

CHAPTER 15

COUNTY FINANCES AND BUDGETING

The budgeting and financial process of the county involves every elective and appointive county official. Most directly involved in the county budget process are the county auditor (as budget officer of the county) and the board of county commissioners (as the appropriating and taxing authority). However, all county officials prepare budget requests and thus play a part in the county financial process. This chapter describes county budgeting, auditing and indebtedness and is introduced by brief sections on county revenue sources and expenditures.

COUNTY REVENUE SOURCES

Idaho counties depend nearly as extensively upon the property tax as do counties in most other states. Property taxes provided 27.6 percent of the revenue of Idaho counties in 2001-2002 as compared to 24.2 percent of the revenues of all counties in the United States. Charges and miscellaneous revenue provided another important source of revenue, with 49.9 percent for counties in Idaho and 26.6 percent as an average for all the United States. This is shown in Table 1.

TABLE 1

General Revenue Sources of Idaho Counties
and All Counties in the United States ¹

	Amount of Revenue Collected in Idaho Counties <u>2006-2007</u>	Percent of Total Revenue Collected in 2006-2007 by Source	
		<u>Idaho</u> <u>Counties</u>	<u>U.S.</u> <u>Counties</u>
Property Taxes	332,881,000	27.3	26.5
Other Taxes	25,622,000	2.1	11.9
Intergovernmental Revenue			
From State Government	185,107,000	15.2	30.7
From Federal Government	20,309,000	1.7	3.2
From Local Sources	6,009,000	0.5	1.9
Charges and Miscellaneous Revenue	<u>648,730,000</u>	<u>53.2</u>	<u>25.9</u>
TOTAL GENERAL REVENUES	1,218,658,000	100.0	100.0

Source: US Census Bureau (http://www.census.gov/govs/estimate/historical_data_2007.html).
Values may not be exact due to rounding.

County Fees

Broad authority for county governments to authorize fees for county services is provided by section 31-870, *Idaho Code*, which states that "Notwithstanding any other provision of law, a board of county commissioners may impose and collect fees for those services provided by the county which would otherwise be funded by ad valorem tax revenues" (31-870). In 1993, a new section was added to 31-870 that provided for the establishment and collection of a solid waste fee.

County Justice Fund: If the county establishes a Justice Fund, as provided by the *Idaho Code*, Sections 31-4601 through 31-4603, provisions are made for annual tax revenue to be diverted to the fund (63-805(1) and 63-805(2); 49-328; 31-3201).

County Property Taxes

County property taxes, the main source of county own source tax revenue, have been previously described in Chapter 14. County revenues from state and federal sources will be described in this chapter.

STATE REVENUE SOURCES

The main sources of state funds received by counties in Idaho are state liquor revenues, state highway user taxes and fees, state sales taxes, and state education funds and endowments. The following are the major sources of state funds distributed to counties:

Fish and Game Fee in Lieu of Taxes

Idaho voters approved a Constitutional amendment in 1990 that allows the Idaho Department of Fish and Game (IDFG) to pay fees for the lands it manages in Idaho counties. IDFG acquires thousands of acres of taxable land each year. Once acquired, this land becomes exempt from local property taxes. Section 4, Article VII of the Idaho Constitution authorizes the payment of a fee in lieu of property tax on unimproved real property held IDFG provided that the fee does not exceed the property tax on the property at the time of acquisition.

State Liquor Apportionments

The amount of liquor profits is first computed by deducting from liquor sales the cost of purchasing liquor products and administrative and operating expenses (23-404). Certain amounts stipulated in law, such as amounts for alcoholism treatment, community colleges, the public school income fund, the state general fund and the cooperative welfare account, are deducted from the profits. After the deductions are made:

1. Forty percent of the remaining balance goes to counties (23-404);

2. Sixty percent of this balance goes to cities (23-404).

The proportion of the 40 percent each county is entitled to is calculated by the proportion that liquor sales through the dispensary in that county bears to the total liquor sales through all dispensaries in the state during the previous fiscal year (23-404). However, no county shall be entitled to less than that county received in distribution from the liquor account during the 1981 fiscal year. Counties are required to set aside fifty percent (50%) of liquor funds received to pay for community college tuition (33-2110A). Excess funds may be paid to the County General Fund pursuant to 33-2110A (4)(b).

