

CHAPTER 2 BUDGETS AND APPROPRIATIONS

TAX RATES

General Tax Rate

"The library board shall determine the rate of taxation for the library district that is necessary for the proper operation of the library. The library board shall certify the rate to the county auditor and the county auditor shall certify the tax rate to the county tax adjustment board in the manner as provided in IC 6-1.1" [IC 36-12-3-12]

Special Tax Rates

Special tax rates may be levied for the following purposes:

1. Payment of principal and interest on bonded and note indebtedness.
2. Lease payments to holding corporations. [IC 36-12-10]
3. Capital Projects Fund. [IC 36-12-12]

BUDGET PREPARATION

REVENUE SOURCES

Public libraries in Indiana are supported by a combination of local taxes, state taxes, and library-generated revenues. The budgeting process is the means by which a library estimates its revenues for the coming year and the tax rate that will be necessary to fund the library's budget. It is also a method of informing the public of the library's proposed expenditures for the coming year.

Property Tax

The major part of a library's income comes from property taxes. These taxes are collected on property within the library's district and are expressed as a rate, which is a ratio of cents per hundred dollars of taxable property. This rate yields the library's tax income, which is called a levy. For example, if the tax rate is ten cents per hundred dollars of assessed valuation and the total assessed valuation of the taxable property in a district is \$30,000,000, then the levy is \$30,000.

The total amount of dollars which libraries can raise in their levy is restricted. This amount is computed by the Department of Local Government Finance and normally includes a small increase each year based on the growth of Indiana nonfarm personal income. Libraries are notified of this "maximum levy" in early summer to use in figuring their budget. The only way this maximum levy may be increased is through an appeal process, which is limited to certain specific increases, or through expansion of the territory served by the library. The library's maximum levy and tax rate are computed using the Worksheet, Budget Form 4-B.

County Adjusted Gross Income Tax

This tax is adopted on a county by county basis and results in replacing some of the property tax revenue with income tax revenue. If adopted, the property tax levy is reduced by this income and the library receives income in the form of certified shares and property tax replacement credits.

The Department of Local Government Finance furnishes the County Auditor of each adopting county a schedule of the amount of certified shares and property tax replacement credits to be received by each taxing unit. The County Auditor includes this information in the estimate of revenues distributed to each taxing unit.

Distributions of local option tax by the State are made in two payments on May 1 and November 1 of each year to the County Treasurer. Then, warrants are issued by the County Auditor to each local governmental unit for their applicable shares.

Miscellaneous Tax Revenue

Public libraries receive revenue from the motor vehicle excise tax (license excise tax), the financial institutions tax, and the commercial vehicle excise tax. Estimates of this revenue may be obtained from the County Auditor. The library may also receive income from the County Option Income Tax if the library is in a county adopting the tax.

State Distributions

Libraries may receive a "State distribution," which comes from an appropriation in the State budget and is sent out once each year around August 1. The library must apply by May 1 in order to receive the distribution. This distribution is in the proportion of each library's budget as compared to the total of all library budgets in the State.

Miscellaneous revenue also includes any "PLAC Distribution" received from the State Library for fees generated by the Statewide Library Card Program. The Indiana Library and Historical Board determines each library's distribution based upon factors enumerated in IC 4-23-7.1-29.

Libraries must apply on forms supplied by the Indiana State Library by May 1 each year that funds are available in order to receive the distribution. The library also must either provide for free library cards or the issuance of cards for a fee to all county residents in order to be eligible for the funds. Libraries are required to comply with the standards and rules established by the State Library.

Warrants are issued by the Auditor of State to each eligible library no later than August 1 (and after July 1, which is the beginning of the State budget year). The library board may appropriate the funds for any purpose the operating fund may normally be used. Funds should be receipted into the operating fund when received and appropriated before spending if they have not already been appropriated in the annual budget process.

Other Miscellaneous Revenue

Miscellaneous revenue is also generated locally through fines and fees, interest on investments, contracts with townships or other libraries, gifts, grants, and other sources.

BUDGET CYCLE OVERVIEW

May	Budget Workshops conducted by State Library, Department of Local Government Finance, and State Board of Accounts.
June-July	Preliminary work on the budget by board and librarian. Library is notified of its maximum permissible levy. IC 6-1.1-17-20 and IC 36-12-14 require a review by certain other governmental bodies if the proposed budget and tax levy is greater than the assessed growth quotient determined under IC 6-1.1-18.5-2 minus one (1).
August-October	Budget published twice. Public hearing and meeting to adopt budget held by board.
September-November	County Board of Tax Adjustment reviews budget. Appeals of their action must be filed. Excessive levy appeals must be filed with the Department of Local Government Finance by October 19.
October-December	Department of Local Government Finance hearing and approval of budget.

EXPENDITURE CLASSIFICATIONS

1. Personal Services

Personal Services. Personal service is the direct labor of persons in the employment of the library and all related employee benefits.

Salary of Director - Compensation of the library director.

Salary of Assistants - Compensation of all assistant library directors, part or full-time employees.

Salary of Treasurer - Compensation of treasurer when so established by board resolution.

Wages of Custodians - Compensation of regular employed custodians.

Employee Benefits. Employee Benefits includes only the employer's or library's share of the cost of health insurance, life insurance, retirement and social security payments made to the Public Employees' Retirement Fund and other approved retirement plans. The employee's share is handled through the payroll deduction columns on the Financial and Appropriation Record and, therefore, requires no appropriation.

2. Supplies

Supplies include commodities which, after use, are either entirely consumed or show a definite impairment of their physical condition and rapid depreciation after use for a short period of time.

