



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

NACO BUDGET WORKSHOP

June 2024

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Overall Budget Timeline

- **May (or earlier)** – individual offices working on their budget request to submit to Budget Making Authority
- **May (or earlier) through July** – Budget Making Authority considering budget requests and preparing preliminary County Budget
- **August 1** – Subdivisions under County’s levy authority provide resolution requesting preliminary allocation
- **August 1** – Budget Making Authority provides preliminary County Budget to full Board to review
- **August 20** – County Assessor provides certified valuations
- **September 1** – County passes resolution determining final allocation of levy authority

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Overall Timeline

- **August/September:**
 - County Board reviewing proposed budget and making changes
 - Publish notices of proposed budget and property tax requests
 - Hold Budget Hearing and Tax Request Hearing (if required)
 - Formally Adopt Budget
- **September 14-23** – Joint Public Hearings
- **September 30** – Adopted budget filed with State Auditor
- **October 20** – Deadline for County Board to set final levies for all subdivisions in the County
- **November 5th** – Deadline for County Board to correct an incorrect levy if needed

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Role of County Board and Officials

- Counties are subject to both the Nebraska Budget Act (Chapter 13, Article 5) AND the County Budget Act of 1937 (Chapter 23, Article 9)
- Statute 23-906
 - Finance Committee is considered the budget-making authority, unless the Board appoints someone else
 - On or before August 1st budget-making authority shall prepare the county budget and provide to County Board
 - Summary of proposed budget must be published four days prior to budget hearing (can include day of publication, but not day of hearing)

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Role of County Board and Officials

Statute 23-908

- Full County Board shall review the budget prepared by the budget-making authority
- Can make changes, but must have a hearing with the office or Department affected

Statute 23-909

- Budget must be adopted on or before September 30th

Statute 23-913

- Budget must show changes made by the County Board during it's review, revision, and adoption of the budget (Officials Request, Proposed, Adopted)

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Role of County Board and Officials

- Each Official and Department Head needs to be thinking about what their budget needs are for the upcoming year
 - Do you need new computers? Other new equipment?
 - Legislative changes that are going to result in additional costs? Or additional revenue?
 - Other changes that need to be accounted for in the budget?
- Typically start thinking about filling out Official's budget requests in May – June timeframe, but should be always kept in the back of your head.

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Role of County Board and Officials

Statute 23-916

- No officer, department, or other expending agency can exceed adopted budget

Statute 23-919

- Guilty of Class IV misdemeanor and subject to removal from office if budget is exceeded

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Level of Budgetary Control

- **General Fund:**
 - At Function level (ie. Treasurer, Clerk, Assessor, etc.).
 - Each office is held to their **total** budget
 - Board does not get to dictate how much is spent on individual line items
 - Can reallocate budget authority within fund by Resolution of County Board
- **Other Funds:**
 - At Fund level
 - Cannot exceed total budgeted disbursements for the fund
- **NOT** a line-item budget
- Increasing total budget authority for any fund requires budget amendment (publication, hearing, re-adoption of amended budget)

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Role of County Board and Other Governments

- County has total **\$0.50** of levy authority
 - Set by NE Constitution – require vote of the people to change
 - Can allocate up to **\$0.15** of this authority to other smaller governments in the County.
- Smaller governments in the County must obtain authority to tax from County Board
 - Ag Society, Fire District, Townships, Cemetery Districts, Hospital Districts, etc.
- Must provide resolution requesting levy authority to County by August 1st

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Role of County Board and Other Governments

- Authority allocated to other districts counts against County's \$0.50 of authority.
 - Example: \$0.10 to Townships, \$0.01 to Ag Society, and \$0.04 to Fire Districts – **only \$0.35 left for County budget**
- Must respond to request by September 1st – Approve as requested, deny completely, or approve different amount
- Must go to vote if they do not like authority given to them by County
 - If authority obtained through a vote, does not count against County's \$0.50

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Fire Districts

- Fire Districts may have 10.5 cent levy without vote if:
 - County levy is over 40 cents in previous year, or
 - County Board denied the District levy authority in any of the 3 previous years
- If Fire District obtains levy authority through 10.5 cent provision – does not count against County's \$0.50 levy limit

