

Section 1 - What's in this Chapter

Updated 2011

This chapter gives a brief overview of the financial systems necessary to track how lodging tax revenues are received and spent. Since your lodging tax board is dealing with public funds, Wyoming Statute 16-4-103 requires that your board has an accounting system that provides adequate management control and requires reports including financial statements of condition, work programs, and budgets. Specific Department of Audit oversight responsibilities can be found in Appendix 602 which summarizes Wyoming Statute 9-1-5.

Other topics covered include annual audit and reporting requirements, bank account guidelines, and the tax exempt status of joint powers boards. Much of the material in this chapter is from the *Wyoming Special District Accounting Handbook*. For a more detailed explanation of accounting principles, your board can get a free copy by contacting the Department of Audit.

Section 2 - Financial Flow Models

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Lodging tax boards in Wyoming are generally divided into two types of operations for fiscal activities. In the first type, the board receives a direct payment from the county or city treasurer for the lodging tax revenue collected. This payment is normally made upon presentation of a voucher to the county or city treasurer. The board pays authorized expenditures when the vendor or grant recipient submits a voucher.

In the second type of arrangement, the board contracts with the county or city treasurer for payment of vouchers from the board. In this case the board does not have their own checking account and submits approved vouchers to the treasurer for direct payment to vendors and grant recipients.

The primary difference between these two types is which entity makes the authorized expenditures and thus has the primary audit responsibility. You can choose either type of arrangement and can change in the future if you need to. However, switching arrangements may require costly changes in your accounting system. Each lodging tax board must decide which type of financial flow is best for their particular situation. Most of the following information will apply to your board **only** if you choose the first arrangement and are responsible for paying bills and tracking revenue and expenses.

Section 3 - Chart of Accounts

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The Department of Audit has established a uniform chart of accounts for use by countywide lodging tax boards functioning on a cash basis (city-wide boards generally use the Fiscal Operations chart of accounts of the city.) The reason for this standard chart is to have uniform classification of financial transactions, and thus uniform reporting from all lodging tax boards and other special districts. Only through such uniformity can comparisons between districts be meaningful. A suggested chart of account is included in Appendix 608. You may need to add some additional accounts depending on your board's operation. You will note that there are no accounts for depreciation as lodging tax boards are not required to depreciate assets at the current time. For accrual accounting, often encountered when using a computerized system, you will

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need to add Accounts Receivable and Accounts Payable. Please call the Department of Audit for further guidance on accrual accounting.

Section 4 - Tracking Revenue and Expenses

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Financial transactions are recorded on various documents received by or produced by the lodging tax board. These documents are used to track revenue and expenses (see Appendix 610 for a sample revenue and expense statement) and are recorded in various journals and ledgers. Every lodging tax board must maintain a cash receipts journal and a cash disbursements journal. They should also maintain a general journal and a general ledger. Other records such as an accounts payable ledger, an accounts receivable ledger, a payroll journal and a fixed asset ledger may also be necessary, depending on your lodging tax board's needs. A description of some of the more common tracking documents is given below.

Receipts

A receipt should be written for all money received by the lodging tax board. All receipts should contain the following information:

- The name of the lodging tax board (should be printed on the receipt.)
- The name of the payer.
- The date the receipt is written.
- The number of the receipt (should be pre-numbered by the printer or the computer.)
- The amount received.
- A description of what the money was received for.
- The signature of the person issuing the receipt.

Receipts and receipt books should be numbered and used in sequence. Purchase a series of books with enough sequential numbered receipts to last for two or three years.

Receipts must be made in duplicate – the original goes to the payer and the copy is retained in the receipt book for reference. The original and duplicate copy of all voided receipts should be retained in the receipt book.

Purchase Orders

A purchase order authorizes a vendor to deliver described materials at a specified price. Upon acceptance by a vendor, a purchase order becomes a contract.

Purchase orders can eliminate duplicate ordering, maintain expenses within budgets, provide a record of what is on order and what has been received, and help control cash flow.

Vouchers

A voucher must be prepared for all expenditures and should be coded for the appropriate fund and expenditure classification(s). A sample voucher form is given in Appendix 613.

