



# Department of Local Government Finance

## Understanding Form 4B and Other Helpful Tips to a Successful Budgeting Process

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# Agenda

- Today's presentation will explain the following:
  - Introduction to the Form 4B
  - Understanding the Form 4B
  - How to complete the Form 4B
  - Form 3: Notice to Taxpayers
  - Form 4: Adoption Resolution
  - Department Revenue Estimates
  - Best Practices



# Introduction to Form 4B



# Introduction to the Form 4B

- The Form 4B is a budget form that aggregates 18 months of data (across 4 different “input” forms) into a single location.
- The data is organized in a way that allows local officials to make informed financial decisions regarding the budget and property tax amounts.
- The information on this form is then used to populate the school’s online advertisement (Form 3: Notice to Taxpayers) and adoption resolution (Form 4).



# Introduction to the Form 4B

- The Form 4B now displays the information in a more intuitive chronological order. By doing this, it provides:
  - Clear estimated ending cash balances for the current year and budget year.
  - Standalone lines for the budget year's total expenses and total revenues.
  - Ends with the operating balance.
- This allows officials to easily identify if cash reserves are planned to be spent, maintained, or increased.

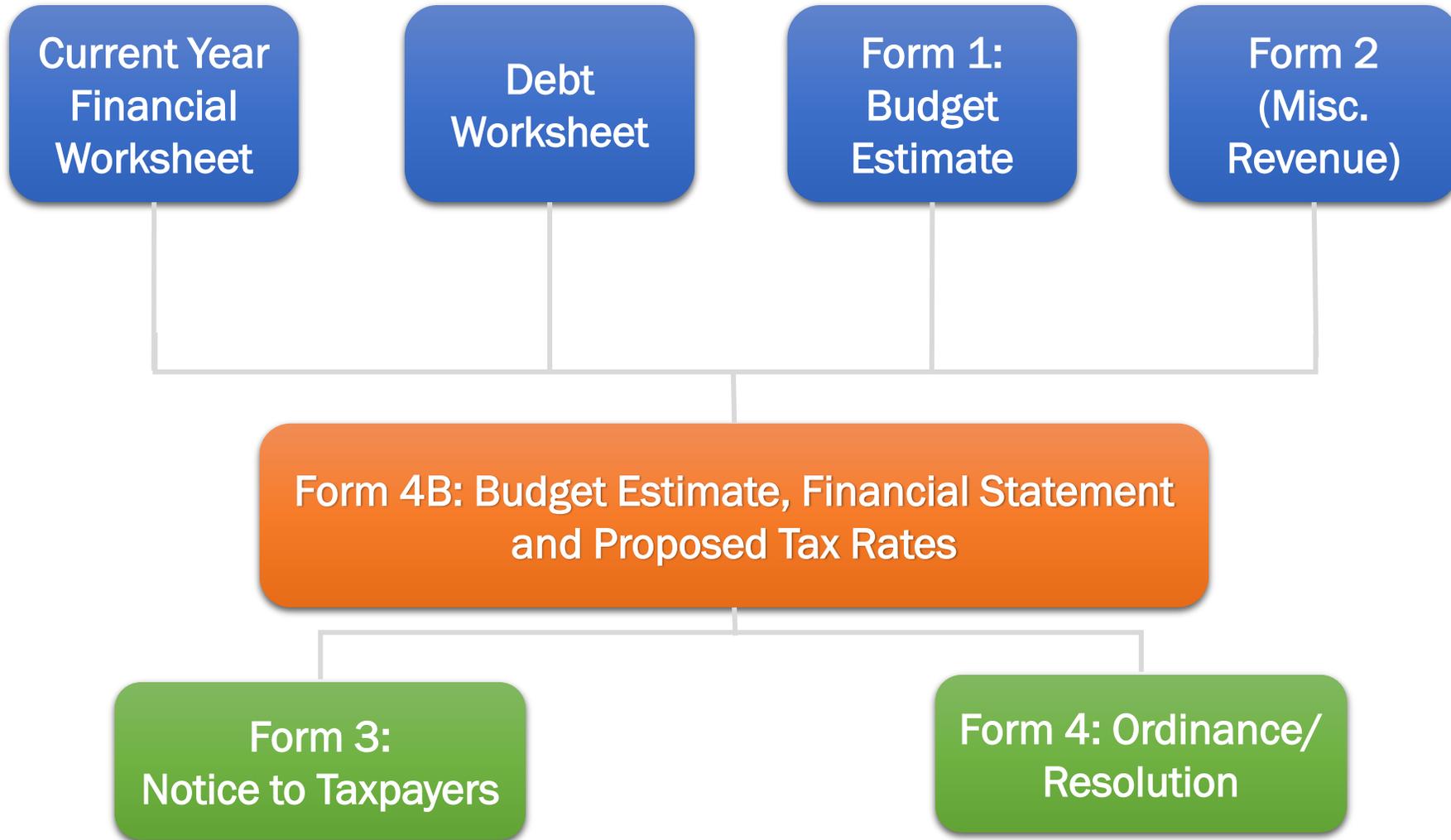


# Introduction to the Form 4B

- Flow of data
  - The Form 4B was 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.



# Introduction to the Form 4B





# The Form 4B – Chronological Layout



# Form 4B Layout

- The newer layout of the Form 4B is designed to improve many of the shortcomings of the previous format.
- This format makes the form easier to understand, complete, and explain to any interested parties.
- There are 3 distinct sections:
  1. Current Year: June 30 – December 31
  2. Budget Year
  3. Data Entry



# Form 4B Layout

- Current Year: June 30 – December 31
  - 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 and how much estimated cash can be brought forward to aid with cash flow.



# Form 4B Layout – Current Year Section

July to December - 2021	