State Raised Highway Users Revenues

Funds from fuel taxes are placed in the state "Highway Distribution Account" Thirty-eight percent (38%) of this fund is distributed to local units of government and sixty-two percent (62%) is distributed to the State Highway Account (40-701)

From the 38% appropriated to the Highway Distribution Account to local units of government, 0.326% is appropriated to the local high technical assistance council and the balance of the appropriation is distributed as follows: (40-709)

1. Ten percent is divided equally among all counties of the state;
2. Forty-five percent is divided among the counties, based on the amount of revenue collected from motor vehicle registrations during the last calendar year in each county in proportion to statewide collections;
3. Forty-five percent is divided among the counties, based on the number of miles of improved highways in each county highway system in proportion to the total number of miles of improved highways in the county highway system statewide.

If a county highway district and the county maintain the highways, a different distribution of the 70% is used. The state has taken the function from counties of apportioning moneys to highway districts. The moneys are apportioned in the following way:

1. Ten percent is divided equally among the county (if it maintains highways), and the highway districts;
2. Forty-five percent is divided among the county (if it maintains highways), and the highway districts based on the amount collected from motor vehicle registration during the last calendar year in each area in proportion to the total amount of such collections in the entire county;
3. Forty-five percent is divided among the county (if it maintains highways), and the highway districts in proportion to the number of

miles of improved highways in each based on the total number of miles of improved highways in the entire county highway system.

Each highway district then apportions its share to the interest and sinking fund of the district. If any monies are left, then the funds can be used for highway and bridge maintenance and construction.

State Sales Tax Apportionments

Idaho Code Section 63-3638 provides for the distribution of all the sales tax revenue. This statute provides for many specific distributions from the sales tax account; however, this chapter is limited to a discussion of the distribution to local governments found in Subsection (9). Under this statute 11.5% of all sales tax revenue is returned directly to the cities, counties, and other taxing districts.

Background

When the sales tax was enacted in 1965, business inventories were subject to property tax. The property tax on business inventories was phased out over a period of years. By 1971, business inventories, including livestock, were exempt from property tax. To make up for the loss of revenue to the various taxing districts, the legislature enacted a distribution directly to the taxing districts. This distribution (which was based on the property tax imposed on business inventories in each district when the tax was phased out) was called the *business inventory replacement*.

A separate *revenue sharing* program was begun in 1984 to benefit cities and counties. Besides satisfying their need for more money, it offered a more up-to-date distribution formula than the business inventory replacement program.

Significant changes have been made through the years to the sales tax distribution and revenue sharing formulas.

When Payments Are Made

Cities and counties receive their allocations from the Idaho State Tax Commission after the end of each quarter. Checks are normally mailed around the 25th of January, April, July and October.

Sales Tax Distributions

Idaho Code Section 63-3638(8) provides for distribution of moneys from sales tax to counties to fund Consolidated Elections. Beginning in FY 2011, \$4,100,000 will be distributed for this purpose from sales tax as follows:

1. \$2,200,000 to be divided equally among the 44 counties for a sum of \$50,000 per county.
2. \$1,900,000 distributed to the 44 counties in the proportion that the population of

the county bears to the population of the state.

The amount distributed pursuant to this subsection, shall be adjusted annually by the state tax commission in accordance with the consumer price index for all urban consumers (CPI-U) as published by the U.S. department of labor, bureau of labor statistics, but in no fiscal year shall the total amount allocated for counties under this subsection, be less than four million one hundred thousand dollars (\$4,100,000).

Each county must establish a special election fund to deposit all revenues received from this distribution which shall be used exclusively to defray the costs associated with the conduct of elections pursuant to Idaho Code Section 34-1401.

Idaho Code Section 63-3638(10) provides four specific distributions to local taxing districts.

Idaho Code § 63-3638(10)(a): This statute states that 28.2% of the 11.5% of the sales tax revenue appropriated (note, this amount equals approximately 3.24% of the total sales tax revenue) is to be paid to the cities. The amount each city receives is based on two equally-weighted factors: (1) *population*, from the latest **official** Census Bureau counts or estimates, and (2) *property values* from the previous year, adjusted by adding back the value of the homeowners' exemption and any added value within an urban renewal district. All incorporated cities with a mayor and city council are eligible for these funds.

Idaho Code § 63-3638(10)(b): This subsection provides a distribution to the counties. Once again, the distribution is approximately 3.24% (28.2% of 11.5%) of the total sales tax revenue. Each county receives 7,500 in revenue sharing each quarter, plus a share based on its population. County populations are usually updated annually.