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Levy Setting Reminders

- Statute 77-1601 primary statute addressing levy setting
- Can only set levy for political subdivisions that have filed their budget with the County
 - If no budget received, no authority to set a levy for that entity
 - No longer authority to set levy at prior year amount
- Implement good review procedures to ensure County is calculating levies correctly
 - Every year, APA hears from multiple Counties that realized they set a levy wrong
- Send levies to all subdivisions in your County for them to review
 - Consider requiring them to respond stating they agree with the levy that was set for their entity
- November 5th – last day to correct a clerical error that resulted in the calculation of an incorrect levy

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Important Budget Statutes

Nebraska Budget Act

- 13-501 to 13-513

Budget Limitations (Lid on Restricted Funds)

- 13-518 to 13-522

County Budget Act

- 23-901 to 23-920

Levy Setting

- 77-1601

Property Tax Request Act

- 77-1630 to 77-1634

Levy Limits

- 77-3442 to 77-3444

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Budget Formula

- Budget Formula:
 - Necessary Cash Reserve + Budgeted Disbursements = **Total Requirements**
 - Beginning Fund Balance + Budgeted Receipts other than Property Taxes + Property Taxes = **Total Resources Available**
 - **Total Requirements MUST equal Total Resources Available**
 - In other words, the amount of money you need, must equal the amount of money you have available, in order to present a balanced budget
- Property Tax Request becomes a plug number in order to balance the budget

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Budget Formula

• Example:

<u>General Fund</u>	
Fund Balance at 6/30/21	1,000,000
Budgeted Revenue other than Property Tax	5,000,000
Total Resources Available Before Property Tax	6,000,000
Budgeted Disbursements	8,000,000
Necessary Cash Reserve	2,000,000
Total Requirements	10,000,000
Tax Request required to balance budget	4,000,000

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Budget Formula

- Focus of budget discussion is commonly on disbursements, but budgeting revenue is also a very important component of the budget process
- If budgeted receipts are too high, or too low – Property Tax request could be too high or too low
- Example:
 - Budgeted receipts other than property taxes of \$2,000,000, and a cash reserve of \$1,000,000
 - If actual receipts other than property taxes come in at \$1,500,000 – cash reserve goes down to only \$500,000
 - If actual receipts other than property taxes come in at \$2,500,000 – Property tax request could have been lowered by \$500,000 and still maintained the same cash reserve

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Budget Formula

Do not budget for Homestead Exemption or Property Tax Credit separately – they are already built into your Property Tax request.



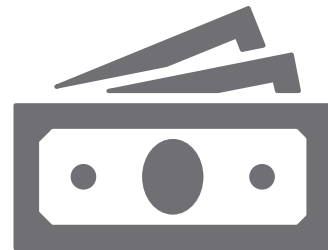
You do not receive this money in addition to your property tax request – a portion of your property tax request is just paid by the State of Nebraska rather than the local property owners.

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Cash Reserves

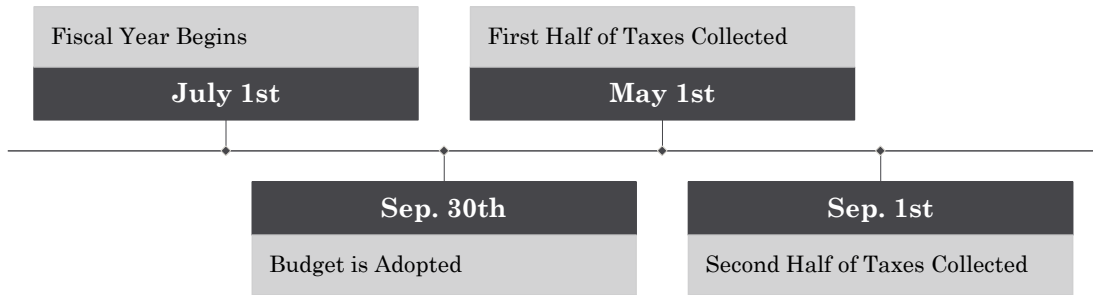
Budget \neq Money in the Bank

- Just because you have budget authority does not mean you have money in the bank to pay the bills.
- Budget may say you can buy a new motor grader, but if the Road Fund does not have actual money, you cannot pay for it.
- May need to pay for it out of a fund that does have money, or transfer money from another fund.
- Treasurer has the Fund Balances, need to make sure how much money is in the Funds (Bank) prior to approving claims



