

# BUDGETING Q & A

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# Fund Accounting

**"Fund accounting is a system of accounting used by non-profit entities to tracking the amount of cash assigned to different purposes and the usage of that cash."**

Pots of Money...



- Library Fund of the City/County budget
    - Board determines amount of tax money needed
    - Submit the budget forms to the State
    - Tax money raised is passed on to the library
    - May not be “diverted” for City use
  - Library Budget:
    - General Fund
    - Employee Benefit Fund
    - Capital Improvement Fund
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# Library Boards set budgets

City may set a mill levy limit  
using home rule charter  
ordinance

“The governing body...shall annually levy a tax for the maintenance of such library *in such sum as the library board shall determine* within the limitations fixed by law

--K.S.A. 12-1220

(Italics added)



Budget to a plan,  
don't plan to a budget.

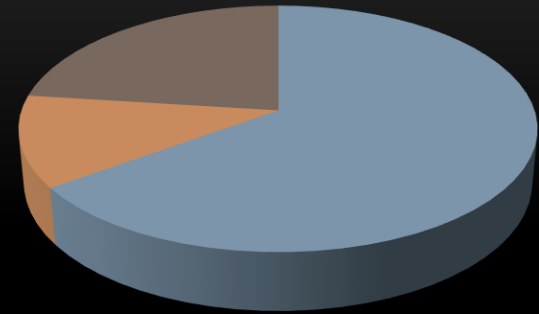
Boards and Directors  
need to know:



- Revenues – income
- Expenditures – costs
- Actual v. Budget Comparison  
through monthly financial reports

## State standards:

- 65% for personnel
- 12% for collection



Example: \$10,000 budget =  
\$6,500 wages and benefits  
\$1,200 for books, hoopla, koha



# MILL LEVY MATH

Mill levies are determined by:

1. Amount needed to be raised
2. Assessed valuation

“Within the limitations fixed by law” – Home Rule Charter Ordinance

# WHAT IS A MILL?

One mill is:

\$1 per \$1,000 of assessed valuation  
or .001

**Assessed valuation is** the **taxable value** of a property. The rates used are set in the Kansas Constitution. For residential property it is 11.5%, commercial property is 25% and state assessed properties are 33.0%.

Assessed valuation:      1 mill raises:

$$\text{\$ } 4,450,000 \times .001 = \text{\$ } 4,450$$

$$\text{\$ } 19,232,018 \times .001 = \text{\$ } 19,232$$

$$\text{\$ } 72,426,222 \times .001 = \text{\$ } 72,426$$

# MILL LEVY MATH

$$\frac{\text{Amount of tax to be levied}}{\text{Assessed valuation}} \times 1000$$

# MEANING FOR HOMEOWNERS

Residential property is assessed at 11.5%  
of fair market value

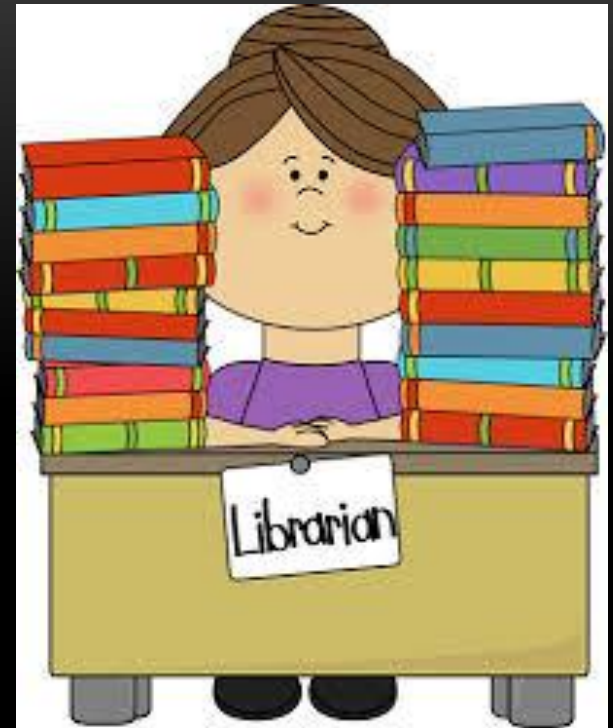
$\$90,000 \text{ home} \times .115 \text{ (11.5\%)} = \$10,350$   
Assessed value

$\$10,350 \text{ assessed val.} \times 1 \text{ mill (.001)} = \$10.35$

- Amount of library tax needed = \$99,650
- Assessed valuation = \$20,717,530
- $(99,650 / 20,717,530) \times 1000 = 4.8099$
- Rounded: Mill Levy = 4.810
- \$10.35 (for 1 mill)  $\times 4.810 = \text{\$49.78}$  in tax from the home owner with a \$90,000 house to support the library.