Idaho Code § 63-3638(10)(c): Distributes 35.9% of the 11.5% (approximately 4.13% of total sales tax revenue) to the cities and counties. The distribution is based on the amount each city and county received under the previous business inventory replacement formula for the fourth quarter of 1999, which establishes a base amount for this distribution.

- a. If the sales tax revenue available for distribution is less than this base amount, then the amount paid to each city and county is decreased proportionately.
- b. If the sales tax revenue available for distribution for the quarter exceeds this amount, then the share for each city and county is increased proportionately until the sales tax revenue reaches 105% of the amount paid for the fourth quarter of 1999.
- c. Any amounts exceeding 105% of the base amount are distributed 50% to the cities and 50% to the counties. The amount paid to the cities is distributed to each city in the proportion that the population of the city bears to the population of all the cities within the state. Likewise, the amount to each county is distributed according to each county's proportionate share of population.

Idaho Code § 63-3638(10)(d): Distributes 7.7% of 11.5% (approximately .00885% of total sales tax revenue) to "special purpose taxing districts." These districts are taxing districts other than

cities, counties, and school districts. As in Section 63-3638(10)(c) this subsection establishes as a base amount the amount each district received under the previous business inventory replacement distribution.

- a. If the amount of sales tax revenue available is less than the base amount, then each district's share is reduced proportionately.
- b. If the amount available exceeds that base amount, then the excess amount is distributed to each district based on the proportion each district's current property tax budget (including forgone amounts) bears to the sum of the current property tax budgets (including forgone amounts) for all such districts in the state.

Common Questions

Q: Is the same amount of revenue distributed each quarter?

A: Not usually. Because the state's sales tax revenue tends to go up in the spring and summer, the July and October distributions are normally higher than those during January and April.

Q: Does the construction of a new shopping center result in a bigger sales tax distribution for the county or city in which the shopping center is located?

A: Not directly. There is no extra benefit to the city or county in which the additional sales tax is generated. However, the city or county benefits from the fact that its sales tax allocation increases when statewide sales tax collections increase.

Q: The state makes circuit breaker payments to help low-income seniors and disabled homeowners to pay property taxes. These payments come from the sales tax account. Does this reduce the amount available for sales tax distributions to the counties and other taxing districts?

A: No. The percentages for distribution are applied to the total amount of sales tax collections less refunds before circuit breaker allocations are made.

Q: Does the election fund money and the personal property tax replacement funds impact revenue sharing distributed to counties and others?

A: No, since the revenue sharing dollars is based upon a percentage of the total sales taxes after refunds.

FEDERAL REVENUE SOURCES

Federal Grants

Federal grants-in-aid have never been a major revenue source for Idaho county governments. In addition, federal aid to county governments is decreasing. Local governments can find grant opportunities from across U.S. Government at www.grants.gov. The following are some of the grant programs which county governments can benefit from in Idaho and other states.

1. Airport construction: Counties constructing airports may receive federal grants for half or more of the approved project cost.

2. Homeland Security: Counties, through the Idaho Bureau of Homeland Security, may qualify to receive matching federal funds to support their homeland security and public safety programs. Also, when the President declares a major disaster in a county, 75/25 federal-applicant grants for public assistance (i.e., publicly-owned damaged/destroyed property) may be made available through the Bureau. A listing of grants available from the Department of Homeland Security is available at: http://www.dhs.gov/dhspublic/interapp/editorial/editorial_0355.xml
3. Health: Idaho receives federal grants for general health, heart disease, lung disease, cancer control, dental health and other physical and mental health programs. These funds are used by the Department of Health and Welfare and public health districts in Idaho, which affect county health budgets.
4. Highways: County governments are eligible for matching funds for construction on their federal aid secondary roads. Approximately 22% of the cost of the project must be supplied by the county or the highway district. Complete plans must be prepared by a registered engineer, and the project must be built under contract.
5. Hospital construction: Counties constructing general hospitals, chronic disease hospitals and nursing homes had received federal grants under the Hill-Burton Act.
6. Outdoor recreation and open space: Federal grants are available to plan, acquire and develop land and water areas and facilities for outdoor recreation.
7. Planning: Counties may receive grants of varying amounts to cover the cost of comprehensive planning.
8. Public housing: The federal government may assist in the financing of low rent public housing projects.

