasson  
Director of Operations  
Arkansas Municipal League  
September 11, 2015**

# What have we heard today?

- Mark spoke on what laws govern city budgets.
- Don explained where to find revenue sources.
- A distinguished panel explained the benefits of the *Accounting Handbook*
- Ken spoke about utilizing department heads in budget discussions and the benefits of long term planning  
*Arkansas Continuity of Operations Program (ACOOP)* and IT in a box have explained their unique services.

# Things to consider before starting work on a 2016 budget

- What are the overall goals of your city this coming year?
- Meet with department heads and analyze their anticipated projects and what their individual needs will be.
- What new personnel and/or products (expenditures) will each department need to accomplish their goals for the coming year?

# More things to consider

- How have ice/snow storms, spring flooding and extreme summer heat affected our current years budget?

Some examples of events and incidents that could affect your city budget are:

- Streets department may need more money for additional hot mix with roads deteriorating.
- The dramatic increase of meth labs and arrests means more police presence is needed.

# Ask yourself

- What budget priorities were reflected in the city's current year accomplishments? (We were able to overlay 5 blocks of streets, add playground equipment to the park and purchase a new dump truck)
- What priorities do we want reflected in next years city goals and budget?
- What policy statement does our city want to make?

\* A useful instrument that cities can use is a budget calendar.  
Let's take a look at an example of a budget calendar.

# Suggested Budget Calendar



## SEPTEMBER

- Prepare revenue estimates
- Meet with department heads
- Have department heads prepare expenditure requests



## OCTOBER

- Meet with City Council or Budget Committee to set out spending priorities
- Meet with Department heads to review expenditure requests

# Budget Calendar continued

## NOVEMBER

- Preliminary budget or budget outline should be presented and reviewed by the City Council
- City holds budget hearing on proposed budget

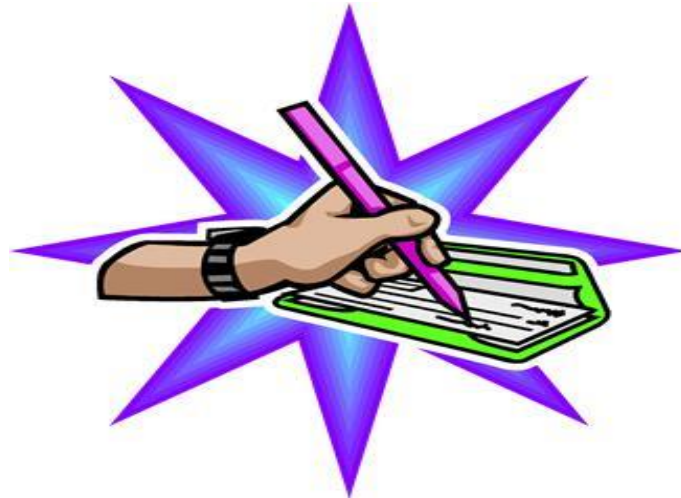


## DECEMBER

- City Council approves and adopts budget

## JANUARY

- New Budget goes into effect



# Exciting time of the year

- You have a unique opportunity this time of year to look at the current years budget and assess what you have accomplished as a city.
- In setting up a good budget for the following year you can set in motion your ideas on how to best utilize the city's resources efficiently and effectively by providing the best services to your citizens.
- A well written budget communicates to your citizens that their tax money is being used wisely.