

Newly Elected County Officials

County Officials Basics of County Budgets and Revenue Streams



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The annual budget provides a financial plan for the local officials and taxpayers that identifies the operating costs and revenues considered essential to operate the local taxing unit for a given period. It also details the expenditure allowances for the use of elected officials and department heads.

FINANCIAL ROLES

County Council – Fiscal Body

- Establish budgets and appropriations for expenditure of funds
- Set Salary Ordinances for county employees IC 36-2-5-3

County Auditor – Fiscal Officer

- Receipts in all county money
- Tracks all county money by fund
- Disburse payment of all claims (bill or invoice for goods or services)
- Track expenditure accounts by department and classification

County Treasurer - Custodian of all money

- Deposits all money daily
- Disburses all money
- Invest all money
- Balances cash in bank with cashbook monthly.

County Commissioners – Executive Body

- Purchasing Agency
- Recommend salaries for county employees
- Approves all claims for payment

County Manual website <http://www.in.gov/sboa/3004.htm>

County Auditor Manual website <http://www.in.gov/sboa/2960.htm>

County Treasurer Manual website <http://www.in.gov/sboa/2908.htm>



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BUDGET TERMINOLOGY

SBOA - State Board of Accounts – Agency that establishes all fund accounting principals and audits the tracking of receipts and disbursements.

DLGF - Department of Local Government Finance – Agency that oversees the assessment, taxation and budgeting processes. Issues Budget Orders which finalizes tax rates and levies per fund and tracks additional appropriations.

Taxing Unit – An entity that has the authority to impose a tax rate on property. Ex: City, Township, Library, County

Taxing District – A geographic area within which property at the same total tax rate.

Ex: County rate + Township rate + School rate + Library rate + Corporation rate = Total Tax Rate

Levy – The amount of taxes to be collected.

Assessed Value – The estimated value of property for tax purposes. Ideally within 10% of market value.

Net Assessed Value – The gross assessment of property determined by the County Assessor by parcel minus all eligible deductions.

Tax Rate - Levy/Net Assessed Value/100

Maximum Levy – Sometime called frozen or controlled levy. This was part of the 1973 Gov Bowen property tax reform. That reform limited local government's ability to increase property tax levies. The growth is determined by a "Growth Quotient" which is equal to 6 year average of non-farm income.



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BUDGET TERMINOLOGY cont.

Levy Controlled Fund - The tax rate is determined by the levy divided by the net assessed value.

Rate Controlled Fund - The rate is determined by resolution of the County Council. The levy is determined by the rate times the net assessed value. These are also known as Cumulative Funds.

Debt Service Fund – These funds are determined by the principal and interest on approved property tax supported debt. <http://www.in.gov/dlgf/files/LevyControlDLGF.pdf>

Property Tax Caps (Circuit Breakers) – Upper dollar amount that may be paid on property - determined by its property use. **Cap 1%** - Homestead Property, **Cap 2%** - Non homestead residential property and Agriculture Land **Cap 3%** - Commercial and industrial property

Property Tax Credit – The dollar amount above the cap limitation. These loss revenues are never recovered.

Appropriation – An amount established by the County Council for expenditure of funds.

Classification -

- 10000 Personal Services
- 20000 Supplies
- 30000 Other Services
- 40000 Capital Purchases

Fund – An account containing both revenues and expenses which are segregated for the purpose of carrying out a specific purpose or activity.

Current Budget Year - The budget year in which a local government is operating.

Ensuing Budget Year - The next upcoming budget year which runs from January 1 to December 31. Also known as “incoming” budget year.



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BUDGET TERMINOLOGY cont.

Budget Form 1 – Form used by each department to estimate needs, by line item, for ensuing year.

Budget Form 2 – Form used to estimate revenues. Column A is for July – Dec of current year. Column B is for ensuing budget year.

Budget Form 3 - Notice to Taxpayer. Advertises date and location of public hearing, adoption meeting and budget and tax levy for the ensuing budget year. Informs taxpayer of appeal rights.

Budget Form 4 – Adoption Ordinance used by fiscal body adopting budget, tax rate and tax levy by fund.

Budget Form 4A – Form to show the breakdown of advertised and adopted appropriations by classification.