Cash Balance and Revenues	
1. June 30th Cash Balance	\$ 1,500,000
2. Property Taxes To be Collected	\$ 1,000,000
3. Miscellaneous Revenue	\$ 2,000,000
<b>4. Total Cash and Revenues</b>	<b>\$ 4,500,000</b>
Expenses	
5. Necessary Expenditures	\$ 3,000,000
6. Additional Appropriations	\$ 0
7. Outstanding Temporary Loans and Transfers	\$ 500,000
7a). Transfers Out and Outstanding Temporary Loans	\$ 0
7b). Reserved	\$ 0
7c). School Transfers	\$ 500,000
<b>8. Total Expenses required</b>	<b>\$ 3,500,000</b>
<b>9. Estimated December 31st 2021 Cash Balance (Line 4 - 8)</b>	<b>\$ 1,000,000</b>

This section for the last half of the current year doesn't have advertised and adopted columns.



# Form 4B Layout – Current Year Section

- Line 1 – June 30 cash balance from the Current Year Financial Worksheet (CYFW).
- Line 2 – Property taxes to be collected from the CYFW.
- Line 3 – Misc. revenue from Form 2.
- Line 4 – Total Cash and Revenues.
- Line 5 – Remaining appropriations as calculated on the 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.
- Line 8 – Totals lines 5, 6, and 7 to calculate the total expenses for the last 6 months of 2021.



# Form 4B Layout – Current Year Section

4. Total Cash and Revenues <input type="button" value="i"/>		\$ 4,500,000
Expenses		
5. Necessary Expenditures <input type="button" value="i"/>		\$ 3,000,000
6. Additional Appropriations <input type="button" value="i"/>		\$ 0
7. Outstanding Temporary Loans and Transfers <input type="button" value="i"/> <input type="button" value="u"/>		\$ 500,000
7a). Transfers Out and Outstanding Temporary Loans <input type="button" value="i"/>	\$ 0	
7b). Reserved	\$ 0	
7c). School Transfers <input type="button" value="i"/>	\$ 500,000	
8. Total Expenses required <input type="button" value="i"/>		\$ 3,500,000
9. Estimated December 31st 2021 Cash Balance (Line 4 - 8) <input type="button" value="i"/>		\$ 1,000,000

- Line 9 - Subtracts the total expenses (Line 8) from the total revenues (Line 4) to calculate the estimated 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.



# Form 4B Layout – Budget Year Section

- Budget Year: January 1 – December 31
  - 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.