# Library Directors:

- Help develop the budget
- Administer the budget approved by the board
- Understand the financial reports



## Library Boards:

- Develop the strategic plan
- Involved in budget development
- Approve the budget



# Revenue sources

City or other municipality taxes

- Property tax (ad valorem) levy for Library Fund
  - Motor vehicle and similar taxes in proportion
  - Occasionally supplemented by other city funds
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# Revenue sources

You can find your municipality's budget online

<https://admin.ks.gov/offices/oar/municipal-services/municipal-budgets>



# Revenue sources

State aid

System grant (except for some district libraries)

# Revenue sources

Fines, fees, etc.

Fundraising

Memorials, donations, bequests,  
endowments/ foundations

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# THE PLANNING/BUDGET CYCLE

# BUDGET CYCLE FOR PUBLIC LIBRARIES

- Jan-March      Review plans/income needed to achieve
  - May-June      Present written budget request to city
  - August-Sept.      City publishes budget and conducts public hearing
  - November-Dec.      Determine final operating budget
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# STEPS IN PREPARING A BUDGET

- Consider what you hope to accomplish
- Determine the financial resources necessary to achieve it
- Prepare a draft budget
- Approve budget (vote of board)
- Board submits budget to municipality to levy taxes



## NOTICE OF BUDGET HEARING

2021

The governing body of

City of XXXXX

will meet on August 10, 2020 at 7:00 p.m. at City Hall for the purpose of hearing and answering objections of taxpayers relating to the proposed use of all funds and the amount of ad valorem tax.

Detailed budget information is available at City Hall and will be available at this hearing.

### BUDGET SUMMARY

Proposed Budget 2021 Expenditures and Amount of 2020 Ad Valorem Tax establish the maximum limits of the 2021 budget.

Estimated Tax Rate is subject to change depending on the final assessed valuation.

FUND	Prior Year Actual for 2019		Current Year Estimate for 2020		Proposed Budget for 2021		
	Expenditures	Actual Tax Rate *	Expenditures	Actual Tax Rate *	Budget Authority for Expenditures	Amount of 2020 Ad Valorem Tax	Estimate Tax Rate *
General	965,147	38.369	1,058,430	38.200	1,137,925	396,479	38.168
Debt Service					99,409		
Library	55,929	4.743	57,923	4.880	59,406	51,029	4.912



**FUND PAGE FOR FUNDS WITH A TAX LEVY**

Adopted Budget Library	Prior Year Actual for 2019	Current Year Estimate for 2020	Proposed Budget Year for 2021
Unencumbered Cash Balance Jan 1	0	0	0
Receipts:			
Ad Valorem Tax	46,491	50,043	XXXXXXXXXXXXXXXXXXXX
Delinquent Tax	1,429	482	0
Motor Vehicle Tax	7,502	6,924	8,757
Recreational Vehicle Tax	141	126	161
16/20M Vehicle Tax	59	55	66
Commercial Vehicle Tax	254	250	292
Watercraft Tax	53	43	52
Interest on Idle Funds			
Neighborhood Revitalization Rebate			0
Miscellaneous			
Does miscellaneous exceed 10% Total Rec			
<b>Total Receipts</b>	<b>55,929</b>	<b>57,923</b>	<b>9,328</b>
<b>Resources Available:</b>	<b>55,929</b>	<b>57,923</b>	<b>9,328</b>
Expenditures:			
Appropriation to Board	55,929	57,923	59,406

# STATE GRANT-IN-AID WORKSHEET

A	B	C	D	E	F	G	H	I
	<b>WORKSHEET FOR STATE GRANT-IN-AID TO PUBLIC LIBRARIES AND REGIONAL LIBRARY SYSTEMS</b>							
	<b><u>Budgeted Year: 2021</u></b>							
	Library found in: City of Iola							
	Allen County							
	Two tests are used to determine eligibility for State Library Grant. If the grant is approved, then the municipality's library will be paid the grant on February 15 of each year.							
	<u>First test:</u>							
				Current Year		Proposed Year		
				<u>2020</u>		<u>2021</u>		
	Ad Valorem			\$200,695		\$200,851		
	Delinquent Tax			\$4,070		\$0		
	Motor Vehicle Tax			\$28,078		\$27,754		
	Recreational Vehicle Tax			\$360		\$31		
	16/20M Vehicle Tax			\$500		\$522		
	LAVTR			\$0		\$0		
				\$0		\$0		
	TOTAL TAXES			\$233,703		\$229,158		
	Difference in Total Taxes:			(\$4,545)				
	Qualify for grant:			Not Qualify				
	<u>Second test:</u>							
	Assessed Valuation			\$30,829,266		\$30,280,564		
	Did Assessed Valuation Decrease?			Yes				
	Levy Rate			6.51		6.633		
	Difference in Levy Rate:			0.123				
	Qualify for grant:			Qualify				
	Overall does the municipality qualify for a grant?			Qualify				

