FISCAL RESPONSIBILITIES OF COUNTIES

Newly Elected Official Training
Boise, Idaho
December 1, 2016

Phil McGrane, Ada County Chief Deputy Clerk

IN THE NEXT HOUR...

- Whose budget is it?
  - Who is responsible for the budget?
  - Role of the County Auditor
  - Role of the County Commissioners (BOCC)
  - Role of other elected officials
- Budget cycle
- Budget content
- Budget processing
- Financial reporting
- Fraud
- Miscellaneous
EXPLAIN IT TO ME LIKE I’M FIVE...

WHOSE BUDGET IS IT?

- The budget is a document that sets county policy.
- 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 and the board of county commissioners.
WHO IS RESPONSIBLE FOR THE BUDGET?

- Commissioners
- Auditor
- Assessor
- Coroner
- Prosecuting Attorney
- Sheriff
- Treasurer

BOCC
- Planning & Zoning
- Road & Bridge
- Noxious Weed
- Computer Services
- Probation
- County Agent
- Emergency Management
- Custodial
- Enterprise Funds

ROLE OF THE COUNTY AUDITOR

- Budget Officer (Idaho Code Section 31-1602)
- Compiles revenue projections and expenditures
- See that provisions thereof are complied with
- Prepare and submit a proposed budget to BOCC (Idaho Code Section 31-1603)
- Prepare proposed budget and publish in newspaper (Idaho Code Section 31-1604)
ROLE OF THE BOARD OF COMMISSIONERS

- Meet with County Auditor to assist with financial planning
- Best practice: Meet with each department head to review budget and discuss revenue.
- Hold public budget hearing (Idaho Code Section 31-1605)
  - Any taxpayer may appear and be heard upon any part or parts of said tentative budget
- Adopt budget

ROLE OF OTHER ELECTED OFFICIALS

- Provide budget requests and revenue estimate to Auditor in a timely manner
  - Penalty of up to $50 (Idaho Code Section 31-1602)
- Provide justification for requests
- Attend public budget hearing to answer any questions (Idaho Code Section 31-1605)
- Work with Auditor throughout the year to keep them notified of unusual expenses or windfalls
BUDGET CYCLE

- Newly elected, but inherited someone else’s budget
- Study and understand it
- Fix it next go around

BUDGET CYCLE – STEP ONE

- County Auditor will notify in writing each Department Head to submit itemized revenue and expenditures for the budget on or before the 1st Monday in May
BUDGET CYCLE – STEP TWO

- Department Heads file their preliminary budget with the Auditor by the 3rd Monday in May
  - Best Practice: BOCC and Auditor should meet with Department Heads to review requests and gather input.

BUDGET CYCLE – STEP THREE

- Auditor to submit recommended budget to BOCC by the first Monday in August. (Idaho Code Section 31-1604)
BUDGET CYCLE – STEP FOUR

- Auditor must publish tentative budget not later than the third week in August and notice public budget hearing.
- This must include two previous years actual amounts expended and current fiscal year divided into two categories: wages and expenses.
  - Remember: Once published, it can only be reduced.

BUDGET CYCLE – STEP FIVE

- Public Budget Hearing is held on or before the Tuesday following the first Monday in September (usually the day after Labor Day, so much for a long weekend)
BUDGET CYCLE – STEP FIVE

- Such hearing may be continued from day to day but must be concluded by the second Monday in September (Idaho Code Section 31-1605)

- This is the time for public input. The hearing could last the length of time it takes for the Auditor to read the budget into the record or hours of public input.

- Budget cannot increase once published.

- BOCC adopts the budget by resolution.

EMERGENCY BUDGET TASK FORCE
BUDGET CYCLE

- The county fiscal year ends on September 30th and the new one begins on October 1st. (Idaho Code Section 31-1601)

- Cash basis resolution needs to be done each year to authorize counties to accumulate fund balances and carry them to the next fiscal year. (Idaho Code Section 31-1605A)

BUDGET CONTENT - REVENUE

- Property Tax
- State Sales Tax
- State Election Funds
- State Liquor Funds
- Payment in Lieu of Taxes (PILT)
- Highway User Revenue
- Motor Vehicle
- Driver’s License
- Boat and Snowmobile
- Alcoholic Beverage License
- Replacement Funds
- Court Revenues
- Building Permit Fees
- Solid Waste Fees
- 911 Fees
- Indigent Reimbursement
- Fees From Offices
- Interest
BUDGET CONTENT - REVENUE

