Association of Indiana Counties
December 2020
Newly Elected Officials
Roles, Budgets and Claims
Home Rule

The “Dillion’s Rule” was the concept that Courts viewed local units of government as extensions of the state subject to the will of the General Assembly. This rule held that local units of government only have the power expressly granted by the Indiana Constitution or the General Assembly.

“Home Rule” was adopted in Indiana in 1980 (IC 36-1-3-4) giving units:

(b) (1) All powers granted by statute; and
(2) All other powers necessary or desirable in the conduct of its affairs, even though not granted by statute
(c) The powers that units have under subsection (b)(1) are listed in various statutes. However, these statutes do not list the powers that units have under subsection (b)(2); therefore, the omission of a power from such a list does not imply that units lack that power.
State Agencies

SBOA - State Board of Accounts –
- Establishes all fund accounting principals
- Audits the tracking of receipts and disbursements
- Hosts state called training for elected officials

DLGF - Department of Local Government Finance –
- Oversees the assessment regulations and monitors results
- Administers Gateway
- Certifies budget orders establishing tax levies and appropriations
- Certifies several different values used in the budget process
- Host training for local officials
Budget Terms

**Taxing Unit** – An entity that has the authority to impose a tax rate on property
Civil Units - County, Township, Library, City, Special Districts

**Taxing District** – A geographic area within which property is taxed at the same total tax rate

Ex: County + township + library + school = total tax rate

**Levy** – The amount of taxes to be collected in a given year

**Maximum Levy** – Sometimes called frozen or controlled levy. This is 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 MLGQ “Maximum Levy Growth Quotient” which is equal to a 6-year average of non-farm income.
Budget Terms – cont.

Net Assessed Value (NAV) – The gross assessment of real and personal property determined by the County Assessor by parcel less all eligible deductions and exemptions

Reductions to Assessed Values

Deductions
  Mortgage, Veterans, Age, Disability

Exemptions
  Charitable, Religious

Abatement and Tax Increment Financing (TIF)

Homestead Standard Deduction
  $45,000 or ½ AV whichever is less

Supplemental Homestead
  35% of first $600,000 and 25% above $600,000
Budget Terms – cont.

**Tax Rate** - Tax Levy/CNAV X 100

The levy rate is per $100 of assessed value

**Property Tax Caps** - Maximum dollar amount that may be collected on property – determined by its property use

- **Cap 1%** - Homestead Property (owner occupied)
- **Cap 2%** - Non-homestead Residential Property and Agriculture Land
- **Cap 3%** - Commercial and Industrial Property

**Circuit Breaker Credit** – The dollar amount above the property tax cap limitation. These loss revenues are never recovered. The amounts are used in the budget preparation and estimates are certified by July 31 by the DLGF
Budget Terms – cont.

1% Circuit Breaker – Owner Occupied Property

- $150,000 Assessed Value
- 45,000 Homestead Standard Deduction
- 36,750 Supplemental Deduction
- 3,000 Mortgage

$ 65,250 NAV

65,250 NAV
X.025451 Tax rate/100
1,660.06 Calculated taxes
1,500.00 Maximum taxes for homestead property
160.06 Circuit Breaker Credit
Budget Terms – cont.

2% Circuit Breaker – Residential and Agricultural

$150,000 Assessed Value
3,000 Mortgage
$147,000 NAV

147,000 NAV
X.025451 Tax rate/100
3,741.30 Calculated taxes
3,000.00 Maximum taxes this category
741.30 Circuit Breaker Credit
Levy Controlled Fund - The tax rate is determined by dividing the levy by the net assessed value

Rate Controlled Fund - The rate is determined by resolution. The levy is determined by the rate times the net assessed value. These are also known as Cumulative Funds. To ensure the rate stays constant, a county should re-establish the rate each year

Debt Service Fund — These funds are determined by the principal and interest on approved property tax supported debt

Appropriation – An amount established by the County Council for expenditure of funds that must be supported by the levy
Define a Tax District Tax Rate

District Rate = County rate + Township rate + School rate (only one school in this county)
Define a Tax District Tax Rate

District 1, 2, 3, 4 Rate = County rate + Township rate + School rate (only one school in this county)
District Rate 5 = County rate + Township 1 rate + School rate + City rate
Define a Tax District Tax Rate

District 1, 2, 3, 4 Rate = County rate + Township rate + School rate (only one school in this county)
District 5 = County rate + Township 1 rate + School rate + City rate
District 6 = County rate + Township 3 rate + School rate + Town A rate
District 7 = County rate + Township 4 rate + School rate + Town A rate
Budget

The Annual Budget

Means to provide Local Government with operating funds
Provide source to pay for infrastructure and equipment
Taxes often have limited uses
Policy statement that assist the management of the local unit
Summary of the appropriations by fund
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.