Office Supplies. All articles necessary to the proper operation of an office, other than equipment. Examples of office supplies are: prescribed forms and records, letterheads, envelopes, typewriter ribbons, paper clips, pencils, scotch tape, stencils, adding machine tape, carbon paper, and stationery.

Operating Supplies. Supplies used in cleaning, fuel, oil, bottled gas, coal, lubricants, etc.

Repair and Maintenance Supplies. Materials used in repairing buildings, paint, motor vehicle repair supplies, repair parts, plumbing and electrical supplies, etc.

3. Other Services and Charges

This classification includes all services performed for the library, under express or implied contract, by other than employees of the library. Also included are all expenditures for insurance, premiums on official surety bonds of the designated treasurer or other employees, licenses, refunds, awards, indemnities, rents, tax assessments, dues to organizations, subscriptions to a service, and all other charges of a similar nature. (Subscriptions to magazines, newspapers, and periodicals should be charged to "Capital Outlays".)

Professional Services. Services provided by professionals to the library, such as architectural services, legal services, accounting services, consulting services, etc.

Communications and Transportation. Include costs of freight and express (when such expenses cannot be charged as part of the original cost of the commodity), postage, telephone, traveling expenses, professional meetings.

Printing and Advertising. Charges for advertising and publication of notices in newspapers and periodicals, expenditures for photographing and blue printing and expenditures for printing other than office supplies. Printing of stationery, forms and other office supplies is chargeable to Major Classification 2, Office Supplies.

Insurance. Includes expenditures for any insurance policies covering injury or loss of property. Annual premiums on official surety bonds are also charged to this account.

Utility Services. Includes charges for heat, light, power and water furnished by public utilities. (Also, if applicable, sewage services furnished by a public utility would be charged to this account.) Coal, fuel, oil and bottled gas used for heating should be charged to Major Classification 2, Operating Supplies.

Repairs and Maintenance. All expenditures of a contractual nature for repairs of buildings, structures and equipment, except extensive repairs which would constitute additions or betterments to properties. If repair is performed by regular employees of the library, labor should be charged to Major Classification 1, Personal Services. Repair parts and materials should be charged to Major Classification 2, Repair and Maintenance Supplies.

Rents. All expenditures for the use of properties not owned by the library, such as temporary or emergency office rooms, store rooms, post office box, safety deposit box, rental of equipment, etc.

Debt Service. Expenditures for the reduction of the principal of the library's general obligation bonds and the interest on such bond.

Other. All expenditures for memberships (in the name of the library) in state and national associations of a civic, educational, professional, or governmental nature that have as their purpose the betterment and improvement of library operations. Also, interest on temporary loans; taxes and assessments for streets, sidewalks, sewers and similar improvements; transfers to the Library Improvement Reserve Fund; and all other services not included in other classifications.

4. Capital Outlays

Capital Outlays include all outlays which result in the acquisition of or addition to capital assets.

Land. All land owned by the library.

Buildings. All permanent buildings owned by the library.

Improvements Other Than Buildings. All other improvements to land owned by the library.

Furniture and Equipment. Consists of machinery, implements, tools, furniture, motor vehicles, typewriters, calculators, microfilm readers, photocopy machines, projectors, and other equipment that may be used repeatedly without material impairment of its physical condition and which has a calculable period of service.

Other Capital Outlays. This classification includes all expenditures for books, periodicals, newspapers, audio-visual materials used for educational purposes and similar items or materials used as basic materials furnished by a library.

LIBRARY BUDGET FORMS

IC 6-1.1-17-3 requires that officers of a political subdivision formulate the estimated budget and proposed tax rate using forms prescribed by the Department of Local Government Finance and approved by the State Board of Accounts.

Any questions regarding the completion of these forms or the advertising of budgets should be addressed to the:

Department of Local Government
Finance
Indiana Government Center North
Room N1058, 100 North Senate Avenue
Indianapolis, Indiana 46204
(317) 232-3777
<http://www.in.gov/dlgf>

PUBLICATION OF BUDGET NOTICE TO TAXPAYERS

IC 6-1.1-17-3 requires that officers of a political subdivision formulate the estimated budget and proposed tax rate using forms prescribed by the Department of Local Government Finance and approved by the State Board of Accounts. The library must give notice to taxpayers of the estimated budget, the estimated maximum permissible levy, the current and proposed tax levies of each fund, and the amounts of excess levy appeals to be requested. In the notice, the library board must state the time and place at which a public hearing will be held on these items. The notice must be published twice, according to the provisions given below, with the first publication to be made at least ten (10) days before the date fixed for the public hearing. [IC 36-12-3-12 and IC 6-1.1-17-3]

Publication Requirements

Public notice of the estimated budget, rate and levy must be given as follows [IC 5-3-1-4]:

1. By publication in two newspapers which are published in the library district; or
2. If there is only one newspaper published in the library district, then the notice shall be published in that newspaper.
3. If no newspaper is published in the library district, then publication shall be made in a newspaper published in the county and that circulates within the library district.
4. Notwithstanding any other law, if a library district has territory in more than one county, public notices that are required by law or ordered to be published must be given as follows:
 - a. By publication in two newspapers published within the boundaries of the library district.
 - b. If only one newspaper is published within the boundaries of the library district, by publication in that newspaper and in some other newspaper:
 - (i) Published in any county in which the library district extends; and
 - (ii) That has a general circulation in the library district.
 - c. If no newspaper is published within the boundaries of the library district, by publication in two newspapers that:
 - (i) Are published in any counties into which the library district extends; and
 - (ii) Have a general circulation in the library district.
 - d. If only one newspaper is published in any of the counties into which the library district extends, by publication in that newspaper if it circulates within the library district.

