



# Department of Local Government Finance

## Introduction to the New Form 4B Chronological Layout

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# Agenda

- Today's presentation will explain the following:
  - Purpose of Form 4B
  - Limitations of the Current Form 4B
  - Introduction to the New Form 4B
  - Advantages of the New Form 4B
  - The New Form 4B – Layout
  - The New Form 4B – Data Entry
  - Best Practices

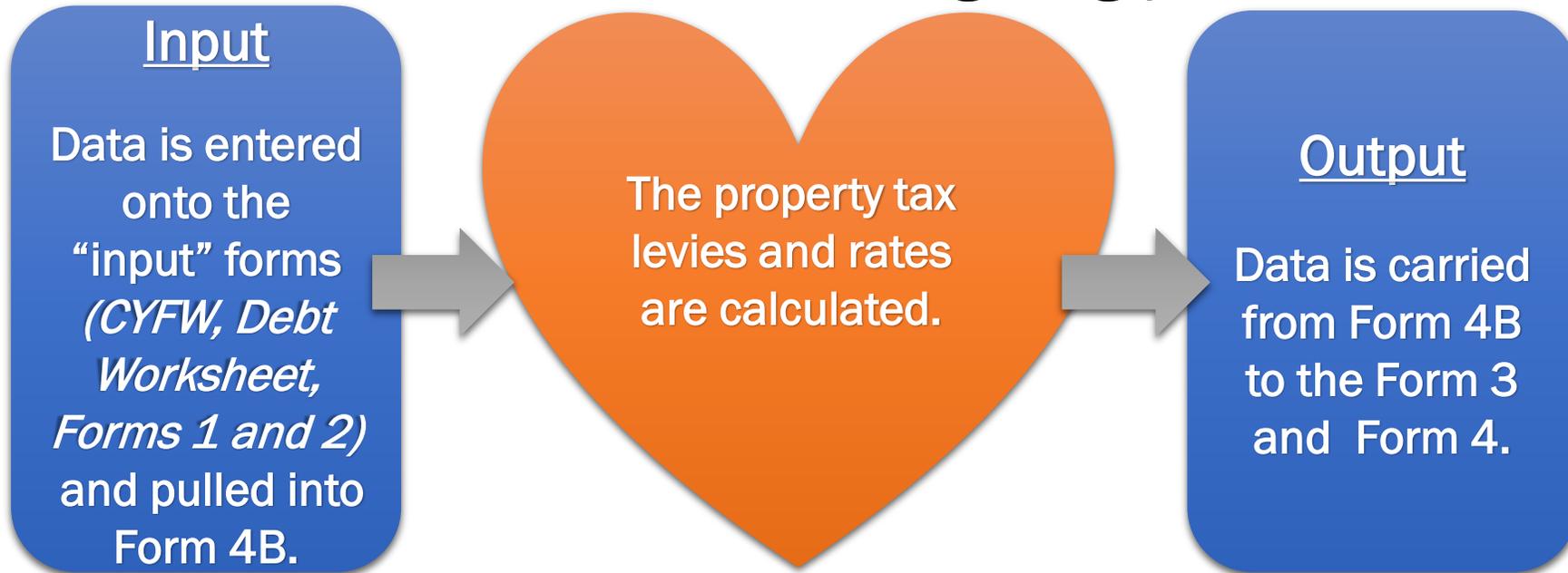


# Purpose of Form 4B



# Form 4B – Financial Statement

- The Form 4B is the heart of the budgeting process.



- Form 4B summarizes the financial status of a fund.



# Form 4B – Current Layout

- The purpose of Form 4B is to aggregate 18 months of financial data from the other budget forms in order to calculate the property tax levy and tax rate to be advertised and adopted.
- It is divided into 3 sections:
  - Expenses for 18 months.
  - Cash and revenues for 18 months – excluding ensuing year's property taxes.
  - Operating balance and property taxes.
- The general format of the Form 4B dates back to the 1950's.



# Form 4B – Current Layout

Expenses for 18 Months

Cash and Revenues for 18 months excluding property taxes for the following year

		Net Assessed Value \$	480,000,000	
Funds Required For Expenses To December 31st Of Incoming Year		Source	Advertised Amount	Adopted Amount
1. Total budget estimate for incoming year		1 & 4A	\$ 8,517,025	\$ 8,517,025
a.) School Transfer Out		4B	\$ 200,000	\$ 200,000
2. Necessary expenditures, July 1 to December 31 of present year, to be made from appropriations unexpended		CYFW	\$ 5,780,766	\$ 5,780,766
3. Additional appropriation necessary to be made July 1 to December 31 of present year		CYFW	\$ 0	\$ 0
4. Outstanding temporary loans:		CYFW		
a). To be paid not included in lines 2 or 3		CYFW	\$ 300,000	\$ 300,000
b). Not repaid by December 31 of present year		CYFW	\$ 0	\$ 0
5. TOTAL FUNDS required (add lines 1, 1a, 2, 3, 4a and 4b)			\$ 14,797,791	\$ 14,797,791
Funds On Hand To Be Received From Sources Other Than Proposed Tax Levy			Advertised Amount	Adopted Amount
6. Actual cash balance, June 30 of present year (including cash investments)		CYFW	\$ 3,851,988	\$ 3,851,988
7. Taxes to be collected, present year (December settlement)		CYFW	\$ 1,558,953	\$ 1,558,953
8. Miscellaneous revenue to be received July 1 of present year to December 31 of incoming year(Schedule on File):				
a). Total Column A Budget Form 2		Form 2	\$ 1,643,164	\$ 1,643,164
b). Total Column B Budget Form 2		Form 2	\$ 2,175,000	\$ 2,175,000
9. TOTAL FUNDS (Add lines 6, 7, 8a and 8b)			\$ 9,229,105	\$ 9,229,105
10. Net amount to be raised for expenses to December 31 of incoming year (deduct line 9 from 5)			\$ 5,568,686	\$ 5,568,686



