



# Indiana County Council Association

## Managing County Funds

Karen Large

Budget Division Director

Department of Local Government Finance

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# Discussion

- Information Needed to Manage Funds
- Fund Classification
- Establishment of Property Tax Levy
- Maximum Permissible Levy
- Reassessment Fund
- Excessive Levy Appeals
- Circuit Breaker Credit
- Additional Appropriations
- Transfer of Funds to Rainy Day Fund
- Questions



# Information Needed to Manage Funds

- Identify funds within the maximum levy, i.e., levy controlled or rate controlled
- Be familiar with the information used to compile the financial statement – Form 4B – 16 Line Statement
  - Form 4B prepared for each fund
- Estimated Miscellaneous Revenue – Form 2
  - Other sources of revenue
  - Form 2 prepared for each fund
- Assessed Valuation Growth Quotient
- Current assessed valuations



# Budget Form 4B

## (Budget Estimate-Financial Statement- Proposed Tax Rate)

PRESCRIBED BY THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE  
APPROVED BY STATE BOARD OF ACCOUNTS

Budget Form 4-B (Rev 2002)

ID YEAR CO TYPE FUND

### BUDGET ESTIMATE- FINANCIAL STATEMENT- PROPOSED TAX RATE

TAXING UNIT \_\_\_\_\_  
FUND \_\_\_\_\_

COUNTY \_\_\_\_\_  
NET ASSESSED VALUATION \_\_\_\_\_

(This form is to be prepared for each fund that requires either a tax rate or an appropriation)  
(NOT TO BE PUBLISHED)

FUNDS REQUIRED FOR EXPENSES TO DECEMBER 31st OF INCOMING YEAR	AMOUNT USED TO COMPUTE PUBLISHED BUDGET	APPROPRIATING BODY	TAX ADJUSTMENT BOARD	CONTROL BOARD AND DLGF FINAL ACTION
1. Total budget estimate for incoming year				
2. Necessary expenditures, July 1 to December 31 of present year, to be made from appropriation unexpended				
3. Additional appropriation necessary to be made July 1 to December 31 of present year				
4. Outstanding temporary loans				
a. To be paid not included in lines 2 or 3				
b. Not repaid by December 31 of present year				
5. <b>TOTAL FUNDS required</b> (add lines 1,2,3,4a and 4b)				
<b>FUNDS ON HAND TO BE RECEIVED FROM SOURCES OTHER THAN PROPOSED TAX LEVY:</b>				
6. Actual cash balance, June 30 of present year (including cash investments)				
7. Taxes to be collected, present year (December settlement)				
8. Miscellaneous revenue to be received July 1 of present year to December 31 of incoming year				
(Schedule on File):				
a. Total Column A Budget Form 2				
b. Total Column B Budget Form 2				
9. <b>TOTAL FUNDS</b> (Add lines 6, 7, 8a and 8b)				
10. Net amount to be raised for expenses to December 31 of incoming year (deduct line 9 from 5)				
11. Operating balance ( not in excess of expense January 1 to June 30, less miscellaneous revenue for same period)				
12. Amount to be raised by tax levy (add lines 10 and 11)				
13. Property Tax Replacement Credit from Local Option Tax				
14. <b>NET AMOUNT TO BE RAISED BY TAX LEVY</b> (deduct line 13 from line 12)				
15. Levy Excess Fund applied to current budget	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	
16. Net amount to be raised				
17. Net Tax Rate on each one hundred dollars of taxable property				



# Budget Form 2

## Estimate Of Miscellaneous Revenue

PRESCRIBED BY DEPARTMENT OF LOCAL GOVERNMENT FINANCE  
APPROVED BY STATE BOARD OF ACCOUNTS

County Budget Form No. 2 (Rev. 12/07)