Budget Form 4B – Form used to calculate a fund tax rate.

1782 Notice – Notice sent to all units of government of the actions taken by the DLGF. The unit must respond within ten days of the notice to request changes, corrections or modifications.

Budget Certification – Approval form by the DLGF which gives units the authority to tax property. This form shows the approved budgets, tax rates and tax levies by fund for all taxing units.

100 R – Annual Personnel Report that must be filed with the State Board of Accounts before a budget can be certified or an additional appropriation request can be approved. This report reports compensation and certain benefits provided by the unit. It must include certification that the unit has adopted an anti-nepotism policy.



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BUDGET CALENDAR

A Budget Calendar refers to the schedule of events . Every level of government must accomplish certain actions to complete its budget and the dates on which, or no later than which, these actions may occur are established by law. The DLGF disburses this calendar annually and that calendar can also be found in the annual Budget Manual at http://www.in.gov/dlhf/files/2013_Budget_Manual_10_9_2013.pdf. The Auditor's Manual found at <http://www.in.gov/sboa/files/coaud8.pdf> also list the necessary budget details.

The budget process starts in May/June when the County Auditor disburses the required forms to other elected officials and department heads for completion. (Form 1's and Form 144)

Beginning July 1st , the County Auditor will begin determining and verifying the cash balance in every fund and begin the completion of Budget Form 2. (Estimate Miscellaneous Revenues) The Auditor may request input from those elected officials and department heads that collect fees throughout the year. The Auditor will also begin working Budget Form 4B -also known as 16 Line Form. (Budget Estimate to be Raised and Tax Rates).

County Auditor Certificate- IC 6-1.1-17-1 requires the County Auditor to certify estimates of assessed valuation and other information to the fiscal officer of each political subdivision of the county by August 1 that will be used by Taxing Units in the completion of Budget Forms 2 & 4.

Certificate of Net Assessed Valuation: County Auditors are required to provide local units of government and the Department with the certified assessed valuations, for budget purposes, by August 1 of each year.

Beginning for the 2012 budget year, the DLGF requires budget forms be submitted electronically through the Indiana Gateway for Government Units ("Gateway") website. Submission of the budget forms through Gateway will allow for transparency of county budgeting.

Beginning for the 2016 budget, units of government will no longer have to publish their Form 3 in the local newspaper. These forms will be found in Gateway, along with all other budget forms, for the public review. Notice will be published to inform taxpayers where to find the budget information.



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NON-BINDING AND BINDING REVIEWS

IC 6-1.1-17-3.5 requires the County Council to annually review the proposed budgets, levies and rates of civil taxing units. This review process was instituted by the General Assembly as part of the property tax reforms of 2008. As the only elected fiscal body which represents all residents of the county, the County Council is charged with reviewing the budgets, levies and rates of each individual taxing district, as well as to monitor the cumulative impact of these individual levies and rates as they combine on a taxpayers' property tax bill.

Issuance of **non-binding** recommendations regarding those budgets, levies and rates are given to units with elected fiscal officers. Each unit must submit the required forms into Gateway on or before September 2 of each year. The County Council then must complete the non-binding review and issue its recommendation on or before October 2.

IC 6-1.1-17-20 states taxing units whose governing body is comprised of a majority of non-elected individuals must have their budgets rates and levies adopted by the fiscal body of a specified unit. These are known as **Binding reviews**. These units of government need to work closely with the County Council to insure that proper dates and times of the public hearing and the adoption meeting are advertised. Notice is the responsibility of the adopting body, but **BOTH** units are penalized for a failed advertisement.

Budgets, levies and rates must be adopted by November 1 so it is very important to follow the calendar each year to insure that all required dates are met. Failure to correctly adopt the budgets, levies and rates will result in the most recent annual appropriations and annual tax levy is continued for the ensuing budget year.



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REVENUE STREAMS

CAGIT – County Adjusted Gross Income Tax - **I.C.6-3.5-1.1, 6-1.1-18.5**

Adopted by County Council

Funds collected may be used as though they were property tax and they may pay certain costs of facilities and buildings and certain costs of operating a jail and juvenile center.

