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Association of Indiana Counties December 2022 Roles and Responsibilities of Commissioners in the Budget and Claims Process



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State Agencies

SBOA - State Board of Accounts – Funds accounting

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 – Budgets, tax rates and tax levies

Oversees the assessment regulations and monitors results

Administers property tax system (Gateway)

Certifies budget orders establishing tax levies and appropriations

Certifies several different values used in the budget process

Train local officials



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Funds vs Cash vs Appropriations

Each county has multiple funds that have been collected for specific reasons. The balance in the funds along with other money collected for distribution will equal the balance of the monies in the bank

The county treasurer accounts for the monies in the bank(s) which is reported monthly

- a. Funds in the ledgers
- b. Excise taxes for distribution
- c. Property tax dollars collected
- d. Miscellaneous collections for distribution
 - i. Surplus tax
 - ii. Demand fees
 - iii. Special assessments
- e. Investments

Funds, as a rule, may not be overspent

There must be authority to distribute the funds (appropriations)



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Funds

The State Board of Accounts has established a chart of accounts that will assist you in determining the different type of funds. When you look at your fund's ledger report, the funds numbers will determine the type of fund. Please note, DLGF fund numbers are different when working in Gateway

- 1000 and 2000 numbers - Statutory funds established by or supported by Indiana Code
- 4000 numbers - Local authority funds that are supported by ordinance or resolution of the County Council or Board of County commissioners for purposes specific to the county
- 5000 numbers - Account funds needed to provide accountability for an authorized function.
- These are typically, payroll clearing funds
- 6000 numbers - Settlement funds used for the distribution of property tax collections
- 7000 numbers - Remittance funds to disburse revenue to other units within the county or state
- 8000 numbers - Federal grants for each grant received
- 9000 numbers - State and local grants for each grant received
- 0001 thru 0099 - Outside funds for the annual report only

Department codes can be found on the SBOA website under the annual report



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Funds, cont.

You may transfer from a fund's cash balance **only** if there is authority to make the transfer:

Example:

Rainy Day Statute IC 36-1-8-5.1 allows transfer into the fund.
However, while funds can be transferred into the Rainy Day Fund, the Rainy Day Fund is subject to the same appropriation process as other funds receiving tax money

MVH to MVH Restricted in SBOA Directive 2018-2 allows you to transfer money between the MVH Fund and MVH Restricted sub-fund by ordinance or resolution of the County Council



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Appropriations

The **authority** to spend cash from a fund

Disbursements under the budget are covered under IC 6-1.1-18-4.

- a. The county fiscal body shall appropriate funds in an amount whereby the expenditures do not exceed its budget for that year. This is when the maximum levy comes into play for property tax driven funds.

Indiana Code 36-2-5-2(b) – The county fiscal body shall appropriate money to be paid out of the county treasury, and money may be paid out of the treasury only under an appropriation made by the fiscal body, except as otherwise provided by law.



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Appropriations, cont.

Statute does allow for disbursement of funds without appropriation:

IC 36-2-9-14

- a. Refunds of overpayment
- b. Monies received to be distributed to other units of government
- c. Tax sale surplus

Insurance fund – IC 6-1.1-18-7

- a. Received as a result of damage property
- b. Expended only on the repair or replacement of that property

Reimbursements of some state and federal grant funds – IC 6-1.1-18-7.5

Federal grants received as an advance do not require appropriation

Follow grant agreement for allowable expenditures

State grants require appropriation, however, the SBOA has stated they will not take exception if it is an advance grant with a detail budget in the grant agreement

Reimbursement grants require appropriation

Erroneous or excessive disbursements – IC 6-1.1-18-9



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Appropriations, cont.

Before money can be disbursed from a fund, you need to consider:

1. If there is sufficient appropriations in place
2. If there is a balance in the fund in excess of the expenditure amount

Most appropriations are established during the annual budget process

Under the budget process, the appropriations must be established for a year not to exceed the maximum levy collection plus miscellaneous revenues

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



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Appropriations, cont.

