

Procedures for the Tort Liability Fund

Introduction

[Section 670.10 of the Code of Iowa](#) permits the Extension District to levy a separate tax for the cost of Tort Liability expenses. This levy is in addition to the regular Education Operating Fund levy.

However, this levy is only allowed when the regular Education Operating Fund levy is at its [maximum limitation imposed by statute](#). These limitations for the Extension Districts are noted in Extension Law, Section 176A.10. These limitations are also outlined in the annual Iowa Department of Management's "[Agricultural Extension District Budget Instructions](#)".

The Tort Liability Fund includes [the District Liability insurance costs and the Public Officials/Errors and Omissions insurance costs](#), not the office Property Insurance costs.

Once the Education Operating Fund is being levied at its maximum limitation, the District has the choice to levy a special levy or handle the expense as a regular expense in the Education Operating Fund. Before the Education Operating Fund is being levied at its maximum limitation, the District would handle the expense as a regular expense in the Education Operating Fund.

The following procedures are designed to help you insure that your county meets the requirements for establishing and operating a legal Tort Liability Fund.

How to Set up a Legal Tort Liability Fund using Tort Liability Categories

If a Tort Liability expense is anticipated in a future fiscal year and the Education Operating Fund is being levied at its maximum limitation, the District may levy a specific dollar amount through the regular budgeting process for Tort Liability. The District may have a positive or a negative Tort Liability Fund carry forward amount for any year.

This fund is set up as a main category in the Education Operating Fund. The instructions are in the [County Accounting training manuals](#).

If the Tort Liability expense is being paid using Tort Liability Fund levy money then it needs to be expensed in the main category "S Tort Liability" expense line NOT under another main category. In the handout, "[All Categories to Match Budget Worksheet](#)", the main expense category is "S Tort Liability". The income category is "8 Tort".

If the District elects to pay all or part of the Tort Liability expense from the Education Operating Fund, you will use a subcategory under "L Insurance" for the part paid by the Education Operating Fund.

Procedures to Pay Tort Liability Expenses

If the District has officially levied for the Tort Liability Fund through the regular budgeting process, there will be a specific dollar amount that you anticipate receiving during the fiscal year for which you levied. When the county receives the bill for Tort Liability expenses before the tax dollars have been deposited in your account by the County Treasurer, you can pay the bill and show it as an expense in Quicken in the Tort Liability expense category. When the tax dollars for the Tort Liability Fund are deposited into your bank account by the County Treasurer at a later date in that fiscal year, you will show the receipt in the Tort Liability income category. [See Recording Tort Liability and Unemployment Compensation Levies.](#)

The Tort Liability Fund balance is the net of the Tort Liability income categories and the Tort Liability expense categories. The Fund will technically be in a deficit in the short term. The deficit is being covered in the short term by an advance from the District's Education Operating fund.

The funds available would consist of any positive amount in the fund that was carried forward from the previous fiscal year plus the amount the District will receive from a Tort Liability Fund levy for the current year **or** any negative amount in the fund that was carried forward from the previous fiscal year plus the amount the District will receive from a Tort Liability Fund levy for the current year.

For example -- Let's assume you will have \$1,000 in your Tort Liability fund in FY07. This consists of \$200 carry forward from FY06 plus \$800 you levied for FY07. You are billed for \$1,500 in Tort Liability expenses in FY07. You can pay the first \$1,000 from the Tort Liability fund. The remaining \$500 is covered by an advance from the Education Operating Fund and covered by a future Tort Liability Fund levy.

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| FY06 Carry Forward | | \$200 |
| FY07 Tort Liability levy | Plus | <u>800</u> |
| Education Operating Fund advance (covered by a future levy) | Plus | <u>500</u> |
| Tort Liability expense | Minus | <u>\$1500</u> |

The Extension Council minutes should reflect that the Council is aware at the time they approve payment of the expense that it is being paid by Education Operating fund advanced monies, which will later be "reimbursed or offset" by the Tort Liability Fund tax income.

Budgeting for Tort Liability expenses

The same rules apply as with the unemployment fund in that: (1) the moneys can be used only for liability purposes; (2) they must be accounted for separate from the Education Operating Fund.

To levy for tort liability purposes, it is necessary to use [IDOM Forms 674, 678 and 674-A \(Attachment 2\)](#). The appropriate figures appear on line "3" on both 674 and 678. If you have made this levy in past years, you need to show the beginning balance (if any) and previous year's expenditures (receipts and expenses). Enter your numbers on the [Tort Liability Worksheet section of CB-1 in the IDOM Budgeting Forms](#).

If the decision is made to use this levy, be sure to ask any questions you have so that you fully understand the process.

Amending for Unanticipated Tort Liability expenses

No amendments are needed for the Tort Liability Fund.