# Form 4B – Current Layout

Operating Balance

Total  
N/A

N/A to schools

Total

Reserved for DLGF

Property Tax Levy

Property Tax Rate

Property Tax Cap to  
calculate the  
“Net Budget”

Proposed Tax Rate and Levy	Advertised Amount	Adopted Amount
11. Operating balance ( not in excess of expense January 1 to June 30, less miscellaneous revenue for same period) ⓘ <small>NOTE: Enter Lines 13b and 16 then press 'Save ' button to calculate this value.</small>	\$ 0	\$ 0
12. Amount to be raised by tax levy (add lines 10 and 11) ⓘ	\$ 5,568,686	\$ 5,568,686
13a. Property Tax Replacement Credit from Local Option Tax ⓘ	\$ 0	\$ 0
13b. Operating LOIT ⓘ	\$ 0	\$ 0
14. NET AMOUNT TO BE RAISED BY TAX LEVY (deduct line 13b from line 12) ⓘ	\$ 5,568,686	\$ 5,568,686
15. Levy Excess Fund applied to current budget ⓘ	\$ 0	\$ 0
16. Net amount to be raised ⓘ	\$ 5,568,686	\$ 5,568,686
17. Net Tax Rate on each one hundred dollars of taxable property ⓘ	1.1601	1.1601

	Source	Advertised Amount	Adopted Amount
Property Tax Cap Credits ⓘ	1 and 4A	\$ 317,025	\$ 317,025



# Limitations of the Current Form 4B



# Limitations of the Current Form 4B

- The Department isn't taking this update lightly. There are several shortcomings in the current Form 4B that need to be addressed.
- Uses “gross” and “net” budgets to account for property tax caps.
- Challenging to locate and calculate the Operating Balance.
- Begins with expenses first, then revenues.
- Difficult to compare revenues to expenses for a time period.  
Transfers and temporary loans are generally lumped together.



# Limitations of the Current Form 4B

- Uses “gross” and “net” budgets to account for property tax caps.
  - The older format resulted in local officials utilizing a “gross budget” on Forms 1, 4A, and 4B that included tax caps in the expenditures.
  - Tax caps are a reduction in available revenue and not an expense.
  - The actual “net” budget is used in Forms 3 and 4.



# Limitations of the Current Form 4B

- Challenging to locate and calculate the Operating Balance.
  - The meaning of the operating balance isn't apparent from the current layout.
  - The “bottom line” of the budget, but is hidden within the body of the form.
  - In order to calculate this line, the lines under it must be completed first.
  - This field is only calculated when the Gateway Calculator is used.



# Limitations of the Current Form 4B

- Begins with expenses first, then revenues.
  - The flow of the form requires officials to start with their spending goals before considering the revenue available.
  - This makes it more difficult for local officials to proactively consider adopting a sustainable budget.



# Limitations of the Current Form 4B

- Difficult to compare revenues to expenses for a time period.
  - Lumps 18 months of expenses (along with 12 months of tax caps) for the “total expenditures”.
  - Revenue section contains 18 months of data for miscellaneous revenues, but only 6 months of property tax revenues
  - Separate section for the ensuing year property taxes further separates the time periods.



# Limitations of the Current Form 4B

- Transfers and temporary loans are generally lumped together.
  - Line 4A is used for all temporary loans and transfers.
  - Examples include: Temporary loans, protected taxes waiver transfers, Education to Operations transfers.
  - There are no separate lines to help keep track of these individually.



# Introduction to the New Form 4B



# Introduction to the New Form 4B

- The 4B doesn't collect any new data, but lays it out in a more intuitive chronological order. By doing this, it can provide:
  - Clear estimated ending cash balances.
  - Standalone lines for the budget year's total expenses and total revenues to help identify the status of cash flow.
  - Ends with the operating balance.



# Introduction to the New Form 4B

- June 30 – December 31, 2020
  - The first section begins with the June 30 cash balance.
  - Adds in anticipated revenues.
  - Subtracts anticipated expenses.
  - Ends with the December 31 cash balance.
    - This standalone line for the year-end cash balance indicates if the year-end expenses are funded.



# Introduction to the New Form 4B

- January 1 – December 31, 2021
  - The second section begins with the anticipated revenues.
  - Subtracts anticipated expenses.
  - Ends with the December 31 cash balance.
    - This standalone line for the year-end cash balance (operating balance) indicates if the proposed budget is funded.