Federal Land Payments

Idaho counties also receive the following types of other revenues from the federal government:

Secure Rural Schools (SRS): Prior to 2001, counties received natural resourced based payments generated from economic activity on national forest land. These payments were known as 25% payments because counties received twenty-five percent (25%) of the gross revenue from timber harvests and other activities on eligible land. The funds were distributed to counties and schools via a formula established by each state. The Idaho Legislature has elected to allocate seventy percent (70%) of forest funds to county road departments and highway districts based on road mileage and thirty percent (30%) to school districts based on average daily attendance (Section 51-1301 and Section 51-1303, Idaho Code). The 25% fund payments were replaced with Secure Rural Schools payments in 2001. Through the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS), Public Law 106-393, counties, highway districts, and schools receive an increased payment based on historical payments and eligible acres. Under SRS, Title I

payments are dedicated for county roads and schools. The allocation is the same as under the 25% fund (70% to county roads and 30% to schools). Title II payments are dedicated to special USFS projects and Title III payments are dedicated to special county projects, primarily for reimbursement of search and rescue operations and wildfire mitigation. SRS has subsequently been reauthorized in 2012 and 2013. In 2012, the formula used to calculate SRS payments was altered to include per capita personal income. If SRS is not reauthorized after September 30, 2014, counties will revert back to receiving 25% payments, a reduction of over 90% of SRS payment levels.

The Mineral Leasing Act, first enacted in 1920 as Public Law 66-146, provides revenue sharing to counties for mineral leases and royalties on sub-surface mineral resources of public lands managed by the federal government. Fifty percent (50%) of mineral lease payments are shared with counties and schools. In Idaho, the Legislature has elected to apportion ninety percent (90%) of mineral leasing receipts to the Public School Income Fund. The remaining ten percent (10%) is transferred to eligible counties where the minerals were extracted (see Section 57-1306, Idaho Code). Mineral lease revenues are to be used for the maintenance of public roads, highways, and bridges.

Payment in lieu of taxes (PILT): Federal land is exempt from property taxation. Because the federal government does not pay local property taxes, Congress enacted the Payment in Lieu of Taxes Act in 1976 to compensate counties for lost tax revenue. PILT was never intended to be a tax equivalent payment program; however, it does ease pressure on counties required to provide public services on tax exempt federal land. Unlike SRS and other natural resource based federal payment programs, PILT is an entitlement program. This means that each year, counties are guaranteed a PILT payment from the federal government. Historically PILT was not fully funded. Prior to 2008, Congress appropriated approximately two-thirds (2/3) of the full PILT payment to counties. Full funding of PILT was authorized for the first time in history as part of the Emergency Economic Stabilization Act of 2008, Public Law 110-343. The law authorized counties to receive a full entitlement payment based on eligible federal acres through 2012. Subsequent full funding reauthorizations occurred in 2013 and 2014 for one year. If Congress fails to reauthorize full PILT funding beyond 2014, PILT will be appropriated annually as a percentage of the full entitlement payment.

COUNTY EXPENDITURES

In 2006-07, Idaho counties spent a larger percent of their funds for social services, and health and public safety and other than other counties in the United States, and spent less on education, interest on debt, and housing as shown by Table 2.

TABLE 2

Expenditures of Idaho Counties
and All Counties in the United States ¹

Function of Government	Amount of Expenditures in 2006-2007		Percent of Total Expenditures by Functions in 2006-2007	
	<u>Idaho</u>	<u>U.S.</u>	<u>Idaho</u>	<u>U.S.</u>
Education	28,000	50,828,421,000	0.0	16.1
Social Services	529,814,000	92,397,098,000	44.6	29.3
Transportation	78,026,000	23,905,456,000	6.6	7.6
Public Safety	192,423,000	49,687,269,000	16.2	15.7
Environment and Housing	89,271,000	24,875,341,000	7.5	7.9
Governmental Admin.	185,683,000	36,664,781,000	15.6	11.6
Interest on debt	9,532,000	11,351,724,000	0.8	3.6
Other & Unallocatable	<u>103,933,000</u>	<u>25,932,344,000</u>	<u>8.7</u>	<u>8.2</u>
TOTAL EXPENDITURE	1,188,710,000	315,642,434,000	100.0	100.0

¹ Source: US Census Bureau (http://www.census.gov/govs/estimate/historical_data_2007.html). Values may not be exact due to rounding.

