

## REVENUES, EXPENDITURES, BONDS, and INVESTMENTS

### REVENUES

#### Revenues vs. Receipts

Classification of revenues versus receipts is in the basis of accounting which is followed.

- 1) On a **cash basis**, the recognition is based on the timing of the actual receipt. Thus, unless a particular item is actually received, it is not recognized as revenue of that accounting period.
- 2) On an **accrual basis**, the recognition of revenue is made when it is earned. Full accrual recognition of revenue is required for proprietary fund types and is encouraged for special revenue and capital project fund types.
- 3) A **modified accrual basis** is recommended for the general fund, debt service funds, and expendable trust fund types. Revenue is recognized when it is both **measurable** (we know how much there is) and **available** (that is to say, there is no restriction which would prevent its use for funding current operations, such as a pending transfer of property taxes collected by a county on behalf of a school district which have not been distributed, and is usable, but has not been transferred at a particular point in time).

All sources of revenue must be included in the budget. Some of the more customary sources are follows:

#### MUNICIPALITIES

- **Gross Receipts Tax**
- **Property Tax**
- **Gasoline Tax**
- **Motor Vehicle Tax**
- **Cigarette Tax**
- **Franchise Tax**
- **Small Cities Assistance**

The sources listed above are distributed by the State's Taxation and Revenue Department (TRD).

- (505) 827-0700 TRD main number
- (505) 827-0908 TRD, Tax Information & Policy
- (505) 827-0690 TRD, Tax Research & Statistics
- (505) 827-2290 TRD, Property Tax Division

#### COUNTIES

- **Property Tax**
- **Gross Receipts Tax**
- **Gasoline Tax**
- **Cigarette Tax**

The sources listed above are distributed by the State's Taxation and Revenue Department (TRD).

- **Forest Reserve**
- **Taylor Grazing**
- **Payment in Lieu of Taxes**

The sources listed above are distributed by the Federal Government.

- **Small Counties Assistance**

The source listed above is administered by the LGD.

#### **VARIOUS OTHER REVENUES SOURCES:**

- **Fire Protection Allotment**

The source listed above is administered by the State Fire Marshal.

(505) 827-3723 or 800-244-6702

- **Law Enforcement Protection (LEPF) Allotment**

The source listed above is administered by the LGD.

- **Emergency Medical Services (EMS) Allotment**

The source listed above is administered by the Emergency Medical Services Bureau, Dept. of Health.

(505) 476-7886

- **Driving While Intoxicated (DWI) Allotment**

The source listed above is administered by the LGD.

### EXPENDITURES

### Expenses vs. Expenditures vs. Disbursements

Three terms - expenses, expenditures and disbursements - are used when referring to expenditures. However, those terms may have different meanings depending upon the basis of accounting in use.

- 1) On a **cash basis**, recognition is based upon the timing of the actual cash **disbursement**. For expediency, and in less complex financial operations, the cash basis is often followed throughout a fiscal year, with year-end adjustments to the accrual basis for presentation of the annual financial statement.

Nevertheless, the cash basis tends to distort operating results when there is a significant time gap between purchase and payment dates for goods and services.

- 2) The term expenses is generally used in instances where the full accrual basis of accounting is applied, such as for enterprise and internal service fund types. Expenses are recognized at the point in time the liability is incurred, i.e., when the goods or services are received, or when an obligation is incurred, such as for lease purchases. On an accrual basis, further classification of expenses will be made to recognize matching of expenses to the proper accounting period (deferrals such as prepaid expenses are amortized over the useful life of the expense), or to recognize purchases of assets (inventory, fixed assets) which are only classified as expenses according to a measure of their use over time (for example, depreciation).
- 3) **Expenditure** is the term used in budgetary accounting which is applicable to all governmental fund types. It represents the charge against budget for goods or services actually received. An expenditure may be recognized on an accrual basis, on a modified accrual basis, or on a cash basis.

An accrual basis expenditure would be recorded against the budget when the goods and services were **consumed** rather than when purchased or payment made.

A **modified accrual** basis expenditure would be a purchase of a budgeted asset, such as inventory, which must be reflected as a reduction of budget when the **purchase** is made rather than when it is used (accrual basis expense).

A **cash basis** expenditure recognizes the purchase for budgetary purposes when the **payment** is made unless an encumbrance (see below) was previously recorded.

The State and most local governments in New Mexico use the cash basis method for budgetary purposes.

A charge against budget for goods or services not yet ordered is accomplished through an **encumbrance**. The encumbrance reflects a commitment of the budget for purchase orders or general reservations of budget for anticipated expenditures.

The *Public Purchases Act* provides guidance in the procurement of goods and services needed by local governments. The purpose of the *Public Purchases Act* (also known as the **Procurement Code**) is to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity. The State Purchasing Division are experts on the **Procurement Code** and therefore should be the division in which to contact with any questions/interpretations.