# Advantages of the New Form 4B



# Guiding Principles of the New 4B

1. Elimination of gross budgeting approach to tax caps.
2. Easily located and understandable operating balance.
3. Revenue first approach for proactive budgeting.
4. Easily compare expenses to revenues.
5. Improved reporting of transfers and temporary loans.
6. Decrease data entry and increase accuracy.



# Advantages

- Property Tax Caps
  - The property tax caps are now accounted for in a standalone line on the Form 4B and separate from the budget.
  - This is shown as a negative amount in the revenue section.
  - The budget is now the budget being used across all forms.



# Advantages

- Operating Balance
  - This “bottom line” figure is located at the bottom of the form.
  - It is labeled as the estimated 2021 year-end cash balance.
  - This line is automatically calculated for all funds as information is entered.



# Advantages

- Starts with revenues, then lists expenses.
  - Encourages local officials to proactively consider the funding available.
  - Helps to avoid preparing a budget, noticing insufficient revenues, and developing the budget again.



# Advantages

- Easily compare revenues to expenses for a time period.
  - The 4B provides standalone total revenues and total expenditures lines for the budget year.
  - As a result, the sustainability of the estimated budget can be quickly assessed by comparing these two lines.
  - This also aids board members and taxpayers in understanding the proposed budget's affect on cash reserves.



# Advantages

- Improved reporting of transfers, temporary loans, and school transfers.
  - Has a standalone line to separate out school transfers in the first 6 months of the current year.
  - In future years, temporary loans and other permanent transfers will also be separated out.

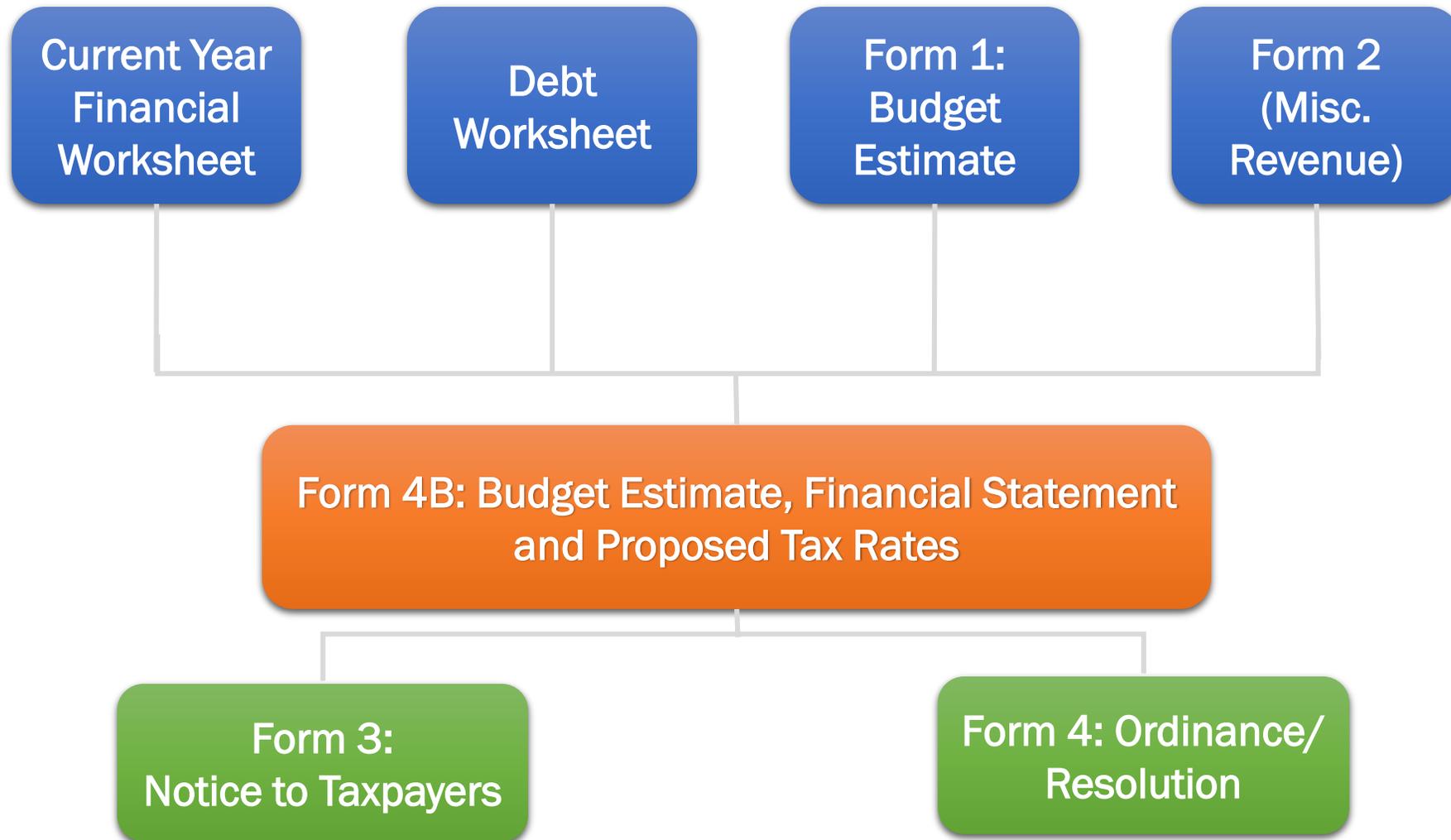


# Advantages

- Flow of data
  - The Form 4B has been redesigned to be automatically populated from the “input” forms and a separate data entry section has been added for funds with property taxes or school transfers out.
  - This will greatly reduce the number of potential errors.
  - The time it takes to complete the forms will also be reduced, especially when updating one of the input forms.