Internet Web Site Posting

1. If a newspaper maintains an Internet web site a notice that is published in the newspaper must also be published on the newspaper's web site. The notice must appear on the newspaper's web site the same day the notice appears in the newspaper.
2. A newspaper may not charge a fee for posting a notice on the newspaper's Internet web site. (IC 5-3-1-1.5)

Definition of Newspaper

A newspaper is defined as follows. A "newspaper" refers to a newspaper:

1. that:

- A. Is a daily, weekly, semiweekly, or triweekly newspaper of general circulation;
- B. Has been published for at least three (3) consecutive years in the same city or town;
- C. Has been entered, authorized and accepted by the United State Postal Service for at least three (3) consecutive years as mailable matter of the periodicals class; and
- D. Has at least fifty percent (50%) of all copies circulated paid for by subscribers or other purchasers at a rate that is not nominal; or

2 that:

- A. is a daily, weekly, semiweekly, or triweekly newspaper of general circulation;
- B. has been entered, authorized, and accepted by the United States Postal Service as mailable matter of the periodicals class;
- C. has at least fifty percent (50%) of all copies circulated paid for by subscribers or other purchasers at a rate that is not nominal; and
- D. meets the greater of the following conditions:
 - (i) The newspaper's paid circulation during the preceding year is equal to at least fifty percent (50%) of the paid circulation for the largest newspaper with a periodicals class permit located in the county in which the newspaper is published, based on the average paid or requested circulation for the preceding twelve (12) months reported in the newspaper's United States Postal Service Statement of Ownership published by the newspaper in October of each year or based on the newspaper's initial application for a permit from the United States Postal Service.
 - (ii) The newspaper has an average daily paid circulation of one thousand five hundred (1,500) based on the average paid or requested circulation for the preceding twelve (12) months reported in the newspaper's United States Postal Service Statement of Ownership published by the newspaper in October of each year or based on the newspaper's initial application for a permit from the United States Postal Service.

Qualified Publications

A library district may, in its discretion, publish public notices in a qualified publication to provide supplementary notification to the public. The cost of publishing supplementary notification is a proper expenditure of the library. [IC 5-3-1-4]. Qualified publications are specifically defined in IC 5-3-1-0.7.

PUBLIC NOTICE ERRORS

Error of Newspaper

If a notice of budget estimates for a library is published as required in IC 6-1.1-17-3, and the published notice contains an error due to the fault of a newspaper, the notice as presented for publication shall be considered valid. If the budget notice is not published for the first time at least ten days before the date fixed for the public hearing due to the fault of a newspaper, the notice shall be considered valid if it is published one time at least three days before the hearing. [IC 5-3-1-2]

Other Errors and Omissions

IC 5-3-1-2.3 provides that a notice required to be published by law is valid even though it contains error or omissions, as long as:

1. A reasonable person would not be misled by the error or omissions; and
2. The notice is in substantial compliance with the time and publication requirements applicable under this chapter or and other Indiana statutes under which the notice is published.

If a County Auditor publishes a notice concerning a tax rate, tax levy, or budget actually proposed or fixed by the political subdivision and the notice contains an error or omission that causes the notice to inaccurately reflect a tax rate, tax levy, or budget actually proposed or fixed by the political subdivision, and the county auditor is responsible for the error or omission, notwithstanding any other law, the department of local government finance may correct the error or omission at any time. If an error or omission occurs, the county auditor must publish, at the county's expense, a notice containing the correct tax rate, tax levy, or budget as proposed or fixed by the political subdivision.

ADVANCE TAX DRAWS [IC 5-13-6-3]

Pursuant to IC 5-13-6-3 libraries have the power to request an advance on tax money collected for distribution to the various units within the county. Such advance draws can help alleviate cash flow problems caused by a lack of an operating balance. The following procedures must be followed:

1. The advanced draw request must be authorized by formal board resolution.
2. The request must be made in writing to the County Treasurer. In some counties, it is customary to also send the request to the County Auditor.
3. Every County Treasurer shall, not later than thirty (30) days after receipt of written request for the funds, advance such taxes collected before the semiannual distribution.

4. The amount of the advance may not exceed 95% of the total amount collected at the time of the advance or 95% of the amount to be distributed at the next semiannual distribution.

At the semiannual distribution, all the advances made to the library shall be deducted from the total amount due the library as shown by the distribution.

If a County Auditor fails to make a distribution of tax collections or an advance tax draw by the deadline for distribution, the library that was to receive a distribution may recover interest on the undistributed tax collections under IC 6-1.1-27-1.

BOND ISSUES [IC 36-12-3-9]

General Statute

All bonds shall be advertised and sold by the board in compliance with IC 5-1-11.

Purpose of Bond Issue

The board may, by resolution, issue bonds for one or more of the following purposes:

1. The acquisition or improvement of library sites.
2. The acquisition, construction, extension, alteration or improvement of structures and equipment necessary for the proper operation of a library.
3. To refund outstanding bonds and matured interest coupons, and issue and sell refunding bonds for that purpose. [IC 36-12-3-9]

Use of Proceeds

The board shall apply the proceeds from the sale of bonds only for the purpose for which the bonds were issued and to the extent necessary therefore, and any remaining balance shall be placed in a sinking fund for payment of the bonds and the interest thereon. [IC 36-12-3-9(c)]

Bond proceeds may be used to cover architect fees, attorney fees, public notice advertising, and the printing of the bonds.

