

**LOCAL GOVERNMENT SERVICES BUREAU
STATE FINANCIAL SERVICES DIVISION**



BUDGETING SERIES:

Session 3: Cash Reserves & Levy Requirement Schedules

406-444-9101
LGSPortalRegistration@mt.gov
<http://sfsd.mt.gov/LGSB>

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LEARNING OUTCOMES

GOAL 1

Understanding and maintaining cash reserves.

GOAL 3

Understanding Tax Levy Requirements Schedules.

GOAL 2

Risk when cash reserves are too low.

Risk when cash reserves are too high.



Montana Code Annotated (MCA's)

MCA 7-6-40 – Local Government Budget Act

MCA 7-6-4012 – Fee Based Budgets –Adjustable Appropriation

- (1) in its final budget resolution, the governing body may authorize adjustments to appropriations funded by fees throughout the budget period. Adjustable appropriations are:
 - (a) proprietary fund appropriations; or
 - (b) other appropriations specifically identified in the local government's final budget resolution as fee-based appropriations.
- (2) Adjustments of fee-based appropriations must be:
 - (a) based upon the cost of providing the services supported by the fee; and
 - (b) fully funded by the related fees for services, fund reserves, or nonfee revenue such as interest.

MCA 7-6-4034 – Determination of Fund Requirements –Property Tax Levy

- (2)(a) a county's fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year; and
- (2)(b) a city's or town's fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.



CASH RESERVES

Cash:

- Cash may include cash on-hand, in demand deposits, time deposits, short-term investments & long-term investments.
- BARS Chart of Account:
 - 101000 for unrestricted cash
 - 102300 for restricted cash
(may use 102300 for restricted investments such as long-term US Securities, bonds, Treasury Notes/Bills, etc. ~ See 7-6-202 MCA for more information)



CASH RESERVES CONT.

Insufficient Cash Reserves can result in:

- Cash flow issues
- Potential negative cash balances in a fund (which results in “unofficial/unapproved borrowing” from other funds).
- Issues if revenues are lower than expected or costs are higher than expected
- No cushion for equipment failure, disasters or other emergencies that may come up



“We must consult our means rather than our wishes.” ~ George Washington



CASH RESERVES CONT.

Cash Reserves being too high can result in:

- Potential audit finding (not balancing out resources with requirements)
- Collecting too much in tax revenues with no plan to utilize



CASH RESERVES CONT.

SO, what are some options when.....

- Cash reserves are not sufficient:
 - Seek additional revenue sources to bring in additional funds.
 - Lower your appropriations to spend.
- Cash reserves are too high:
 - Make a plan to utilize excess cash in a capital projects/improvement fund. *Note: once you transfer cash into a 4000 fund you have committed those funds for capital projects only.
 - Lower the amount of what you are levying in property taxes to reduce your revenues down to what you actually need. *Note: this can result in carryforward mills and you should plan to be cautious with future use of those mills.



TAX LEVY SCHEDULES

- There are three Tax Levy Requirements Schedules in the budget document:
 - Non-VOTED Levies
 - Voted/Permissive Levies
 - Non-LEVIED Funds – Summary Schedule
- The purpose of the tax levy schedules is to show that your total resources balance to your total requirements, and to calculate your cash reserves percentages to verify you are operating within the allotted guidelines for cash reserves per statute.
- Tax levy schedules are a good way to analyze the status of each fund and to make sure your budget is balanced per fund and in total.



TAX LEVY SCHEDULES – Non-Voted Levies

- ❑ The non-voted tax requirement schedule is where you will list out how you will delegate the property tax revenues you calculated for your total mill levies assessed.
- ❑ Some entity's levy it all to the general fund and do transfers to other funds as needed.
- ❑ Some levy to each specific fund.
- ❑ Other than if it's listed within the Budget Resolution, this is the only place in your budget document that lists the detail of how your entity is delegating property tax revenues to each fund.
- ❑ These revenues along with your July 1st cash balance and non-tax revenues make up your total resources.
- ❑ The appropriations to spend adopted by the governing body along with your calculated cash reserves are what make up the total requirements.
- ❑ **TOTAL REQUIREMENTS must = TOTAL RESOURCES** to accomplish a balanced budget.



TAX LEVY SCHEDULES – Voted/Permissive

- As you know Voted Levy's are those that were put to a vote of the citizens and approved. This is where you will list all your voted levy fund information, if applicable.
- Permissive Levy's are also listed on this schedule. And would include any levies made per MCA 15-10-420(9). The most popular one is the medical permissive levy.



TAX LEVY SCHEDULES – Non-Levied Funds

- Non-levied funds are all other funds that do not receive any kind of property tax revenues.
- The purpose of this levy schedule is to calculate the level of cash reserves in your funds that do not receive property tax revenues. Making sure that the funds are not over-appropriating expenses without the revenues to support the spend, resulting in negative cash flow situations.