Forms to be completed:
- Pre-budget worksheet - This provides information on proposed debt issuance, excess levy appeals and proposed establishment of new funds that may impact ensuring year’s tax levies and tax rates.
- Current Year Financial Worksheet – appropriations, expenditures thru June 30
- Form 1 - Budget request
- Form 144 - Salary requests
- Budget Form 2 - Estimate Miscellaneous Revenues
- Form 3 – Notice to Taxpayer
- Form 4b – Statement of budget - results in levy and tax rate
- Form 4 – Ordinance of Adoption
Budget Calendar

All documentation is processed in Gateway by County Auditor and can be viewed by the public Taxpayer Portal [https://gateway.ifionline.org/public/taxpayer/](https://gateway.ifionline.org/public/taxpayer/)

Taxpayer Portal

Access all of the Gateway tools relating to individual taxpayers in a single place.

- **Tax Bill Estimator**
  Estimate your property taxes based on assessed value and applicable deductions.

- **Referendum Impact Calculator**
  Find out how much a referendum will impact your property taxes if it is approved by voters in an election.

- **Sales Disclosure Search**
  Search the state’s online property sales disclosure database.

- **Tax Bill Lookup Tool**
  Locate property tax bills by taxpayer name or property address.

- **Assessed Value Lookup Tool**
  View assessed value for properties by taxpayer name or address.

- **Budget Notices**
  See proposed budget and property tax levy notices and public hearing information.
Budget Calendar

Other forms can be found at https://gateway.ifionline.org/report_builder/

**Budgets**

Every local government unit with authority to levy a property tax must submit a budget for the coming calendar year to the Indiana Department of Local Government Finance, which has the responsibility to review and certify budgets and set tax levies and tax rates.

**Active Budget Forms**

- **Budget Summary**
  - Based on data collected on Budget Form 4-A, Report displays budget estimates by fund, department, and expenditure category as advertised and adopted by the local unit.
- **Budget Summary by Selected Fund and Department**
  - Based on data collected on Budget Form 4-A, Report displays budget estimates by fund, department, and expenditure category as advertised and adopted by the local unit.
- **Line-Item Budget Estimate**
  - Based on data collected on Budget Form 1, Report displays itemized budget estimates for each fund and department as advertised and adopted by the local unit.
- **Estimate of Miscellaneous Revenue**
  - Based on data collected on Budget Form 2, Report displays estimates of all revenues except property taxes by fund as submitted by the local unit. Revenue estimates used in calculating certified budgets are available after DLGF budget review.
- **Current Year Financial Worksheet**
  - The Current Year Financial Worksheet is used by local units to complete Budget Form 4-B. This report contains data on actual expenditures from the first half of the current year, June 30th cash balances, certified or adopted budgets from the current year, additional appropriations, and temporary loans by fund as submitted by the local unit.
- **Debt Worksheet**
  - The Debt Worksheet is used by local units to calculate a property tax levy to fund outstanding debt obligations.

**Analysis and Supplemental Reports**

- **Certified Budget, Levy, Rate**
- **Cash Balance as a Percent of Budget**
  - Compares June’s cash on hand to budget across geographies.
- **Certified Budget Comparison**
- **Compare Units’ Total Budgeted Spending/Expected Revenue**
  - View budgeted spending and expected revenue per capita.
- **Budget Submission Log**
  - Find out which units have submitted their budget forms and other required documents.
Budget Calendar cont.

The State Budget Agency will certify before:
- May 31- Estimate of the local income tax ("LIT") distribution for the ensuing year
- July 1- Provide the Maximum Levy Growth Quotient ("MLGQ").
- Oct 1 - Certify the actual LIT distribution for the ensuing year

The DLGF will certify before:
- July 15- Estimate of the maximum Cumulative Capital Development Fund rate
- Estimate of the maximum permissible property tax levy for the ensuing year
- Estimate the maximum allowable appropriation for mental health and other developmental disabilities centers that are exempt from property tax levy limits
- July 31- Estimate the amount of circuit breaker credits for ensuing year
County Council – Fiscal Body

- Adopt Budgets, Appropriations, Tax Rates and Levies for expenditure of funds
- Sets Salary for county employees
- Adopt Local Income Tax (LIT) in former CAGIT Counties
  - If former LOIT County – this is done by LIT Council
- Allocates LIT in former CAGIT Counties
  - If former LOIT County – this is done by LIT Council
- Adopts LIT for PSAP
- Adopts LIT for Correctional and Rehabilitation Facilities
- Adopt Local Wheel Tax/Surtax (LOHUT)
- Approve additional appropriations and transfers
- Responsible for the tax abatement process

