



# Association of Indiana Counties

*Serving county officials so they can better serve taxpayers.*

## **Association of Indiana Counties December 2018 County Commissioner Roles, Budgets and Claims**



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## 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) giving units:

- All powers granted by statute; and

- All other powers necessary or desirable in the conduct of its affairs, even though not granted by statute



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## 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 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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## **Government Responsibilities**

Provide:

- Public Safety – Police and Jail
- Judicial System
- Maintain Records – Courts and Land
- Public Health Services
- Care of the Poor
- Education
- Infrastructure



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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 "Growth Quotient" 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 County Assessor by parcel less all eligible deductions and exemptions



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## **Budget Terms – cont.**

### **Reductions to Assessed Values**

Deductions

Mortgage, Veterans, Age, Disability

Exemptions

Charitable, Religious

Abatement and Tax Increment Financing (TIF)

Homestead Standard Deduction

\$45,000 or  $\frac{1}{2}$  AV whichever is less

Supplemental Homestead

35% of first \$600,000 and 25% above \$600,000



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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



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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

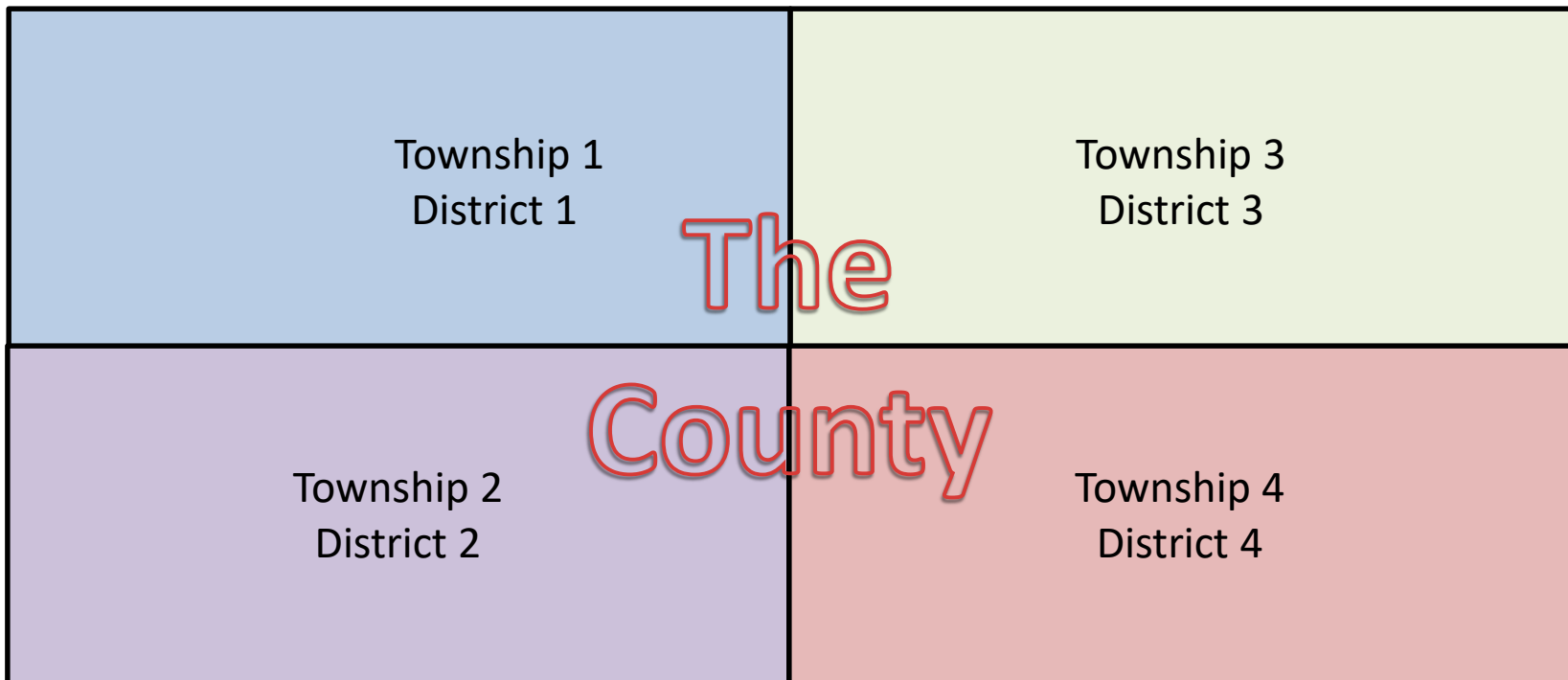




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## Define a Tax District Tax Rate