ID	YEAR	CO	TYPE	KEY	FUND
COUNTY, INDIANA					
ESTIMATE OF MISCELLANEOUS REVENUES FUND					
FROM SOURCES OTHER THAN GENERAL PROPERTY TAXES					
FOR USE IN PREPARATION OF ESTIMATE OF FUNDS TO BE RAISED, YEAR _____					
PREPARE SEPARATE ESTIMATE FOR EACH FUND					
<b>ESTIMATED AMOUNTS TO BE RECEIVED</b>					
		-A-	-X-	-B-	-X-
		July 1,	Department of	Jan. 1,	Department of
		to	Local Government	to	Local Government
		Dec. 31,	Finance	Dec. 31,	Finance
<b>OTHER TAXES</b> 0201 Financial Institutions Tax ..... 0202 Vehicle License Excise Tax ..... 0203 CAGIT Certified Shares ..... 0204 CAGIT Property Tax Replacement Credit ..... 0206 Surtax ..... 0207 Wheel Tax ..... 0212 County Option Income Tax (COIT) ..... 0217 CVET Commercial Vehicle Excise Tax..... <b>INTERGOVERNMENTAL REVENUE:</b> Revenue From State and Federal Sources: 1413 Change of Venue ..... 1510 Inheritance Tax - County's Share ..... 1511 Intangibles Tax - County's Share ..... 1512 Surplus State Dog Fund ..... 1513 Special Judges ..... 1414 Board of Education - Tuition Support..... 1122 Care of Federal Prisoners ..... 1121 Civil Defense - Federal Matching Funds ..... 1301 In Lieu of Taxes - Housing Authority ..... 1501 Alcoholic Beverage Excise ..... <b>COUNTY HIGHWAY FUND DISTRIBUTIONS:</b> 1416 Motor Vehicle Highway Account ..... 1417 Local Road and Street Distribution..... 1516 Highway Engineer's Salary ..... <b>LICENSES AND PERMITS:</b> 2101 Plan Commission ..... 2102 Building Department ..... 2505 County Health Department ..... <b>CHARGES FOR SERVICES:</b> 2111 County Auditor ..... 2106 County Treasurer - Demand Fees..... 2107 County Treasurer - Tax Sale Costs..... 2108 County Recorder ..... 2109 County Sheriff ..... 2110 County Surveyor ..... 2210 Prosecuting Attorney ..... 2508 County Home- Care of Residents ..... 2509 County Home - Other Revenue ..... 2504 Emergency Ambulance Service ..... 2403 Sanitary Landfill ..... 2501 Park Receipts..... <b>FINES AND FORFEITURES:</b> 4103 Clerk of Circuit Court ..... <b>MISCELLANEOUS REVENUE:</b> 6100 Interest on Investments ..... 6200 Rental of County Property ..... 6400 Contributions and Donations ..... 6500 Miscellaneous Revenues..... <b>OTHER FINANCING SOURCES:</b> 5101 Sale of County Property ..... 5400 Repayment of Loans ..... 5208 Repayment of Poor Relief Advances ..... 5601 Tax Refunds ..... 0210 Unclaimed Surplus Tax ..... 0211 Unclaimed Tax Sale Surplus ..... 9999 Total Columns A and B .....					
		\$	-	\$	-
		Line 8A		Line 8B	

NOTE: Col. A is for the period from July 1 to December 31 of the present year.  
Col. B is for the period from January 1 to December 31 of the incoming year.  
Cols. X are reserved for the Department of Local Government Finance.  
CAGIT means County Adjusted Gross Income Tax.



# Fund Classification

- Funds are classified as:
  - Levy controlled
  - Rate controlled (cumulative funds)
  - Debt service (or “need controlled” funds)



# Levy Controlled Funds

- Controlled levies are included in the maximum levy calculation, i.e., general fund, health fund, reassessment
- Exempt levies are exempt from maximum levy calculations, i.e., debt service, cumulative capital development (portion), mental health and mental retardation
- Cannot exceed the “maximum levy” unless permitted by statute, i.e. excessive levy appeal process



# Levy Controlled Funds

- Maximum levy is allowed to grow each year by the statewide average growth in non-farm personal income or 6% whichever is less
- Because the levy is limited, rates can increase or decrease based on assessed valuations
- Taxing unit can increase one controlled fund levy and decrease another as long as the total stays within the maximum





# Rate Controlled Funds

- Maximum allowable rates are set by statute
- Growth is controlled by a fixed tax rate
- Rates are adjusted annually to changes in AVs due to “trending” or reassessment
- Examples of rate controlled funds include:
  - Cumulative Courthouse Fund
  - Cumulative Bridge Fund
  - Cumulative Jail Fund
  - Cumulative Capital Development Fund
    - (Portion is outside the maximum levy)



# Debt Service Funds

## DEBT SERVICE (NEED CONTROLLED FUNDS)

- Levies are set based on the amount necessary to pay principal and interest expense on debt
- Percentage increase in debt service levies is not pre-determined
- Can be significant depending upon the amount of debt approved



# Establishment of Property Tax Levy

- Most difficult part of the budget process is establishment of adequate tax levy and tax rate
  - Maximum levy limitations
  - Determination of levy includes subtracting from projected expenses any amounts of miscellaneous revenue that will be generated
  - Difference reflects what is required to be raised in property tax
  - If line 10 on Form 4B is greater than the maximum levy, must reduce line item expenditures during the current year or proposed calendar year
    - Balanced budget
    - Operating budget within a maximum levy limitation
    - Avoidance of operating in the red