# Form 4B Layout – Budget Year Section

Budget Year -		
Revenues	Advertised Amount	Adopted Amount
10. Reserved for DLGF Application of Levy Excess		
11. Property Tax Levy ⓘ	\$ 2,500,000	\$ 2,500,000
12. Property Tax Cap Impact ⓘ	\$ -300,000	\$ -300,000
13. Miscellaneous Revenues ⓘ	\$ 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 Amount	Adopted Amount
15. Budget Estimate	\$ 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 ⓘ	\$ 0	\$ 0
16b). Reserved	\$ 0	\$ 0
16c). School Transfers ⓘ	\$ 1,000,000	\$ 1,000,000
<b>17. Total Expenses ⓘ</b>	<b>\$ 7,000,000</b>	<b>\$ 7,000,000</b>
<b>18. Operating Balance - Estimated December 31st Cash Balance (Line 9 + 14 - 17) ⓘ</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>
	Advertised Amount	Adopted Amount
Net Assessed Value	\$ 500,000,000	\$ 500,000,000
Property Tax Rate	0.5000	0.5000



# Form 4B Layout – Budget Year Section

- Line 10 - Reserved for the Department 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.
- 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.



# Form 4B Layout – Budget Year Section

Expenses	Advertised Amount	Adopted Amount
15. Budget Estimate	\$ 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 ⓘ	\$ 0	\$ 0
16b). Reserved	\$ 0	\$ 0
16c). School Transfers ⓘ	\$ 1,000,000	\$ 1,000,000
17. Total Expenses ⓘ	\$ 7,000,000	\$ 7,000,000
18. Operating Balance - Estimated December 31st Cash Balance (Line 9 + 14 - 17) ⓘ	\$ 200,000	\$ 200,000

- Line 18 is the “Operating Balance” or the ending total cash balance for the budget year. It is the result of the June 30<sup>th</sup> cash balance, plus all revenues, minus all expenses (for the full 18-month period).



# Form 4B Layout – Budget Year Section

- Operating Balance
  - A positive amount represent an estimated fundable budget.
  - A negative amount represents the lack of funds required to support a funded budget.
  - This amount is also the January 1 cash balance for the year after the budget year. This is important for property tax backed funds because property taxes aren't received until June and December.
    - Having a sufficient cash balance can help avoid temporary loans.



# Form 4B Layout – Budget Year Section

	Advertised Amount	Adopted Amount
Net Assessed Value	\$ 500,000,000	\$ 500,000,000
Property Tax Rate	0.5000	0.5000

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



# Form 4B Layout – Budget Year Summary

- When completed, Form 4B acts as a simple cash flow statement that begins with a cash balance, totals revenues, totals expenses and then presents an ending cash balance.
- Comparing the total revenue to the total expense lines allows an easy analysis to tell if the budget is sustainable or is dipping into cash reserves.
- This chronological progression can be more easily understood by school officials, board members, and interested taxpayers.



# Form 4B – Data Entry



# Form 4B Layout

- Data Entry
  - The third section is used to manually enter select fields into Form 4B such as:
    - Estimated Net Assessed Value
    - Property Tax Levy
    - Estimated Property Tax Cap Losses
    - School Transfers Out



# 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 4-B: Financial Statement 

Select  
3300 - OPERATIONS 

Click to Copy All  
Advertised Amounts to  
Adopted for All Funds

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

July to December - 2020	
Cash Balance and Revenues	
1. June 30th Cash Balance 	\$ 1,500,000



# Form 4B Layout – Data Entry Section

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

Data Entry Section			
Property Taxes Data Entry			
Net Assessed Value			500,000,000
Method Selection		Advertised Amount	Adopted Amount
Select which value to provide in order to calculate the other fields:		Levy	Levy
Levy		2,500,000	2,500,000
Rate			
Operating Balance			
Calculated Property Tax Rate and Levy		Advertised Amount	Adopted Amount
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
Estimated Tax Cap Loss		Advertised Amount	Adopted Amount
Estimated Property Tax Cap Impact		-300,000	-300,000
School Transfers Out		July 1 - Dec 31 2020	Jan 1 - Dec 31 2021
Transfers between the Education, Operations and Referendum Funds		500,000	100,000
2021 Budget Estimates		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			



# Form 4B Layout – Data Entry Section

Data Entry Section			
Property Taxes Data Entry			
Net Assessed Value	<input type="text" value="500,000,000"/>		
Method Selection	Advertised Amount		Adopted Amount
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"/>

- The first section first collects your conservative NAV estimate.
- The Gateway Calculator appears next to aid you in calculating your tax rate.



