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South Carolina Association of Counties

Orientation for New Council Members
Budget Basics and Funding Sources

March 11, 2025

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Agenda
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The Budget
- What is a budget?
- Goals of a budget
- How Implemented
- Fund Accounting

Funding Sources
- Types of Revenues
- Property Tax
- Common Property Tax Exemptions

Question & Answer
- Thank you for your attendance!
- Please ask questions!

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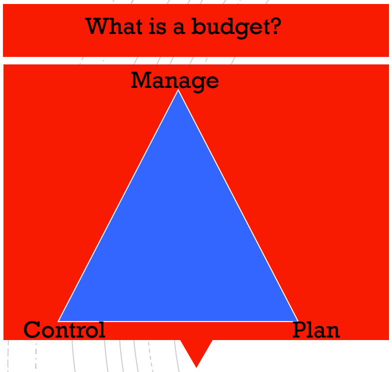

- A plan to accomplish objectives and goals
- Creates a definite time frame
- Contains estimates of resources , required and available
- Contains estimates of expenditures
- Usually is compared with one or more past periods
- Plan: Used for implementing policy and to achieve goals
- Control: Using the budget document to control expenditures and to maximize accountability
- Management: Using the budget document to manage organizations and personnel

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Fiscal plan

ESTIMATE

Perhaps the most important planning tool an elected body has

Defines the work that is to be done

Lays out the cost of that work, or the resources to be utilized

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The purpose of a budget is to establish a plan for how resources will be deployed in such a way that realizes the vision and priorities of the citizens as expressed through their elected leaders.

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Why does a County have to have a budget?

- It's the law.

SECTION 4-9-140. Designation of fiscal and budget years; annual fiscal reports; adoption of budgets; levying and collection of taxes; supplemental appropriations; obtaining reports, estimates, and statistics.

County council ***shall*** adopt annually and prior to the beginning of the fiscal year operating and capital budgets for the operation of county government and shall in such budgets identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted. Council shall further provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources.

- So that departments know how to spend

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The Budget Process

- Most counties begin preparing budget 4 to 6 months before beginning of fiscal year
- Typically, department heads will prepare departmental budgets, then these are rolled up into divisional budgets.
- All departments and divisions are combined, along with all Elected Officials to form the total budget.

The Budget Process

- Usually in April or May, staff will make a formal budget presentation to Council
- Council begins the process of reviewing the proposal and making changes to the plan
- The budget plan is codified in the form of a budget ordinance which requires three readings by Council for approval

The Budget Ordinance

- Legal document that describes and lists all sources of revenue and all planned expenditures
- Can be amended during the budget year in the same manner in which the original budget ordinance was approved, i.e. by three readings and a public hearing

THE BUDGET: LEGAL REQUIREMENTS

S.C. Code of Laws provides the legal framework in which all local gov entities in the state conduct their budgetary processes.

Legislation found in Section 4 of the General Statutes

Establishes provision that the chief executive is to prepare and then to submit to Council the operating and capital budget proposal.

Section 4 dictates that before adoption of the budget, a public hearing must be held.

Prescribes that by July 1 of each year a budget must be adopted for the upcoming fiscal year.

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SECTION 4-9-140. Designation of fiscal and budget years; annual fiscal reports; adoption of budgets; levying and collection of taxes; supplemental appropriations; obtaining reports, estimates, and statistics. [SC ST SEC 4-9-140]

The fiscal year of the county government shall begin on the first day of July of each year and shall end on the thirtieth day of June next following, and the fiscal year shall constitute the budget year of the county government. All county offices, departments, boards, commissions or institutions receiving county funds shall make a full, detailed annual fiscal report to the county council at the end of the fiscal year.

County council shall adopt annually and prior to the beginning of the fiscal year operating and capital budgets for the operation of county government and shall in such budgets identify the sources of anticipated revenue including taxes necessary to meet the financial requirements of the budgets adopted. Council shall further provide for the levy and collection of taxes necessary to meet all budget requirements except as provided for by other revenue sources.

Council may make supplemental appropriations which shall specify the source of funds for such appropriations. The procedure for approval of supplemental appropriations shall be the same as that prescribed for enactment of ordinances.

For the purposes of this section a supplemental appropriation shall be defined as an appropriation of additional funds which have come available during the fiscal year and which have not been previously obligated by the current operating or capital budget. The provisions of this section shall not be construed to prohibit the transfer of funds appropriated in the annual budget for purposes other than as specified in such annual budget when such transfers are approved by the council.

In the preparation of annual budgets or supplemental appropriations, council may require such reports, estimates and statistics from any county agency or department as may be necessary to perform its duties as the responsible fiscal body of the county.

THE BUDGET: LEGAL REQUIREMENTS

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FUND ACCOUNTING

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What is Fund Accounting?