Interest Rate

IC 5-1-14-1 states that bonds, notes or warrants ". . . are not subject to the maximum interest rate limitations contained in any law enacted before December 31, 1982. . . ." The Department of Local Government Finance must approve all such issues where rate of interest is in excess of 8%. [IC 6-1.1-20-7]

Time Limitation

The bonds shall be payable at such times as the board shall fix in the authorizing resolution, but all shall be payable within a period not to exceed twenty (20) years from the date of issue. [IC 36-12-3-9(b)]

Debt Limitation

The total bonds outstanding at any one time shall not exceed two percent (2%) of the value of property taxable for library purposes. [Indiana Constitution Article 13, Section 1]

Indebtedness of Library

Bonds issued under the authority of the Public Library Law [IC 36-12-3-9] shall not constitute a corporate obligation or indebtedness of any political subdivision in which the library is situated but shall constitute an indebtedness of the library taxing district only. [IC 36-12-3-9(c)]

Tax Exempt Status

Bonds issued under the provisions of this act together with the interest thereon shall be tax exempt.

Required Procedures

The following procedures are necessary when a proposed loan is made by a bond issue, notes, or other obligations as evidence of indebtedness, other than temporary loans. [IC 6-1.1-20-3.1]

1. The library must publish notice in accordance with IC 5-3-1. In addition, the library must send notice by first class mail to any organization that delivers to the officers, before January 1 of that year, an annual written request for such notice of any meeting to consider adoption of a resolution or an ordinance making a preliminary determination to issue bonds or enter into a lease and shall conduct a public hearing on a preliminary determination before adoption of the resolution or ordinance.
2. When the library board makes a preliminary determination to issue bonds or enter into a lease, the board shall give notice of the preliminary determination by publication in accordance with IC 5-3-1 and first class mail to the organizations described in subdivision 1 above.
3. A notice of the preliminary determination of the library board to issue bonds or enter into a lease must include the following information:
 - a. The maximum term of the bonds or lease.
 - b. The maximum principal amount of the bonds or the maximum lease rental for the lease.
 - c. The estimated interest rates that will be paid and the total interest costs associated with the bonds or lease.
 - d. The purpose of the bonds or lease.
 - e. A statement that any owners of real property within the political subdivision who want to initiate a petition and remonstrance process against the proposed debt service or lease payments must file a petition that complies with subdivisions (4) and (5) not later than thirty (30) days after publication in accordance with IC 5-3-1.

4. After notice is given, a petition requesting the application of a petition and remonstrance process may be filed by the lesser of 100 owners of real property within the library district or 5% of the owners of real property within the library district.
5. Each petition must be verified under oath by at least one qualified petitioner.
6. Each petition must be filed with the County Auditor not more than thirty days after publication of the notice of the preliminary determination.
7. The County Auditor must file a certificate and each petition with the library board within fifteen days of the filing of the petition and remonstrance process. The certificate must state the number of petitioners that are owners of real property within the library district.

If a sufficient petition requesting a petition and remonstrance process is not filed by owners of real property, the library may issue bonds or enter into a lease by following the provisions of law relating to the bonds to be issued or lease to be entered into. [IC 6-1.1-20-3.1]

However, if a sufficient petition requesting the application of a petition and remonstrance process has been properly filed, the library may not impose property taxes to pay debt service or lease rentals without following the procedures of IC 6-1.1-20-3.2.

8. Notice of determination to issue bonds or other evidences of indebtedness (except temporary obligations) exceeding \$5,000.00 shall be given by posting and by publication, once each week for two weeks. (Proofs of publication of determination to issue bonds and affidavit of publisher required.)

Note: If notices of petition and determination are combined (items 4 and 7 above), it will require two insertions in two newspapers and posting. This notice must be posted in three public places in the library district and published in accordance with IC 5-3-1-4. [IC 6-1.1-20-5]

Required Procedures for Public Hearing [IC 6-1.1-18-5]

1. The library board must publish notice stating the time and place at which a public hearing will be held on the proposed additional appropriations. [IC 6-1.1-18-5(a)]
2. After the hearing, the library board shall file a certified copy of their final proposal with the Department of Local Government Finance.[IC 6-1.1-18-5(e)]

Determination by Department of Local Government Finance [IC 6-1.1-18-5]

1. The Department of Local Government Finance shall determine whether sufficient funds are available or will be available and shall submit its approval or disapproval to the library board within 15 days after receiving the proposal. [IC 6-1.1-18-5(e,f,g,h)]
2. The library may request a reconsideration of the determination of the Department of Local Government Finance. [IC 6-1.1-18-5(i)]

Notwithstanding any other law, the library board may issue or enter into obligations under any statute that requires or permits the imposition of property taxes to pay debt service or lease rentals without pledging to impose property taxes, if necessary, to pay the debt service or lease rentals. If the library board determines to use revenues other than property taxes to pay obligations without pledging to impose property taxes for that purpose, provisions of any other statute relating to controlling property taxes do not apply to the issuance of or entering into the obligations. [IC 6-1.1-20-3.3]

Required Procedures for Selling Bonds [IC 5-1-11]