- Estimating new fiscal year’s revenue
  - Calculate per month revenue
  - Review prior years actual revenue (conservative)
  - Be aware of timing of revenue (i.e. quarterly receipts, tax collections)
  - Estimate revenue for the remainder of the current year
  - Estimate current year and add percent increase
  - Carryover

BUDGET CONTENT - REVENUE

- Property Tax
  - 3% cap (I.C. 63-802)
  - New construction
  - L-2
  - Levy limits each fund
  - Foregone amounts
  - Annexation
  - Certification (for other taxing districts)
**BUDGET CONTENT - REVENUE**

- **Restricted Revenue**
  - Highway user
  - Court revenue
  - Snowmobile/Waterways
  - 911 Fee
  - Election Funds
  - Indigent Defense Grant

- **Unrestricted Revenue**
  - PILT
  - Sales Tax
  - Replacement Funds (Ag and Per Prop)
  - Property Taxes (within statutory limits)

**BUDGET CONTENT - FUNDS**

- General or Current Expense
- Airport
- Ambulance
- Ad Valorem (Revaluation)
- Justice
- Ignition Interlock
- District Court
- Election Consolidation
- Fairgrounds and Buildings
- Health District
- Historical Society
- Charity (Indigent)
- Trusts
- Drug Court

- Road & Bridge
- Community College
- Parks & Recreation
- Pest Control
- Snowmobile
- Solid Waste
- Tort
- Veterans' Memorial
- Waterways
- Noxious Weed
- 911 Emergency Communications
- EMS
- Enterprise Funds
BUDGET CONTENT - EXPENSES

What are “A” and “B” budgets?
- A budgets are salaries and wages only
- B budgets are everything else
- C budgets (not always used) are capital expenses

BUDGET CONTENT - EXPENSES

How to compute our employee’s wages?
- Straight percentage across the board
- Set dollar amount across the board
- Step & Grade system or market longevity system
- Distribute a set dollar amount for Department Heads to handout as merit
- Make it equitable and don’t get sued

NOTE: Salaries are set by BOCC (Idaho Code Section 31-3106)
BUDGET CONTENT - EXPENSES

- What about employee benefits?
  - Health, accident, and life insurance
  - Vacation, sick leave, and personal holiday
  - PERSI
  - Social Security
  - Worker’s Compensation
  - Unemployment

- What about supplies?
  - Review the previous years
  - U.S. Communities – www.naco.org
  - Plan for the unexpected (within reason)
  - Association dues
  - Know what you can afford
BUDGET CONTENT - EXPENSES

- What about other expenses?
  - Typically BOCC sets a threshold for pre-approval, whether it is $500 or $5000 is a policy decision.
  - Officials are personally liable for unauthorized purchases. (Idaho Code Section 31-1607)
  - Be aware of when revenues are received.

- Check if budgeted and if there is revenue.
- Large expenditures need to check with Treasurer on investments.
- Public purpose allows BOCC to contribute to private non-profit groups (Idaho Code Section 31-866)
BUDGET CONTENT - EXPENSES

What if a budget looks like it will be overdrawn?

- Open budget and make adjustment in public hearing with proper notice (Idaho Code 31-1605)
- Expenditures made in excess of any of the budget appropriations could result in a misdemeanor (Idaho Code 31-1607)

BUDGET CONTENT - GENERAL RESERVE

What is a general reserve?

- BOCC has the right to make general reserve appropriations, not to exceed 5% of the Current Expense and Justice Fund Budget. (Idaho Code Section 31-1605)
- This may be used in the event of unforeseen contingencies requiring money not placed in the budget to be expended. Requires a unanimous vote of the BOCC.
BUDGET PROCESSING

- Who is responsible for the bills?
  - Department Head submits claim to Auditor
  - Auditor reviews the claims and flags specific claims for the BOCC
  - BOCC reviews and approves claims
    - Best Practice: Review summary sheet of bills and look at actual receipts (including credit card statements)

BUDGET PROCESSING

- What expenses are not allowable?
  - Alcohol with dinner
  - Work done on driveway
  - Pay a relative
  - Mileage to and from work
  - Best practice: Gifts – employee or other?
  - Use county resources for personal expense

I'M SENDING YOU ON A TRIP REMEMBER THAT OUR PER DIEM ISN'T AS EXTRAVAGANT AS IT WAS IN OUR GOLDEN YEARS.