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Cash Reserves - Timeline



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Cash Reserves - Timeline

Property Taxes to fund the budget do not start coming in until fiscal year is almost over

Authority to spend the money is there right away, but that doesn't mean the actual money is in the bank to spend

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Cash Reserves

- Indicator your cash reserves are not sufficient:
 - Consistently running low on money in a particular fund, and having to transfer money from another fund (that was not a part of the original budget)
- Need to get more money coming into the fund or reduce money going out of the fund
 - Increase property tax request?
 - Increase fees charged, if possible?
 - Cut budgets?

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Accounting Code Manual

- Make sure the Fund, expenditure and revenue code numbers you are using match the State Auditor's Accounting Code Manual.
- Neb. Rev. Stat. § 23-1611 requires counties with population less than 100k to use State Auditor's codes.
 - No authority to be using codes that are not in the manual
 - No authority to be using codes for a different purpose than identified in the manual
- If you think you need a new code that is not in the Manual, need to contact State Auditor's office.
- Current Accounting Code manual on State Auditor's website ([Local Government > County Information > County Manual](#))

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Levy Limit

- County has overall levy limit of 50 cent (Constitution)
- Included in the 50 cents:
 - County Budget
 - Fire Districts (unless quality for 10.5 cent provision)
 - Townships
 - Ag Society
 - Historical Society
 - Any other small subdivision that does not have a levy limit in Statute 77-3442
- Determination is based on each tax district
- No property owner should be paying more than \$0.50 when levies of all these entities are added together, unless additional authority obtained through Vote or Townhall meeting.

Levy Limit

COUNTY LEVY LIMIT FORM

Name	Property Taxes Other Than Bonds	Bond Property Taxes	Valuation	General Tax Levy	Bond Tax Levy
(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)
Countywide Entities					
County	-	-	-	0.000000	0.000000
Ag. Society	-	-	-	0.000000	0.000000
Historical Society	-	-	-	0.000000	0.000000
	-	-	-	0.000000	0.000000
	-	-	-	0.000000	0.000000
	-	-	-	0.000000	0.000000
Total Countywide Entities				0.000000	0.000000
Levy Authority - County levy limit is 45 cents plus 5 cents for interlocal agreements. (77-3442)					
County levy limit				0.450000	
County property taxes designated for interlocal agreements				-	0.000000
Other entities property taxes designated for interlocal agreements				-	0.000000
Total County Levy Authority (Cannot exceed 50 cents)				0.450000	(1)
Levy Limit Analysis					
Countywide General Levy (Line 13)				0.000000	
Fire District - Largest General Levy Authority granted by County Board				0.000000	
Township - Largest General Levy Authority granted by County Board				0.000000	
Cemetery District - Largest General Levy Authority granted by County Board				0.000000	
Irrigation District - Largest General Levy Authority granted by County Board				0.000000	
Drainage District - Largest General Levy Authority granted by County Board				0.000000	
Rural Water District - Largest General Levy Authority granted by County Board				0.000000	
Other Districts - Largest General Levy Authority granted by County Board				0.000000	
Largest possible district levy				0.000000	(2)

Note: Attach a copy of the resolution sent to the Districts outlining how much levy authority the County Board authorized them to have.

Proposed New “Cap” on County Property Taxes

- LB 388 died on Final Reading, but likely to come back in some form
 - Special Session?
- New “Cap” would have replaced the current Lid on Restricted Funds for County/Municipalities
 - Old Lid on Restricted funds would have remained in effect for everyone else
- Intended to limit the amount property taxes can increase year over year
- Same intent as “Old Lid” – just goes about it in a different way

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Proposed New “Cap” on County Property Taxes

- Property Taxes limited to prior year, increased by:
 - Growth Percentage
 - Greater of 3% or percentage change in CPI
 - Property Taxes budgeted for bonds
 - Property Taxes needed to respond to emergency
 - Unused authority carried over from prior years – limited to 5% of prior year’s authority
 - Certain public safety/public health related measures
 - Voter approved increases

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Proposed New “Cap” on County Property Taxes - One Big Difference -

Old Lid

“Authority” carries forward year to year, regardless of how much you use.

