

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



BUDGETING SERIES:

Session 1: Why complete a budget?

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LEARNING OUTCOMES

GOAL 1

Why do we budget?

GOAL 3

Steps in the budget process

GOAL 2

What does the budget do?
Budgeting Terms

GOAL 4

What to consider when
preparing your budget
Important dates



WHY DO WE BUDGET?

- It's the law! MCA Title 7, Chapter 6, Part 40
- The approved budget allows you to spend money and run your government
- Determines Mill Levy for ad valorem (property) taxes
- Lets the citizens know what functions your entity provides and how your entity is functioning
- To develop and present a revenue and expenditure plan for the upcoming fiscal
- Aids in the development of a capital purchase plan or a capital improvement plan



WHAT DOES THE BUDGET DO?

The budget document provides a comprehensive list of functions and their budgets

- Do you
 - have an airport?
 - run a baseball stadium?
 - provide water & sewer services?
 - operate a cemetery?
 - have a parking garage?
 - run a hospital?

Presents a revenue and expenditure plan for the upcoming fiscal year for your various functions

- The budget shows the sources of your revenues whether it is tax revenue or other types of revenue
- The budget presents how you plan to spend those resources



BUDGET ACT HIGHLIGHTS

The Local Government Budget Act Title 7 Chapter 6 Part 40 MCA

- 7-6-4001(2) applies to all local governments
- 7-6-4003(1) shall submit a complete copy of the final budget together with a statement of tax levies
- 7-6-4006(1) appropriate money and provide for the payment of debt and expenses of the local government
- 7-6-4020(1) a preliminary annual operating budget must be prepared
- 7-6-4030(2) the final budget must be balanced
- 7-6-4034(1) after determining the final budget, the governing body shall determine the property tax levy needed for each fund



MILL LEVY DETERMINATION

- 7-6-4034(1) MCA: after determining the final budget, the governing body shall determine the property tax levy needed for each fund
- Department of Revenue provides the Certified Taxable Value Information, the basis for determining the mill levy
- 15-10-202(1) MCA: ...by the first Monday in August, the department shall certify to each taxing authority the total taxable value within the jurisdiction of the taxing authority



MONTANA
Form AB-72T
Rev. 3-12

2019 Certified Taxable Valuation Information
(15-10-202, MCA)
Beaverhead County
CITY OF DILLON

Certified values are now available online at property.mt.gov/cov

1. 2019 Total Market Value ¹	\$	329,509,354
2. 2019 Total Taxable Value ²	\$	5,507,096
3. 2019 Taxable Value of Newly Taxable Property.....	\$	56,380
4. 2019 Taxable Value less Incremental Taxable Value ³	\$	5,507,096
5. 2019 Taxable Value of Net and Gross Proceeds ⁴ (Class 1 and Class 2).....	\$	-

6. TIF Districts

Tax Increment District Name	Current Taxable Value ²	Base Taxable Value	Incremental Value



BUDGET TERMS

Appropriation: the amount an entity is legally authorized to spend

Budget: a legally adopted plan of revenues and expenditures of an entity

Cash Reserves: used to meet expenditure needs during the months of July to November and are added to the appropriations to determine total requirements

Governing body: the elected body responsible for the administration of a local government, 7-6-4002(1) MCA

Levy or Tax Levy: a government tax to cover the costs associated with conducting the business of running a local government

Local government: a consolidated city-county or a county or an incorporated city or town, 7-6-4002(2) referencing 7-6-602 MCA

Local Government Budget Act: Title 7, Chapter 6, Part 40 MCA which outlines the guidelines for budgeting for the local government entities



BUDGET TERMS #2

Mill: the unit used to calculate ad valorem property tax

Non-recurring: revenues or expense occurring one time

Recurring: revenues or expense generated every year

Revenue: the amount of funds received by an entity to provide services

Working capital: is the amount of current assets less current liabilities and designated reserves as defined in 7-6-4002(4) MCA



BUDGET TERMS #3

Budget: a legally adopted plan of revenues and expenditures of an entity

Balanced budget: a budget in which total resources = total requirements

Base budget: starting annual budget providing for continuing expense without regard to price changes

Capital budget: a budget developed for capital purchases or a capital improvement plan

Performance based budget: a budget with funding levels based on program results

Preliminary annual operating budget: a proposed budget prepared, usually by mid June, and presented to the governing body for approval

Proprietary (Enterprise) budget: a budget developed for a business type fund in which charges for services support the expenses



BUDGETING TERMS #4

Revenue: the amount of funds received by an entity to provide services

- **Property tax revenues:** the amount of revenue from ad valorem taxes but doesn't include penalty and interest on delinquent taxes & local option taxes
- **Non-tax revenues:** all other revenues including charges for services, grant funds, local option taxes and state entitlements

Operating revenue: revenue raised from charges for services, i.e. water & sewer

- **Mill levy:** an amount levied based upon an entity's certified taxable value
- **Non-voted mill levy:** doesn't need voter approval to levy tax – usually property tax
- **Voted mill levy:** must have voter approval to levy tax per 15-10-425 MCA
- **Permissive mill levy:** a tax levied without a vote but is restricted in purpose, i.e. group benefit levy



BUDGETING TERMS #5

- Cash reserves: used to meet expenditure needs during the months of July to November
- Per 7-6-4025 MCA a local government may receive and expend money between July 1 of the fiscal year and the date the final budget resolution is adopted
- Cash reserves are added to the appropriations to determine total requirements
- Cash reserves should not be a negative amount
- Per 7-6-4034(2)(a) MCA a county's cash reserves may not exceed one-third of appropriations
- Per 7-6-4034(2)(b) MCA a city's cash reserves may not exceed one-half of appropriations



THE BUDGET PROCESS – Basic Steps

Basic Steps

Create a calendar so you are aware of the various due dates

Council/Commission hearings are held for taxpayer or resident input

Budget preparation: gather information from interested parties

Approved budget is legally adopted by the governing body.