# Budget Forms – Flow Chart





# The New Form 4B – Layout



# The New Form 4B Layout

- The new layout of the Form 4B was designed to improve many of the shortcomings of the current format.
- The Form 4B will now be easier to understand, explain, and complete.
- There are 3 distinct sections:
  - Current Year
  - Budget Year
  - Data Entry



# The New Form 4B – Current Year Section

July to December - 2020		
<b>Cash Balance and Revenues</b>		
1. June 30th Cash Balance ⓘ	(Line 6)	1,500,000
2. Property Taxes to be Collected ⓘ	(Line 7)	1,000,000
3. Miscellaneous Revenue ⓘ	(Line 8A)	2,000,000
<b>4. Total Cash and Revenues</b>		<b>4,500,000</b>
<b>Expenses</b>		
5. Necessary Expenditures ⓘ	(Line 2)	3,000,000
6. Additional Appropriation ⓘ	(Line 3)	-
7. Outstanding Temporary Loans and Transfers ⓘ		500,000
7a. Transfers Out and Outstanding Temporary Loans	(Line 4A)	-
7b. Reserved		-
7c. School Transfers	(Line 1A)	500,000
<b>8. Total Expenses ⓘ</b>		<b>3,500,000</b>
<b>9. Estimated December 31st, 2020 Cash Balance (Line 4 - 8) ⓘ</b>		<b>1,000,000</b>

This current year section doesn't have advertised and adopted columns.



# The New Form 4B – Current Year Section

July to December - 2020		
Cash Balance and Revenues		
1. June 30th Cash Balance ⓘ	(Line 6)	1,500,000
2. Property Taxes to be Collected ⓘ	(Line 7)	1,000,000
3. Miscellaneous Revenue ⓘ	(Line 8A)	2,000,000
<b>4. Total Cash and Revenues</b>		<b>4,500,000</b>

- Line 1 – June 30 cash balance from the CYFW.
- Line 2 – Property taxes to be collected from the CYFW.
- Line 3 – Misc. revenue from Form 2.
- Line 4 – Total Cash and Revenues.



# The New Form 4B – Current Year Section

Expenses		
5. Necessary Expenditures ⓘ	(Line 2)	3,000,000
6. Additional Appropriation ⓘ	(Line 3)	-
7. Outstanding Temporary Loans and Transfers ⓘ	▼	500,000
7a. Transfers Out and Outstanding Temporary Loans	(Line 4A)	-
7b. Reserved		-
7c. School Transfers	(Line 1A)	500,000
<b>8. Total Expenses ⓘ</b>		<b>3,500,000</b>
<b>9. Estimated December 31st, 2020 Cash Balance (Line 4 - 8) ⓘ</b>		<b>1,000,000</b>

- Line 5 - Remaining appropriations from CYFW.
- Line 6 - Additional Appropriations for the last half from CYFW.
- Line 7 - Totals the transfers/temp loans from the CYFW and the school transfers entered on Form 4B.



# The New Form 4B – Current Year Section

<b>4. Total Cash and Revenues</b>		<b>4,500,000</b>
<b>Expenses</b>		
5. Necessary Expenditures ⓘ	(Line 2)	3,000,000
6. Additional Appropriation ⓘ	(Line 3)	-
7. Outstanding Temporary Loans and Transfers ⓘ		500,000
7a. Transfers Out and Outstanding Temporary Loans	(Line 4A)	-
7b. Reserved		-
7c. School Transfers	(Line 1A)	500,000
<b>8. Total Expenses ⓘ</b>		<b>3,500,000</b>
<b>9. Estimated December 31st, 2020 Cash Balance (Line 4 - 8) ⓘ</b>		<b>1,000,000</b>

- Line 8 - Totals lines 5, 6, and 7 to calculate the total expenses for the last 6 months of 2020.
- Line 9 - Subtracts the total expenses (Line 8) from the total revenues (Line 4) to calculate the estimated ending cash balance.



# The New Form 4B – Current Year Summary

- The Form 4B now begins with the 6/30 cash balance.
  - Adds revenues for the last 6 months.
  - Subtracts expenses for the last 6 months.
  - Calculates the current year ending cash balance.
- This estimated ending cash balance field indicates how much funding will be available at the end of the year for cash flow purposes or to fund deficit spending.



