

# Recreation Commission Budget Procedures



Office of Accounts and Reports  
Municipal Services

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## Welcome to the Recreation Commission Workshop

**Presented by  
Kansas Department of Administration  
Municipal Services**

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## Agenda

- Budget Process and Timeline (KSA 12-1927 and KSA 79-2925 et seq.)
- KSA 79-2988: Revenue Neutral Rate Review and Update
- Budget Review
- Kansas Cash-Basis Law (KSA 10-1101 et seq.)
- Kansas Municipal Audit Law (KSA 75-1117 et seq.)

3

## Budget Process

**KSA 12-1927 and  
Kansas Budget Law**

4

## Why adopt a budget?

- Provides authority to spend, as stated by KSA 79-2934
  - “The budget as approved and filed with the county clerk . . . shall constitute and shall hereafter be declared to be an appropriation for each fund . . . .”
- Recreation commissions are required to do so by KSA 12-1927
- A planning tool for the coming year(s) to enhance decision making
- Communication tool to share financial plan with taxpayers
- Mechanism for levying ad valorem taxes
- Budgeting should provide: Transparency, Accountability, Predictability, and Prioritization of Resources

5

## Recreation Commission Laws

### **KSA 12-1927**

- Recreation commission shall prepare an annual budget
- Prior to budget adoption, the recreation commission shall hold a budget hearing
- Public should be given at least 10 days’ notice of the time and place of hearing
- Public hearing is required to be held not less than 10 days prior to the budget certification date to taxing district
- Adopted and certified budget is provided to the city or school district **no later than August 1\***, for the purpose of tax levy

\*: If commission will exceed RNR, budget cannot be adopted prior to rate hearing and resolution passage. Rate hearing cannot occur until August 20<sup>th</sup>.

6

## Recreation Commission Laws

### **KSA 12-1927 (continued)**

- A copy of the (full) budget shall be filed (electronically) with the county clerk of the county the commission is located by August 1st–  
*See Recreation Commission Budget Checklist for a listing of documents to be filed*
- The taxing entity shall levy at a rate of the current resolution
- If commission desires to increase the mill levy above the current levy, the commission shall request the city or district to authorize an increase by adopting a new resolution

7

## Recreation Commission Laws

### **KSA 12-1927 (continued) – General Fund**

- Any resolution adopted by the city or school district concerning the increase shall state the total amount of tax to be levied for the recreation system and shall be published once each week for two consecutive weeks in the official newspaper of the taxing district
- Such annual levy in the amount not to exceed the amount stated in the resolution may be made for the ensuing budget year and each successive budget year unless a petition requesting an election upon the proposition . . . signed by at least 5% of the qualified voters of the taxing district is filed with the county election officer within 30 days following the date of last publication of the resolution.
- In the event a valid petition is filed, no such increased levy shall be made without such proposition having been submitted to and having been approved by a majority of the voters of the taxing district voting at an election called . . .
- All such elections shall be called and held in the manner provided by the general bond law (KSA 10-120) and the cost of the election shall be borne by the recreation commission

8

## Mill Levy Rate Suspension – General Fund

**KSA 12-1927(a)** provides, in part:

“...The city or school district may authorize the increase by resolution, but such increase shall not exceed one mill per year. The maximum annual mill levy for the recreation commission general fund shall not exceed a total of four mills”

**KSA 79-5040** provides, in part:

“In 1999, and each year thereafter, all existing statutory fund mill levy rate and aggregate levy rate limitations on taxing subdivisions are hereby suspended.”

In interpreting **KSA 79-5040**, the Attorney General opined the following:

“We are cognizant of the rule of statutory interpretation that when a statute's language is plain and unambiguous, a court should follow the intent expressed rather than determining what the law should or should not be. **KSA 2001 Supp. 79-5040 clearly states that all statutory fund mill levy rate limitations are suspended. The one mill levy limitation referred to in KSA 12-1927(a) is a "statutory fund mill levy rate limitation," and, therefore, is suspended as is the four mill maximum rate limitation also mentioned in the statute.**” *Attorney General Opinion 2002-44*

9

## Mill Levy Rate Suspension – General Fund

**KSA 79-5040** provides, in part:

“In 1999, and each year thereafter, all existing statutory fund mill levy rate and aggregate levy rate limitations on taxing subdivisions are hereby suspended.”

