


Appropriations & Encumbrances

2024 Fall Auditor's Conference
State Board of Accounts



1





PAUL D. JOYCE, CPA
STATE EXAMINER

Indiana's State Examiner and the agency head for the State Board of Accounts, Paul Joyce coordinates and manages the post-audits and examinations of over 4,000 state and local governmental entities in Indiana.

2



Appropriations

3

Control Over Funds

- To disburse, you need to consider
 1. Balance in the Fund (Cash Balance)
 - Funds may not be overspent as a rule
 2. Permission to Spend Appropriations
 - There must be authority to disburse the funds



4

Appropriation to Spend

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



5

Publishing the Budget

IC 6-1.1-18-1 states: “... the officers of a political subdivision may not fix a budget or tax levy which exceeds the amount published by the political subdivision. The portion of a budget or tax levy which exceeds the published amount is void.”



6

Disbursements Under Budget

IC 6-1.1-18-4 states: “Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article.”



7

Disbursements Without Appropriation

- Statute does provide for disbursements without an appropriation
 - IC 36-2-9-14
 - SBOA called conferences
 - Surplus tax refunds
 - Distributions to other taxing units
 - Title IV-D Incentive funds
 - Repayment of temporary loans



8

Home Rule Funds

- Established by local ordinance
- Still require appropriation
- Part of budget process



9

Additional Appropriations

IC 6-1.1-18-5 states: "If the proper officers of a political subdivision desire to appropriate more money for a particular year than the amount prescribed in the budget for that year as finally determined under this article, they shall give notice of their proposed additional appropriation."



10

Exceptions

- Insurance funds
 - IC 6-1.1-18-7
- Reimbursements of state and federal grant funds
 - IC 6-1.1-18-7.5
- Erroneous or excessive disbursements
 - IC 6-1.1-18-9



11

Transfer of Appropriation

- Within the same departmental budget and the same major budget classification
 - Auditor or Council per county policy
- Between major budget classification
 - Council Approval



12

Transfer of Appropriation (Continued)

- Across departmental budgets
 1. Council reduces appropriation
 2. Council adopts additional appropriation
 3. Requires State approval



13

Transfer of Funds

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



14

Transfer of Funds – Example Rainy Day

IC 36-1-8-5.1(d) states:

“In any fiscal year, a political subdivision may, at any time, do the following:

- (1) Transfer any unused and unencumbered funds specified in subsection (b)(2)(A) from any fiscal year to the rainy day fund.
- (2) Transfer any other unobligated cash balances from any fiscal year that are not otherwise identified in subsection (b)(2)(A) or section 5 of this chapter to the rainy day fund as long as the transfer satisfies the following requirements:
 - (A) The amount of the transfer is authorized by and identified in an ordinance or resolution.
 - (B) The amount of the transfer is not more than:
 - (i) before January 1, 2021, ten percent (10%);
 - (ii) after December 31, 2020, and before January 1, 2025, fifteen percent (15%); and
 - (iii) after December 31, 2024, ten percent (10%);
 of the political subdivision's total annual budget adopted under IC 6-1.1-17 for that fiscal year.
 - (C) The transfer is not made from a debt service fund...”



15

Grant Funds

- Federal grants received as an advance grant do not require appropriation
 - Follow grant agreement for allowable/costs
 - Grant funding would provide the limit



16

Grant Funds (Continued)

- State grants require appropriation
 - We will not take audit exception:
 - Advance state grant
 - Detail budget in grant agreement and grant fund is set up with those budget constraints




17

Grant Funds (Continued)

- Reimbursement Grants
 - The initial expenditure from county funds needs appropriation
 - Reimbursements may be re-appropriated by council



18




Encumbrances

19

Encumbrances

- Accounting mechanism to hold over a portion of the prior year's budget for expenses paid in the current year.
 - Approved by council
 - Must have underlying reason



20

Reasons for Encumbrances

- Lawful contract that has not been fully paid
- Purchase order dated prior to December 31
- Bond Issue Proceeds
- State or Federal grant contract or agreement with local match of funds



21

Encumbrances for Fiscal Year Grants

- Budget January 1 to December 31
 - Encumbrances needed to carry appropriations into new budget year
- Grant period July 1 to June 30
 - No encumbrances needed on June 30



22

THANK YOU

Government Technical Assistance & Compliance (GTAC) Directors

Ricci Hofherr, CPA Staci Byrns, CFE



counties@sboa.in.gov



(317)232-2512



www.sboa.in.gov