# The New Form 4B – Budget Year Section

Budget Year - 2021			
Revenues		Advertised	Adopted
<b>10. Reserved for DLGF application of Levy Excess</b>			
<b>11. Property Tax Levy</b> ⓘ	(Line 16)	2,500,000	2,500,000
12. Property Tax Cap Impact ⓘ	(Tax Cap)	(300,000)	(300,000)
13. Miscellaneous Revenue ⓘ	(Line 8B)	4,000,000	4,000,000
<b>14. Budget Year Total Revenues</b>		<b>6,200,000</b>	<b>6,200,000</b>
Expenses		Advertised	Adopted
<b>15. 2021 Budget Estimate</b> ⓘ	(Line 1)	<b>6,000,000</b>	<b>6,000,000</b>
16. Outstanding Temporary Loans and Transfers ⓘ	▼	1,000,000	1,000,000
16a. Transfers Out and Outstanding Temporary Loans	(Line 4B)		-
16b. Reserved			-
16c. School Transfers	(Line 1A)	1,000,000	1,000,000
<b>17. Total 2021 Expenses</b> ⓘ		<b>7,000,000</b>	<b>7,000,000</b>
<b>18. Operating Balance - Estimated December 31st 2021 Cash Balance</b> ⓘ			
(Line 9 + 14 - 17)	(Line 11)	200,000	200,000

		Advertised	Adopted
Net Assessed Value		500,000,000	500,000,000
Property Tax Rate	(Line 17)	0.5000	0.5000



# The New Form 4B – Budget Year Section

Budget Year - 2021			
Revenues		Advertised	Adopted
<b>10. Reserved for DLGF application of Levy Excess</b>			
<b>11. Property Tax Levy</b> ⓘ	(Line 16)	2,500,000	2,500,000
12. Property Tax Cap Impact ⓘ	(Tax Cap)	(300,000)	(300,000)
13. Miscellaneous Revenue ⓘ	(Line 8B)	4,000,000	4,000,000
<b>14. Budget Year Total Revenues</b>		<b>6,200,000</b>	<b>6,200,000</b>

- Line 10 - Reserved for the DLGF application of levy excess.
- Line 11 - Property tax levy is entered in the data entry section.
- Line 12 - Tax cap impact is a negative adjustment to the revenue.
- Line 13 - The miscellaneous revenue pulls in from Form 2.
- Line 14 - Total revenues during the budget year.



# The New Form 4B – Budget Year Section

Expenses		Advertised	Adopted
<b>15. 2021 Budget Estimate</b> ⓘ	(Line 1)	6,000,000	6,000,000
16. Outstanding Temporary Loans and Transfers ⓘ		1,000,000	1,000,000
16a. Transfers Out and Outstanding Temporary Loans	(Line 4B)		-
16b. Reserved			-
16c. School Transfers	(Line 1A)	1,000,000	1,000,000
<b>17. Total 2021 Expenses</b> ⓘ		<b>7,000,000</b>	<b>7,000,000</b>
<b>18. Operating Balance - Estimated December 31st 2021 Cash Balance</b> ⓘ			
(Line 9 + 14 - 17)	(Line 11)	200,000	200,000

- Line 15 is the budget estimate from Form 1.
- Line 16 totals the transfers and temporary loans from the CYFW and the school transfers entered in the data entry section of 4B.
- Line 17 represents the total expenses for the budget year.



# The New Form 4B – Budget Year Section

Expenses		Advertised	Adopted
<b>15. 2021 Budget Estimate</b> ⓘ	(Line 1)	6,000,000	6,000,000
16. Outstanding Temporary Loans and Transfers ⓘ		1,000,000	1,000,000
16a. Transfers Out and Outstanding Temporary Loans	(Line 4B)		-
16b. Reserved			-
16c. School Transfers	(Line 1A)	1,000,000	1,000,000
<b>17. Total 2021 Expenses</b> ⓘ		<b>7,000,000</b>	<b>7,000,000</b>
<b>18. Operating Balance - Estimated December 31st 2021 Cash Balance</b> ⓘ			
(Line 9 + 14 - 17)	(Line 11)	200,000	200,000

- Line 18 is the estimated ending cash balance (operating balance)
- Positive amounts represent a budget fundable by current estimates.



# The New Form 4B – Budget Year Section

	Advertised	Adopted
Net Assessed Value	500,000,000	500,000,000
Property Tax Rate (Line 17)	0.5000	0.5000

- This last section presents the NAV and property tax rate that were entered/calculated in the data entry section.



# The New Form 4B – Budget Year Summary

- This section begins by totaling the revenues for the budget year.
- It then totals the expenses budget year.
- The operating balance is calculated as the:
  - Ending cash balance for the current year.
  - Plus total revenues for the budget year.
  - Minus total expenses for the budget year.
- This operating balance is the estimated ending cash balance and it indicates if the budget is funded and how much additional funds remain for cash flow purposes.



# The New Form 4B – Data Entry



# The New Form 4B – Data Entry Section

- Form 4B is automatically populated from the other forms, but some data entry is still required for certain funds.
- The data entry section can be accessed by clicking the “Click to Edit” button.