New Cap

Starting point each year is always prior year property taxes levied

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Lid on Restricted Funds

- Lid limits how much the County can generate (ie. budget to receive) in taxes
- No limit on how much can be spent
- Current lid began in 1998
- Taxes in 1998 set the base authority amount
- Each year’s authority is allowed to increase
- Authority carry’s forward from year to year – do not lose authority if you do not use it

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Allowable Increases to Authority

Base 2.5% - Statutes allow everyone to increase authority by 2.5% every year without any action required

If valuation growth per the County Assessor is above 2.5% - allowed to increase by the allowable growth percentage

Additional 1% increase if approved by 75% of the Board present at the meeting

Additional amount approved by the Voters

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Allowable Increases to Authority – Example

- Decisions made to today regarding approval of additional 1% increase will impact the County in the future
- Example County that approved the additional 1% increase every year would have additional \$474,603 of authority over a County that never approved it
- Does not mean you are increasing taxes – only giving yourself the authority to do so if necessary

	Beginning Authority		1,000,000
	2.5% Increase	3.5% Increase	Difference
1999	1,025,000	1,035,000	10,000
2000	1,050,625	1,071,225	20,600
2001	1,076,891	1,108,718	31,827
2002	1,103,813	1,147,523	43,710
2003	1,131,408	1,187,686	56,278
2004	1,159,693	1,229,255	69,562
2005	1,188,686	1,272,279	83,594
2006	1,218,403	1,316,809	98,406
2007	1,248,863	1,362,897	114,034
2008	1,280,085	1,410,599	130,514
2009	1,312,087	1,459,970	147,883
2010	1,344,889	1,511,069	166,180
2011	1,378,511	1,563,956	185,445
2012	1,412,974	1,618,695	205,721
2013	1,448,298	1,675,349	227,051
2014	1,484,506	1,733,986	249,480
2015	1,521,618	1,794,676	273,057
2016	1,559,659	1,857,489	297,830
2017	1,598,650	1,922,501	323,851
2018	1,638,616	1,989,789	351,172
2019	1,679,582	2,059,431	379,850
2020	1,721,571	2,131,512	409,940
2021	1,764,611	2,206,114	441,504
2022	1,808,726	2,283,328	474,603

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CURRENT YEAR ALLOWABLE INCREASES		
1	BASE LIMITATION PERCENT INCREASE (2.5%)	2.50 %
		(4)
2	ALLOWABLE GROWTH PER THE ASSESSOR MINUS 2.5%	- %
	$\frac{\text{2021 Growth per Assessor}}{\text{2020 Valuation}} = \frac{\text{Multiply times}}{\text{100 To get \%}}$	(5)
3	ADDITIONAL ONE PERCENT BOARD APPROVED INCREASE	- %
	$\frac{\text{\# of Board Members voting "Yes" for Increase}}{\text{Total \# of Members in Governing Body at Meeting}} = \frac{\text{Must be at least .75 (75\%) of the Governing Body}}{\text{Governing Body}}$	(6)
	ATTACH A COPY OF THE BOARD MINUTES APPROVING THE INCREASE.	
4	SPECIAL ELECTION - VOTER APPROVED % INCREASE	- %
	Please Attach Ballot Sample and Election Results	(7)
TOTAL ALLOWABLE PERCENT INCREASE = Line (4) + Line (5) + Line (6) + Line (7)		2.50 %
		(8)
Allowable Dollar Amount of Increase to Restricted Funds = Line (3) x Line (8)		\$ -
		(9)
Total Restricted Funds Authority = Line (3) + Line (9)		\$ -
		(10)
Less: Restricted Funds from Lid Supporting Schedule		\$ -
		(11)
Total Unused Restricted Funds Authority = Line (10) - Line (11)		\$ -
		(12)
LINE (12) MUST BE GREATER THAN OR EQUAL TO ZERO OR YOU ARE IN VIOLATION OF THE LID LAW.		