- Accounting method, or device used to keep track of specific sources of funding and spending for particular purposes
- Some funds are required by State law and by bond covenants
- City/County Council establishes funds to control and manage money and to show that it is properly using certain taxes and grants
- Only the minimum number necessary, no set number
- Each fund contains a self-balancing set of accounts

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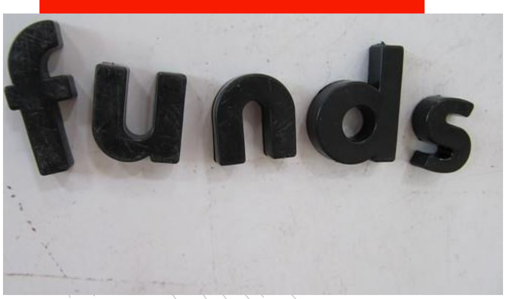
Usage of Fund Accounting



- The accounts of governments are organized and operated on the basis of funds.
- A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.
- Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

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Usage of Fund Accounting

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

Three basic types Of Funds

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. (The accounts includes assets, liabilities, equity, revenues and expenditures)

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Governmental Funds

- Used to account for general government activities (basic services)
- Include the following types:
  1. General Fund- primary operating fund
  2. Special Revenue Funds- legally restricted for specific purposes
  3. Debt Service Fund – accounts for payment of long-term debt
  4. Capital Projects Funds – accounts for the construction or acquisition of major capital projects

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Proprietary Funds

- Enterprise Funds – used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is to operate at a profit. Ex: Sewer, Solid Waste
- Internal Service Funds – used to account for activities that produce services to be provided to other County departments on a cost-reimbursement basis. Ex: Fleet Services

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Fiduciary Funds

- Fiduciary funds account for assets held in a trustee capacity or as an agent for individuals or other governmental units.
- An Agency Fund is an example of a Fiduciary Fund.
- The Agency Fund is custodial in nature and does not require a budget. Ex: Agency Funds that Treasurer uses to collect School taxes.

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FUNDING SOURCES

Sources of revenue include:
Property tax
Federal and State Aid
Fees/Fines
Charges for Services
Usage of Fund Balance
Licenses and Permits
Interest Income
Transfers in from Other Funds
Sale of property
All Others(Misc)

Typical Source Percentages

- 45% Property Tax
- 20% Federal and State Aid
- 5-10% Usage of Fund Balance
- 15-20% Fees, Fines, Licenses, Permits, and Charges for Services
- 5% or less Interest Income
- 5% Transfers in from other funds

Property Tax

- Projected based upon the total assessed value of property multiplied by the appropriate assessment ratio multiplied by the applicable millage rate
- Assessed Value X Assessment Ratio X Tax Levy = Tax Due
- Agricultural, commercial, residential and personal property is taxed

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Federal and State Aid

- Includes federal and state grant monies
- Also includes Local Government Fund
- LGF was developed to assist local governments in minimizing the potential increase in local property taxes to the citizens
- Based on a state-developed formula
- Includes "C" Funds from state from gasoline taxes

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Local Property Taxes

Ones affecting most citizens:

Home, or real property taxes, and

Vehicle Taxes

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Property Tax – Real Property

- Counties levy against real property in the fall, usually September based upon assessed values established by: County Assessor, County Auditor and SCDOR.
- Various assessment ratios ranging from 4% to 10.5%
- Real property tax due in one payment on or before January 15th
- Penalties are added beginning with a 3% penalty on January 16th, 7% on February 2, and a 5% penalty on March 17th.
- After proper notification, law requires "exclusive possession" of the property necessary to satisfy delinquent taxes.
- Public auction during month of October

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Property Tax – Motor Vehicles

- Lien and collection date is the last day of the month in which the motor vehicle license expires
- County sends out vehicle tax notices each month so this means that the county is collecting this type of tax relatively evenly throughout the year

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Property Taxes are computed by:

Assessment X Tax Levy

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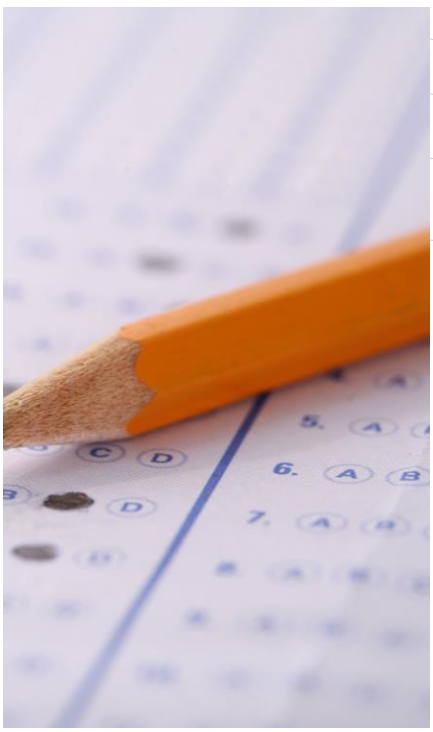
Assessment is computed by:

- Market Value X Assessment Ratio = Assessment
- Market Value is same as Appraised Value.



Assessment

State law requires every county to conduct a countywide reassessment every five years. This means that a real estate appraiser from the Assessor's Office personally visits every property in the county and prepares an appraisal for each one. The purpose of the reassessment is to ensure that each piece of property is fairly valued, relative to all other real property values in the county.