YOU'LL NEED TO USE THE HOTEL IRON TO MAKE GRILLED CHEESE SANDWICHES.

WILL YOU PAY FOR THE BREAD AND CHEESE?

WE'LL PAY FOR THE BREAD BUT CHEESE AND FREE SOAP ARE PRACTICALLY THE SAME THING.
BUDGET PROCESSING

- Can you transfer money?
  - If a fund becomes inoperative for its purpose, then the BOCC may have the Auditor transfer to whatever fund they deem best. (Idaho Code Section 31-1508)
  - What if we have an emergency? (I.C. Section 31-1608)
    - Must be caused by fire, flood, explosion, storm, epidemic, riot, or for the immediate preservation of order, prosecution of crime, etc.
    - Must have unanimous vote by the BOCC

FINANCIAL REPORTING

- Purpose: to communicate and keep the elected officials and public informed.
- Each official has a fiduciary responsibility to safeguard public money.
FINANCIAL REPORTING

- What is GASB?
  - Government Accounting Standards Board establishes accounting reporting standards at the state and local level. (Idaho Code Section 31-1509)
  - GASB's purpose is to assist governing bodies to evaluate their operation and provide the public with easier to read reports due to the standardization of reporting.
  - Each department must keep track of all assets/inventory according to the county policy.

"Here's where you give me non-comprehending nods of approval."
FINANCIAL REPORTING
- The county must have an audit performed by outside auditors. (Idaho Code Section 67-450B)
- Other audits by outside entities
  - Waterways/Snowmobile
  - Grants
  - PERSI
  - Worker’s Compensation

FINANCIAL REPORTING
- Legislative Auditor
- Court Financing Report
- Waterways Report
- Annual Highway Report
- Dept. of Census Report
- Grant Reporting
- IAC Salary Survey
- IAC Survey of Information for Legislature
- Payroll: Quarterly, Annual W-2, 1099
- Additional Request throughout the year
FINANCIAL REPORTING

- Fund Balances
  - Three months of operating costs
  - Some funds have limits on the fund balance
    - Example: District Court (Idaho Code Section 31-867)

FRAUD

- Credit Cards - Misuse of Public Funds (Idaho Code Section 18-5701)
- Borrowing lunch money from cash drawer
- Petty Cash
- Pocketing cash as it comes in
- Account payable – fake invoices or companies
- Double billing
MISCELLANEOUS

- Can we legally sell county property?
  - Tax deed sales require specific due process by tax collector (Idaho Code Sections 31-808, 63-1005, and 63-1006)
  - Surplus property (not exceeding $250) may be sold without notice to the public. Otherwise, public notice must be given in the newspaper and a public auction must be held. Auctions can be held on the internet.
  - BOCC can transfer to another taxing district or a nonprofit if declared in the public interest.

MISCELLANEOUS

- What is Urban Renewal?
  - The purpose is for infrastructure improvement for the prevention of development or spread of slums and blight.
  - Allows for cities or counties to create an urban renewal agency. (Idaho Code Section 50-2006)
  - This entity receives the value of new growth within their district boundaries and other taxing districts do not receive that value until the end of the plan or 24 years.
MISCELLANEOUS

- What is an LID?
  - LID: Local Improvement District
  - LIDS are created to improve sidewalks, streets, sewers, and utilities.
  - A petition of residents is presented to the BOCC and then bonds are issued after following the procedures. (Idaho Code Section 50-1701 through 50-1770)

MISCELLANEOUS

- How do I handle grants?
  - Best practices: Advise BOCC and Auditor of potential grant application which the BOCC approves.
  - Once a grant is awarded by the funding agency, BOCC accepts it.
  - The Auditor is the financial officer. (budget may need to be open for unforeseen revenues)
  - Most granting agencies audit to ensure that money is spent according to the grant.
  - Grant timing might not follow county’s fiscal year.
  - Be sure of matching requirements
THE END!
Any questions?