## Form 4B: Financial Statement

Select Fund:

3300 - OPERATIONS

Click to Copy All  
Advertised Amounts to  
Adopted For All Funds on  
Form 1 and 4B

Click to Edit: Budget, Levy, Rate, Tax Cap, or School Transfers

July to December - 2020

Cash Balance and Revenues

1. June 30th Cash Balance	(Line 6)	1,500,000
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# The New Form 4B – Data Entry Section

- The data entry section collects:
  - NAV estimate
  - Property tax levy
  - Estimated tax cap losses
  - School transfers out

Data Entry Section		
<b>Property Taxes: Data Entry</b>		
<b>Assessed Value</b>		
Net Assessed Value Estimate	<input type="text" value="500,000,000"/>	
<b>Method Selection</b>		
	Advertised	Adopted
Select which value to provide in order to calculate the other fields:	<input type="text" value="Levy"/>	<input type="text" value="Levy"/>
Levy	<input type="text" value="2,500,000"/>	<input type="text" value="2,500,000"/>
Rate	<input type="text"/>	<input type="text"/>
Operating Balance	<input type="text"/>	<input type="text"/>
<b>Calculated Property Tax Levy and Rate</b>		
	Advertised	Adopted
A. Property Tax Levy	2,500,000	2,500,000
B. Net Assessed Value	500,000,000	500,000,000
C. Tax Rate (Levy divided by NAV, multiplied by 100)	0.5000	0.5000
<b>Estimated Tax Cap Loss</b>		
	Advertised	Adopted
Estimated Property Tax Cap Impact	<input type="text" value="-300,000"/>	<input type="text" value="-300,000"/>
<b>School Transfer Out</b>		
	July 1 - Dec 31, 2020	Jan 1 - Dec 31, 2020
Transfers between the Education, Operations and Referendum funds	<input type="text" value="500,000"/>	<input type="text" value="1,000,000"/>
<b>2021 Budget Estimate</b>		
	Advertised	Adopted
Automatically Populate Budget from Form 1?	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No
Override 2021 Budget Estimate	<input type="text"/>	<input type="text"/>
	<input type="button" value="Save"/>	<input type="button" value="Save &amp; Close Data Entry"/>



# The New Form 4B – Data Entry Section

Property Taxes: Data Entry		
<b>Assessed Value</b>		
Net Assessed Value Estimate		500,000,000
<b>Method Selection</b>		
	Advertised	Adopted
Select which value to provide in order to calculate the other fields:	Levy <input type="text" value="Levy"/>	Levy <input type="text" value="Levy"/>
Levy	<input type="text" value="2,500,000"/>	<input type="text" value="2,500,000"/>
Rate	<input type="text"/>	<input type="text"/>
Operating Balance	<input type="text"/>	<input type="text"/>

- The first section first collects your NAV estimate.
- Then Gateway Calculator is present to aid you in calculating your tax rate.



# The New Form 4B – Data Entry Section

Calculated Property Tax Levy and Rate	Advertised	Adopted
A. Property Tax Levy	2,500,000	2,500,000
B. Net Assessed Value	500,000,000	500,000,000
C. Tax Rate (Levy divided by NAV, multiplied by 100)	0.5000	0.5000

- Once the Gateway Calculator is completed the following table summarizes the fund's:
  - Property tax levy
  - NAV
  - Property tax rate: calculated as  $(\text{Levy} / \text{NAV}) * 100$



# The New Form 4B – Data Entry Section

Estimated Tax Cap Loss ⓘ	Advertised	Adopted
Estimated Property Tax Cap Impact	-300,000	-300,000

- The following section collects the estimated property tax cap impact for the advertised and adopted columns.
- Any amount entered will be saved as a negative value.



# The New Form 4B – Data Entry Section

School Transfer Out 	<u>July 1 - Dec 31, 2020</u>	<u>Jan 1 - Dec 31, 2020</u>
Transfers between the Education, Operations and Referendum funds	500,000	1,000,000

- The data entry for the school transfers out is listed at the bottom of this section.
- The transfers for the last 6 months of the current year are no longer lumped in with the transfers/temp loans line.



# The New Form 4B – Data Entry Section

Data Entry Section		
2021 Budget Estimate	Advertised	Adopted
Automatically Populate Budget from Form 1?	<input checked="" type="radio"/> Yes <input type="radio"/> No	<input checked="" type="radio"/> Yes <input type="radio"/> No
Override 2021 Budget Estimate	<input type="text"/>	<input type="text"/>

- The last section does not require any data entry as it only provides an option to override the budget estimate in case of last minute emergencies.
- It is possible that the school board could make a last minute change at the adoption meeting that affects numerous line items. This override feature allows the budget to be edited and a revised Form 4 to be printed off and signed before the meeting ends.



# The New Form 4B – Data Entry Summary

- Most of the data for Form 4B flows in from the other forms. The following need to be manually entered:
  - NAV estimate
  - Desired levy, rate or operating balance
  - Estimated tax cap loss
  - School transfers out



# The New Form 4B – Summary

- This new layout corrects several shortcomings of the existing format in order to achieve a new form that is:
  - Easily understood chronological layout.
  - Promote proactive “revenue first” budgeting.
  - Easy and efficient to use.
  - Reduce the number of possible errors.



# Best Practices



# Best Practices

- Although Form 4B is now simpler and easy to use, its important to understand certain best practices relating to:
  - Sustainable budgeting
  - Operating Balance
  - Net Assessed Value Estimates
  - Gateway Calculator
  - Property Tax Cap Estimates
  - Estimated School Transfers



# Best Practices

- Are cash reserves being reduced, increased, or maintained?
- Estimated cash flow for the budget year can now be easily evaluated by comparing Line 14: Total Revenues to Line 17: Total Expenses.