1. Notice of intent to sell bonds must be published in accordance with IC 5-3-1. [IC 5-1-11-2]
2. The notice of intent to sell bonds must contain the following information:
 - a. It must state that any person interested in submitting a bid for the bonds may furnish in writing to the library board, at the address stated in the notice, the person's name, address, and telephone number;
 - b. The amount of the bonds to offered;
 - c. The denominations;
 - d. The dates of maturity;
 - e. The maximum rate or rates of interest;
 - f. The place of sale;
 - g. The time within which the name, address, and telephone number must be furnished, which must not be less than seven days after the last publication of notice of intent to sell;
 - h. The principal amount of bonds maturing on each maturing date or mandatory sinking fund redemption date; or a statement that the principal maturity schedule or mandatory sinking fund redemption schedule will be provided at least 24 hours before the scheduled time of sale upon request by bidders. [IC 5-1-11-2 and IC 5-1-11-3]
3. The library board must notify each person so registered of the date and time bids will be received not less than 24 hours before the date and time of sale. [IC 5-1-11-2]
4. In authorizing and advertising such bonds for sale, only a maximum interest rate shall be fixed, not exceeding the maximum rate provided for in the governing statute or bond resolution of the library board. [IC 5-1-11-3(c)]
5. Bidders shall be required to bid on the interest rate or rates which the bonds shall bear. The bonds shall be awarded to the bidder offering the lowest interest cost, to be computed in accordance with IC 5-1-11-3(c). [IC 5-1-11-3(a),(c)]

6. If no acceptable bid is received at the time fixed for sale of the bonds, then the sale may be continued from day to day for a period not to exceed 30 days, without readvertising. During the continuation of the sale, no bid shall be accepted which offers an interest cost which is equal to or higher than the best bid received at the time fixed for the sale in the bond sale notice.
7. The acceptability of a bid is within the sole discretion of the library board. [IC 5-1-11-3(c)]
8. The library board must furnish a certified transcript of the proceedings and actions regarding the authorization, issuance, and sale of the bonds to the purchaser of the bonds. [IC 5-1-11-5]
9. The library board must prepare a certificate showing the assessed valuation of taxable property in and outstanding indebtedness of the library and other pertinent details bearing on the validity of said bonds. The certificate shall be attached to the transcript provided to the purchaser.

LIBRARY CAPITAL PROJECTS FUND [IC 36-12-12]

Purpose of the Capital Projects Fund

A library district may establish a capital projects fund with respect to a facility used or to be used by the library district. The fund may be used to pay for the following:

1. Planned construction, repair, replacement, or remodeling;
2. Site acquisition;
3. Site development;
4. Repair, replacement, or site acquisition that is necessitated by an emergency. [IC 36-12-12-2]

Definitions

"Emergency" means: (1) when used with respect to repair or replacement, a fire, flood, windstorm, mechanical failure of any part of a structure, or other unforeseeable circumstance; and (2) when used with respect to site acquisition, the unforeseeable availability of real property for purchase.

"Library Board" means the fiscal and administrative body of a public library.

"Library District" means the territory within the corporate boundaries of a public library.

Permitted Uses

Money in the fund may be used to pay for the purchase, lease, or repair of equipment to be used by the library district. Also, the fund may be used to pay for the purchase, lease, upgrading, maintenance, or repair of computer hardware or software. [IC 36-12-12-2]

Plan of Revenues and Expenses

Before a library board may collect property taxes for a capital projects fund in a particular year, the library board must, after January 1 and before May 15 of the immediately preceding year, hold a public hearing on a proposed plan, pass a resolution to adopt a plan, and submit the plan for approval or rejection by the fiscal body designated in IC 36-12-12-4. [IC 36-12-12-3(a)]

The Department of Local Government Finance shall prescribe the format of the plan. The plan must apply to at least the three years immediately following the year the plan is adopted. A plan must estimate for each year to which it applies the nature and amount of proposed expenditures from the capital projects fund. A plan must estimate:

1. The source of all revenue to be dedicated to the proposed expenditures in the upcoming budget year; and
2. The amount of property taxes to be collected in that year and retained in the fund for expenditures proposed for a later year. [IC 36-12-12-3(b)]

If a hearing is scheduled on a proposed plan, the library board shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b). [IC 36-12-12-3(c)]

Approval or Rejection of Plan by Appropriate Fiscal Body

If a library board passes a resolution to adopt a plan, within ten days after passing the resolution the board shall transmit a certified copy of the plan to the appropriate fiscal body or fiscal bodies, whichever applies. The appropriate fiscal body is determined as follows:

1. If the library district is located entirely within the corporate boundaries of a municipality, the appropriate fiscal body is the fiscal body of the municipality.
2. If the library district is not located entirely within the corporate boundaries of a municipality and the district is located entirely within the boundaries of a township, the appropriate fiscal body is the fiscal body of the township.
3. If the library district is not located entirely within the corporate boundaries of a municipality or within the boundaries of a township, the appropriate fiscal body is the fiscal body of each county in which the library district is located.

The appropriate fiscal body shall hold a public hearing on the plan within thirty days after receiving a certified copy of the plan and either reject or approve the plan before August 1 of the year that the plan is received. [IC 36-12-12-4]

Review by Department of Local Government Finance

If the library board passes a resolution to adopt a plan and the appropriate fiscal body or bodies approve the plan, the library board shall submit the resolution and the plan to the Department of Local Government Finance. If the Department of Local Government Finance determines that:

1. The library board has correctly advertised the plan;
2. The plan was adopted by the library board and approved by the appropriate fiscal body or bodies; and
3. The plan conforms to the format prescribed by the Department of Local Government Finance;

the Department of Local Government Finance shall require notice of the submission to be given to the taxpayers of the library district in accordance with IC 5-3-1-2(b). [IC 36-12-12-5(a)]

Petition of Objections by Affected Taxpayers

Ten or more taxpayers who will be affected by the adopted plan may file a petition with the County Auditor of a county in which the library district is located no later than ten days after the publication, setting forth their objections to the proposed plan. The County Auditor shall immediately certify the petition to the Department of Local Government Finance. [IC 36-12-12-5(b)]

Notice and Hearing on Taxpayer Objection Petition

The Department of Local Government Finance shall, within a reasonable time, fix a date for a hearing on the petition filed under IC 36-12-12-5(b). The hearing shall be held in a county in which the library district is located. The Department of Local Government Finance shall notify the library board and the first ten taxpayers whose names appear upon the petition at least five days before the date fixed for the hearing. [IC 36-12-12-6]

Determination by Department of Local Government Finance

After a hearing upon the petition under IC 36-12-12-6, the Department of Local Government Finance shall certify its approval, disapproval, or modification of the plan to the library board and the County Auditor. A taxpayer or the library district may petition for judicial review of the final determination of the Department of Local Government Finance. The petition must be filed in the tax court not more than forty-five (45) days after the Department of Local Government Finance's action [IC 36-12-12].