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Vouchers must contain a perjury certification statement similar to the following: I hereby certify, under penalty of perjury, that this voucher and the items included herein for payment are correct and just in all respects. *State Constitution Article 16, Section 7 (See Appendix 601) Wyoming Special District Accounting Handbook, 2008.*

The voucher must be signed by the vendor before it can be approved for payment.

At least two board members should sign each voucher verifying that they have reviewed the voucher using the following guidelines prior to its approval for payment.

- Mathematical accuracy
- Legality (avoid approving donations and gifts)
- Properly itemized supporting documents
- Properly verified, there is evidence of receipt or delivery
- Properly certified by signature
- Sales tax not charged
- Available discounts given

An itemized list of reviewed vouchers must be approved at each board meeting. A sample list is given in Appendix 612.

Checks

All claims against a lodging tax board should be paid by check.

Checks issued by the lodging tax board should be pre-numbered and should be signed by the chairman and countersigned by the treasurer. Delegation of this authority should be clearly stated in your bylaws or policy guide.

Pre-signing of blank checks with a facsimile or an actual signature is prohibited.

Computer generated checks are allowed, but adequate controls over the un-printed checks should be maintained.

Unrestricted access to and unauthorized use of money in checking accounts is the single greatest vulnerability to internal theft that a lodging tax board encounters.

Official depositories must return a copy of your canceled checks. Records are not complete or auditable without these documents.

Section 5 - Budgeting

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Budgets are the master financial plan for your lodging tax board and show the proposed cost for each function or activity so that the maximum benefits will be derived from a limited amount of resources. In other words, the budget helps us to plan to be more efficient and more effective.

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The budget should be comprehensive, covering all proposed expenditures and all anticipated receipts and revenues, regardless of source. Expenditure estimates should be in sufficient detail to adequately inform board members and the public how the lodging tax revenues are to be spent. Revenue estimates should be conservative and made with due consideration for possible failure to realize the full amount anticipated, thereby avoiding the possibility of revenue deficits during the fiscal year. For this reason, most lodging tax boards base their revenue projections on collections for the preceding year. However, if you consistently underspend your budget you can develop undesirable reserve levels. To avoid this situation, base the budget on your reserve fund balance in addition to collections for the preceding year. The annual budgetary process involves three steps: preparation, adoption, and implementation.

Preparation

During the preparation phase, look at the expenditures from last year's program, decide based on your marketing plan what you want to do differently this year, and adjust expenditures and revenues accordingly.

Anticipated revenue and expenditures should be shown for all appropriate accounts in the chart of accounts. The degree of detail necessary to provide adequate control over expenditures varies among lodging tax boards. Your board may determine that detailed budgeting is unnecessary for all accounts since it won't provide for improved control of the budget. At a minimum however, budgets should list the main functional areas of administration, operation, and indirect costs. The resulting draft budget should be reviewed by the entire board before public hearings are held. A sample budget form is given in Appendix 609.

Budgets are required to show actual revenues and expenditures for the last completed fiscal year; estimated total revenues and expenditures for the current fiscal year; and estimated available revenues and expenditures for the fiscal year being budgeted. *W.S. 16-4-104(b)*

You can't budget for negative spending (i.e. spending more than what you have in available revenue.) *W.S. 16-4-110*

However, you may use any accumulated funds from prior years for current year appropriations. This should be noted on the budget as "from prior years retained earnings" or with some other descriptive term so that interested parties are informed as to the source and use of public funds. *W.S. 16-4-105(a)*

Budgets must include a message outlining the proposed financial plans for the budget year and describing the important features of the budgetary plan. It should also state the reasons for changes in expenditures and revenues from the previous year and explain any major change in financial policy. *W.S. 16-4-104(d)*

Adoption

A summary of the draft budget must be entered into your board's minutes and must be published in a newspaper – or posted in three conspicuous places within the municipality – at least one

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week before the date of the hearing. *W.S. 16-4-109(a)*

A copy of this publication must be sent to the Department of Audit each year. *W.S. 16-4-109(b)*

Hearings must be held within five days of the third Thursday in July or in conjunction with the county budget hearings. *W.S. 16-4-109(b)*

Within 24 hours after the hearing, the lodging tax board should meet and give final approval to the budget. *W.S. 16-4-111*