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What are “Restricted Funds”

- Legislature has grouped various types of receipts together and labeled them “Restricted Funds”
 - Property Taxes
 - Motor Vehicle Pro-Rate
 - In-Lieu of Tax Payments (Public Power Districts)
 - Prior Year Capital Improvements excluded, but not spent
 - Motor Vehicle Tax
 - Local Option Sales Tax
 - Transfers of Surplus Fees
 - Insurance Premium Tax
 - Nameplate Capacity Tax
 - Motor Vehicle Tax
 - License or Occupation Tax

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Calculation of Restricted Funds

Total Personal and Real Property Tax Requirements	(1)	\$	-
Motor Vehicle Pro-Rate	(2)	\$	-
In-Lieu of Tax Payments	(3)	\$	-
Prior Year Budgeted Capital Improvements that were excluded from Restricted Funds.			
Prior Year Capital Improvements Excluded from Restricted Funds (From Prior Year Lid Support, Line (18))		\$	-
LESS: Amount Spent During 2020-2021	(4)	\$	-
LESS: Amount Expected to be Spent in Future Budget Years	(5)	\$	-
Amount to be included as Restricted Funds <i>(Cannot Be A Negative Number)</i>	(6)	\$	-
Motor Vehicle Tax	(7)	\$	-
Local Option Sales Tax	(8)	\$	-
Transfers of Surplus Fees	(9)	\$	-
Excess Tax Collections Returned to County (Statute 77-1776)	(10)	\$	-
Insurance Premium Tax	(11)	\$	-
Nameplate Capacity Tax	(12)	\$	-
Motor Vehicle Fee	(13)	\$	-
Reimbursement of Indigent Defense Services	(14)	\$	-
License or Occupation Tax (Statute 77-27,223)	(15)	\$	-
	(16)	\$	-
TOTAL RESTRICTED FUNDS (A)	(17)	\$	-

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Exceptions to the Lid

- If Restricted Funds will be used for certain types of expenditures, those taxes can be “excluded” from the Lid
 - In other words, restricted funds generated for these purposes are not subject to the limit
- Common Exceptions to the Lid:
 - Capital Improvements
 - Purchase of Land
 - Improvements to Land
 - Does NOT include equipment
 - Interlocal Agreements
 - Exemption is only for the County portion
 - Bonded Indebtedness

Must be using restricted funds to pay for the exceptions

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Lid Exceptions

Capital Improvements (Real Property and Improvements on Real Property)	\$ -	(18)	
LESS: Amount of prior year capital improvements that were excluded from previous lid calculations but were not spent and now budgeted this fiscal year <i>(cannot exclude same capital improvements from more than one lid calculation.)</i>			
Agrees to Line (6).	\$ -	(19)	
Allowable Capital Improvements		(20)	\$ -
Bonded Indebtedness		(21)	_____
Public Facilities Construction Projects (Statutes 72-2301 to 72-2308)		(22)	_____
Interlocal Agreements/Joint Public Agency Agreements		(23)	_____
Public Safety Communication Project (Statute 86-416)		(24)	_____
Judgments		(25)	_____
Refund of Property Taxes to Taxpayers		(26)	_____
Repairs to Infrastructure Damaged by a Natural Disaster		(27)	_____
		(28)	_____
TOTAL LID EXCEPTIONS (B)		(29)	\$ -

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Unused Restricted Funds Authority

- Must be a positive number to be in compliance with the Lid
- Represents the amount of restricted funds that could have been included in the County's budget, but weren't
- No benefit to taking exceptions you don't need to stay within your authority (as laws are currently written)
 - Unused authority of \$1,000,000 is not any "better" than unused authority of \$0. Both are in compliance with the Lid.
- Unused Authority is not a good indicator of Financial Health
 - Be careful comparing to other County's – may not have taken all exceptions available

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Capital Improvements Exception

- Capital Improvement exceptions taken, but not spent, must be included as a Restricted Fund the following year.
- Example:
 - County takes a \$1,000 Capital Improvement Exception on 2023-2024 budget.
 - County only actually spends \$250 during the 2023-2024 fiscal year.
 - \$750 not spent is added in as a restricted fund for the 2024-2025 budget
 - Does the County have authority for this extra \$750?
 - If not, may force reduction in Property Tax Request

Strongly recommend against taking Capital Improvement Exceptions you do not need

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What Qualifies for Capital Improvement Exception?