Preliminary budget is the compilation of information received during the budget preparation step

The budget process is influenced by a series of due dates outlined in the MCA.



ITEMS TO CONSIDER

Personnel Costs

- Will staff levels increase or decrease?
- Are benefit costs changing?
- Have raises been approved?

Other Expenditures

- Will they be similar to the prior year?
- Was there a change in fuel costs, insurance rates, debt service?
- Were there one-time expenditures that do not need to be re-appropriated?

Revenues

- Will they be similar to the prior year?
- Was there an increase in charges for services?
- Did you have one-time funding?

Cash available at fiscal year end

- Estimate expenses to be paid in the current year and do not reappropriate the related funds
- Year end accruals for revenues and expenses will also impact your cash available at year end



ITEMS TO CONSIDER #2

Working Capital

- The current assets of a fund minus the current liabilities and designated reserves of a fund. 7-6-4002(4) MCA
- Money may not be disbursed, expended, or obligated except pursuant to an appropriation for which working capital is or will be available. 7-6-4006(2) MCA

Review budget to actual reports for all funds

- Ensure revenues are coming in as planned
- Review expenditures
 - Are they coded correctly?
 - Is any line item overspent and does it need to be corrected?

Does it appear a budget amendment will need to be done? Or has a transfer not been completed?



THE BUDGET PROCESS - CALENDAR

Calendar

At the beginning of your fiscal year, create a calendar using the Important Dates Calculator from our website

- This will tell you the dates when your budget should be adopted by and submitted to LGSB as well as submission dates for your AFR and any audits, if required

**Local Government
Important Dates Calculator**

Enter Fiscal Year End Date
Enter as xx/xx/xxxx June 30, 2021

**Budget Reports
(Counties/Cities/Towns Only)**

	<ul style="list-style-type: none"> Budgets should be adopted by the governing body by the first Thursday after the first Tuesday in September (or 30 days after receipt of taxable values from DOR, whichever is later) – MCA 7-6-4024(3)
September 3, 2020	
October 1, 2020	<ul style="list-style-type: none"> Budgets due to LGS (or 60 days after receipt of taxable values from DOR, whichever is later) – MCA 7-6-4003
November 1, 2020	<ul style="list-style-type: none"> Publicly noticed in Delinquent Budget Report on LGS's website if not received by LGS

**Annual Financial Reports
All Local Governments, excluding School Districts & Special Ed Cooperatives**

6 months after FYE	December 31, 2021	<ul style="list-style-type: none"> Annual Financial Reports due to LGS – MCA 2-7-503
180 days after AFR due date	July 1, 2022	<ul style="list-style-type: none"> Delinquent annual financial reports publicly noticed in newspaper and \$75 penalty assessed - MCA 2-7-517

**Audit Reports-Federal
All Local Governments**

9 months after FYE	March 31, 2022	<ul style="list-style-type: none"> Audit Reports in Compliance w/ Federal Requirements (A-133/Uniform Guidance) & Corrective Action – due to LGS and Single Audit Clearinghouse – Fed. Regs./ARM 2.4.411 & MCA 2-7-515
0 days after receipt of audit (Federal)	April 30, 2022	<ul style="list-style-type: none"> Mail copy of audit report to Newspaper - MCA 2-7-521 Audit Statement Published in Newspaper – MCA 2-7-521
180 days after Audit Report due date	September 30, 2022	<ul style="list-style-type: none"> Delinquent audit reports publicly noticed in newspaper and \$75 penalty assessed - MCA 2-7-517

**Audit Reports-Non-Federal
All Local Governments**

12 months after FYE	June 30, 2022	<ul style="list-style-type: none"> Audit Reports (Non-Federal) due to LGS - MCA 2-7-503
75 days after receipt of audit (Non-Federal)	July 31, 2022	<ul style="list-style-type: none"> Corrective Action due to LGS -MCA 2-7-515 Mail copy of audit report to Newspaper - MCA 2-7-521 Audit Statement Published in Newspaper – MCA 2-7-521
180 days after Audit Report due date	December 31, 2022	<ul style="list-style-type: none"> Delinquent audit reports publicly noticed in newspaper and \$50 penalty assessed - MCA 2-7-517



THE BUDGET PROCESS - CALENDAR

The budget calendar is influenced by:

- 7-6-4020(3) MCA: Counties shall start preliminary budgets before **June 1**
- DOR Certified Taxable Values notification, the **first Monday in August**, 15-10-202 MCA
- 7-6-4024(3) MCA: Final Budget adoption by the later of the **first Thursday after the first Tuesday in September** or within 30 calendar days of receiving the Certified Taxable value
- 15-10-305(1)(a) MCA: the county clerk and recorder shall by the **second Monday in September** or within 30 calendar days after receiving certified taxable values notify the department of the number of mills needed to be levied for each taxing jurisdiction in the county.
- 7-6-4003 MCA: submission of the final budget to LGSB by **October 1** or 60 days after receipt of Certified Taxable values



OTHER SOURCES OF INFORMATION



Local Government Center: msulocalgov.org

Montana Association of Counties: Mtcounties.org

Montana League of Cities & Towns: mtleague.org

Government Finance Officers Association: GFOA.org



LGS CONTACT INFORMATION



Phone: 406-444-9101

Email: LGSPortalRegistration@mt.gov

Website: <http://sfsd.mt.gov/LGSB>

LGSB staff is here to help! Please let us know if we can be of assistance