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 and may be done by the Auditor or Council per county policy

1000	Personal Services
2000	Supplies
3000	Other Services and Charges
4000	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 reduction of an appropriation and an additional appropriation will need adopted



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Appropriations, cont.

If an appropriation is not sufficient you may request:

2. Additional appropriation **IC 6-1.1-18-5**
 - a. Requested by department head
 - b. Auditor must check to insure sufficient funds are available
 - c. Notice of Public Meeting must be published 10 days prior to date of the meeting
 - d. Approved in noticed meeting by resolution or ordinance

Reduction of appropriations are processed in the same manner as an additional appropriation

Reduction of appropriations may be done:

1. To allow for an appropriation needs between departments
2. To reduce the ability to spend



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Encumbrances

Expenses that have been incurred in one budget year but not yet processed through the claim pay process may be encumbered into the ensuing budget year upon request and approval of the County Council. Budget year is January 1 through December 31

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 dated prior to December 31 of the current year
3. Bond Issue Proceeds
4. State or Federal grant agreement with local match of funds
5. 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

The encumbrance may **only** be expended for the contract or invoice for which it was encumbered

No encumbrance is needed for a grant whose budget year is July 1 to June 30



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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



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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

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 "Maximum Levy Growth Quotient" (MLGQ) which is equal to a 6- year average of non-farm income.

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



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Budget Terms, cont.

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

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

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



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Budget Terms, cont.

Tax Rate - Tax Levy/ NAV/100

Property Tax Caps - Maximum dollar amount that may be collected 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

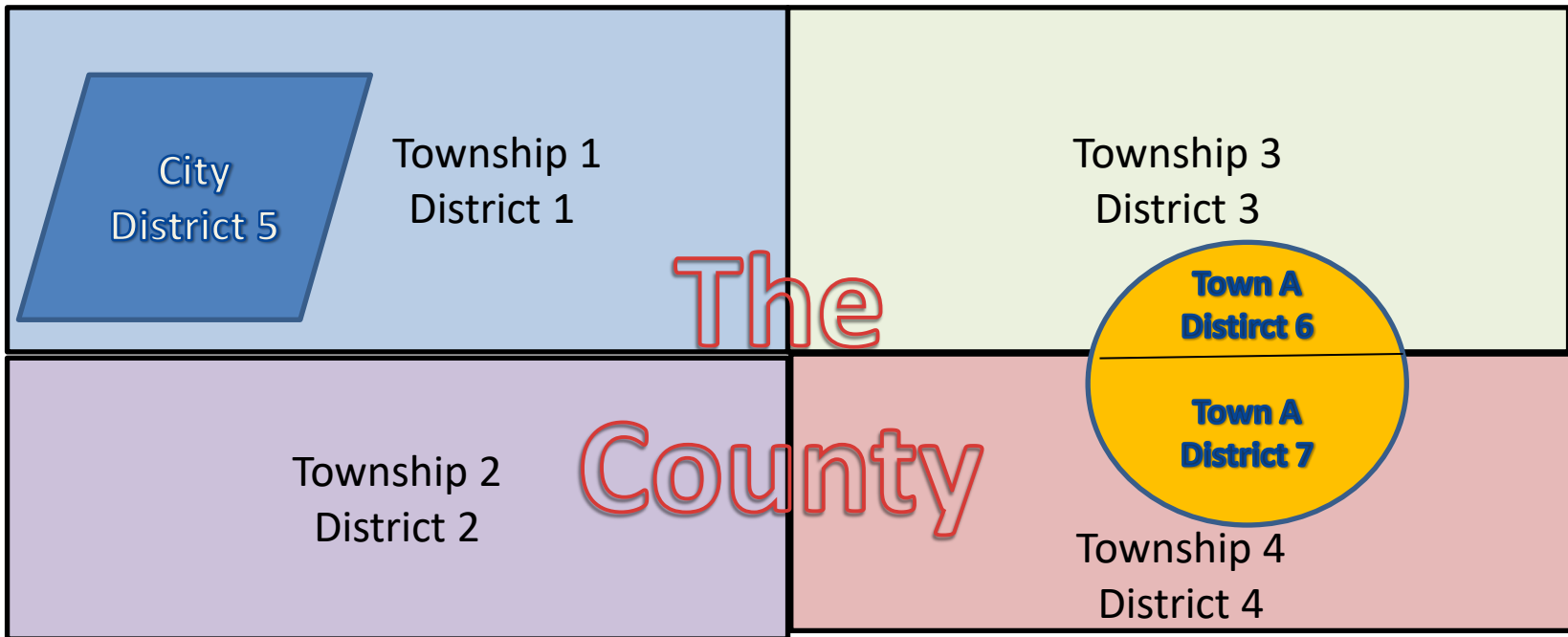
Circuit Breaker Credit – The dollar amount above the property tax cap limitation. These loss revenues are never recovered. The amounts are used in the budget preparation and estimates are certified by July 31 by the DLGF