COUNTY BONDS

Idaho law authorizes the issuance of county bonds for a number of specified purposes:

1. Paying, redeeming, funding, or refunding the outstanding indebtedness of the county (31-1901).
2. Purchase a site and erect a courthouse, a jail, a public auditorium or an airport (31-1903).
3. Construction and repair of roads or bridges or to assist any city in the county in constructing a free bridge over any navigable river within or adjoining the limits of the city (31-1903).
4. Purchase public open-space land or easements for scenic and recreational purposes (31-1903).
5. Airport construction and maintenance (21-401).
6. Irrigation and drainage projects (42-2801).

The issuance of county bonds must first be authorized by a vote of two-thirds of the qualified electors of the county voting in an election held for this purpose (31-1903). Prior to special county bond elections, which can only be held on the dates listed in section 34-106, the board of county commissioners must have notices of intent to hold such an election prepared and posted at two or more conspicuous places in each precinct. It must also have these notices printed in the official newspaper of the political subdivision. The notices describe the action of the board in deciding to bond the county, the purpose of the bonds, the amount of the bonds that are to be issued, and the date and time of the election. Sections 31-1906 through 31-1909, Idaho Code, prescribe the form of the ballot and the procedures for conducting the election and canvassing the returns. The polls must

be open at least six hours on Election Day (31-1905).

The provisions of municipal bond law apply to counties as well as to cities and highway districts (31-1903 and 57-202). According to the provisions of this law, no bonds may be issued to run for a longer term than thirty (30) years (57-210), and the denomination of any single bond cannot exceed \$100,000 (57-207). Bond interest rates must not exceed the rate specified, if any, at the time of the bond election (57-208). Bonds shall not be sold for less than their designated value (par value) plus accrued interest up to the date of delivery of the bonds to the buyer (57-214). The municipal bond law also specifies many of the procedures required for the issuance and redemption of bonds (57-201 through 57-218).

The *Idaho Code* provides for a governing body of a political subdivision to file a petition for a judicial examination and determination of the validity of any bond or obligation (7-1304). The action is a court petition in the nature of a proceeding in rem, and jurisdiction of all parties interested may be had by publication and posting of notice (7-1305). As in other civil cases, an appeal of any judgment must be filed within 42 days after the rendition of the judgment (7-1309).

COUNTY BUDGETING

State law designates the county clerk/auditor/recorder as budget officer of the county unless the voters have chosen the optional form of county government of Executive-Commission or County Manager. It is the budget officer's duty to prepare a preliminary budget for consideration by the county commissioners (31-1602). On or before the first Monday in May each year, the county budget officer must notify each person required to submit a budget estimate that this budget request is due the third Monday of May (31-1602). The notification must be in writing, and all estimates must be submitted on forms furnished by the budget officer at the time of notification. The estimates must meet the detailed requirements of sections 31-1602 and 31-1603, *Idaho Code*.

The county budget cycle begins with a request for budget estimates by the county auditor and ends at the completion of the fiscal year. The fiscal year begins October 1 and ends September 30.

Budget Preparation

After receiving the estimates of all county agencies, the county budget officer prepares a suggested budget for the ensuing year and files it with the board of county commissioners before the first Monday in August (31-1603 and 31-604). The suggested budget shows, as far as practicable, the complete financial program of the county for the ensuing fiscal year. This is done by showing all the contemplated expenditures, the source of revenues, and any accumulated fund balances that will be used to pay these expenditures (31-1603). County auditors do not generally increase or reduce the budget estimates of other independently elected county officials, but include these budget estimates without change in the suggested budgets. When the commissioners have agreed to tentative appropriations, the county budget officer must publish notice of the budget and the budget hearing in the newspaper, no later than the third week in August (31-1604).

Budget Review by the Board of County Commissioners

On or before the Tuesday following the first Monday in September, the board of county commissioners must meet to adopt a final budget (31-1604). At this time, any taxpayer may appear and be heard on any part of the proposed budget. Notice of the budget hearing is published in a newspaper of general circulation in the county. The budget hearing may be continued from day to day until it is concluded, but must be calculated by the second Monday in September (31-1605). Any county official may be called during the hearing and examined by members of the board of county commissioners or by taxpayers.