County Auditor distributes this money monthly as determined by the DLGF to every taxing unit based on property tax levy shares. (not schools)

Additional CAGIT funds may be raised for:

Property Tax Levy Freeze

Property Tax Relief

Public Safety

Correctional Facilities

COIT – County Option Income Tax - **I.C. 6-3.5-6**

Adopted by County Income Tax Council

Funds collected may be used as distributive shares to pay for general government expensed, to provide homestead credit or to fund the operation of public communication systems, a public transportation corporation or a public library.

County Auditor distributes this money monthly as determined by the DLGF to every taxing based on property tax levy shares. (not schools)

Additional COIT funds may be raised for:

Property Tax Levy Freeze

Property Tax Relief

Public Safety

Correctional Facilities



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REVENUE STREAMS cont.

CEDIT/EDIT - County Economic Development Income Tax - **I.C. 6-3.5-7**

Adopted by County Council if CAGIT county, County Income Tax Council if COIT county or either body if no income tax has been adopted.

Revenue may be used for any lawful purpose for which money in any other fund may be used, pay loans, retire bonds or pay leases used for economic development, finance a courthouse or foster industrial and commercial growth.

As of 2007 Indiana no longer taxes inventories. Counties may raise the homestead credit to protect homeowners from the tax shift, paying for the homestead credit with an EDIT rate of up to 0.25%.

County Auditor disburses monthly as determined by the DLGF to County, Cities and Towns based on property tax levy and population. (not schools)

A county may adopt a combination of CAGIT and CEDIT

A county may adopt a combination of COIT and CEDIT

A county **may not** adopt a combination of COIT and CAGIT.

There is a LOIT Handbook available at <http://www.in.gov/dor/files/loit-handbook.pdf>

FIT – Financial Institution Tax – **IC 6-5.5-2 & IC 6-5.5-8-2**

Taxes paid by financial institutions to the Department of Revenue. The Dept. of Revenue disburses to the County Auditor who then disburses the money to the local taxing units as determined by a formula in statute.



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REVENUE STREAMS cont.

LOHUT – Local Option Highway User Tax –

Comprises 2 taxes: wheel tax and excise surtax. County must adopt or rescind both at same time.

Excise surtax is passenger cars, motorcycles and trucks with a weight $\leq 11,000$ lbs.

Wheel tax is recreational vehicles, buses, semi-trailers, tractors and trailers $> 3,000$ lbs.

May be used to construct, reconstruct, repair or maintain roads and streets.

Disbursed monthly by County Auditor to County, Cities and Towns based on road miles and population.

MVH - Motor Vehicle Highway

Money received monthly from the Dept. of Revenue

Placed in Highway Fund

May be used for salaries, equipment or maintenance

LRS - Local Road and Street

Money received monthly from the Dept. of Revenue

Deposited into LRS Fund

May be used for road maintenance, construction or reconstruction.

EXCISE TAX

Money paid by taxpayers when registering vehicles.

Money disbursed by County Auditor to all Taxing Units in June and December with property tax settlement.

USER FEES: Deposited into various funds and accounted on Estimated Misc. Revenue Forms. A few examples:

Building Permits

Recorder's Fees

Clerk's Fees

Health Depart. Fees

Rent County Property

Prosecutor Fees

Interest Income

Grants

Sheriff Fees



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APPROPRIATIONS

Money **must** be appropriated by the County Council before it is spent unless there the expenditure is statutorily authorized. A list of most of these exceptions can be found in the Auditor's Manual page 8-14.

<http://www.in.gov/sboa/files/coaud8.pdf>

There are reports that may be requested from the County Auditor for your review for tracking appropriations.

1. Harris Financial Software – Budget Status Report
2. Low Financial Software - Summary of Balances by Account/Object/Location

If an appropriation is not sufficient you may request:

1. Transfer of appropriation **IC 6-1.1-18-6**
 - a. Transfer within budget classification – no prior Council approval
Classification- 10000 Personal Services
 20000 Supplies
 30000 Other Services
 40000 Capital Purchases
 - b. Transfer from one classification to another – must have prior Council approval
 - c. Transfers can **ONLY** be made within a department.
 - d. If needed from one department to another, a Resolution of Reduction of an Appropriation and a Resolution of an Additional Appropriation will need to be advertised.
2. Additional appropriation **IC 6-1.1-18-5**
 - a. Notice of Public Meeting must be published 10 days prior to date of the meeting.