In interpreting **KSA 79-5040**, the Kansas Attorney General has opined the following:

“However, **the power to exceed a mill levy limit does not automatically authorize a taxing subdivision to ignore other steps that may be required prior to increasing such limits.** . . . (T)he fact that the Legislature was aware of procedural and election requirements when it enacted (KSA 79-5040), but did not likewise suspend related procedural requirements connected with levying a tax, evidences an intent to allow the electorate a means of challenging specific proposed tax increases.” *Attorney General Opinion No. 2007-34*

10

# Kansas Budget Law

## **KSA 79-2925 through 2937**

- Attorney General Opinion 2001-001 concludes that recreation commissions are subject to the Budget Law
- Expenditure authority at the fund level
- Requires the Director of Accounts and Reports (Municipal Services) to develop the budget forms
- Requires the budget form to present revenues and expenditures in three parallel columns
- Provides for a publication and public hearing requirements
- Provides for a process for amending the budget
- Transfers between funds require legal authority

11

# Kansas Budget Law

## **KSA 79-2925 through 2937**

- Indebtedness in excess of budget is unlawful
- Removal from office if violating law
- The budget of expenditures for each fund shall balance with the budget of revenues for such fund

12

## Kansas Budget Law – Basic Budget Timeline

- **June 15:** Assessed Property Valuations from County Clerks **\*will include RNR**
- **July 11:** Last day for notice of hearing to be published in weekly or daily newspaper within the taxing district
- **July 22:** Last day for public hearing with taxpayers
- **July 22-July 31:** Recreation Commission formally adopts budget
- **August 1:** Recreation Commission budget due to city or school district, and County Clerk
- **August 25:** City or School District budget due to County Clerk

13

## Mill Levy Calculation Review

## Ad Valorem Taxes & Mill Levy Rates

**Mill rate is the amount of tax payable per dollar of assessed value of a property.**

***A mill is one one-thousandth of a dollar, in property tax terms equals \$1 per \$1,000 of assessed valuation.***

### **Definitions:**

- Mill = Thousandth (one-tenth of one percent (0.001))
- Assessed Valuation (AV)
  - Assessed Valuation = Property Appraised Value X Assessment Rate
  - Kansas Residential property is assessed at 11.5%, per Kansas Constitution (see Article 11, Section 1)
  - Industrial and Commercial property is generally assessed at 25%

### **Mill Levy Formula:**

$$\text{Total Assessed Valuation} \div 1,000 = \text{Value of one mill}$$

## Ad Valorem Taxes & Mill Levy Rates

### **Example:**

- Residential real estate with an appraised value of \$100,000
- Residential real estate has an assessed value of 11.5% - Thus the \$100,000 home has an assessed value of \$11,500 (\$100,000 X 11.5%=\$11,500)
- Divide the assessed value of \$11,500 by 1,000 to determine one mill results in a tax of \$11.50 (\$11,500 / 1,000 = \$11.50)
- A two mill increase would result in a \$23.00 increase in property taxes for this taxpayer



## Ad Valorem Taxes & Mill Levy Rates

### Example:

Desired Mill Rate X (Total Assessed Valuation ÷ 1,000) = Total Taxes Levied

$$4 \quad X \quad ( 10,500,000^* \quad \div \quad 1,000 ) = \quad \$42,000$$

(\*June 15th budget information from county clerk)

**Caution: Holding MILL RATE steady *could* conflict with 2021 Kansas Senate Bill 13.**

## Ad Valorem Taxes & Mill Levy Rates

### Example:

City of Ike needs to levy \$500,000 for the 2022 budget. The estimated valuation of the city is \$14,500,000 (June 15<sup>th</sup> budget information from county clerk).