# Maximum Permissible Levy Information

- **Maximum levy limitations** control the amount of property tax levied by a unit placing caps on revenues available through property tax
- **Levy growth** is limited to the amount that was levied in the previous year plus an average statewide growth percentage
- Maximum levy amounts are determined by statute and certified by the DLGF



# Maximum Permissible Levy Information

- Levy totals must not exceed the maximum levy limitation
- Levy will be reduced to less than or equal to the amount of the maximum allowable levy
- Responsibility of the DLGF to keep the unit of government within their working maximum levy



# Maximum Permissible Levy Information

- Unit of government is permitted by statute to raise a specific amount of levy
- Maximum levy limitation was established in 1984
- Maximum permissible levy has been allowed growth factors each year
- Some fund levies (or portion of levy) qualify to be outside the maximum levy limitation, i.e., cumulative capital development fund, mental health and mental retardation



# Maximum Levy Information

- If levies are certified below the maximum, at least one-half ( $\frac{1}{2}$ ) will be lost:

Example:

Max levy (current year) = \$500,000

Council adopted levies (current year) = \$400,000

New max levy (ensuing year) = \$450,000 (+growth factor)

- **Upon request**, if the unit was reducing its previous year's cash balance, the DLGF **may** make an adjustment to the max levy based on the unit's use of cash balances.



# Maximum Levy Calculation

Fund	Assessed Valuation	Rate	Levy	Control
General	1,299,850,333	0.4446	5,779,135	UT
Reassessment	1,299,850,333	0.0095	123,486	UT
Cumulative Courthouse	1,299,850,333	0.0038	49,394	UT
Highway	1,299,850,333	0.0000	-	UT
LRS	1,299,850,333	0.0000	-	UT
Cumulative Bridge	1,299,850,333	0.0488	634,327	UT
Health	1,299,850,333	0.0143	185,879	UT
Cumulative Jail	1,299,850,333	0.0300	389,955	UT
Park and Recreation	1,299,850,333	0.0091	118,286	UT
CCD	1,299,850,333	0.0212	275,568	UT
Debt Service Payment	1,299,850,333	0.0310	402,953	O
Total		0.6123	7,958,983	





# Miscellaneous Maximum Levy Changes

Normal Maximum Levy		7,068,404
Miscellaneous Changes:		
Minus LOIT	0	
Minus Levy Excess	0	
Plus Financial Inst. Tax	9,040	
Mental Health Adj.	214,637	
Cum Fund Outside Levy	275,568	
Total Misc. Changes		<u>499,245</u>
Working Maximum Levy		7,567,649
Under Maximum Levy	11,619	



# Reassessment Fund (Levy Controlled Fund)

- **Reassessment Fund (Controlled Fund)**
  - 2010 Reassessment Fund
  - May only be used for reassessment purposes
  - Expenses of reassessment shall be paid by the county
  - New 2017 Reassessment Fund
  - Within the maximum levy



# County Rate Controlled Funds

<u>Rate Controlled Funds</u>	<u>Indiana Code</u>	<u>Max. Rate</u>
Cumulative Bridge	8-16-3-3	.1000
Major Bridge (Outside max levy)	8-16-3.1	.0333
Cumulative Courthouse	36-9-14-1	.1667
Cumulative Jail	36-9-15-1	None
Cumulative Capital Development	36-9-14.5-1	.0133 or .0167
Cumulative Building Park	36-10-3-21	.0167
Cumulative Drainage	36-9-27-100	.0500
Cumulative Building Hospital (12 yrs)	16-22-5-2	.1167
Cumulative Improvement	14-33-21	.0333
Cumulative Bldg. Airport	8-22-3-25	.0033
Cumulative Voting System Purchase	3-11-6-9	.0167
Cumulative Building	36-9-16-1	.3300



# Excessive Levy Appeals

- Appeals must be filed with the DLGF before October 19, 2010 or before December 30, 2010 for shortfall appeals
- All appeals must be included in the budget advertisement and shown in the column for “Excessive Levy Appeal” and the property tax levy column
- The Appeals must be approved by the fiscal body
- The DLGF may approve, modify, or deny the amount of the appeal



# Excessive Levy Appeals

- Units may appeal to the DLGF for exceptions to the maximum levy controls
- Appeals are allowed for:
  - Correction of Advertising , Mathematical, or Data Error
  - Shortfalls due to Erroneous AV's
  - Annexation, Consolidation, or Extension of Services
  - Three Year Growth
  - Emergency due to natural disaster, accident



# Circuit Breaker Credit

- Credit is applied to taxpayer's property tax liability that exceeds 1%, 2%, and 3% of GAV
- Circuit Breaker Credit = The amount of property taxes that taxpayers do not have to pay and is the same amount that units of government will not receive in collections.