# Form 4B Layout – Data Entry Section

Calculated Property Tax Rate and Levy	Advertised Amount		Adopted Amount	
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
  - Net Assessed Value (NAV)
  - Property tax rate: calculated as  $(\text{Levy} / \text{NAV}) * 100$



# Form 4B Layout – Data Entry Section

Estimated Tax Cap Loss ⓘ	Advertised Amount	Adopted Amount
Estimated Property Tax Cap Impact	<input type="text" value="-300000"/>	<input type="text" value="-300000"/>

- 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.



# Form 4B Layout – Data Entry Section

School Transfers Out ⓘ	July 1 - Dec 31 2020	Jan 1 - Dec 31 2021
Transfers between the Education, Operations and Referendum Funds	500,000	100,000

- 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/temporary loans line.



# Form 4B Layout – Data Entry Section

2021 Budget Estimates ⓘ	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		

- 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.



# Form 4B Layout – Summary

- This newer layout corrects several shortcomings of the previous format in order to achieve a new form that is:
  - An easily understood chronological layout
  - Promotes proactive “revenue first” budgeting
  - Easy and efficient to use
  - Reduces the number of possible errors



# Form 3: Notice to Taxpayers



# Form 3: Notice to Taxpayers

- Online advertising is facilitated by submitting the Form 3 in Gateway at least 10 days before the public hearing.
  - The top portion contains the date, time, and location of the public hearing and the adoption meeting.
  - The bottom section is a table that advertising the following for each fund: budget, property tax levy, excess levy appeals.
  - The amounts advertised to taxpayers on the Form 3 represents the highest budgets and levies the school is allowed to receive.
- \*Please note: Advertising the Bus Replacement and Capital Projects Plan is done through a different process.



# Form 3: Notice to Taxpayers

Complete details of budget estimates by fund and/or department may be seen by visiting the office of this unit of government at 9401 S. Main St, Anytown, IN 46000.

Notice is hereby given to taxpayers of Community School Corporation, Delaware County, Indiana that the proper officers of Community School Corp. will conduct a public hearing on the year 2021 budget. Following this meeting, any ten or more taxpayers may object to a budget, tax rate, or tax levy by filing an objection petition with the proper officers of Community School Corp. not more than seven days after the hearing. The objection petition must identify the provisions of the budget, tax rate, or tax levy to which taxpayers object. If a petition is filed, Community School Corp. shall adopt with the budget a finding concerning the objections in the petition and testimony presented. Following the aforementioned hearing, the proper officers of Community School Corp. will meet to adopt the following budget:

<b>Date of Public Hearing</b>	Wednesday, October 07 2020	<b>Date of Adoption Meeting</b>	Wednesday, October 21 2020
<b>Time of Public Hearing</b>	6:30 PM	<b>Time of Adoption Meeting</b>	6:30 PM
<b>Public Hearing Place</b>	Administrative Offices 9401 S. Main St, Anytown, Indiana, 46000	<b>Adoption Meeting Place</b>	Administrative Offices 9401 S. Main St, Anytown, Indiana, 46000

**Fill in Hearing Info**

<b>Est. School Operating Max Levy</b>	\$ 980,329
<b>Property Tax Cap Credit Estimate</b>	\$ 6,030

