

KDLA Trustee Tip of the Month – March 2015

Preparing the Library's Budget: What is required?

With the passage of HB1 in 2013, some changes in budget reporting requirements were enacted into law into KRS 65.065A. These new Kentucky statutes require that every Special Purpose Government Entity (SPGE) annually adopt a budget for the expenditure of all funds [[KRS 65.065A.080\(1\)](#)], including all those from local, state and federal sources. The budget must be based on a fiscal year from July 1 to June 30 ([KY Constitution §169](#)). SPGEs must adopt a balanced budget, with budgeted expenditures not exceeding budgeted revenues, cash and receipts.

"The financial disclosure process is a one year reflection of an SPGE's finances. The first part of the process is the budget submission – starting with initial budget estimates; then any amendments or line item transfers made to that budget through-out the fiscal year; finally, the year-end actuals for each budget category." – the DLG [Information Portal](#)

The budget must show all funds, in any account and from any source. This includes all carry-over funds, investments, and capital outlay funds (such as construction). In the interest of transparency all funds should be clearly accounted for by being on the budget document.

The library's budget must be filed with the [Department for Local Government](#) (DLG) by June 30 before the beginning of each new fiscal year. The budget must be filed on the online form provided on the DLG website. No moneys shall be expended from any funds or any sources, except in accordance with the budget which has been filed with the DLG which is available for public inspection. No budget of a district shall become effective until it is submitted to the Department for Local Government.

If the budget is not filed with the DLG as required, the failure to submit the required information may result in funds being withheld by any "agency, entity, or branch of state government," and a publication of the non-compliance in the local newspaper. Continued non-compliance may also subject the library to a special audit by the KY Auditor of Public Accounts. [[KRS 65A.040](#)]

If your budget changes during the year the library board is required to amend the budget and to report that amendment on the DLG's online form. Basic accounting practices require that an entity has an appropriately designated budget from which to monitor control of its fiscal operations. Since no funds may be expended which are not incorporated in the budget document even a positive change in funds available would render an amended budget to be appropriate. Any amendments to the budget may be made up to June 30th of the current fiscal year.

If an additional expenditure must be made and there exists adequate funding from a previously approved line item which may be dedicated to another line item, a simple transfer of funds would be sufficient. The determination as to when to amend the budget must also take into consideration the type of budget being utilized. A line item budget certainly has more detail than a fund budget, thus the requirements would be relative.

This is not legal advice. If you feel you need legal advice you should consult an attorney.