<b>14. Budget Year Total Revenues</b>	<b>6,200,000</b>
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Versus

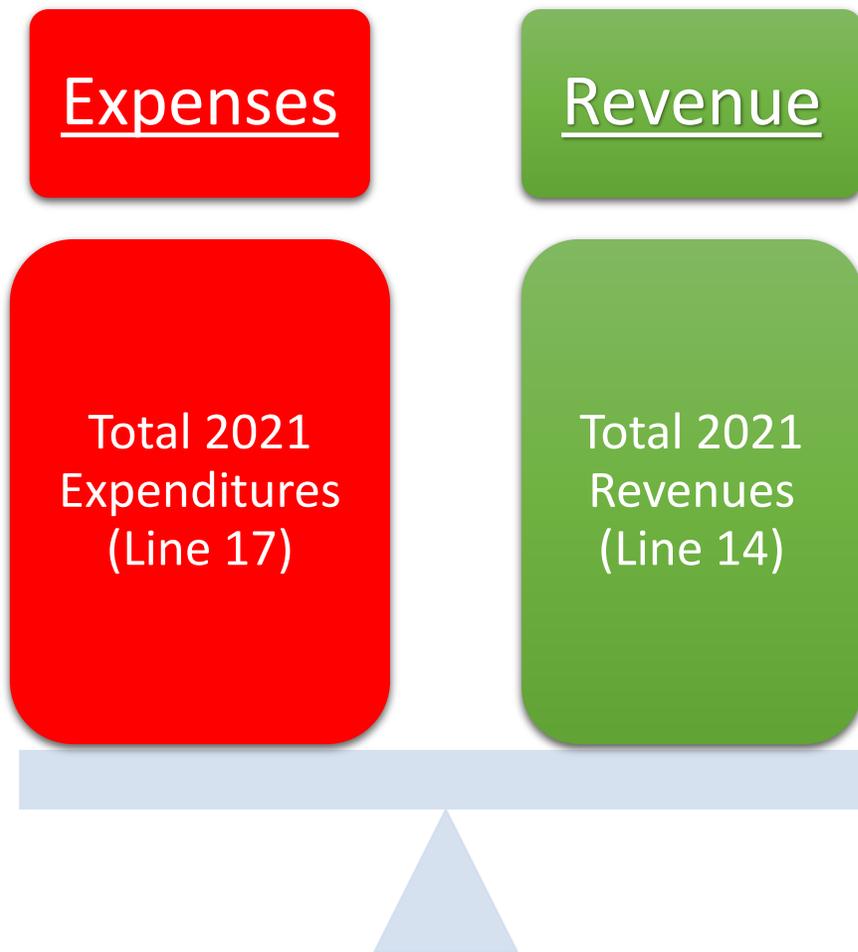
<b>17. Total 2021 Expenses</b>	<b>7,000,000</b>
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# Best Practices

Sustainable Budgeting:  
When equal, revenues fund expenses without using cash reserves.

June 30<sup>th</sup> Cash Balance





# Best Practices

- Sustainable Budgeting
  - The expenses in the budget year are equal to or less than the revenue estimated to be received for the same time period (not including cash on hand).
  - This method won't spend down cash reserves and might help build an "operating balance" that can help lessen any issues with cash flow.
- The alternative is Deficit Budgeting/Spending. In this case, the cash carried over from the prior year is budgeted to accommodate spending more than the anticipated revenues.



# Best Practices

- Line 18 - Operating Balance
  - The estimated operating balance is listed at the end of the budget year section.
  - It is the estimated cash balance at the end of the budget year (12/31/2021).
  - It is used to pay expenses for the first half of the year until the June property tax settlement is received for the Operations and Debt funds.



# Best Practices

- Line 18 - Operating Balance
  - The Department will only certify budgets that are fundable by current estimates.
  - A negative operating balance indicates a shortage in funding and is the estimated reduction in the adopted budget by the Department.
  - The operating balance assumes the entire budget will be spent, but adopting a “blanket appropriation reduction resolution” can provide options.



# Best Practices

- Net Assessed Value “Estimate”
  - Be effective with your estimate.
  - Even certified AV’s can be unlocked and corrected by the county.
  - If your estimate is higher than the final NAV, the adopted tax rate won’t generate the adopted levy and the lesser amount is the most that can be approved.



# Best Practices

- Net Assessed Value Estimate  
– Example 1
- The NAV estimate is conservative.
- The adopted rate is reduced.
- The adopted levy is approved.

$$\text{Rate} = (\text{Levy} / \text{NAV}) * 100$$

	Estimate	Actual
NAV	100,000,000	125,000,000
Levy	100,000	100,000
Rate	0.1000	<b>0.0800</b>
Loss		0



# Best Practices

- Net Assessed Value Estimate
  - Example 2
    - The NAV estimate is not conservative.
    - The adopted rate doesn't generate the adopted levy.
    - The adopted rate is approved and the levy is reduced.

$$\text{Rate} = (\text{Levy} / \text{NAV}) * 100$$

	Estimate	Actual
NAV	100,000,000	80,000,000
Levy	100,000	<b>80,000</b>
Rate	0.1000	0.1000
Loss		<b>-20,000</b>



# Best Practices

- Even if the submitted NAV isn't used to calculate the adopted tax rate, it is still helpful to calculate the anticipated tax rate outside of Gateway.
- To find the submitted NAVs:
  1. Go to the public site at: Gateway.in.gov
  2. Select Report Search 
  3. Select Assessed Value  [Assessed Value](#)
  4. Select "[Certification of Net Assessed Values - Detail by District and Fund](#)"



# Best Practices

- The Gateway Calculator allows local officials to enter the levy, rate or operating balance and calculate the other two amounts using the estimated NAV entered.