The *estimated* tax rate is 34.483 mills

$$\text{Formula: } (\$500,000/\$14,500,000)*1,000$$

**Scenario 1:** Final assessed valuations are \$14,800,000

The *final* tax rate is 33.783 mills

$$\text{Formula: } (\$500,000/\$14,800,000)*1,000$$

**Scenario 2:** Final assessed valuations are \$14,200,000

The *final* tax rate is 35.211 mills

$$\text{Formula: } (\$500,000/\$14,200,000)*1,000$$

**Valuation is driver of rate change!**

# KSA 79-2988: Revenue Neutral Rate

## KSA 79-2988 - History

- 2021 Senate Bill 13 – passed March 11, 2021 (*Approved by Governor March 26, 2021*)
- 2021 Senate Sub for House Bill 2024 – passed April 6, 2021 (*Approved by Governor April 19, 2021*)
- 2022 House Bill 2239 – Conference Committee Report passed April 1, 2022 (*Approved by Governor April 14, 2022*)

## KSA 79-2988

- Taxing subdivisions cannot levy above the *revenue neutral rate* without an additional rate hearing and resolution to authorize exceeding proposed rate.
- County clerks should “cap” the rate of subdivisions that did not comply with the notice and hearing and budget adoption procedures required by the RNR law.
- Municipal Services is required to provide a list of subdivisions reporting the RNR, whether a “rate” hearing was held, the final tax rate resulting from the adopted budget, and the percent change between the RNR and the final tax rate for each subdivision.

## Revenue Neutral Rate

- The County Clerk shall calculate and provide the Revenue Neutral Rate (RNR) to taxing subdivisions along with the assessed valuation estimates on the ‘Budget Information’ document by **June 15<sup>th</sup>**.
  - *Revenue Neutral Rate* is defined in statute as “the tax rate for the current tax year that would generate the same property tax revenue as levied the previous tax year using the current tax year's total assessed valuation”.
- The ‘taxing subdivision’ cannot levy in excess of the RNR unless the procedure in KSA 79-2988 is followed.
  - Taxing subdivision is defined in the bill as “any political subdivision of the state that levies an ad valorem tax on property”.
  - Recreation Commissions are a taxing subdivision for the purpose of KSA 79-2988.

## Revenue Neutral Rate

- County clerks of the “Home County” will provide the RNR to districts with boundaries in more than one county.
  - County clerks of contributing counties will certify valuations and billed tax revenue to the county clerk in the home county (**by June 5th**).
  - All contributing counties that are not the home county will note ‘RNR will be provided by Home County’ on the budget information document.
- If the shared district will exceed the RNR, all contributing county clerks should be notified of subdivision intent.

## Revenue Neutral Rate

- Taxing subdivisions that have funds with different assessed valuation (i.e. school districts and townships) will have a unique RNR for each fund with different valuation. All funds with same valuation will have RNR computed based on aggregate tax revenue.
  - For townships with third class city:
    - RNR for Road, Special Road, Noxious Weed and Fire Protection would include valuation from township boundaries *only*.
    - RNR for General Fund, Debt Service, Library, and any other levy funds would include valuation from *both* township and city boundaries.
  - For school districts:
    - General Fund, Capital Outlay, Bond and Interest, and All Other Funds could each have unique valuation boundaries, and therefore, a unique RNR.

## Revenue Neutral Rate

- Ike Recreation Commission – generally levies 4 mills
- $RNR = (\text{Prior year ad valorem revenue} / \text{current year valuation estimate}) \times 1,000$ 
  - Note: Revenue will be the final billed tax revenue
- 2021 mill levy rate was 4.00 (\$10,250,000/1,000)
  - Generated \$41,000
- 2022 Revenue Neutral Rate =  $(\$41,000 / \$10,750,000) \times 1,000 = 3.814$
- Ike Recreation Commission **CANNOT** levy more than the 3.814 RNR without holding the RNR hearing.