# Circuit Breaker Credit

- County auditor shall notify each political subdivision in which credit is applied
- Political subdivision may not increase its property tax levy to make up the reduction
- Political subdivision may not borrow money to compensate the political subdivision for the reduction of property tax collections due to CB credit
- The higher the tax rates the greater the impact of the CB credit



# Circuit Breaker Credit and Debt Service Funds

- Debt obligations must be met regardless of circuit breaker credit
- Circuit breaker credit will first affect the debt fund operating balance
- If unit has no operating balance, unit will have to appropriate funds from another source, i.e., Rainy Day or General Fund to meet debt obligations





# Additional Appropriations

- Additional appropriations process is used to appropriate money in excess of the certified current year budget
- Fiscal body must act on all additional appropriations
- Approval by the DLGF is limited to:
  - Funds that receive revenue from property taxes
  - Motor Vehicle Highway Fund
  - Local Road and Street Fund
  - Rainy Day Fund
- Other additional appropriations must be reported to the DLGF (Reporting Only Funds)
- Legal notices for additional appropriations, whether or not they require approval of the DLGF, must be published one (1) time in one (1) or two (2) newspapers, no less than ten (10) days before the public hearing on the proposal



# Transfers Of Appropriations

- Transfer process allows for movement of appropriations between categories
- Transfer does not allow expenditure of more money than the total amount set out in the budget
- Transfer process merely shifts the use of the funds between line items in the fund
- Transfer is made at a regular public meeting and by proper ordinance/resolution
- Transfer is made without notice and without the approval of the Department of Local Government Finance



# Transfer of Funds to the Rainy Day Fund

- A political subdivision may establish a Rainy Day Fund to receive transfer of unused and unencumbered funds
- Rainy Day Fund is subject to the same appropriation process as other funds that receive tax money
- Political subdivision may transfer not more than ten percent (10%) of the political subdivision's total budget for that fiscal year to the Rainy Day Fund
- DLGF may not reduce the actual or maximum permissible levy of a political subdivision as a result of a balance in the Rainy Day Fund
- Transfers to the Rainy Day Fund must be reported to the DLGF
- Resolution/ordinance approving the transfer must include the name of each fund and the amount being transferred out of each fund to the Rainy Day Fund



# Managing County Funds

After the Financial Statement (Form 4B) is prepared and before budget adoption, consider the following:

- 1) No operating balance, no increase in appropriations
- 2) If operating balances in cum funds, consider lowering cum rates so that levy can shift to General Fund
- 3) If paying highway expenditures from General Fund, consider using MVH funds
- 4) Consider using other funds for expenditures currently being paid from the General Fund, i.e., LOIT Public Safety, Rainy Day, CEDIT
- 5) Do not adopt budget with the intent to approve additional appropriations throughout the budget year
  - No revenues have been raised to fund additional appropriations
  - Additional appropriations will reduce unappropriated fund balance



# DLGF Communications

- To assist with the non-binding review and recommendation process, civil taxing units and county fiscal body can access budget review forms on the DLGF Web site at [www.in.gov/dlgf/6800.htm](http://www.in.gov/dlgf/6800.htm)
- County budget information, i.e., manual, forms, etc. can be access at <http://www.in.gov/dlgf/2677.htm>
- Department of Local Government home page is located at [www.in.gov/dlgf](http://www.in.gov/dlgf)



# Contact The Department

- **Karen Large, Budget Division Director**
  - Telephone: 317-234-3937
  - E-mail [klarge@dlgf.in.gov](mailto:klarge@dlgf.in.gov)
- **Dan Jones, Assistant Budget Division Director**
  - Telephone: 317-232-0651
  - E-mail [djones@dlgf.in.gov](mailto:djones@dlgf.in.gov)
- **Linda Lessaris, Budget Division Supervisor**
  - Telephone: 317-233-9239
  - E-mail [llessaris@dlgf.in.gov](mailto:llessaris@dlgf.in.gov)
- **Web site: [www.in.gov/dlgf](http://www.in.gov/dlgf)**
  - “Contact Us”: [www.in.gov/dlgf/2338.htm](http://www.in.gov/dlgf/2338.htm)