- Purchase of land or improvements to land
- **Must be paid for with Restricted Funds**
- Examples of allowable exceptions:
 - Purchase of land for new jail paid for with property taxes
 - Courthouse window replacement paid for with property taxes
 - Construction of new road paid for with property taxes
- Examples of NOT allowable exceptions:
 - Purchase of land for new jail paid for with Bond Proceeds
 - Construction of new road paid for with Highway Allocation money
 - Purchase of new vehicle
 - Purchase of new office equipment
 - Purchase of Motor Grader
 - Purchase of new computers

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Budget Hearing Reminders

Statute 13-506 primary statute addressing budget hearing requirements

Must be held separately from any regularly scheduled hearing and cannot be limited by time

Purpose of hearing is to get input from the taxpayers – and then go back and finalize budget after considering their input

Intent of the statute is not to have hearing and adopt the budget on the same day

Schedule budget hearing as early as possible

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State Auditor's Role in Budget Process

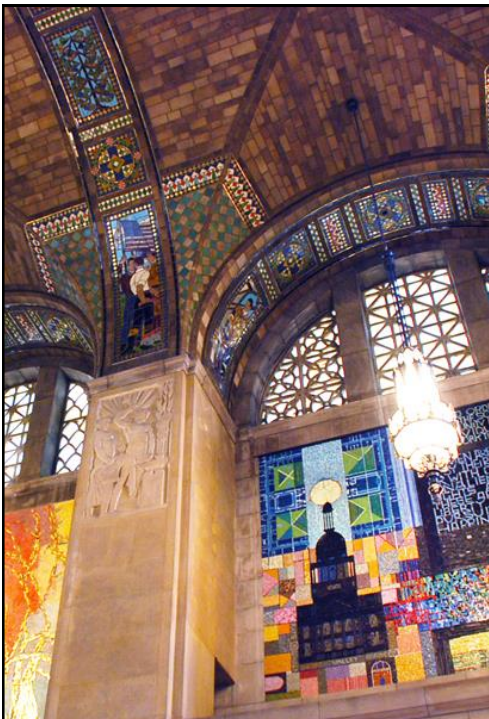
- Why am I talking to you today?
 - § 23-905 outlines that forms shall be prescribed by State Auditor
 - § 13-506 outlines that State Auditor may review budgets for errors, and noncompliance w/ Budget Act
 - § 13-504 requires material errors in the budget that are detected by State Auditor to be corrected

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Budget Amendments

- Can reallocate budget authority within General Fund by resolution of the County Board
 - Does not require publication, hearing, etc. as long as total General Fund budget does not increase
- If total budget of any County fund will not be sufficient – must follow amendment procedures of §13-511
 - Publish Notice, Hold Hearing, Board adopts amended budget
- Amendment must be approved PRIOR to the end of the fiscal year
- Amended budget must be filed w/ State Auditor's Office
 - Pages of the budget that changed
 - Proof of Publication for Budget Amendment Notice
 - Board minutes approving the amended budget

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APA Website

- All budgets are uploaded to APA website for anyone to review.
 - Local Government > Search Budgets
- Additional budget instructions and other guidance materials available
 - FAQ's, Instruction Manual, Significant State Statutes, Budget Timeline, Sample Forms, etc.
- Please let me know if you have ideas of anything that would help everyone through the budget process
 - No guarantee it will be possible – but open to input
- Updated Forms and other guidance materials should be available by end of June

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Budget Submission to State Auditor

- Two options for submitting budget to State Auditor's Office:
 - Hardcopy through the mail
 - Electronic PDF copy submitted through APA's website
- Submissions through website receive a confirmation of receipt
- We do not provide confirmation receipts for budgets received in the mail
- No news is good news – we do not contact you notifying you that the budget has been reviewed with no issues noted
 - Only contact you if corrections are needed, or if there are other items we need to bring to your attention.



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Questions?

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