At the conclusion of the public hearing, the county commissioners must fix the budget of each county office or agency. They are not permitted to increase the amount in the tentative budget for any office or agency, but they may reduce the amounts in the tentative budget (31-1605). The board of county commissioners is not permitted to adopt a budget that includes an amount to be raised from property taxes greater than the amount advertised (31-1605). The final budget adopted by the board of county commissioners is entered by resolution in the official minutes of the board and filed in the office of the clerk of the county board. The final budget specifies the fund or funds for which expenditures are to be made, and the board of county commissioners is not permitted to adopt a budget in which the estimated expenditures from any fund exceed the estimated revenues and balances of that fund (31-1605). The board of county commissioners has the right to make a "general reserve appropriation" in the final budget, and the appropriation cannot exceed five percent of the current expense budget for unforeseen, yet necessary, expenditures. During the year, the board of county commissioners, by unanimous vote, has the right to make an appropriation from the general reserve appropriation to any office and agency when an unforeseen contingency arises by unanimous vote (31-1605). The board of county commissioners also fixes the tax rates necessary to raise sufficient funds to meet the budget. The tax rates must not exceed limits set by state law. These levies are listed in Appendix B.

New Fee and Fee Increase Procedure

Idaho Code Section 63-1311A applies if the increase of the last fee collected (individual not cumulative) is more than 5% or if there is a decision to impose a new fee, then public notice provisions apply. The county is required to notify the public by:

1. Publishing for 2 weeks preceding the week of the public hearing in a newspaper as defined by Idaho Code Section 60-106; or
2. Hold 3 public meetings in 3 different locations within the district's boundary or;
3. Mail notice to all of the district's residents and hold a public meeting not less than 7 days after mailing the notice.

The notice must state the day, the time, the place, and the purpose of the hearing.

Notice of Budget Hearing to County Clerk

Taxing Districts are required to notify in writing to the county clerk the date, time, and location for the budget hearing no later than April 30th (63-802A). If a taxing district misses that deadline, the

district is penalized by being prohibited from increasing property tax. The county clerk then submits the hearing information along with a taxing district contact person and phone number to the county assessor to be printed on assessment notices. In addition, the county clerk certifies to the State Tax Commission compliance and noncompliance of each taxing district.

Creation of a New Taxing District (63-802C)

The County Clerk shall mail a notice of the election to all residences within the proposed taxing district or to eligible voters in that election. The notice shall be mailed not less than 14 calendar days prior to the day of the election. The notice must specifically state the date of the election, the polling places, polling times, aggregate amount of taxes that will be raised, and the increase that will occur per \$100,000 of taxable property.

The county clerk shall estimate the cost of the election within 10 days after the filing of the petition. This must be in writing to the person/persons proposing the district. If the county clerk does not receive a deposit within 20 days of the notice then no election will be held. If a timely deposit is made and the election is successful, the money will be reimbursed from the first moneys collection from taxes. If not successful then the entire amount is forfeited.

Idaho Local Government Cash Basis Act of 1976

Counties are allowed to accumulate fund balances at the end of the fiscal year and carry over such balances into the ensuing fiscal year (31-1605A). This enables counties, if they choose to do so, to operate on a continuing cash basis. This eliminates (or reduces) the need to borrow funds or issue warrants until property tax revenues are received. In addition, Idaho Code authorizes the District Court Fund to carryover up to 60% of the annual budget (31-867).

Emergency Appropriations

If there is an emergency caused by fire, flood, explosion, storm, epidemic, riot or insurrection, emergency appropriations may be made by the board of county commissioners (31-1608). Emergency appropriations are also possible under the following conditions: 1) when it is necessary for the immediate preservation of order or public health; 2) for the restoration of public property to a condition of usefulness after an accident; 3) for the relief of a stricken community overtaken by calamity; 4) to settle approved claims arising from personal injuries or property damage; 5) to meet mandatory expenditures required by law; 6) or the investigation and/or prosecution of crime punishable by death or life imprisonment. In any of these circumstances, the board of county commissioners may, by unanimous vote, appropriate funds to meet the emergency. However, the board must describe the emergency and have this entered in its minutes.

Emergency expenditures are only paid from the balance in the fund to which the expenditures are applicable. However, if these funds are insufficient, interest bearing warrants may be used in payment of these expenditures (31-1608). A warrant redemption fund is then established to raise property taxes to pay these warrants.

Expenditure Controls

After the adoption of the final budget, it is the duty of the county budget officer to see that the provisions of the budget are complied with (31-1602). County Commissioners must not transfer any money from one fund to another or divert money in any fund for other uses except as permitted by law (31-1508). The amounts in the budget can be over-expended only by an emergency authorization by the county commissioners (31-1608), or if an unforeseen contingency arises an appropriation from the general reserve may be made by resolution with an unanimous vote. However, general reserve appropriations can not be made if the fund needing money has its own levy (31-1605). Normally, there is no increase in the funds to a county office or agency during the year, and there is no transfer between salary items and general expenditures. However, the law does not prevent the board of county commissioners from transferring funds between items of general expenses within a particular county office or agency, but it must be done by resolution at a public meeting (31-1606). Also, no salary may be increased during the year without a resolution and recorded in the minutes. County commissioners normally exercise careful control over transfers.