## Revenue Neutral Rate

<u>Name of County</u>	<u>July 1 Valuation:</u>
Eisenhower	10,750,000
0	
0	
0	
0	
0	
Total valuation:	10,750,000
Mill rate limitation	4.00
Dollar amount to be raised by 4 mill:	\$ 43,000
<b>Revenue Neutral Rate</b>	<b>3.814</b>
Estimated dollars to be raised by RNR:	\$ 41,001

# Revenue Neutral Hearing Notification

- **By July 20<sup>th</sup>**, subdivisions must notify county clerk of intent to levy above RNR.
  - County clerk should receive notice to include the subdivision proposed rate and hearing date, time and location by July 20<sup>th</sup>. See Sample Notice to County Clerk in 2023 budget workbook templates.
  - Notify all sponsoring county clerks of intent to levy above RNR.
  - The county clerk will notify tax payers via the Taxpayer Notification Form.
    - Note: Must be mailed at least 10 days prior to the FIRST hearing on notice.
  - The cost of mailer will be proportionately billed to taxing subdivisions exceeding RNR
    - KSA 79-2989: State of Kansas will reimburse county clerks for mailing costs in 2022 and 2023
    - Subsequent years will be billed to subdivisions – county clerks will be reimbursed the expense by December 31<sup>st</sup>

# Revenue Neutral Hearing Notification

## Notice of Revenue Neutral Rate Intent

**THE GOVERNING BODY OF IKE RECREATION COMMISSION, KANSAS HEREBY NOTIFIES THE EISENHOWER COUNTY CLERK OF INTENT TO EXCEED THE REVENUE NEUTRAL RATE;**



Yes, we intend to exceed the Revenue Neutral Rate and our proposed mill levy rate is 4.000. The date of our hearing is August 21st, 2022 at 7:00 PM and will be held at Ike Recreation Commission Office in Ike, Kansas.

No, we do not plan to exceed the Revenue Neutral Rate and will submit our budget to the County Clerk on or before August 25, 20\_\_.

WITNESS my hand and official seal on \_\_\_\_\_, 20\_\_.

(Seal)

\_\_\_\_\_  
Clerk or Officer of Governing Body

## Revenue Neutral Rate Hearing Notification

- 10 days prior to hearing, subdivision must publish in newspaper notice of public hearing to include date, time, and location of hearing, as well as proposed tax rate and revenue neutral rate.
- 10 days prior to hearing, subdivision must publish on website (if maintained) notice of public hearing to include date, time, and location of hearing, as well as proposed tax rate and revenue neutral rate.
- 10 days prior to first hearing relevant to one property, county clerk must mail notice of RNR events to all taxpayers in county.
- The public hearing to exceed the RNR must be scheduled and held between **August 20<sup>th</sup> and September 20<sup>th</sup>**

## Revenue Neutral Hearing Notification

Current Year Tax Estimates								
Taxing Subdivision	Revenue Neutral		Proposed Budget			Difference (Proposed vs. Rev Neutral)		Estimated Subdivision Total Assessed Valuation
	Rate	Tax	Rate	Tax	Total Ad Valorem Revenue	Rate (%)	Tax	
State of Kansas	3.814	\$ 78.97	4.000	\$ 82.82	\$ 43,000	4.88%	\$ 3.85	\$ 10,750,000
Prior Year Tax and Public Hearing								
Taxing Subdivision	Prior Year		Public Hearing Information					
	Tax Rate	Tax Paid						
State of Kansas	4.000	\$ 78.88	August 21, 2022 at 7 PM at Ike Recreation Commission Office, Ike, KS					

# Revenue Neutral Hearing Notification

## NOTICE OF BUDGET HEARING

The governing body of

### Ike Recreation Commission

will meet on August 21, 2022 at 7 PM at Ike Recreation Commission Office for the purpose of hearing and answering objections of taxpayers relating to the proposed use of funds, and the Revenue Neutral Rate.

Detailed budget information is available at Ike Recreation Commission Office and will be available at this meeting.

### SUPPORTING COUNTIES

Eisenhower (home county)

### BUDGET SUMMARY OF EXPENDITURES

The proposed budget year expenditure amount is the maximum expenditure limit for the proposed budget year.

Fund	Prior Year Actual 2021	Current Year Estimated 2022	Proposed Budget Year 2023
General	107,918	108,720	110,500
<b>Totals</b>	<b>107,918</b>	<b>108,720</b>	<b>110,500</b>

Proposed Tax Rate

4.00

Revenue Neutral Rate as defined by KSA 79-2988.