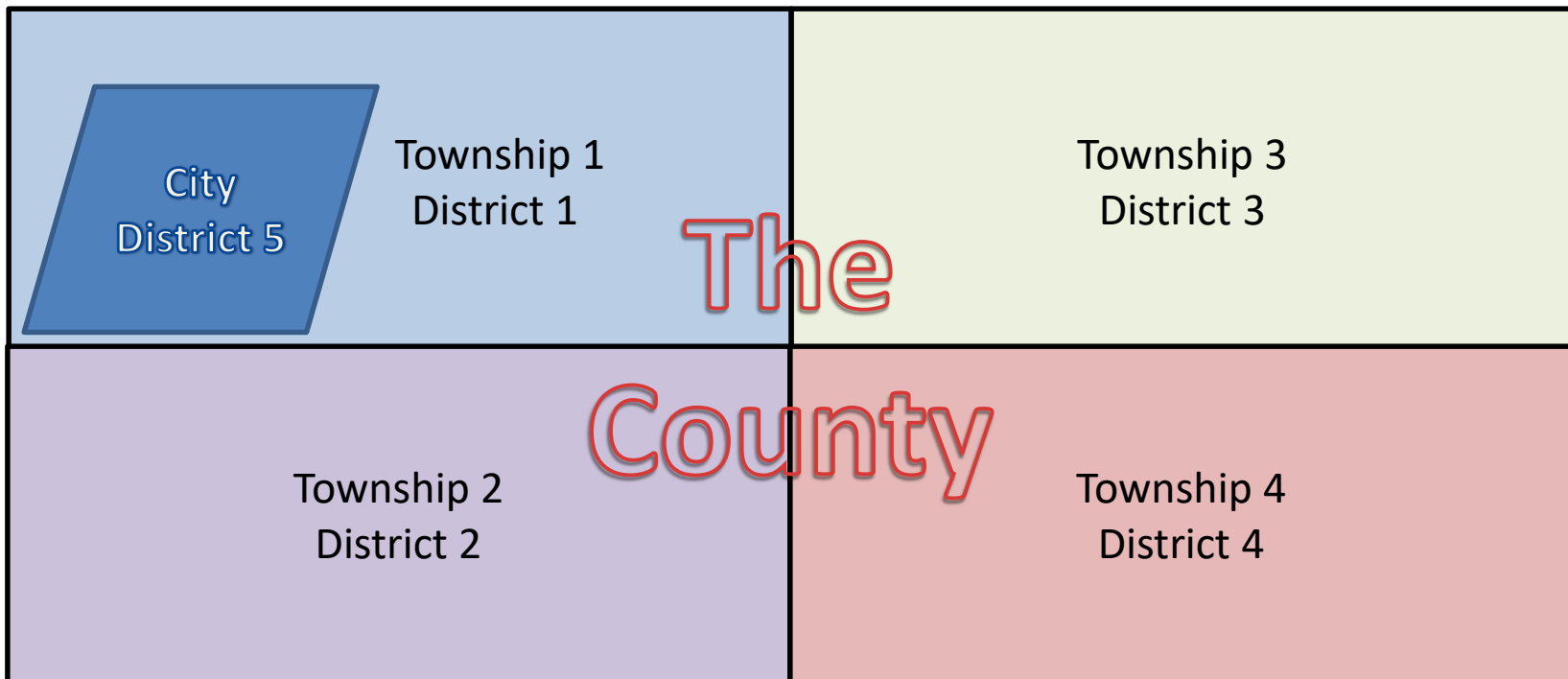
District Rate = County rate + Township rate + School rate



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## Define a Tax District Tax Rate