The board of county commissioners exercises expenditure control by reviewing all claim vouchers before payment is made. The county clerk must furnish the commissioners a list of all bills which includes vendor, amount and obligated fund (31-1502). The commissioners must review the list and certify as to its correctness. Bills must be accompanied by receipts or documentation and duly certified by the authorized county official prior to being paid (31-1501). When the board finds that a claim is not a proper charge against the county, it may refuse to approve all or part of the amount claimed (31-1505). County commissioners fix the annual salaries of county officers and the salaries take effect on October 1 for the next fiscal year.

Lapse in Appropriations

All appropriations, other than those for improvements not yet completed, lapse at the end of the fiscal year -- the last day in September (31-1609). However, appropriation accounts may remain open until the first Monday in November for the payment of claims incurred prior to the close of the fiscal year. Thus a county office purchasing a computer before the close of the fiscal year would have until the first Monday in November to voucher the billing for the computer, to have the voucher claim approved, and to have the expenditure recorded on the auditor's accounting records.

Credit Cards

Counties are permitted to utilize financial transaction cards or credit cards. However, knowingly use of public moneys or credit cards for any personal purpose is a crime (18-5701).

AUDITING

Two types of audits of county expenditures are made in Idaho counties. The first is the review made by the county clerk/auditor/recorder and county commissioners prior to the payment of a voucher claim. This review, described in Chapter 3, may be termed a pre-audit because it is made

prior to payment. The board of county commissioners of each county must have a full and complete audit of the financial transactions of the county made annually (31-1701). The audit is made under the direction of the board of county commissioners. One copy of the completed audit shall be filed with the legislative council within ten (10) days after its delivery by the contracting auditor (31-1701). This audit is completed by an independent auditor (67-450B) in accordance to generally accepted governmental auditing standards.

Financial Report

Each month the county is required to publish a statement that will clearly give notice to the public of all its acts and proceedings, and, include a brief financial summary indicating the total amount spent from each county fund during the month. A more detailed report of expenditures may be published if deemed necessary by the board. Annually, a full financial report shall be prepared and available for public inspection which shows for each fund the sources of income, expenditures during the year, current fund balances, and other financial information as determined by the board. Within thirty (30) days of the annual audit's preparation as provided in section [31-1701](#), Idaho Code, the board shall cause to be published a summary of the balance sheet and a summary of the statement of revenues and expenditures. This is published in accordance with the requirements of [chapter 1, title 60](#), Idaho Code. (31-819)

Section 67-450E, passed in 2014, creates a central registry for Idaho local government administrative and financial information on the Legislative Services website. It specifies the information required, timeline, and the penalties for non-compliance.

Idaho Code References

- 31-809 Audit of County Funds. Commissioners are required to examine and audit accounts of officers.
- 31-816 Fixing of Salaries: Commissioners to fix compensation of all county officers and employees.
- 31-867 Special Levy for Courts: Limitation on carryover-not to exceed 60% of total budget for court.
- 31-1501 Claims presented to be accompanied by receipts.
- 31-1502 Prohibitions on Allowance of Claims: Commissioners not to contract debts or liabilities, except in pursuance of law. Must not allow any account of county officer while he neglects or refuses to perform duty required by law.
- 31-1505 Partial Allowance and Reconsideration: If claim presented is not proper charge to county commissioners to reject. If claim is proper, but greater than amount justly due, board may allow partial payment.