(505) 827-0472                      State Purchasing Division, GSD

### **TRANSFERS**

Because governments use fund accounting which segregates cash and other assets into self-contained accounting units, there often arises a need to transfer cash or other assets from one fund to another which should not result in recording a revenue or expenditure. These transfers are classified separately as "Other Financing Sources or Uses".

### **BONDS**

New Mexico counties and municipalities are authorized to issue revenue and general obligation bonds. The following articles govern bonding in this state: ARTICLE IX, Section 9, ARTICLE IX, Section 10, ARTICLE IX, Section 12, and ARTICLE IX, Section 13.

## COUNTY BONDS - GENERAL OBLIGATION & REVENUE

Section 4-38-36 NMSA 1978 - Authorizes a board of county commissioners to issue general obligation bonds for the acquisition and construction of an airport, airplane landing strips and necessary public buildings in connection with an airport.

Chapter 4 Section 49 NMSA 1978 - pertains to bond issues for courthouses, jails, bridges, hospitals and libraries.

Chapter 4 Section 62 NMSA 1978 – pertains to revenue bonds.

## MUNICIPAL BONDS - GENERAL OBLIGATION & REVENUE

Section 3-30-5 NMSA 1978 - Authorizes a municipality to issue general obligation bonds. See statute for allowable purposes.

Section 3-30-6 NMSA 1978 - Requires that an election be held prior to the issuance of bonds, also addresses qualifications of voters; separation of items; time; publication or posting; ballots.

Section 3-30-8 NMSA 1978 - General obligation bonds must be signed by the mayor and clerk, and the coupons must be signed by the treasurer. A facsimile signature of the treasurer may be used on the coupons.

Section 3-30-9 NMSA 1978 - The full faith and credit of the municipality must be pledged to the payment of the bonds. A municipality may pay the principal and interest on any general obligation bonds from any available revenues, and the levy may be diminished if other revenues are available for the payment of principal and interest.

## MUNICIPAL BOND ISSUES - REVENUE BONDS

Chapter 4 Section 31 NMSA 1978 - Authorizes municipalities to issue revenue bonds. See statute for allowable purposes.

Chapter 3 Section 32 NMSA 1978 - pertains to **Municipal Industrial Revenue Bonds**. Legislative intent of this act is to authorize municipalities to acquire, own, lease or sell projects for promoting industry, trade, agriculture and manufacturing in this state.

Section 3-38-23 NMSA 1978 - Pursuant to the Lodgers Tax Act [3-38-13 to 3-38-24 NMSA 1978] counties and municipalities can issue revenue bonds to defray wholly or in part the costs for various purposes. See statute for allowable purposes.

Section 3-38-24 NMSA 1978 - Authorizes the refunding of revenue bonds issued pursuant to the Lodger's Tax Act. Refunding bonds may be issued for various purposes. See statute for allowable purposes.

Chapter 3 Article 59 NMSA 1978 pertains to **Pollution Control Revenue Bonds**. Legislative intent to authorize municipalities to acquire, own, lease or sell projects for reducing, abating or preventing pollution.

Section 3-60-30 NMSA 1978 - Pertains to the issuance of revenues bonds by municipalities under the Community Development Act.

Section 3-60A-29 through 3-60A-43 - Pertains to the issuance of revenue bonds by municipalities under the Metropolitan Redevelopment Code.

Chapter 5 Article 3 NMSA 1978 [Sections 5-3-1 to 5-3-10] - Pertains to the issuance of revenue bonds by municipalities to purchase, improve and maintain public auditoriums.

Chapter 5 Article 4 NMSA 1978 [Sections 5-4-10 to 5-4-15] - Pertains to the issuance of **Recreational**

**Revenue Bonds** by counties and municipalities to acquire, construct, repair, extend or improve recreational facilities.

Section 7-24A-14 NMSA 1978 - Authorizes certain counties and municipalities, by ordinance, to issue revenue bonds to acquire land, buildings, buses or other equipment required for **public transportation**, a vehicle emission inspection program or for road, street or highway construction, repair or maintenance on transit routes or for refunding bonds previously issued. The bonds are payable solely from a pledge of various sources. See statute for specific sources.

## **INVESTMENTS**

Various sections of the New Mexico Statutes Annotated 1978 control how the local governments (i.e., counties, municipalities and special districts) may invest funds not needed currently to finance operations. The primary purpose of these laws is to provide for safety of invested principal.

Section 6-10-31 NMSA 1978 – Authorizes any Board of Finance to place excess public funds into time deposits with a bank, savings and loan association or credit union. Requires counties and municipalities to deposit all time deposits within the boundaries of their county.

Section 6-10-36 NMSA 1978 - Requires counties and municipalities to deposits public monies, stipulates distribution, interest.

Section 6-10-44 & 44.1 NMSA 1978 – Stipulates requirements of temporary investment of excess funds; federal bonds or treasury certificates eligible. Also stipulates requirements of deposits in credit unions

Section 3-45-24 NMSA 1978 – Stipulates requirements of housing bonds; legal investments; security; negotiable.