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

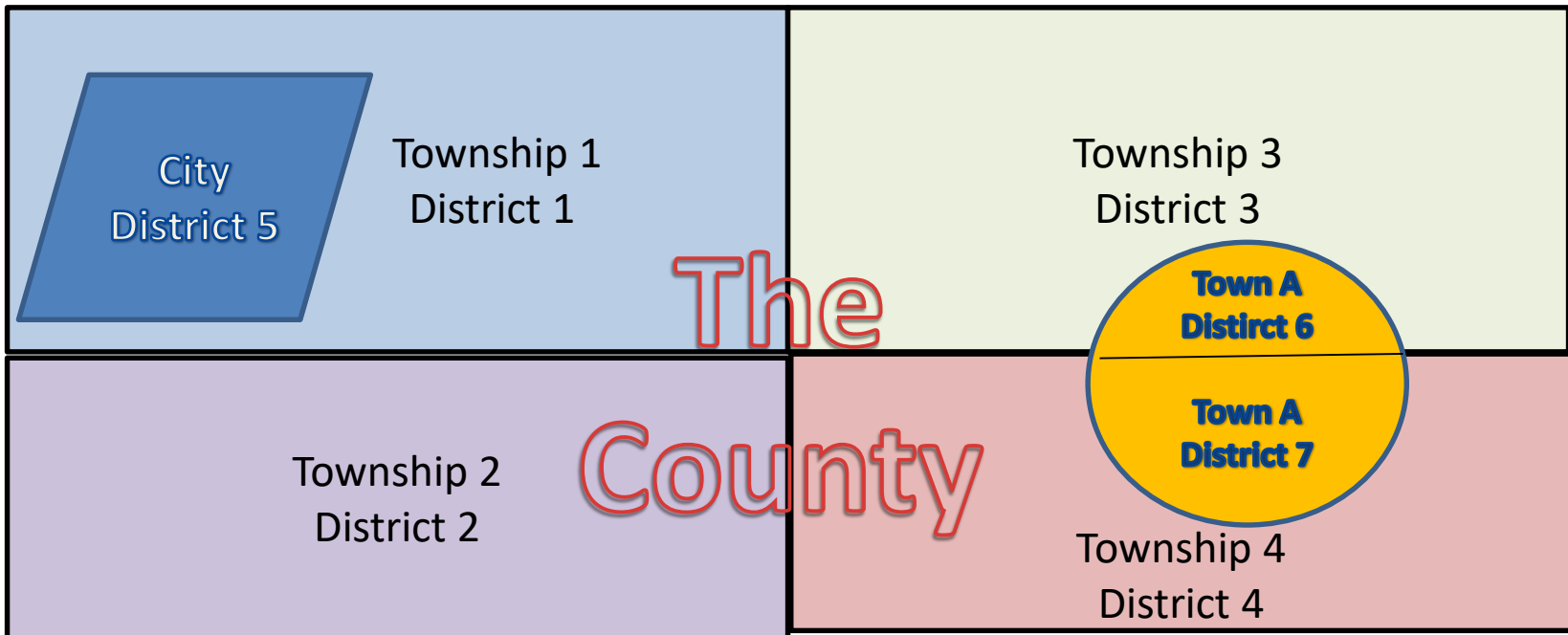
District Rate 5 = County rate + Township 1 rate + School rate + City rate



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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**

### **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 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 Assessed Value Growth Quotient (“AVGQ”).
- 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.



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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

Adopt 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**

Purchasing Agency

Review salary request and make recommendation to the County Council

Receive Bids

Adopt EDIT Plan

Adopt 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 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



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## Who Does What? Cont.

### 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



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## Revenue Streams

- Property taxes – within maximum levy controls
- Vehicle Excise Taxes
- Aircraft Excise Taxes
- Boat Excise Taxes
- Financial Institution Taxes
- Local Income Taxes (LIT) – Maximum 2.5
- Wheel and SurTax
- Motor Vehicle Highway (MVH)
- Local Road and Street (LRS)
- Fees for Services
- Interest on Investments



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## Revenue Streams, cont.

### Property Taxes

Levies may grow by AVGQ 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 Mental Retardation are adjustment to the levy

Funds have specific expenditures



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## 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's Fees

Prosecutor's Fees

Interest Income

Sheriff Fees

Recorder's Fees

Health Department Fees

Rent on County Property

Grants



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## 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



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## 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

Distributed to the County before the remainder of the expenditure rate

Sunsets at 20 years



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## 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





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## 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



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## Revenue Streams, cont.

### **Motor Vehicle Highway - MVH**

Money received monthly from the Department of Revenue for tax on fuel  
Placed in Highway Fund  
May be used for salaries, equipment or maintenance

### **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, construction and reconstruction



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## Revenue Streams, cont.

### 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 County, Cities and Towns based on road miles and population



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## 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

<https://www.in.gov/sboa/4863.htm>

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



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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
  - b. Transfer from one classification to another – **must** have prior County 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
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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## 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



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## **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.



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## EXPENDITURE CLAIM PROCESSING, cont.

### 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





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## **EXPENDITURE CLAIM PROCESSING, cont.**

### **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

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

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, 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

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



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## 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>



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