Implementation

After the budget has been prepared and adopted, you are ready to implement the budget. The appropriations included in the annual budget constitute maximum authorizations to spend during the fiscal year, unless the governing body amends the budget. Even if additional lodging tax revenues are available, the authorization to spend the unexpected revenue has not been made. These funds must be included in an amended budget or remain unspent. Budgets must be amended before over-expenditures of the total budgeted amount are approved for payment. *W.S. 16-4-108*

Transfers of budget appropriations between accounts can be made through the resolution process after publication of notice. *W.S. 16-4-112*

Contingency accounts or allowances in budgets are not miscellaneous expense money, and it requires a budgetary transfer to the correct account be made before expending. *W.S. 16-4-112*

The budget of the general fund may be increased by resolution stating the source of the revenue (e.g. unanticipated, unappropriated surplus, donations, etc.). *W.S. 16-4-113*

Section 6 - Annual Reports

Updated 2011

Under the authority of W.S. 9-1-507 and the Department of Audit Rules, Chapter 5, Section 3 all lodging tax boards are required to file an annual financial report with the Department, even if they provide an audited CPA report. The report is used by the Department and used as explained in the by the U. S. Bureau of the Census to compile the financial data necessary for an analysis of operations, for any special reporting to the legislature when requested, and for evaluation of risk-based oversight procedures by the Department. The annual report form (F-32) requests a categorical breakdown of revenue by source, and expenditure detail sufficient to be meaningful in evaluating operations. It also requests information on the beginning and ending cash and investment values. The forms are designed in cooperation with the Bureau of Census and the financial information is not intended to be presented in conformity with generally accepted accounting principles. Personnel completing the form should follow the instructions very carefully to insure uniformity with responses from the other boards. For the information to be useful, the reports must be filed with the Department in a timely manner. Under the provisions of W.S. 9-1-510(b), a copy of this report should be filed with the Department within three months after the end of each lodging tax board's fiscal year. (*WY Dept. of Audit Rules, Chapt. 2, Sec. 4,*

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Sept. 4, 2007)

Section 7 - Audit Requirements

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The audit requirements for lodging tax boards are based on their relative levels of risk. The level of risk assessment is determined each year based on the total revenues received by the lodging tax board during their fiscal year. (See Appendix 611 for an example audit services RFP.)

Lodging tax boards with revenues under \$100,000 and above \$25,000 are required to have an independent third party do a proof of cash annually with forms provided by the Department of Audit. (*WY Dept. of Audit Rules, Chapt. 6, Sec. 3 (e), Sept. 4, 2007*)

Lodging tax boards with revenue between \$100,000 and \$299,999 must perform an internal control self-evaluation and a self-audit annually. You must also have an independent third party complete a proof of cash. Forms are provided by the Department of Audit for these processes. (*WY Dept. of Audit Rules, Chapt. 6, Sec. 3f, Sept. 4, 2007*)

Lodging tax boards with revenue between \$500,000 and \$999,999 must submit a CPA Review which includes the following procedures:

- The notes must disclose any failure to comply with state statutes requiring
- Documentation of a depository relationship between the entity and any depository.
- A compliance report letter which provides positive assurance on items tested and negative assurance on items not tested as it relates to the following items:
 1. That the lodging tax board is legally constituted
 2. That the treasurer is properly bonded
 3. That the board has a system of fixed asset inventory, if required
 4. That the board has filed all necessary federal and state payroll tax reports, workers compensation and unemployment insurance reports
 5. That the minutes reflect compliance with public meeting requirements
 6. That no loans or donations have been made to private individuals, associations or corporations
- Other procedures which may be required or approved by the director and are identified as a part of the auditor procurement bidding process, prior to the commencement of the engagement. (*WY Dept. of Audit Rules, Chapt. 6, Sec. 3e, Sept. 4, 2007*)

Lodging tax boards with over \$1,000,000 in total revenue must have a CPA Audit in accordance with Generally Accepted Government Auditing Standards (“yellow book” audit.)