Appropriations

The Department of Local Government Finance may approve appropriations from the capital projects fund only if the appropriations conform to a plan that has been adopted and approved in compliance with IC 36-12-12. [IC 36-12-12-8]

Amendments

A library board may amend an adopted and approved plan to provide money for the following purposes:

1. With respect to a facility used or to be used by the library district, for repair, replacement, or site acquisition that is necessitated by an emergency; or
2. Supplement money accumulated in the capital projects fund for those purposes. [IC 36-12-12-9(a)]

When an emergency arises that results in costs that exceed the amount accumulated in the fund for the purposes described in number 1 above, the library board must immediately apply to the Department of Local Government Finance for a determination that an emergency exists. If the Department of Local Government Finance determines that an emergency exists, the library board may adopt a resolution to amend the plan. The amendment is not subject to the deadline and the procedures for adoption described in IC 36-12-12-3. However, the amendment is subject to modification by the Department of Local Government Finance. [IC 36-12-12-9(b)]

An amendment adopted under this section may require the payment of eligible emergency costs from money accumulated in the capital projects fund for other purposes or money to be borrowed from other funds of the library board or from a financial institution. [IC 36-12-12-9(c)]

The amendment may also provide for an increase in the property tax rate for the capital projects fund to restore money to the fund or to pay principal and interest on a loan. However, before the property tax rate for the fund may be increased, the library board must submit and obtain the approval of the appropriate fiscal body or bodies, as provided in IC 36-12-12-4. An increase to the property tax rate for the capital projects fund is effective for property taxes first due and payable for the year next certified by the Department of Local Government Finance under IC 6-1.1-17-16. However, the property tax rate may not exceed the maximum rate established under IC 36-12-12-10. [IC 36-12-12-9(c)]

Limitation and Advertisement of Tax Rate

To provide for the capital projects fund, the library board may, for each year in which a plan adopted under IC 36-12-12-3 is in effect, impose a property tax rate that does not exceed one and sixty-seven hundredths cents (\$0.0167) on each one hundred dollars (\$100) of assessed valuation of the library district. The rate must be advertised in the same manner as other property tax rates. [IC 36-12-12-10]

Interest

Interest on the capital projects fund, including the fund's pro rata share of interest earned on the investment of total money on deposit, shall be deposited in the fund. The library board may allocate the interest among the accounts within the fund. [IC 36-12-12-11]

Administrative Rules

The Department of Local Government Finance may adopt rules under IC 4-22-2 to implement this chapter. [IC 36-12-12-12]

APPROPRIATIONS

The library board shall appropriate funds in such a manner that the disbursements for a year do not exceed the library's budget as finally determined under IC 6-1.1. [IC 6-1.1-18-4]

A contract entered into without a sufficient appropriation balance is void.

Additional Appropriations

IC 6-1.1-18-5 contains the required procedures for requesting additional appropriations, as follows:

- a. If the library board desires to appropriate more money for a particular year than the amount prescribed in the budget for that year, they shall give notice of their proposed additional appropriation. The notice shall state the time and place at which a public hearing will be held on the proposal. The notice shall be given once in accordance with IC 5-3-1-2(b).
- b. If the additional appropriation by the library is made from a fund that receives revenue from property taxes levied under IC 6-1.1; the library must report the additional appropriation to the department of local government finance. If the additional appropriation is made from a fund that receives revenue from property taxes levied under IC 6-1.1, subsections (f), (g), (h), and (i), apply to the library.
- c. However, if the additional appropriation is not made from a fund that receives revenue from property taxes levied under IC 6-1.1, subsections, (f), (g), (h), and (i) do not apply to the library.
- d. A library may make an additional appropriation without approval of the department of local government finance if the additional appropriation is made from a fund that does not receive revenue from property taxes under IC 6-1.1. However, the fiscal officer of the library board shall report the additional appropriation to the department of local government finance.
- e. After the public hearing, the library board shall file a certified copy of their final proposal and any other relevant information with the department of local government finance.
- f. When the department of local government finance receives a certified copy of a proposal for an additional appropriation under subsection (e) the department shall determine whether sufficient funds are available or will be available for the proposal. The determination shall be in writing and sent to the library not more than fifteen days after the department of local government finance receives the proposal.
- g. In making the determination under subsection (f), the board shall limit the amount of the additional appropriation to revenues available, or to be made available, which have not been previously appropriated.
- h. If the department of local government finance disapproves any additional appropriation under subsection (f), the department shall specify the reason for its disapproval on the determination sent to the library.

- i. The library board may request a reconsideration of a determination of the department of local government finance under this section by filing a written request for reconsideration. A request for reconsideration must:
 1. Be filed with the department of local government finance within fifteen (15) days of the receipt of the determination by the library; and
 2. State with reasonable specificity the reason for the request. The department of local government finance must act on a request for reconsideration within fifteen (15) days of receiving the request.