Assessment Ratios

- 4% Legal Residence
- 6% "Other"
- 4% and 6% Agriculture Use
- 10.5% Industrial Property, and previously, Vehicles

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What is a levy?

A levy, or tax levy, is simply a multiplier.

It is a tax rate, or percent.

For example: A tax levy of 75 mils, would mean a 7.5% rate of tax, or expressed as a decimal would be .075

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Millage

- Sometimes levy is referred to as millage.
- Millage also is just a rate of taxation.
- Millage is expressed in terms of mills.
- One mill is one tenth of one cent, or .001.
- For example: A levy 75 mills is expressed as .075.

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Real Property (Homes) Tax

There are two common exemptions that work to reduce the base tax amount:

State Property Tax Relief

Homestead Exemption

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State Property Tax Relief

The State Property Tax Relief is a special exemption given to taxpayers on their 4% Legal Residence (domicile) property obtained through Legal Residence application with the Assessor's Office. It means that you are getting a credit against your Base Tax Amount on up to $100,000 of Market Value of your legal residence. This credit is applied against the school operating portion only of your Base Tax Amount. Only one exemption is allowed per taxpayer. State funds are returned to the schools to offset a portion of school operating budgets, therefore reducing local property taxes. This exemption was enacted by the State in 1995 by Governor Beasley.

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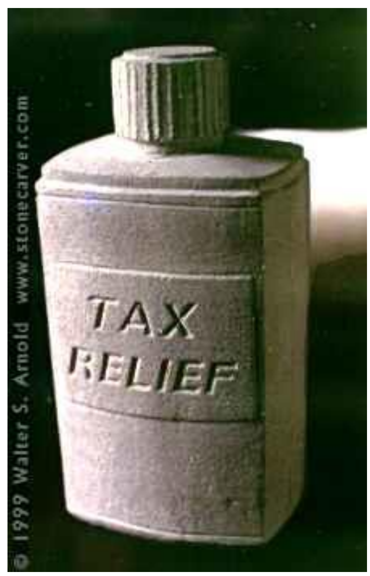
Homestead Exemption

The Homestead Exemption is another special exemption obtained through application with the County Auditor's Office, given to taxpayers who are 65 years or older, blind, or disabled. This exempts the first $50,000 of Market Value of your 4% Legal Residence (domicile) property from all local property taxes. Again, this exemption includes, but is not limited to, those who are 65 years of age or older, blind, or disabled. This legislation was enacted by the State in 1972.



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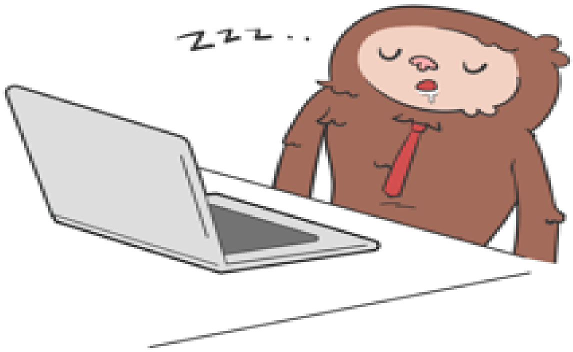
Wrap Up and Questions



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Goals of the Budgeting Process

Budgeting is a critical process for any businesses in several ways.

1. Aids in the planning of actual operations

The process gets managers to consider how conditions may change and what steps they need to take, while also allowing managers to understand how to address problems when they arise.

2. Co-ordinates the activities of the organization

Budgeting encourages managers to build relationships with the other parts of the operation and understand how the various departments and teams interact with each other and how they all support the overall organization.

3. Communicating plans to various managers

Communicating plans to managers is an important social aspect of the process, which ensures that everyone gets a clear understanding of how they support the organization. It encourages communication of individual goals, plans, and initiatives, which all roll up together to support the growth of the business. It also ensures appropriate individuals are made accountable for implementing the budget.

Goals of Public Budgeting

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4. Motivates managers to strive to achieve the budget goals

Budgeting gets managers to focus on participation in the budget process. It provides a challenge or target for individuals and managers by linking their compensation and performance relative to the budget.

5. Control activities

Managers can compare actual spending with the budget to control financial activities.

6. Evaluate the performance of managers

Budgeting provides a means of informing managers of how well they are performing in meeting targets they have set.

Goals of Public Budgeting

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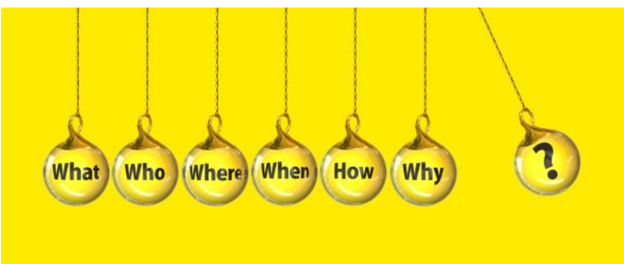

Thank You for Your Time Today!

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