**Special Notes:**

**Edit Special Notes**



# Form 3: Notice to Taxpayers

1 Fund Name	2 Budget Estimate	3 Maximum Estimated Funds to be Raised (Including appeals and levies exempt from maximum levy limitations)	4 Excessive Levy Appeals (Included in Column 3)	5 Current Tax Levy	6 Levy Percentage Difference (Column 3 / Column 5)
	Click Here to Insert Form 4b advertised amounts ↓	Click Here to Insert Form 4b advertised amounts ↓			
0180-DEBT SERVICE	\$ 300,000	\$ 668,504	\$ 0	500,097	33.67 %
3101-EDUCATION	\$ 658,185	\$ 0	\$ 0	0	
3300-OPERATIONS	\$ 2,801,890	\$ 1,480,329	\$ 0	940,728	57.36 %

Save



# Form 4: Adoption Resolution



# Form 4: Adoption Resolution

- Form 4 is used as a template for the official resolution to formally adopt the budgets, property tax levies, and rates.
- The first section lists the school board's name and date of adoption that are manually entered on this form.
- The next section automatically carries forward the budgets, property tax levies, and rates for each fund from Form 4B's adopted column.
- A table of the board members is followed by the attest section.
- Lastly, two questions ask if the school will close on a new debt or file a shortfall appeal in December.



# Form 4: Adoption Resolution

- Very carefully review the budgets, levies and tax rates listed on the Form 4.
- Compare the budgets and levies to the amounts listed on Form 3.
- Ensure that the tax rates are adequate to protect the school in the event that the Net Assessed Value decreases.



# Form 4: Adoption Resolution

Be it ordained / resolved by the Cowan Community School Corporation that for the expenses of Cowan Community School Corporation for the year ending December 31, 2021 the sums herein specified are hereby appropriated and ordered set apart out of the several funds herein named and for the purposes herein specified, subject to the laws governing the same. Such sums herein appropriated shall be held to include all expenditures authorized to be made during the year, unless otherwise expressly stipulated and provided for by law. In addition, for the purposes of raising revenue to meet the necessary expenses of Cowan Community School Corporation, the property tax levies and property tax rates as herein specified are included herein. Budget Form 4-B for all funds must be completed and submitted in the manner prescribed by the Department of Local Government Finance.

This ordinance/resolution shall be in full force and effect from and after its passage and approval by the School Board.

Name of Adopting / Fiscal Body	Type of Adopting / Fiscal Body	Date of Adoption
<u>Cowan Community School Corporation</u>	<u>School Board</u>	<u>10/21/2020</u>

Enter Information into Paragraph Above

### DLGF-Reviewed Funds

**The following values automatically populate for Form 4B's adopted column: "Adopted Budget" from Line 15, "Adopted Tax Levy" from Line 11, and "Adopted Tax Rate" from the Property Tax Rate field.**

Fund Code	Fund Name	Adopted Budget	Adopted Tax Levy	Adopted Tax Rate
0061	RAINY DAY	\$300,000	\$0	0.0000
0180	DEBT SERVICE	\$658,185	\$668,504	0.5813
3101	EDUCATION	\$6,101,050	\$0	0.0000
3300	OPERATIONS	\$2,801,890	\$1,480,329	1.2872
		<b>Total: \$9,861,125</b>	<b>Total: \$2,148,833</b>	<b>Total: 1.8685</b>



# Form 4: Adoption Resolution

Edit	Delete	Name				Signature
		Leia Burke	Aye <input type="checkbox"/>	Nay <input type="checkbox"/>	Abstain <input type="checkbox"/>	_____
		Landon Ryan	Aye <input type="checkbox"/>	Nay <input type="checkbox"/>	Abstain <input type="checkbox"/>	_____
		Hannah Marie	Aye <input type="checkbox"/>	Nay <input type="checkbox"/>	Abstain <input type="checkbox"/>	_____
<b>+ ADD</b>		<input type="text"/>				

ATTEST		
Name	Title	Signature
<input type="text" value="Sue Bilbrey"/>	<input type="text" value="Board Secretary"/>	_____

In accordance with IC 6-1.1-17-16(k), we state our intent to issue debt after December 1 and before January 1.

Yes  No

In accordance with IC 6-1.1-17-16(k), we state our intent to file a shortfall appeal after December 1 and before December 31 .