Forms and formats pertaining to the additional appropriation process are available from the Department of Local Government Finance at the following location:

Department of Local Government Finance
Indiana Government Center North
Room N1058, 100 North Senate Avenue
Indianapolis, Indiana 46204
(317) 232-3777
<http://www.in.gov/dlgef>

Appropriation Transfers

Pursuant to IC 6-1.1-18-6, the library board may transfer money from one major budget classification to another within a department or office if:

1. They determine that the transfer is necessary;
2. The transfer does not require the expenditure of more money than the total amount set out in the budget as finally determined under IC 6-1.1; and
3. The transfer is made at regular public meeting and by proper resolution.

A transfer may be made under this section without notice and without the approval of the Department of Local Government Finance.

Unanticipated LIRF expenditures and appropriation of unanticipated revenue require a board resolution, publication of the additional appropriation request, public hearing and approval by the Department of Local Government Finance.

Note: Transfers within a major budget classification must meet the requirements of 1 through 3 as listed above.

Temporary Fund Transfers

Pursuant to IC 36-1-8-4(a), a library, by resolution, may transfer a prescribed amount for a prescribed period to a depleted fund from another fund of the library if the following conditions are met:

1. It must be necessary to borrow money to enhance the depleted fund;
2. There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.

3. Except as provided in IC 36-1-8-4(b), the prescribed period must end during the budget year of the year in which the transfer occurs.
4. The amounts transferred must be returned to the other fund at the end of the prescribed period.
5. Only the revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred.

IC 36-1-8-4(b) states: If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

1. Passes an ordinance or a resolution that contains the following:
 - A. A statement that the fiscal body has determined that an emergency exists.
 - B. A brief description of the grounds for the emergency.
 - C. The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
2. Immediately forwards the ordinance or resolution to the State Board of Accounts and the Department of Local Government Finance.

Loans, Bond Issues, and Notes

IC 36-12-3-10 allows the library board to do the following:

1. Adopt a resolution to make loans or issue notes for the purpose of refunding those loans in anticipation of revenues of the library that are expected to be levied and collected during the term of the loans. The term of a loan may not be more than five (5) years. Loans must be made in the following manner:
 - A. The resolution authorizing the loans must appropriate and pledge to payment of the loans a sufficient amount of the revenues in anticipation of which the loans are issued and out of which the loans are payable.
 - B. The loans must be evidenced by warrants or tax anticipation notes of the library in terms designating:
 - (i) the nature of the consideration;
 - (ii) the time and place payable; and
 - (iii) the revenues in anticipation of which the loans are issued and out of which the loans are payable.
2. Borrow money from other persons.
3. Issue, negotiate, and sell negotiable notes and bonds of the public library.

4. Levy, assess, and collect, at the same time and in the same manner as other taxes of the public library are levied, assessed, and collected, a special tax in addition to the tax authorized by IC 36-12-3-12, sufficient to pay all yearly interest on the bonded and note indebtedness of the public library.
5. Provide a sinking fund for the liquidation of the principal of the bond when it becomes due.
6. IC 36-9-41 allows libraries to issue a note with a financial institution to finance public works projects of not more than two million dollars (\$2,000,000). Such note is payable over a period of not more than six years.

Lapsing of Current Appropriations

Unexpended or unobligated appropriations shall lapse at the close of the year. Every effort should be made to have bills and claims presented before the end of the year, so that such items may be charged to the appropriation and disbursement account of the year in which the service or commodity was supplied.

A claim of a prior year may be paid in the following year if the prior year's appropriation is properly encumbered and sufficient funds are available.

Encumbrance of Appropriation Balances

Appropriations may be encumbered only through a contract or purchase order dated on or before December 31 of that year.

Balances should be carried to the succeeding year only to the extent of unpaid balances due on contracts or purchase orders.

The library board of trustees should make a listing of all encumbered items and make it a part of the minutes of the last business meeting of the year.

Appropriations that are carried forward should be shown as separate amounts on the corresponding appropriation ledger sheets of the previous year with an explanation and then added to the succeeding year's appropriations. The disbursements charged to the appropriations of the previous year should be identified as such on the succeeding year's appropriation ledger sheets.

Appropriations for Federal Programs

When funds are provided by the federal government either directly to a library or through a state agency for any program or project, the following procedures should be followed:

Advance Grants. Advance grants should be handled as follows:

1. Where funds are "advanced" directly to the library by the federal government for a specific purpose prior to making any disbursements by the library, the money should be placed in a separate project fund and disbursements subsequently made from that fund. No appropriation of the federal funds is required.

2. Where federal funds are "advanced" to the library through a state agency or department with no state funds added thereto prior to making any distributions, the money should be placed in a separate project fund and subsequent disbursements made from that fund. No appropriation of the federal funds is required. Library Services and Technology Act (LSTA) grants are in this category.
3. Where federal funds are "advanced" to the library by a state agency or department and state funds are included along with the federal funds in one check or voucher and the funds are for a specific purpose, the money should be placed in a separate project fund and disbursements made from that fund. Appropriation(s) must be obtained for the combined total (i.e., federal and state) prior to any disbursement being made from that project fund.

Reimbursement Grants. Reimbursement grants should be handled as follows:

Where a federal or state grant provides for payments to be made directly to a library on a "reimbursement" basis after payment of expenses by the library, the entire amount of the federal or state reimbursement may be appropriated by the library board without using the additional appropriation procedures under IC 6-1.1-18-5, if the funds are provided or designated by the state or federal government as a reimbursement of expenditures. [IC 6-1.1-18-7.5].

No separate fund for the project or program is required unless the terms of the grant require one.