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ENCUMBRANCES

Expenses that have been incurred in one year but not yet processed through the claim pay process may be encumbered into the new year upon request and approval of the County Council.

In order to request an expense to be encumbered the following requirements must be met:

1. A lawful contract has been entered into prior to December 31 of the current year and all or part of that contract has not been satisfied.
2. An invoice for goods or services received dated prior to December 31 of the current year.
3. An existing appropriation is in place and has not been expended in the current year.

Only the amount required to meet the balance due or the remainder of the appropriation not expended whichever is less may be encumbered.



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EXPENDITURE CLAIM PROCESSING **Responsibility of Elected Official/Department Head**

1. Receive an invoice for goods or services rendered
2. Verify the validity of the invoice
3. Verify the accuracy of the invoice
 - a. Are prices charged at bid rate/contract
 - b. Have all goods or services been received
 - c. Compute all amounts
4. Complete a claim voucher
 - a. Attach *original* invoice
 - b. Sign and date authorization
 - c. Designate the appropriation number from which the payment is to be deducted.



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Responsibility of County Auditor

1. Receive completed claim voucher with original invoice
 - a. Check for authorization signature
2. Review invoice –
 - a. Invoice or bill is fully itemized and the original
 - b. Prices charged are at bid rate or within contractual agreement
 - c. Make sure no taxes have been charged
 - d. Make sure no penalties have been charged
 - e. Compute all amounts
 - f. Insure goods and services are being paid from the appropriate expenditure account
 - g. Verify there are sufficient appropriations available
3. Verify the Vendor's name and address
 - a. If for services – will require information for 1099
4. Prepare a Claim Docket for the Board of Commissioner's approval
5. Upon approval of Commissions – Issue checks

IC Code 5-11-10-1.6

IC 5-11-10-2



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Responsibility of County Commissioners

While County Councils establish the amounts that may be expended in every fund and department by classification, it is the responsibility of the Board of Commissioners to make the final authorization for payment.

1. In a regularly scheduled meeting, receive a Claim Docket which lists every voucher that has been audited and certified by the County Auditor all requirements have been met. IC 36-2-6-4
2. You may request to review any and all claims.
3. You may choose to deny a claim for payment that may need further verification or review. IC 36-2-6-2
4. Upon passage of a motion to pay, the Board of Commissioners shall sign the Claim Docket.
 - a. This docket shall list all claims and amounts to be paid.
 - b. The total claimed and the total allowed.

This process is for all funds under the jurisdiction of the County Council. However, there are some funds that are audited by the State Board of Accounts in a county's annual audit that do not fall under this practice. Ex:

Sheriff Commissary Funds
Clerk's Trust Funds

The Board of Commissioners have the right to audit all county funds.

IC 5-11-10-2



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OTHER FINANCIAL DUTIES:

IC 36-2-2-17

The executive may audit the accounts of officers who deal with money belonging to or appropriated for the benefit of the county.

IC 36-2-2-18

At the regular meeting of the executive in January of each year, the executive and the county treasurer shall make a settlement for the preceding calendar year. A copy of the settlement sheet shall be copied in the order book of the executive.

IC 5-13-7-1

The Board of Commissioners along with the County Treasurer serve as the Local Board of Finance.

IC 5-13-7-6

The Board of Finance shall:

1. Meet after the first Monday and before the last day of January every year.
2. Elect President and Secretary
3. Review Investment Report prepared by Treasurer
4. Review Investment Policy

IC 36-2-2-19

At its second regular meeting each year, the executive shall make an accurate statement of the county's receipts and expenditures during the preceding calendar year. There are actually two reports:

1. A statement reporting the name of and total compensation paid to each county officer, deputy, and employee.
2. The annual report. There are conflicting statutes as per IC 5-11-1-4, the County Auditor has 60 days after the beginning of the year to complete the annual report. After that, the executive shall post this statement at the courthouse door and two (2) other places in the county and shall publish it in the manner prescribed by IC 5-3-1



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