Tort Liability Fund

Section 670.7 of the Iowa Code permits the Extension District to levy a separate tax for the cost of tort liability benefits. This levy is in addition to the regular Education Operating Fund levy; however, the Tort Liability 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 and also in the Iowa Department of Management budget instructions.

The Tort Liability Fund includes payment of the district liability insurance premiums (General, Auto, Professional and Umbrella Excess) and the Directors and Officers insurance premiums.

Once the maximum levy limitation is reached, the Extension District has the choice to:

1. levy for Tort Liability in addition to the regular Education Operating Fund levy; or
2. record expenses as a regular expense in the Education Operating Fund.

Before the maximum levy limitation is reached, the Extension District would handle the expense as a regular expense in the Education Operating Fund.

Moneys received from separate additional levy must be used for the following purposes:

1. Only for liability purposes
2. District liability insurance costs
3. Public officials/errors and omissions insurance costs

Procedures for the Tort Liability Fund

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 Extension District may levy for Tort Liability through the regular budget process. The Extension District may have a positive or a negative Tort Liability Fund carry forward amount for any year.

When the Tort Liability funds are received they should be recorded as a deposit in current tax income account (#40010) in the Operating Tort Fund. When expenses are incurred, the invoices should be paid and recorded in the Tort Liability expense account (#90000) in the Operating Tort Fund.

If the Extension 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 the tort liability expense account (#90000) in the Operating Tort Fund.
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 as a deposit in current tax income account (#40010) in the Operating Tort Fund.

The Tort Liability Fund balance is the net of the tort liability income account #40010 in the Operating Tort Fund and the tort liability expense account #90000 in the Operating Tort Fund. Any deficit in the Operating Tort Fund is covered by the Educational Operating Fund.

Tort Liability funds available would consist of any positive amount in the Operating Tort Fund (OTU) that was carried forward from the previous fiscal year plus the amount the Extension 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 Extension 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 the current year. This consists of $200 carry forward from the previous year plus $800 you levied for in the current year. You are billed for $1,500 in Tort Liability expenses in the current year. You pay the $1,500 invoice from the Tort Liability Fund (OTU). The remaining $500 deficit in the Tort Liability Fund will be covered by a future Tort Liability Fund levy and/or the Education Operating Fund (OCU).

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<tbody>
<tr>
<td>Previous Year Carry Forward</td>
<td>$200</td>
</tr>
<tr>
<td>Current Year Tort Liability levy</td>
<td>Plus + $800</td>
</tr>
<tr>
<td>Tort Liability expense</td>
<td>Minus - $1500</td>
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<tr>
<td>Tort Liability expense</td>
<td></td>
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<tr>
<td>Education Operating Fund advance</td>
<td></td>
</tr>
<tr>
<td>(covered by a future levy)</td>
<td>$500</td>
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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 the Tort Liability Fund**

The Extension District may officially levy for the Tort Liability Fund through the regular budgeting process. If you have made this levy in past years, you need to show the beginning balance (if any) and previous year's receipts and expenditures.
Unemployment Compensation Fund

Section 96.31 of the Iowa Code permits the Extension District to levy a separate tax for the cost of unemployment benefits. This levy is in addition to the regular Education Operating Fund levy; however, the Unemployment Compensation 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 Iowa Code - Extension Law, Section 176A.10 and also in the Iowa Department of Management budget instructions.

Once the maximum levy limitation is reached, the Extension District has the choice to:

1. Levy for unemployment compensation in addition to the regular Education Operating Fund levy; or
2. Record unemployment claims as an expense in the Education Operating Fund.

Before the maximum levy limitation is reached, the Extension District should report unemployment claims in the Education Operating Fund.

Moneys received from separate additional levy must be used for the following purposes:

1. To pay unemployment premiums to become part of the state plan
2. To pay unemployment claims to Iowa Workforce Development.

Most Extension Districts are self-insured for unemployment compensation purposes. To be “self-insured” means that the Extension District will reimburse Iowa Workforce Development for any claims against the Extension District as they occur. If there is never a claim, no payment would ever be made.

The alternative is to be covered by the State of Iowa unemployment compensation plan. The annual premium for the state’s unemployment compensation plan is partly based on the Extension District’s employment experience. Any unemployment claim filed against the Extension District would be paid from the account established for the Extension District.

In either case, the council may choose to levy a tax to pay the premium, pay a claim to Iowa Workforce Development or recover a past claim paid to Iowa Workforce Development. Any funds received from the levy can be used only for unemployment purposes. Therefore the receipting and disbursing of those funds are to be accounted for separate from 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 Unemployment Compensation Fund.
Unemployment Compensation Fund
(i.e. separate from the Education Operating Fund)

Option 1: The Extension District levies a specific dollar amount through the regular budgeting process in anticipation of an unemployment benefits expense in the future fiscal year.

