



New Clerk Treasurer Training January 2016

Dan Jones

Assistant Director of Budget Division

January 19, 2016

1



Topics of Discussion

- Introduction
- Budget Terminology
- Budget Process
- Budget Calendar
- Budget Review
- "1782" and Budget Order
- Year End Financial Reporting
- Gateway
- References and Contact Information

2



Introduction

- DLGF has the responsibility of ensuring that Indiana's system of property taxation is fair and equitable (assessment and taxation).
 - Main office is in Indianapolis
 - Every county is assigned a field representative to assist with budget and property tax issues.
 - Your field representative will provide limited assistance with budget preparation and submittal.
 - They are available throughout the year for your questions.

3



Introduction

- Brief History of the DLGF:
 - Originally named the State Board of Tax Commissioners
 - Established in 1891 to oversee the assessment and collection of property taxes,
 - It was the first Tax Commission of its kind in the country,
 - First Board was the Governor, Auditor of State and Secretary of State,
 - Reorganized by 1919 General Assembly to standardize methods of tax assessment and limit the powers of local governments to set tax levies and issue bonds,
 - Now named the DLGF and organized under one commissioner appointed by the Governor.

4



Introduction

- You will contact the DLGF with:
 - Budget issues;
 - Any property tax issues;
 - Additional appropriations or reductions;
 - Most issues involving funds with property tax levies;
 - Operating fund;
 - Debt Service funds;
 - Cumulative Capital Funds;
 - Most advertising and public notice questions;
 - General questions regarding debt and debt issuance.

5



Terminology

- **Budget**- A financial plan that includes both revenues and expenditures over a specific period of time.
- **Appropriation**- Authority from fiscal body to spend.
- **Major Classification**- A grouping of the type of expenditure such as supplies.
- **Appropriation transfer**- Moving the appropriation (budget) from one major classification to another.

6



Terminology

- **Property Tax**- A tax charged on real property (land and improvements).
- **Property Tax Rate** – The rate of tax charged on property. Also, a ratio between the levy and the assessed value.
- **Property tax levy** – The amount of property tax charged by the government or collected by the government.
- **Assessed Value**- The taxable value of real property.

7



Terminology

- Property Tax Formula:
$$\text{Levy} = (\text{AV}/100) \times \text{Rate}$$
- **Miscellaneous Revenue** – All revenues a governmental unit receives other than property tax.
- **LOIT** – Local Option Income Tax. LOIT may be a COIT, CAGIT, or CEDIT.
- **COIT**- County Option Income Tax.
- **CAGIT** – County Adjusted Gross Income Tax

8



Terminology

- **CEDIT** – County Economic Development Income Tax.
- **Excise Tax** – Taxes local governments receive from state. Excise are taxes paid for specific products, such as gasoline or car registrations.
- **Fund** – A separate set of accounts to isolate specific revenues and expense for a particular purpose. Ex: operating fund; fire fund.

9



Terminology

- **Maximum Levy** – The maximum property tax levy allowed. The maximum levy is determined by the previous year's maximum levy plus a state-wide average growth quotient. A few other adjustments may apply. Also known as "controlled levy."
- **Rate Controlled Fund** – Some funds are controlled by the rate, such as a cumulative capital fund.

10



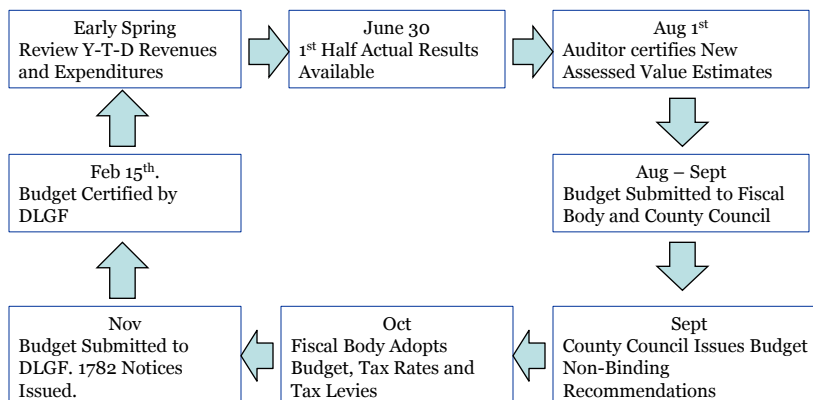
Fund Types

- **General Fund** – The primary fund for the city or town operations. Contains all expenses and revenues not required to be in another fund.
- **Special Revenue Funds** – Expenses and revenues dedicated for specific purposes
- **Debt Service Funds** – Funds for the repayment of outstanding debts.
- **Cumulative Capital Funds** – Funds for equipment, fleet, and building replacement.