Matching Grants. Matching Grants should be handled as follows:

When a federal grant or program requires expenditures or "matching" funds to be provided from library funds, an appropriation must be obtained for the amount of such expenditures or local matching funds. Individual program requirements will dictate whether the appropriation should be obtained within the applicable library fund for expenditures there from or whether an appropriation should be obtained within the applicable library fund for a transfer to a required separate fund. This matter should be set out in the terms and conditions entered into between the library board and officials of the federal agency.

Summary. To summarize, no appropriations of federal funds are necessary: (1) when advanced directly from the federal government for a specific purpose prior to making disbursements, and the money is placed in a separate project fund with disbursements made from that fund; or, (2) when federal funds are received in advance through a state agency for a specific purpose prior to making disbursements and the money is placed in a separate project fund with disbursements made from that fund and there is no state match.

Please keep in mind, if the library board wishes to obtain an appropriation for all funds to be spent (i.e., federal, state, and local), there is certainly no prohibition in state statutes.

Loans – Tax Anticipation Warrants and Notes

IC 36-12-3-10 requires loans to be evidenced by a tax anticipation warrant bearing a specified rate of interest from date of loan to maturity date. IC 6-1.1-20-7 has removed the maximum interest rate but requires if the rate of interest is greater than eight percent (8%), the approval of the Department of Local Government Finance must be secured.

A loan must be repaid from the fund to which the loan was received. The principal of a loan may be repaid without an appropriation, but an appropriation is required for payment of the interest on the temporary loan.

Suggested forms of "Notice of Receiving Bids for Loans" and "Tax Anticipation Time Warrant" which are similar to those now being used in some political subdivisions follow. Please consult your library attorney for advice in this matter.

Notice must be published two (2) times at least one (1) week apart, with the first publication made at least fifteen (15) days before the date of sale, and the second publication must be made at least three (3) days before the date of the sale.

NOTICE OF RECEIVING BIDS FOR LOANS

Notice is hereby given that the library board of trustees of _____ Library, in _____ County, Indiana, will receive sealed bids up to the hour of _____ (a.m. or p.m.) on the _____ day of _____, 20____, at the office of _____ street, _____, Indiana, for the following:

The proposal to loan the said _____ Library, Indiana, _____ Dollars for the _____ Fund in anticipation of the revenues of the Library, and for a term not to exceed _____ days/years.

Each bid shall stipulate the rate of interest to be charged. Each bid shall be accompanied by an affidavit that no collusion exists between the bidder and any other person relative to such bid.

Prior to maturity all or any amount of the principal may be prepaid with accrued interest to the date of prepayment.

All bids must be made in full compliance with the law governing such matters; and, the library board of trustees reserves the right to reject any or all bids.

ATTEST:

Secretary, _____ Library Board of Trustees

By: _____

Library,

President,

Board of Trustees

No. _____

Principal \$ _____
Interest At ____% \$ _____
Total \$ _____

_____ LIBRARY TAX ANTICIPATION TIME WARRANT
_____ FUND

On the ____ day of _____, the _____ Library, in _____ County, Indiana promises to pay the bearer, at the office of the Treasurer of the _____ Library, the sum of _____ including interest on the principal amount of this warrant from the date hereof to maturity, payable out of and from taxes to be levied and collected in the year(s) _____, _____, _____, _____, _____, and payable in the year(s) _____, _____, _____, _____, _____. This warrant may be prepaid on and after _____, and prior to maturity at the principal amount hereof plus accrued interest to the date of prepayment.

This Tax Anticipation Time Warrant is one of a series of warrants aggregating a sum of _____, exclusive of interest added thereto to maturity, evidencing a temporary loan in anticipation of the taxes to be levied and collected for the _____ Fund of said Library.

Said loan was authorized by a resolution duly adopted by the Library Board of Trustees of the _____ Library, at a meeting thereof duly and legally convened and held on the ____ day of _____, for the purpose of providing funds for the _____ Fund of said _____ Library, in compliance with IC 36-12-3-10.

The consideration of said warrant is a loan made to the _____ Library in anticipation of taxes to be levied and collected for the _____ Fund of said Library for the year(s) _____, _____, _____, _____, _____, payable in the year(s) _____, _____, _____, _____, _____, and said taxes to be levied and collected are hereby specifically appropriated and pledged to the payment of said Tax Anticipation Time Warrant.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to the authorization, preparation, complete execution and delivery of said warrants have been done and performed as provided by law.

IN WITNESS WHEREOF, the _____ Library has caused this warrant to be signed in its corporate name by its President and attested by the Secretary of _____ Library.

Dated this ____ day of _____.

ATTEST: _____ LIBRARY

BY: _____

Secretary: _____ Library Board of Trustees

President, _____ Library,
Board of Trustees

PUBLIC WORKS BORROWING

This chapter applies to a public work project that will cost the political subdivision not more than two million dollars (\$2,000,000). [IC 36-9-41-1]

As used in this chapter, "public work" means a project for the construction of any public building, highway, street, alley, bridge, sewer, drain, or any other public facility that is paid for out of public funds. [IC 36-9-41-2]

Notwithstanding any other statute, a political subdivision may borrow the money necessary to finance a public work project from a financial institution in Indiana by executing a negotiable note under section 4 of this chapter. The political subdivision shall provide notice of its determination to issue the note under IC 5-3-1. Money borrowed under this chapter is chargeable against the political subdivision's constitutional debt limitation. [IC 36-9-41-3]

A political subdivision borrowing money under section 3 of this chapter shall execute and deliver to the financial institution the negotiable note of the political subdivision for the sum borrowed. The note must bear interest, with both principal and interest payable in equal or approximately equal installments on January 1 and July 1 each year over a period not exceeding ten (10) years. [IC 36-9-41-4]