3.814

# Revenue Neutral Rate Hearing

- The public hearing to exceed the RNR must be held between **August 20<sup>th</sup> and September 20<sup>th</sup>**
  - Hearing may be conducted in conjunction with the budget hearing required by KSA 79-2929, but must occur prior to budget adoption.
  - Taxpayers must be given an opportunity to be heard within reasonable time limits and without unreasonable restrictions.
  - At conclusion of rate hearing, governing body must conduct a roll call vote to pass a resolution providing authority to exceed the RNR.
    - A certified copy recording the roll call vote reporting, at a minimum, the name and vote of each member of the governing body related to exceeding the RNR shall be provided with required budget documents **whether the resolution to exceed was approved or not.**



# Revenue Neutral Rate Hearing

## Roll Call

Ike Recreation Commission  
Hearing to Exceed Revenue Neutral Rate: August 21, 2022  
Resolution No. 1234

Governing Body Member	Yes	No	No Vote
Mario Chalmers	X		
James Naismith	X		
Bill Self	X		
Danny Manning		X	
Wilt Chamberlain			X
Jordy Nelson	X		
Bill Snyder		X	
Nicole Ohlde	X		
Darren Sproles	X		
<b>TOTAL</b>	<b>6</b>	<b>2</b>	<b>1</b>

Attested:  
Amelia Earhart

## Revenue Neutral Rate

- If the governing body approves resolution to exceed the RNR, the subdivision cannot adopt a budget with a rate in excess of the *published proposed rate*. Subdivision can adopt a budget with a rate less than the published proposed rate.
- Subdivisions that will hold a RNR hearing will submit their budget and all supporting documents to the county clerk by **October 1<sup>st</sup>**.

## Revenue Neutral Rate Cautions

- Penalty for noncompliance to procedure in KSA 79-2988: **Refund to all taxpayers in amount levied in excess of RNR**
- If the governing body does not intend to levy above the RNR, they should work with the county clerk to cap the levy.
  - Note: The “cap” occurs at the fund level. The subdivision will need to direct the clerk which fund should be reduced if final rate will exceed RNR.
- County clerks are authorized by HB 2239 to limit tax rate to RNR of subdivisions that did not properly follow the statutory procedure to exceed.
- RNR is based on estimated valuations. The final rates will vary dependent on final valuations.

## RNR Budget Timeline

- **June 15<sup>th</sup>**: Assessed property valuations from county clerks – will include RNR
- **July 20<sup>th</sup>**: Last day to notify county clerk of intent to levy above RNR (provide proposed tax rate and hearing information)
- **August 20<sup>th</sup> – September 20<sup>th</sup>**: Hold RNR hearing *prior to or in conjunction with* budget hearing
  - Each hearing must be published and in each case must be done at least 10 days prior to the hearing date.
- **August 25<sup>th</sup>**: Subdivisions not exceeding RNR will submit budget to county clerk
- **August 20<sup>th</sup>- October 1<sup>st</sup>**: Governing body formally adopts budget
- **August 30<sup>th</sup> – October 1<sup>st</sup>**: Governing body certifies budget to county clerk
- **By December 31<sup>st</sup>**: County Clerk provides budget to Municipal Services

## Completed Budget Document Checklist

- ✓ Certificate page with signatures of governing body
- ✓ Allocation of MV, RV, 16-20M, commercial, and watercraft tax estimates
- ✓ Statement of Conditional Lease Purchase and Certificate of Participation
- ✓ All applicable fund pages
- ✓ Hearing Notice(s)
- ✓ *Published* Notice of Budget Hearing, and Proof/Affidavit of Publication
- ✓ *Published* Notice of RNR Hearing (if applicable)
- ✓ *Adopted* Resolution to Exceed RNR (if applicable)
- ✓ *Certified* Record of Roll Call Vote for RNR Resolution (if applicable) *Must report governing body names and vote*

## KSA 79-2988 Additional Provisions

- USD Update (20 Mills): USDs are permitted to exceed RNR in the GF *without* passing a resolution if this is the only fund exceeding the RNR.
- Taxpayer complaint process: Taxpayers may file with the State Board of Tax Appeals (BOTA) a written complaint containing the facts that a taxing subdivision did not comply with the provisions of KSA 79-2988. If the subdivision is found by BOTA to have not complied, BOTA will order governing body to refund to taxpayers the amount of property taxes over collected or reduce the taxes levied, if uncollected.