11



Budget Process



12



Preview of Upcoming Events

- Budgets in Indiana are prepared on a calendar year basis but encompass 18 months of revenues and expenses.
- By December, all budgets have been adopted at the local level and are now under review by the DLGF.
- DLGF will work to determine if: the unit properly issued the public notice of the public hearing for budgets and levies; they properly and timely adopted the tax rates; and that the property tax levies are within the maximum property tax levy allowed for that unit.
- When completed, the DLGF will issue a **Budget Order** setting the property tax rates and levies for each governmental unit within the county.

13



Preview of Upcoming Events

- Budget Calendar:
 - Dec – Jan 1782 Notices sent. Respond to DLGF within 10 days.
 - February 15 – Budgets, tax rates and tax levies to be certified by the DLGF.
 - Year end financial reporting required.
 - Budget and Gateway training in the spring.
 - Budget workshops in July & August.
 - Budget hearings in August & September.
 - Budget adoption by November 1st.

14



DLGF Budget Review

- DLGF is working the budgets for each county in the order the DLGF received the assessed values certified by the auditor.
- Field Representative may contact you for additional information or with questions.
- Your next contact with the DLGF may be when you receive the 1782 Notice.

15



1782 Notice

- DLGF is required to give each civil taxing unit ten (10) day notice of any action the DLGF has taken on a budget, rate or levy.
 - This Notice is called the “1782 Notice”
 - 1782 Notice is an opportunity for each unit to review the DLGF’s actions and request changes, corrections, or adjustments to the budget, rates, or levies.
 - The 1782 Notice will be sent to each unit by email. So, make certain you enter your email address on the new line on the “accordion” in Gateway. (It’s at the bottom of the forms.)

16



1782 Notice

- The 1782 Notice has several parts:
 - Notice (page 1)
 - 1782 Notice Notes Report
 - Fund Report
 - Estimates of Miscellaneous Revenues for Year Ending 20__
 - Maximum Levy Report and
 - Rate Cap Calculations

17



1782 Notice

- The 1782 Notice (Page 1):
 - First page is the Notice with instructions.
 - Provides information of how and where to respond.
 - First page is also a signature page with two boxes (choices):
 - No Changes Requested or
 - Please Make Changes According to the Attached Information.
 - First page includes the deadline to respond.
 - Return the 1782 Notice to DLGF ASAP
 - Accelerates processing of Budget Order.

18



1782 Notice

- Fund Report:
 - A Fund Report is the 16-Line financial statements that were submitted with your budget.
 - Each line is important but line 16 is critical – Line 16 is the Tax Levy for that fund for the following year. Once the levy is certified you cannot change it. That is the amount of property taxes that will be billed for this fund for the year.
 - Taxes collected exceeding this amount are to be deposited into a levy excess fund and used to reduce a future year's levy.

19



1782 Notice

- Fund Report (Continued):
 - Important Lines:
 - Line 1 – Budget Estimate for following year
 - Line 2 – 2nd Half expense of current year
 - Line 6 – June 30 Cash & Investment balances
 - Line 7 – Dec Property Tax Distribution
 - Lines 8 a & b – Miscellaneous Revenues
 - Line 11 – Projected Operating Balance
 - Line 16 – Property tax levy
- Compare lines 1 & 16 to the budget advertisement.*

20



1782 Notice

- Fund Report:
 - The Fund Report includes a summary of each fund and a total of the rates and total levies of each fund of the unit:

Fund	Assessed Value	Rate	Levy	CNTRL
General	140,000,000	0.0150	21,000	UT
Motor Vehicle Highway	140,000,000	0.0090	12,600	UT
Debt Service	140,000,000	0.0500	70,000	O
Cum Cap Dev	140,000,000	0.0333	46,620	O

CTL UT Working Max 33,900 Under Max by 300

21



1782 Notice

- Estimates of Miscellaneous Revenues:
 - Another important part of 1782 Notice is the summary of Miscellaneous Revenues (Form 2)
 - Lists revenues by fund and source
 - Contains two columns: Column A July 1, 2014 – Dec. 31 2014
 - Column B Jan 1, 2015 – Dec. 31, 2015
 - Totals from each column are the amounts on Lines 8a and 8B of the Fund Report. These revenues provide additional funding for your budget.