Method Selection	Advertised	Adopted
Select which value to provide in order to calculate the other fields:	Levy <input type="text" value="Levy"/>	Levy <input type="text" value="Levy"/>
Levy	<input type="text" value="2,500,000"/>	<input type="text" value="2,500,000"/>
Rate	<input type="text"/>	<input type="text"/>
Operating Balance	<input type="text"/>	<input type="text"/>



# Best Practices

- The Gateway Calculator has three options:
  - Levy – Most widely used.
    - Example: The Operations fund’s estimated max levy (listed on Form 3) can be entered.
  - Operating Balance – Typically used for debt funds.
    - Example: The school can calculate and enter the maximum allowed operating balance for the Debt Service fund.
  - Rate – Rarely used for schools.



# Best Practices

- Property Tax Cap Impact
  - Review the actual property tax cap losses for the past 3 to 5 years available from the [County Specific Information](#) section of the DLGF website in the “Circuit Breaker Reports”.
  - These losses can be impacted by a number of units.
  - Assess the Department’s estimated amount.
  - Use your best judgement on the amount to use.
  - Compare your estimates to the actuals typically released in April.



# Best Practices

- Property Tax Cap Impact: Estimates vs Actuals
  - Overestimating results in more funding than previously estimated.
    - This can improve cash flow, reduce the transfers required from Education, or be used to fund an additional appropriation.
  - Underestimating results in less funding than previously estimated and potentially a certified budget that is not fully funded,



# Best Practices

- School Transfers
  - Last half of 2020.
    - These will require a signed resolution to be submitted to the Department.
    - Resolutions giving approval “up to” a certain amount will be accepted by the Department.
  - 2021 Estimate.
    - The schools estimates will be used without a resolution. Carefully develop these estimates.



# Best Practices

- Example: Transfer from Education to Operations
  - Overestimating transfers can result in less funding for the Operations fund and potentially an unfunded budget.
  - Underestimating transfers can result in less funding for the Education fund and potentially an unfunded budget.

	Education	Operations
Estimated 2021 Transfer	-\$1,000,000	\$1,000,000
Operating Balance	\$300,000	\$300,000
Actual 2021 Transfer	-\$500,000	\$500,000
Revised Operating Balance	\$800,000	-\$200,000



# Best Practices

- School Transfers
  - These transfers are non-appropriated and do not reduce the fund's permission to spend.
  - Example:
    - The Education fund spent \$3,000,000 and transferred an additional \$1,000,000 to Operations by June 30.
    - The \$1,000,000 is not appropriated and has not reduced the Education Fund's permission to spend.
    - The expenditures entered in Gateway should show \$3,000,000.



# Best Practices

- Line 7 is a total of three other lines
  - 7a) Repayment of temporary loans, tax cap waiver transfers, levy excess, debt restructuring transfers.
  - 7b) In future years this will be used to track temporary loans and permanent transfers separately.
  - 7c) Permanent transfers between Education, Operations, Rainy Day, and Referendum funds.

7. Outstanding Temporary Loans and Transfers 	500,000
7a. Transfers Out and Outstanding Temporary Loans (Line 4A)	-
7b. Reserved	-
7c. School Transfers (Line 1A)	500,000



# Best Practices

- Line 16 is a total of three other lines
  - 16a) Repayment of temporary loans that won't be repaid until the following year, debt restructuring transfers.
  - 16b) In future years this will be used to track temporary loans and permanent transfers separately.
  - 16c) Permanent transfers between Education, Operations, Rainy Day, and Referendum funds.

16. Outstanding Temporary Loans and Transfers 	1,000,000	1,000,000
16a. Transfers Out and Outstanding Temporary Loans (Line 4B)		-
16b. Reserved		-
16c. School Transfers (Line 1A)	1,000,000	1,000,000



# Best Practices

- Example: How to show school transfers:
  - The Education fund will transfer \$1,000,000 during the last 6 months and \$2,500,000 in the next year.
    - Line 7c) School transfers in the Education fund will show \$1,000,000.
    - Line 16c) School transfers in the Education fund will show \$2,500,000.
    - The Operations fund's revenue 5203 – Transfer from Education to Operations will show \$1,000,000 in column A and \$2,500,000 in column B.



# Resources

- Webinar on Form 4B – March 18.
- Recorded version of the webinar posted online.
- Revised Form 4B user guide.
- DLGF Budget Field Rep visits to each county.
- Additional trainings prior to launching Budget Forms Pay 2021.



# Summary

- Today we have discussed the following:
  - Purpose of Form 4B
  - Limitations of the Current Form 4B
  - Introduction to the New Form 4B
  - Advantages of the New Form 4B
  - The New Form 4B – Layout
  - The New Form 4B – Data Entry
  - Best Practices
- Are there any questions?