# FOLLOW THE MONEY

From Taxpayer to Library Board  
Treasurer

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Taxpayer



County  
Treasurer

# COUNTY COLLECTS TAXES FOR, AND DISTRIBUTES TO, ALL TAXING UNITS

County

Treasurer

\$200,000

collected

(in city)

School district

32 mills

\$64,000

County

38 mills    \$76,000

City

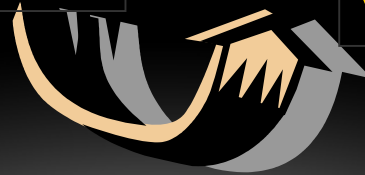
30 mills

\$60,000

Taxpayer



County  
Treasurer



City Clerk

# CITY TAXES ARE IDENTIFIED BY FUND

\$60,000  
received  
from  
county  
treasurer

## General Fund

30 mills      \$45,000

## Library Fund

5 mills      \$7,500

## Bond & Interest fund

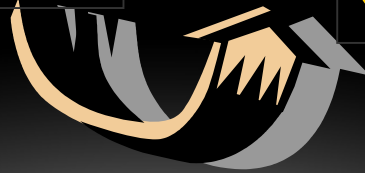
5 mills      \$7,500

Taxpayer

Library

County  
Treasurer

City Clerk





# TAX REVENUE DISBURSEMENT

- January 20
- March 20
- June 6
- September 20
- October 31
- December 20 (Motor Vehicle Tax only)

K.S.A. 12-1678a-"to be distributed to the  
taxing entities ON or BEFORE these dates"

# 2021 Senate Bill 13

- Passed and signed into law
- Revenue neutral rate (same dollars)
- To exceed, notification to county clerk by July 20
- To exceed, notification by county clerk to each taxpayer (begins next year)
- Cost borne by state first two years
- Change in budget schedule; hearings to be held Aug. 20-Sept. 20

## Impact of S.B. 13

Will a city which wishes to maintain a revenue neutral budget be able to override the requirements of K.S.A. 12-1220?

# MISCELLANEOUS INFORMATION

# OTHER RELEVANT LAWS

- K.S.A. 12-1226
    - Treasurer must be bonded
    - Municipality pays funds to board treasurer
  - Cash basis law
  - Capital improvement fund
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# INVESTING PUBLIC FUNDS

Tax funds: Savings accounts, CDs etc.

(local branch requirement)

If can't receive rate equal to U.S. gov't securities,  
can use several options:

Treasury bills

Municipal investment pool

Municipal bonds from Kansas

# INVESTING: DONATIONS

Law (K.S.A. 12-1225(h) allows pretty much any type of investment for funds received as gifts, including proceeds from:

- Dividends

- Rent

- Other income

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# FINANCIAL REPORTS



Financial reports are an essential tool



Compare actual revenues and expenditures to the budget

	2021		WORKING	
	NOV	YTD	BUDGET	%
REVENUES				
Brister		33,839.75	29,000.00	116.69%
Endowment Fund		2,890.00	2,890.00	100.00%
Fines & Miscellaneous	265.28	4,137.68	7,500.00	55.17%
Interest	4.36	46.14	250.00	18.46%
Meeting Room Revenue	43.88	156.89	300.00	52.30%
Passport Execution Fees	139.13	1,658.16	3,200.00	51.82%
Rent (SEKLS)		22,230.00	22,230.00	100.00%
SEKLS Allocation		15,894.00	15,894.00	100.00%
SEKLS Mat. Del. Grant		44.00	75.00	58.67%
State Aid		1,496.89	1,528.00	97.96%
Tax Receipts	6,568.43	219,800.26	220,000.00	99.91%
<b>TOTALS</b>	<b>7,021.08</b>	<b>302,193.77</b>	<b>302,867.00</b>	<b>99.78%</b>
OPERATING EXP.				
Adult Programs	0.00	195.96	250.00	78.38%
Audit	0.00	3,375.00	3,175.00	106.30%
*Books, etc.	1,146.16	19,056.51	25,500.00	74.73%
Electronic Materials	0.00			
Periodicals	35.00			
Non-Print Materials	0.00			
Microfilm Expense	0.00			
Games	0.00			
HOOPLA	0.00			
Bldg. & Grounds	1,271.03	14,774.35	14,500.00	101.89%
Capital Improvement Fund	0.00	0.00	2,000.00	0.00%
Children's Prog.	160.56	495.65	1,100.00	45.06%
Collection Agency Fees	68.50	382.83	600.00	63.81%
Courier Service	0.00	125.00	125.00	100.00%
Employee Benefits	3,550.00	42,411.02	45,899.00	92.40%
Equipment Purchases	0.00	3,193.97	3,200.00	99.81%
Flewharty House	259.77	2,895.57	4,000.00	72.39%
Insurance	0.00	0.00	4,200.00	0.00%
Internet Expense	30.80	326.80	900.00	36.31%
Library Dev.	115.36	779.36	900.00	86.60%
Miscellaneous	130.32	1,400.05	1,000.00	140.01%
Postage	0.00	370.52	1,200.00	30.88%
Salaries	15,100.00	163,973.63	180,887.00	90.65%
Software Purchases & Licenses	436.80	1,404.80	1,290.00	108.90%
Supplies	68.42	1,693.39	2,000.00	84.67%
Utilities	1,224.51	15,270.94	13,300.00	114.82%
<b>GRAND TOTAL</b>	<b>23,597.23</b>	<b>272,125.35</b>	<b>306,026.00</b>	<b>88.92%</b>

# ESSENTIAL TOOL FOR BOARDS AND LIBRARY DIRECTORS

No financial report = Can't give appropriate oversight

# WHAT INFORMATION SHOULD BE IN A REPORT

- Show what's received and spent this month
- Also for the year to date
- Compares actual receipts and expenditures to budget

# WHAT MAKES A QUALITY REPORT?

- Accurate information
  - Timely (up to date) information
  - Understandable (format and language)
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<u>Revenues</u>	This month	Year to date	Budget	%
Fines, fees, etc.	71	742	1,800	41.2%
State aid	0	586	600	97.7%
System grant	0	1,624	3,248	50.0%
Tax income	10,249	26,987	32,000	84.3%
Total revenue:	10,320	29,939	37,648	79.5%
<u>Expenditures</u>				
Books & other materials	422	2,619	5,100	51.4%
Building maintenance, utilities	259	1,546	3,900	39.6%
Employee benefits	181	1,022	2,120	48.2%
Insurance	0	0	1,100	0.0%
Miscellaneous	45	334	1,000	33.4%
Postage/courier	290	375	450	83.3%
Salaries	1,873	11,239	22,871	49.1%
Supplies	36	548	950	57.7%
	3,106	17,683	37,491	47.2%

<u>Revenues</u>	This month	Year to date	Budget	Remaining
Fines, fees, etc.	71	742	1,800	1,058
State aid	0	586	600	14
System grant	0	1,624	3,248	1,624
Tax income	10,249	26,987	32,000	5,013
Total revenue:	10,320	29,939	37,648	7,709
<u>Expenditures</u>				
Books & other materials	422	2,619	5,100	2,481
Building maintenance, utilities	259	1,546	3,900	2,354
Employee benefits	181	1,022	2,120	1,098
Insurance	0	0	1,100	1,100
Miscellaneous	45	334	1,000	666
Postage/courier	290	375	450	75
Salaries	1,873	11,239	22,871	11,632
Supplies	36	548	950	402
	3,106	17,683	37,491	19,808

# Audits

Budget \$500,000+: required

Budgets \$275,000-\$500,000:  
either audit or “agreed-upon  
procedures” required

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# Audits

Budget less than \$275,000: not required

Now must usually be done independently of the city audit

# Top Ten Mistakes

Boards and Librarians Can  
Make on Budgets and Finance

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# TOP TEN BUDGET MISTAKES

6. Not paying attention to financial reports.
  7. Micromanaging by not allowing the librarian to make most spending decisions within budget constraints.
  8. Not knowing the sources of your revenue
  9. Not knowing how much a mill raises in your municipality
  10. Not knowing how the city (or county or township) budget process works
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# TOP TEN BUDGET MISTAKES

1. Not developing a budget
  2. Not exercising authority over your budget, deferring all budget decisions to the city (or county or township)
  3. Not knowing what legal limit (if any) there is on your tax levy.
  4. Making a major change without knowing how it impacts the budget
  5. Not receiving financial reports that compare actual income and expenditures to budget.
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Questions?

Further Discussion?

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