Section 8 - Common Compliance Issues

Updated 2011

In an effort to assist lodging tax boards with some of the more common compliance issues, the Department of Audit has provided the following short guidelines. Bank reconciliations

Copies of monthly bank reconciliations must be retained as permanent records. (*WY Special District Accounting Handbook, pg. 1, Sept. 10, 2008*)

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Conflict of Interest

Statutes prohibit any of lodging tax board members from voting on any issue that would benefit them personally. *W.S. 9-13-106(a) See also Member Responsibilities in Chapter 3, Section 5 (WY Special District Accounting Handbook, pg. 2, Sept. 10, 2008)*

Investment Policy

All lodging tax boards must have a “Statement of Investment Policy” on file. Investments that are allowed under state law are detailed in W.S. 9-4-831(h). *(WY Special District Accounting Handbook, pg. 3, Sept. 10, 2008)*

Loans and Donations

Travel advances are considered loans and are prohibited by the State Constitution (Article 16, Sec. 6). Meals (unless part of conducting business), flowers or gifts to employees are considered donations and as such are prohibited. *(WY Special District Accounting Handbook, pg. 2, Sept. 10, 2008)*

Surety Bonds

Bonds for lodging tax board treasurers must be on file with the County Treasurer before lodging tax revenues are disbursed. *W.S. 38-2-101*

Transfers

Transfers of money between bank accounts are neither revenue nor expense and should not be recorded in the journals or ledgers as such. *(WY Special District Accounting Handbook, pg. 1, Sept. 10, 2008)*

Section 9 - Depositories

Updated 2011

According to Wyoming Statute 9-4-817(a) (see Appendix 603), public funds that are not invested must be kept on deposit at an official depository. Official depositories are defined as banks incorporated under the law of this state, national banks, savings and loan associations incorporated under the law of this state, and federal savings and loan associations. They must have an office in your county and must return the actual cancelled check or an electronic copy. If they meet the above criteria, your lodging tax board must designate them as your official depository and must make sure that all deposits are fully secured as explained below. *(WY Special District Accounting Handbook, pg. 61, Sept. 10, 2008)*

Designating an Approved Depository

Depositories must be designated as such by your lodging tax board. This designation, and the related documentation, should be renewed annually so there is always a current understanding between the lodging tax board and the board of the designated depositories. The insurance

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provided by the Federal Deposit Insurance Corporation (FDIC) can be called into question when there is not a current understanding between both parties. (*WY Special District Accounting Handbook, pg. 61, Sept. 10, 2008*)

First you need to obtain an application from the depository. The application can be as simple as a letter from the depository's board of directors asking to serve as such. *W.S. 9-4-818(a)*

Once received, your lodging tax board must act upon the application as soon as possible. Action is simply the acceptance or rejection of the application, as reflected in the minutes. If an application is accepted, the depository is notified and asked to provide a copy of its board's resolution to serve as such. *W.S. 9-4-818(a) (WY Special District Accounting Handbook, pg. 60, Sept. 10, 2008)*

The depository's board of directors must furnish your lodging tax board treasurer with a resolution within 30 days similar to the one found in Appendix 604. *W.S. 9-4-806*

Official depositories must be named and documented every year. (*WY Special District Accounting Handbook, pg. 61, Sept. 10, 2008*)

Securing Deposits

According to *W.S. 9-4-817(c)*, all deposits at an approved depository must be fully insured by the FDIC or secured by the depository's pledge of approved collateral (i.e. those listed in the statutes and accepted by the lodging tax board). The treasurer has the statutory authority to make deposits, but, since the lodging tax board has to approve collateral (*W.S. 9-4-821(b)*), there is a potential delay while the treasurer determines whether the collateral is acceptable to the lodging tax board. To overcome this potential problem, the lodging tax board can require depositories to list the types of securities they intend to pledge, but not specific securities as identified by a CUSIP number (a unique bank security number) in their application. Then, if the lodging tax board accepts the application, they approve the proposed types of collateral at the same time. Another method would be for the lodging tax board to develop its own list of approved collateral. The treasurer would then know what collateral has been approved. Or the list can be given to the applying depositories, who must state in their applications that they will pledge only those types of collateral. (*WY Special District Accounting Handbook, pg. 62, Sept. 10, 2008*)

FDIC insurance has the following limits and provisions:

- The insurance limits are per custodian (the treasurer – not the lodging tax board) per depository.
- There is \$100,000 of insurance on demand accounts (i.e. checking accounts which do not earn interest.)
- There is a second \$100,000 on the total amount in interest bearing accounts. To determine how much the lodging tax board has in this type of account, the treasurer must combine the amounts in NOW accounts, money market accounts, regular savings accounts, and certificates of deposit. (*WY Special District Accounting Handbook, pg. 61, Sept. 10, 2008*)

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The collateral a depository plans to pledge to secure a public funds deposit is subject to the approval of the lodging tax board *W.S. 9-4-821(b)*. Your board doesn't have to accept the collateral offered by the depository, even though it is on the list of approved collateral summarized below.