Yes  No



# Department Estimates



# Revenue Estimates

- This section reviews ways to estimate the following tax revenue:
  - Commercial Vehicle Excise Tax (CVET)
  - Financial Institutions Tax (FIT)
  - Local Income Tax (LIT) Certified Shares
  - Excise Tax
  - December Property Taxes



# Commercial Vehicle Excise Tax (CVET)

- Unit totals available from [Auditor of State](#).
- Last 6 months of current year.
  - The Department estimates the fall amount as the same number as received in June.
- The ensuing budget year.
  - The actual spring and estimated fall settlements are added together across all funds.
  - This amount is then proportionally allocated based off the ensuing year property tax levy.



# Commercial Vehicle Excise Tax (CVET)

- Last 6 months of current year
  - The Department estimates the fall amount as the same number as received in June.
- This example shows how the spring amount is used for the fall estimate.
- This assumes that CVET is deposited by June 30.

	Spring CVET	Fall Estimate (Column A)
Debt Service	10,000	10,000
Operations	25,000	25,000
Total	35,000	35,000



# Commercial Vehicle Excise Tax (CVET)

The ensuing budget year

- The actual spring and estimated fall settlements are added together across all funds.
- This amount is then proportionally allocated based off the ensuing year property tax levy.

	Spring CVET	Fall Estimate (Column A)	Ensuing Year Property Tax Levy	Levy as % of Total	Percent Times Total Current Year CVET
Debt Service	10,000	10,000	1,000,000	25%	(70,000 * 25%) <b>17,500</b>
Operations	25,000	25,000	3,000,000	75%	(70,000 * 75%) <b>52,500</b>
<b>Total</b>	<b>35,000</b>	<b>35,000</b>	<b>4,000,000</b>	<b>100%</b>	<b>70,000</b>



# Financial Institutions Tax (FIT)

- Unit totals available from [Auditor of State](#).
  - Not all schools receive this revenue.
- Estimate: Last 6 months of current year.
  - The Department estimates the fall amount as a percentage of June's distribution.
  - This is the percentage change from one fiscal year to another statewide.
- Estimate: The ensuing budget year.
  - The estimated fall amount is used for the ensuing year's spring amount and the following fall distribution is estimated at 90% of the spring estimate.
  - The total amount is then proportionally allocated based off the ensuing year property tax levy.



# Financial Institutions Tax (FIT)

- FIT is based off a fiscal year so the fall distribution will be different from the spring settlement from the same calendar year.
- The percentage change can be calculated from the FIT reports from AOS statewide FIT report available at:
  - <https://www.in.gov/auditor/1265.htm>

**Fiscal Year 2020 FIT Distributions**

Previous Fiscal Year FIT Revenue 45600-00090	165,086,698.06
Times 40%	0.40
<b>Equals Fiscal Year Distribution Total</b>	<b>66,034,679.22</b>

**Fiscal Year 2021 FIT Distributions**

Previous Fiscal Year FIT Revenue 45600-00090	131,507,312.32
Times 40%	0.40
<b>Equals Fiscal Year Distribution Total</b>	<b>52,602,924.93</b>

FY 2020 FIT Distribution Statewide Total	FY 2021 FIT Distribution Statewide Total	FIT Factor (Percentage Change)
66,034,679	52,602,925	80%



# Financial Institutions Tax (FIT)

- The Fall FIT estimate can be calculated as the spring FIT amount times the FIT Factor on the previous slide.
  - *(Disclaimer: this example is from last year)*
- This assumes that FIT is deposited by June 30.

	Spring FIT	Fall Estimate (Column A)
Debt Service	2,000	(2,000 * 80%) <b>1,600</b>
Operations	4,000	(4,000 * 80%) <b>3,200</b>
Total	6,000	4,800



# Financial Institutions Tax (FIT)

The ensuing budget year

- FIT is on a fiscal year the ensuing spring settlement estimate is the same as this year's fall estimate.
- In the prior slide, the total fall FIT estimates totaled \$4,800, so the 1st half of the ensuing year is estimated at \$4,800.
- The second half of the ensuing year is unknown, so we use 90% of the 1st half estimate and add it together to arrive at a total FIT amount for all funds.
  - $4,800 + (4,800 * 90\%) = 9,120$  is our ensuing year estimate across all funds.
- This amount is then proportionally allocated based off the ensuing year property tax levy to arrive at the budget year estimate.