- 31-1508 Transfer of Moneys – Order of Payment: Outlines procedures to transfer funds – Resolution required.
- 31-1509 Accounting System – GASB required.
- 31-1510 Definitions – What is a “warrant” and “registered warrant”.
- 31-1601 Commencement of County Fiscal Year: Begins first day of October.
- 31-1602 Duties of Budget Officer – Estimate of Expenses: County Auditor is budget officer. To compile and prepare preliminary budget for commissioners. On or before first Monday in May to request proposed budget from all county offices. Penalty for failure to provide budget officer with information required.
- 31-1603 Suggested Budget – Contents: Budget officer to prepare and provide commissioners with suggested budget for ensuing fiscal year.
- 31-1604 Approval of Tentative Appropriations – Notice- Final Appropriations: Suggested budget to be presented to board on or before first Monday in August. By third week in August budget officer to publish proposed budget and public hearing notice.
- 31-1605 Hearing upon Budget Appropriations – Adoption of Final Budget – Fixing of Levies – General Reserve Appropriation: Public hearing to be held on or before the Tuesday following first Monday in September. Upon conclusion of hearing commissioners fix budget, can’t be higher than amount of tentative budget or include an amount to be raised from property taxes higher than the amount advertised. Procedure for setting levies outlined. Procedure for adjusting budget during fiscal year. General reserve appropriation not to exceed 5% of current expense budget allowed.
- 31-1605A Authorization for Counties to Operate on a Cash Basis: Authorized counties to accumulate fund balances at the end of a fiscal year and carry over these fund balances into ensuing fiscal year to maintain county operations on a cash basis. Funds can be carried forward by resolution.
- 31-1606 Expenditure Limited by Appropriations – Road & Bridge Appropriations – Increase in Salaries: County officials and employees are limited in making expenditures or the incurring of liabilities to the amounts in county appropriations with exception of the Road & Bridge department “B” budget.
- 31-1607 Expenditures Financed by Bond Issue – Expenditures in Excess of Appropriations – Liability of Officers: Not able to make expenditures financed by a bond until bonds have been authorized and funds available. Expenditures made or liabilities incurred in excess of budget appropriations shall not be a liability of the county

but of the official responsible.

- 31-1608 Expenditures to Meet Emergency: The commissioners may by unanimous vote make expenditures necessary to investigate, provide for, and meet an emergency caused by fire, flood, storm, or other specified causes as long as adequate funds exist.
- 31-1609 Lapse of Appropriations – Incomplete Improvements: All appropriations shall lapse at end of fiscal year, except for appropriations for incomplete improvements.
- 31-1611 Quarterly Statements: On or before the last day of January, April, July, and October, the county budget officer shall submit to the commissioners quarterly statements showing the revenues and expenditures, and the unexpended, unencumbered balance of each appropriation. The county budget officer shall call to the attention of the board possible budget deficits and excessive expenditures.
- 31-1701 Outside audit of county finances.
- 31-2018 County Officials – Limitation on Personal Liability: County shall indemnify its officials and employees against losses of public moneys or property, except those that are result of negligence, pursuant to authority in Idaho tort claims act.
- 31-2112 Monthly Settlements and Statements – Annual Settlement: County treasurer and auditor to settle accounts monthly. Also, treasurer to make full settlement with auditor annually.
- 31-2304 Accounts with Treasurer: Auditor to keep accounts current with Treasurer, all monies to be paid into the treasury.
- 31-2307 Annual Statement of Financial Condition of County: Auditor must prepare a financial statement as to financial condition of the county by second Monday of January for fiscal year last preceding.
- 31-3101 Officers to Receive Salaries and Account for Fees: Salaries to be paid at least monthly for services. Actual and necessary expenses to be reimbursed. Mileage shall be reimbursed when private vehicle used. Fees to be turned over, from whatever source, to county treasury at least quarterly.
- 31-3102 Refusal to Account is Embezzlement: Any county officer or deputy who neglects or refused to account for and pay into county treasury any money received as fees or compensation in excess of actual expenses within 10 days after quarterly settlement with county, shall be guilty of embezzlement.
- 31-3106 Salaries of County Officers: Commissioners are to fix the annual salaries of county officers during budget process.

- 31-3107 Deputies and Assistants – Appointment and Compensation: Sheriff, Assessor, Treasurer, and Clerk are empowered by board to appoint deputies and assistants as may be required. Remuneration to be set by board.
- 50-2002 Findings and Declarations of Necessity – Urban Renewal Law.
- 63-802 Limitation on Budget Requests – Limitation on Tax Charges – Exceptions: This code provides a 3% property tax cap on local governments and taxing districts. This means property tax dollar amounts may not be increased more than 3% over any amounts for the three tax years preceding the current tax year, plus the amount of revenue that would be generated by applying the levy of the previous year to any increase in market value subject to taxation resulting from new construction. Please review Idaho Code and State Tax Commission Rules for more detail on this limitation.
- 67-450B Independent Financial Audits by Governmental Entities – Filing Requirements: Establishes the minimum audit requirements for all local government entities. Audits are to be performed by outside auditors in accordance with generally accepted governmental auditing standards. Copies of the audit report are to be filed with legislative council within 10 day after receiving the audit.

NOTES