- Surety bonds for the safekeeping and payment of deposits of public monies. *W.S. 9-4-820*
- United States treasury bills, notes or bonds, including stripped principal or interest obligations of such issuances, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States. *W.S. 9-4-821(a)(i)*
- Bonds, notes, debentures, or any other obligations or securities issued by or guaranteed by any federal government agency or instrumentality. *W.S. 9-4-821(a)(ii)*
- Conventional first mortgages of Wyoming real estate at a ratio of one and one-half to one of the value of public funds secured thereby. *W.S. 9-4-821(a)(vi)*
- Bonds of this state or of counties, cities, community college districts or school districts or warrants issued by virtue of the laws of this state, or special improvement bonds issued by incorporated cities and towns of the state of Wyoming, at market value. *W.S. 9-4-821(a)(xix)*

Pledging of securities (which are owned by the lodging tax board's official depository) to insure public funds deposits over \$100,000 must be closely monitored by the board's treasurer and strictly adhered to by the financial institution. The pledged securities are placed with a third party custodian agreed to by the lodging tax board treasurer and the depository.

- Approved custodians are any bank chartered by the state of Wyoming, other than the depository bank; any national bank authorized to do business in the state, other than the depository bank; any federal reserve bank or branch thereof; or any bank which is a member of the federal reserve system. *W.S. 9-4-825*
- When collateral is placed with a custodian, that bank issues a joint custody receipt which should be signed by the custodian, the depository and the lodging tax board treasurer. The form for this receipt can be that used by the federal reserve bank of Kansas City or its branches. If a bank other than the Federal Reserve Bank (and its branches) serves as custodian, that custodian must issue a joint custody receipt in the form specified by *W.S. 9-4-827 (b)*. However, individual banks may print their own forms, which are acceptable **if** they contain all of the provisions detailed in *W.S. 9-4-828*. (see Appendix 605).

Section 10 - Tax Exempt Status

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Sales made to and paid directly by lodging tax joint powers boards are exempt from sales and lodging tax. *W.S. 39-15-105(a)*

Any lodging tax board employee paying with personal funds pending a reimbursement from the lodging tax board must pay sales and lodging tax as the employee is not the exempt entity. *WY Department of Revenue Rules, Chapter 2, Section 9(d)*

A tax exempt form is generally not required for government entities. However, if a form is required, you can request one from the Department of Revenue.

Section 11 - Charging for Services

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There are no statutory restrictions concerning charging for services your lodging tax board performs. Boards can do this in the form of licensing agreements or as an outright charge for services rendered. Any such service should be competitively priced and should be tracked separately from lodging tax revenues in your accounting system. A general guideline would be that if a service benefits a wide audience then it should be paid for with lodging tax revenues (no separate charge should be made.) If a service benefits only a few (e.g. web links from your site, conference registration assistance), then you might consider charging a fee for that service.

Section 12 - Resource Material

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Department of Audit

Department of Revenue contact - Dan Noble, Administrator, Excise Division (307) 777-3745.

This manual should be used as a guide only as it is based on changing legal requirements. We suggest you consult appropriate professional counsel if you have specific questions. The following material is included in the appendix section of this manual for general reference. You can also check the State's websites at <http://legisweb.state.wy.us> for current statutes and <http://soswy.state.wy.us> for current rules. Most of the material in this chapter was taken from the Wyoming Special District Accounting Handbook which is available free of charge from the Department of Audit.

Appendix 601 - Wyoming Constitution 16-7: Payment of Public Money

Appendix 602 - Wyoming Statute 9-1-5: Department of Audit Oversight

Appendix 603 - Wyoming Statute 9-4-8: Depositories