22



How to Respond to 1782

- Write the requested changes on the Notice
- Scan the Notice and email to 1782Notices@dlgf.in.gov
- Include a written explanation for the request if you think it's needed.
- Remember to closely review the 1782 Notice and to respond quickly.
- Contact your field representative or the DLGF Budget Division with questions about the 1782.

23



How to Respond to 1782

- Common Responses to 1782 Notice:
 - Reduction to Line 2 – 2nd Half Expense
 - 2nd half expense are frequently overstated. A reduction to this line may increase available funds on Line 11 (Operating Balance). Reducing Line 2 can be done by the Board passing a Resolution.
 - Revision to 2nd Estimated Revenues
 - More information regarding revenues is available when the 1782 Notice is issued than when revenues were originally estimated. Some revenues may be higher than originally estimated which provides more funding.

24



Budget Order

- DLGF's certification of appropriations, property tax rates and levies by unit and fund.
 - Provides units with the authority to spend and tax
 - Budget Order is issued by county
 - Certifies by each unit in the county their budget, assessed value, tax rate and levy for each fund.
 - Order also includes:
 - Certified tax rates for each tax district in the county.
 - Notes that explain certain actions taken on budget, rates, or levies.
 - Notice and authority to transfer balances in levy excess fund to operating fund.

25



New for 2015-2016

- AVGQ for 2016 is 2.6%.
- Some units will have an extra payroll in 2015 or 2016.
 - Count your pay periods
- Submit your additional appropriations to DLGF after they are approved by your board.
- Last day to submit is December 15th.
 - DLGF has 15 days to process.

26



Financial Reporting

- Other Reporting Requirements:
 - DLGF may only approve annual budgets or additional appropriations for units that have electronically filed with the State Board of Accounts:
 - The Annual Financial Report (Includes TA-7).
 - The Annual Personnel Report (which also indicates if the governmental unit offers a health plan, a pension and other benefits to full-time and part-time employees).
 - Statement by executive that unit has adopted an anti-nepotism policy.
 - Debt issuance report to DLGF (DLGF may not issue a budget or levy for debt service if this report is not filed.)

27



What is Gateway?

- Gateway is a website which allows local governments to submit forms to certain State agencies online.
- Gateway is also an online budget preparation system for local units of government.
- Local units also submit budget forms to the DLGF and annual reports to the State Board of Accounts (SBOA) through Gateway.
- Information collected through Gateway is made available to the public.

28



References

- DLGF web page: <http://www.in.gov/dlgf/>
 - Budget Manual @ <http://www.in.gov/dlgf/8945.htm>
 - DLGF Memos and Presentations:
<http://www.in.gov/dlgf/2444.htm>
 - Budget Status Maps:
<http://www.in.gov/dlgf/6827.htm?WT.ac=statusmap>
- List Serve:
 - Get listed to receive DLGF communications
 - Contact Jenny Banks at jbanks@dlgf.in.gov

29



References

- Budget Calendar:
[http://www.in.gov/dlgf/files/pdf/140528 - Jones Memo - 2014 - 2015 Budget Calendar.pdf](http://www.in.gov/dlgf/files/pdf/140528_-_Jones_Memo_-_2014_-_2015_Budget_Calendar.pdf)
- Memo on Additional Appropriations:
 - [http://www.in.gov/dlgf/files/pdf/150604 - Jones Memo - Additional Appropriation and Transfer Procedures.pdf](http://www.in.gov/dlgf/files/pdf/150604_-_Jones_Memo_-_Additional_Appropriation_and_Transfer_Procedures.pdf)
- Memo on Establishing Cumulative Funds:
 - [http://www.in.gov/dlgf/files/pdf/150602 - Jones Memo - Procedures for the Establishment of Cumulative Funds.pdf](http://www.in.gov/dlgf/files/pdf/150602_-_Jones_Memo_-_Procedures_for_the_Establishment_of_Cumulative_Funds.pdf)

30



Closing

- Property Tax Caps
 - Also known as circuit breaker credits
 - These are protections to property owners from taxes exceeding a percentage of the property's gross assessed value:
 - 1% for homestead residential property,
 - 2% for other residential property and farmland and long-term care facilities,
 - 3% on business real and personal property
 - Over 65 circuit breaker credit

31



Closing

QUESTIONS???

32



Contact the Department

- Dan Jones, Assistant Director of DLGF Budget Division
 - Telephone: 317.232.0651
 - Fax: 317.974.1629
 - E-mail: djones@dlgf.in.gov
- Web site: www.in.gov/dlgf
 - "Contact Us": www.in.gov/dlgf/2338.htm.