County Commissioners – Executive Body

- Purchasing Agency
- Review salary request and make recommendation to the County Council
- Receive and award County Bids
- Adopt EDIT Plan
- Establish most Cumulative Funds (these must be done by April 30)
- Approves all claims for payment

Commissioner Budgets

- General Fund-Commissioners, Drainage, Courthouse
- Highway
- Local Road & Street
- Cum Bridge
- Debt Funds
- County EMS

FINANCIAL ROLES

County Auditor – Fiscal Officer
- Receipts in all county money into the appropriate fund
- Monitors all county money by fund
- Monitors all county money by appropriation for expenditures
- Disburse payment of all claims (bill or invoice for goods or services) – requires two signatures
- Processes all county payroll
- Manages all budget preparations
- Responsible for all data entry into Gateway for budgets
- Disburses income and property tax collections to all units

FINANCIAL ROLES

County Treasurer - Custodian of all money
- Receipts all money
- Deposits all money daily
- Disburses all money – requires two signatures
- Invest all money (under the policy of the County Board of Finance)
- Balance cash in bank with cashbook monthly
- Collects all property and special assessment taxes
- Certifies for distribution all property tax collections
Revenue Streams

Property taxes – within maximum levy controls
Vehicle Excise Taxes
Aircraft Excise Taxes
Boat Excise Taxes
Food and Beverage Taxes
Financial Institution Taxes
Local Income Taxes (LIT) – Maximum 2.5 (except Marion Co 2.75)
Wheel and SurTax
Motor Vehicle Highway (MVH)
Local Road and Street (LRS)
Fees for Services
Interest on Investments
Revenue Streams, cont.

Property Taxes

Levies may grow by MLGQ annually – 6-year non-farm personal income

Excessive Levy Appeals an option

Costs resulting from annexation

Growth factor relief

Correction of advertising error, mathematical errors

Shortfalls due to erroneous AV

Emergency - temporary

Levied and collected for a specific fund

Cannot be comingled between funds

Cumulative Capital Development funds are exempt of the levy

Debt funds are exempt of the levy

Mental Health and Disability are adjustments to the levy

Funds have specific expenditures
Revenue Streams, cont.

Vehicle Excise Taxes
Money received from the Bureau of Motor Vehicle that has been paid by individuals when registering and plating their vehicle
Distributed by County Auditor in June and December with property tax collections

Miscellaneous Revenues
Deposited into various funds
Examples:
- Building Permits
- Clerk Service Fees
- Prosecutor Fees
- Interest Income
- Sheriff Fees
- Recording Fees
- Health Department Fees
- Rent on County Property
- Grants
Revenue Streams, cont.

LOCAL INCOME TAX (LIT) – Maximum Rate  I.C. 6-3.6-6-2

2.5% in all counties except Marion County 2.75%
Adopted by the County Council in counties that were formerly CAGIT counties
Adopted by Local Income Tax Council in all other counties
Allocate remainder amount after PSAP and Correctional & Rehabilitation Facility to one or more of the following:
  Expenditure Rate/Certified Shares
  Public Safety
  Economic Development

May not reduce allocation less than payment pledged for bond or lease
Rates remain the same until increased, decreased or rescinded
Allocations remain the same until modified or rescinded
Both rates and allocations can be modified once a year on or before Nov. 1
Revenue Streams, cont.

LIT – PSAP (Public Safety Access Point) I.C. 6-3.6-6-2.5

- Maximum amount 0.1%
- County Council adopts
  - If Local Income Tax Council does not adopt, the County Council may adopt
- Distributed to the County before the remainder of the expenditure rate

LIT – Correctional and Rehabilitation Facilities I.C. 6-3.6-6-2.7

- Maximum amount 0.2%
- County Council adopts
  - If Local Income Tax Council does not adopt, the County Council may adopt
- If adopted after July 1, 2019 only 20% may be used for operations
- Distributed to the County before the remainder of the expenditure rate
- Sunsets at 20 years
Revenue Streams, cont.

LIT EXPENDITURE RATE - CERTIFIED SHARES ...(formerly CAGIT & COIT) - I.C.6-3.6

IC 6-3.6-6-3 (a)(2) Distribution (only in former CAGIT counties) .25% goes to all units including schools after PSAP and Correctional facilities distributions. Certified Shares/Expenditure rate is distribution to all taxing units except schools. Money may be used for any general purpose. County Auditor distributes monthly as certified by the DLGF to every taxing unit.
Revenue Streams, cont.

LIT – Public Safety
Distributed monthly to each municipality in the county that is carry out or providing at least one public safety purpose
A fire department, volunteer fire department or emergency medical services within the county may apply to the adopting body for distribution of the revenue

LIT – Economic Development
The executive of the county, city or town shall adopt a capital improvement plan before they will receive a monthly distribution
There are stipulations required to be detailed in the plan
Revenue Streams, cont.