## KSA 79-2988 Compliance Reporting

- Department of Administration will report annually a list of taxing subdivisions to include the following information for each subdivision:
  - Whether the taxing subdivision conducted a hearing to consider exceeding the RNR
  - The RNR for each taxing subdivision
  - The final tax rate resulting from the adopted budget of each taxing subdivision
  - The percent change between the revenue neutral rate and the final tax rate for each taxing subdivision

## Budget Review

See Ike Recreation Commission Handout

# Kansas Cash-Basis Law

**KSA 10-1101 et seq.**

41

## Kansas Cash-Basis Law

- Generally requires municipalities to conduct their financial affairs on a cash-basis
- Unlawful to authorize any order, warrant, check or other form of indebtedness in excess of cash on hand
- Municipality must track amount of cash in treasury as well as all indebtedness and contracts creating liability
- Any contract entered into violating the provisions of the cash-basis law shall be void
- Any member, clerk, secretary or treasurer of the municipality is subject to removal from office and may be subject to misdemeanor conviction and fines for knowingly violating the cash-basis law

42

# Kansas Cash-Basis Law

## **KSA 10-1116**

- Provides authority for spending more than what is currently available when (partial list)...
  - Payment is authorized by a vote of the electors
  - Provision is made for payment by issuance of bonds
  - By issuance of no-fund warrants,
  - Establishment of a post-employment benefits trust fund

43

# Kansas Cash-Basis Law

## **KSA 10-1116(b) – Exceptions**

- Provides authority for creating indebtedness beyond funds currently available in cases of agreements related to...
  - [1] electric facilities or services
  - [2] lease agreements without an option to buy, or
  - [3] lease-purchase agreements
    - “if any of such agreements specifically state that the municipality is obligated only to pay periodic payments or monthly installments under the agreement as may lawfully be made from:
      - (a) funds budgeted and appropriated for that purpose during such municipality’s current budget year or...
      - (b) funds made available from any lawfully operated revenue producing source. . .”

44

# Kansas Municipal Audit Law

**KSA 75-1117 et seq.**

45

## Kansas Municipal Audit Law

- Municipalities with aggregate gross receipts or bonds outstanding of \$275,000 or less, there is no agreed upon procedure or audit requirement
- Municipalities with aggregate gross receipts or bonds outstanding in excess of \$275,000 but less than \$500,000, there is an agreed upon procedure requirement
  - Each municipality subject to this subsection shall have its accounts examined using enhanced agreed-upon procedures at least once every three years.
- Every USD and municipalities with aggregate gross receipts or bonds outstanding in excess of \$500,000, a GAAP or Regulatory Basis Audit is required
- Recreation Commissions are subject to the same audit thresholds as all other municipalities
- The 2019 Kansas Municipal Audit and Accounting Guide (KMAAG) contains the agreed-upon procedures and enhanced agreed-upon procedures

46

## Kansas Municipal Audit Law

- Audit is to be performed by a municipal public accountant or certified public accountant, licensed to practice in Kansas
- Audit are to be filed with the Office of the Chief Financial Officer (Municipal Services), as designated by the Secretary of Administration, within one year after the end of the audit period, unless otherwise required by law
- If municipality is not subject to the Municipal Audit Law, voters can petition for such audit to take place (20% or more of voters)
- When the audit performed under this act indicates a violation of penal statute or discloses reasonable grounds for removal from office, the auditor is to file a copy of the audit with the county or district attorney
- Any member, employee or officer of the municipality is subject to removal from office and may be subject to misdemeanor conviction and fines for violation of any provisions of this act

47

## Questions?



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48