Extension Districts that have officially levied for the Unemployment Compensation Fund through the regular budget process will receive the specific dollar amount that was levied during the fiscal year. If the Extension District receives an invoice to pay unemployment benefits before the tax dollars have been deposited, the invoice may be paid and recorded in the unemployment compensation expense account (#95000) in the Unemployment Compensation Fund. When the tax dollars for the Unemployment Compensation Fund are received, they should be deposited into the Extension Districts bank and recorded as a deposit in the current tax income account (#40010) in the Unemployment Compensation Fund. If the expense is incurred before receipt of the tax dollars, the net deficit is covered by the balance in the Education Operating Fund.

The Unemployment Compensation Fund is allowed to carry forward a negative balance into the next fiscal year and levy for that amount in the next fiscal year's budget.

A carryover balance in the Unemployment Compensation Fund may consist of a positive balance if expenses are less than the amount the Extension District levied for the current year plus the previous year carryover or any negative amount created by advancing money from the Education Operating Fund.

Example: FYXX Unemployment Compensation Fund has a carryover balance of $200. The Extension District received and deposited the $800 that was levied for in the current year. The Extension District receives and pays an invoice for $1,500 in unemployment compensation expenses in the current fiscal year. The first $1,000 would come from the Unemployment Compensation Fund. The remaining $500 would show as a negative in the Unemployment Compensation Fund and be considered an advanced from the Education Operating Fund. The negative balance would carry forward into the next fiscal year. The Extension District can levy an appropriate amount in the next fiscal year to cover this carry forward liability as well as any additional unemployment compensation expenses that are anticipated in the next fiscal year.

The extension council minutes should reflect that the council is aware at the time they approve the expense payment that it is being covered partially by Education Operating Fund monies, which will later be "reimbursed or offset" by Unemployment Compensation Fund tax income and/or a future levy.

Option 2: In the present fiscal year, the Extension District pays an unemployment benefits charge received for a past employee by advancing the money from the Education Operating Fund.

The Extension District did not levy for the Unemployment Compensation Fund for the current fiscal year. An unemployment benefits charge for a past employee was received and the
Extension District wants to levy for this expense in the next fiscal budgeting cycle. The invoice should be paid and recorded in the unemployment compensation expense account (#95000) in the Unemployment Compensation Fund. This will establish a negative balance and will carry over as a negative Unemployment Compensation Fund balance into the next fiscal year. During the next regular budgeting process the Extension District levies an adequate amount to cover the anticipated expense for both years. Any deficit in the Unemployment Compensation Fund is covered by the Education Operating Fund.

The Unemployment Compensation Fund is allowed to carry forward a negative balance into the next fiscal year and levy for that amount in the next fiscal year's budget.

The Unemployment Compensation Fund is the net of the unemployment compensation income (#40010) and the unemployment compensation expense (#95000). The Unemployment Compensation Fund will be in a deficit in the short term.

For example --You are billed for $1,500 in unemployment compensation expenses in the current fiscal year. When you pay the expense you would, in essence, advance the money from the Education Operating Fund as you pay the bill. This will establish a deficit in your Unemployment Compensation Fund, which can carry forward into the next fiscal year. Then you can levy an appropriate amount in the next fiscal year to cover this carry forward deficit as well as any additional unemployment compensation expenses you anticipate in the next fiscal year.

The extension council minutes should reflect that the council is aware at the time they approve the first bill that it is being paid by money advanced from the Education Operating Fund with the expectation that it will later be "reimbursed or offset" by the Unemployment Compensation Fund tax income.

Budgeting for the Unemployment Compensation Fund

The Extension District may officially levy for the unemployment compensation through the regular budgeting process. If you have made this levy in past years, you need to show the beginning balance (if any) and previous year’s receipts and expenditures.

If there is an advance from the Education Operating Fund during the unbudgeted year, the Extension District will carry over a negative Unemployment Compensation Fund into the next fiscal year. Then during the regular budgeting process, the Extension District levies an adequate amount to cover the anticipated expense for both years including interest.

The total amount to be budgeted is the sum of the amount of the advance plus any anticipated expenses for the fiscal year being budgeted. The Extension District may have a positive Unemployment Compensation Fund carry forward amount for any year.

Amending for Unanticipated Unemployment Compensation Expenses

The Extension District must follow the budgeting procedures for levying for Unemployment Compensation. The Extension District may have a positive or a negative Unemployment Compensation Fund carry forward amount for any year.