Motor Vehicle Highway - MVH

Money received monthly from the Department of Revenue for tax on fuel,
50% of the revenue must be receipted into non-restricted MVH Fund,
50% of the revenue must be receipted into restricted MVH sub fund.

Appropriations may be transferred between 1176 and 1173 without county council approval, provided the sum of the two do not exceed the original adopted appropriation.

Restricted MVH sub fund 1173 may only be spent on construction, reconstruction and preservation of the roads.

Non-Restricted MVH fund 1176 may be used for administration and maintenance costs.
Revenue Streams, cont.

**Local Road and Street = LRS**
- Money received monthly from the Department of Revenue for tax on fuel
- Deposited into LRS Fund
- May be used for road maintenance, equipment construction and reconstruction

**Local Option Highway User Tax – LOHUT**
- Comprises 2 taxes: wheel tax and excise surtax. County Council must adopt, modify 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 with a weight $> 3,000$ lbs.
- May be used to construct, reconstruct, repair or maintain roads and streets
- Disbursed monthly by County Auditor to the County, Cities and Towns based on road miles and population
Cumulative Funds

Must establish or reestablish a cumulative fund by April 30

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>IC Reference</th>
<th>Maximum per 100 av</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Bridge</td>
<td>IC 8-16-3</td>
<td>0.10</td>
</tr>
<tr>
<td>Major Bridge</td>
<td>IC 8-16-3.1</td>
<td>0.0333</td>
</tr>
<tr>
<td>Cumulative Courthouse</td>
<td>IC 36-9-14</td>
<td>0.1667</td>
</tr>
<tr>
<td>Cumulative Capital Development</td>
<td>IC 36-9-14.5</td>
<td>0.0333</td>
</tr>
<tr>
<td>Cumulative Drainage</td>
<td>IC 36-9-27-99</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Except for Cumulative Building or Cumulative Capital Improvement, cumulative funds do not expire and may be levied from year to year provided they are advertised annually with the annual budget or time limited in the original ordinance.

To ensure the rate is what you desire, you may choose to re-establish the cumulative fund each year.
Appropriations

The **authority** to spend cash

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

Requested by Administrative officials
Approved by the County Council
Overseen by the County Commissioners

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
Appropriations, cont.

If an appropriation is not sufficient you may request:

1. Transfer of appropriation \textit{IC 6-1.1-18-6}
   a. Transfer within budget classification – no prior Council approval
   b. Transfer from one classification to another – \textbf{must} have prior County Council approval
   c. Transfers can \textbf{ONLY} be made within a department
   d. If needed from one department to another, a Reduction of an Appropriation and an Additional Appropriation will need adopted

2. Additional appropriation \textit{IC 6-1.1-18-5}
   a. Notice of Public Meeting must be published 10 days prior to date of the meeting.
Encumbrance

Expenses that have been incurred in one year but not yet processed through the claim pay process may be encumbered into the ensuing 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.
EXPENDITURE CLAIM PROCESSING

Responsibility of Elected Official/Department Head

Receive an invoice for goods or services rendered
Verify the validity of the invoice
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
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.
Responsibility of County Auditor

Receive completed claim voucher with original invoice
  a. Check for authorization signature

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 request from the appropriate expenditure category
  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
Responsibility of County Commissioners

It is the responsibility of the Board of Commissioners to make the final authorization for payment of any claim made against the county.

In a regularly scheduled meeting, receive a Claim Docket which lists every voucher that has been audited and certified by the County Auditor that all requirements have been met. IC 36-2-6-4

May request to review any and all claims.

May choose to deny a claim for payment that may need further verification or review. IC 36-2-6-2

Upon passage of a motion to pay, they 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

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

An emergency pay ordinance can be passed to allow payment before a meeting:
  a. A docket still needs board approval at the next regular meeting
Where Can I Learn More

County Budget Order
  Fund Report
  Estimate Miscellaneous Revenues
  Civil Max Levy Report
  Miscellaneous Changes and Approved Levy Increase
  Cumulative Rate Calculations

County Annual Report
County Abstract of Charges
Monthly Financial Reports from Treasurer
State Board of Accounts – Manuals - https://www.in.gov/sboa/4847.htm
Follow AIC

- Supporting County Officials so they can Better Serve Taxpayers
- Our Success is based on your success
- www.indianacounties.org
- Follow us Facebook, Twitter and YouTube
- News92 Magazine
- eNewsletter

David Bottorff
Executive Director
dbottorff@indianacounties.org

Jacque Clements
Director of Planning and Professional Development
765-438-6823 cell
317-829-3635 office
jclements@indianacounties.org