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Define a Tax District Tax Rate



District 1, 2, 3, 4 Rate = County rate + Township rate + School rate

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



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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.

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 -.Estimate Miscellaneous Revenues

Form 3 – Notice to Taxpayer

Form 4a – Summary of all budget request by category

Form 4b – Statement of budget - results in levy and tax rate

Form 4 – Ordinance of Adoption

All documentation in processed in Gateway by County Auditor



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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 the maximum Cumulative Capital Development Fund rate
Estimate 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 (this is lost revenue)



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Budget Calendar cont.

Certificate of Net Assessed Valuation (CNAV):

The County Assessor must certify gross assessed values to the County Auditor by July 1 of each year

County Auditors, before August 1, are required to certify the net assessed values to the DLGF who will make them visible to all political subdivisions. The Auditors must also notify the DLGF and give notice, via Gateway, to all political subdivision what portion of CNAVs are being withheld. They may withhold up to 2% to allow for possible appeals and additional deductions filed



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Who Does What?

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

Allocates LIT in former CAGIT Counties

Adopts LIT for PSAP

Adopts LIT for Correctional and Rehabilitation Facilities

Adopts LIT for EMS

Adopts Local Wheel Tax/Surtax (LOHUT)

Approve additional appropriations and transfers

Adopt Cumulative Capital Development Fund

Responsible for the tax abatement process



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Who Does What? cont.

County Commissioners – Executive Body

- County Finance Board with County Treasurer

- Purchasing Agency

- Review salary request and make recommendation to the County Council

- Receive Bids

- Adopt EDIT Plan

- Establish most Cumulative Funds

- Approves all claims for payment

- Commissioner Budgets

 - General Fund-Commissioners, Drainage, Courthouse

 - Highway

 - Local Road & Street

 - Cum Bridge

 - Debt Funds

 - County EMS



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Who Does What? cont.

FINANCIAL OFFICIALS ROLES

County Auditor – Fiscal Officer

- Receipts in all county money into the appropriate fund
- Monitors all county money by fund
- Monitors appropriations for expenditures
- Disburses payments of all claims – 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



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Who Does What? cont.

FINANCIAL OFFICIALS 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



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Revenue Streams

Property taxes – within maximum levy controls

Vehicle Excise Taxes – paid at BMV

Aircraft Excise Taxes – paid at BMV

Boat Excise Taxes – paid at BMV

Financial Institution Taxes

Local Income Taxes (LIT) – Maximum 2.5 (except Marion Co. 2.75)

This maximum rate does not include LIT for property tax relief

Wheel and SurTax – paid at BMV

Motor Vehicle Highway (MVH) – paid at the pump

Local Road and Street (LRS) – paid at the pump

Fees for Services

Interest on Investments



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- Supporting County Officials so they can Better Serve Taxpayers
- Our Success is based on your success
- News92 Magazine – published 6 times a year
- E-newsletters – weekly during session, bi-weekly remainder of year
- Institute for Excellence continuing education – 10 per year
- AIC Legislative Conference – February 7&8 – Downtown Hilton
- District Meetings – May 2022 – 6 around the state
- Annual Conference – September 25 – 28th – French Lick Springs, Orange Co.
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