	Ensuing Year Property Tax Levy	Levy as % of Total	Percent Times Budget Year Est. FIT
Debt Service	1,000,000	25%	(9,120 * 25%) 2,280
Operations	3,000,000	75%	(9,120 * 75%) 6,840



# Excise Tax

- “Vehicle/Aircraft Excise Tax” is distributed in June and December.
- The majority of this revenue are “license plate” excise taxes which are due based on taxpayers’ last names.
- When this tax is paid, the taxpayer’s taxing district is recorded, and net revenues are distributed to the taxing units in those taxing districts.
- This allocation is primarily based off the certified property tax rate/levy, however Local Income Tax Levy Freeze does play a part in some counties.



# Excise Tax

- Let's look at an example where \$200,000 of excise will be distributed for a taxing district (and there isn't any LIT Levy Freeze).

Unit	Total Tax Rate	Percent of Total Tax Rate	Percentage Times Total Excise
County	0.2700	10.1%	20,225
Township	0.1800	6.7%	13,483
City/Town	1.1000	41.2%	82,397
<b>School</b>	<b>1.0500</b>	<b>39.3%</b>	<b>78,652</b>
Library	0.0600	2.2%	4,494
Solid Waste District	0.0100	0.4%	749
<b>Total</b>	<b>2.6700</b>	<b>100.0%</b>	<b>200,000</b>



# Excise Tax

- On the last slide, the school is being allocated **\$78,652** in excise. Below we'll allocate that by fund proportionally based on tax rates.

Fund	Total Tax Rate	% of Total	Rate % times Total Excise
Debt Service	0.6000	57.1%	44,944
Operations	0.4500	42.9%	33,708
<b>Total</b>	<b>1.0500</b>	<b>100.0%</b>	<b>78,652</b>



# Excise Tax

- Unlike CVET and FIT, the June and December excise distributions will vary. This can make estimating excise tax difficult.
- Study the historical excise distributions for your school
  - Sometimes patterns can emerge where December is a certain percentage of June (excise due based off last names)
  - Sometimes you may notice a trend in the total amount received each year
- A conservative estimate will help protect the school in case the revenue decreases and guards against a certified budget that is not fully funded.



# Local Income Tax (LIT) Certified Shares

- Estimated amounts to be released by August 17.
  - These reflect the actual LIT Certified Shares to be received in the following year unless the county income tax rate is changed.
- Final estimates released in November.

*\*Schools in some counties do not receive LIT Certified Shares.*



# December Property Tax Estimate

- Debt funds are calculated as the certified levy minus the June property tax settlement (ignoring any SBOA examination fees).
- All other funds are the lesser of:
  - The certified levy minus the June property tax settlement (ignoring any SBOA examination fees).
  - The post circuit breaker abstract levy minus the June property tax settlement (ignoring any SBOA examination fees).
- These amounts can be found on the Circuit Breaker report.

*\*Calculation not applicable to protected taxes waiver schools*



# December Property Tax Estimate

- A worksheet is posted on the County Specific Information page.

## Reports

- [2021 Library Estimated Maximum Budget Report](#)
- [2021 Estimated Rate-Controlled Fund Maximum Rates](#)
- [2021 Estimated Tax Cap Credits by Unit](#)
- [2021 Estimated Maximum Levy](#)
- [2021 Estimated Debt Service Payments and Levies](#)
- [2021 Certified Local Income Tax Distributions](#)
- [2021 Maximum Mental Health and Developmental Disabilities Appropriations](#)
- [2021 Estimated Miscellaneous Revenues](#)
- [2021 December Property Tax Collections Calculation Worksheet](#)
- [2021 TIF Neutralization Form 1](#)
- [2021 TIF Neutralization Form 2](#)



# December Property Tax Estimate

- The amounts on this worksheet are also on the Circuit Breaker report from the County Specific Information page (available in April).
- Please note: The abstract levy also has had the circuit breaker losses subtracted.

<u>Fund</u>	<u>2021 Certified Levy</u>	<u>2021 Abstract Levy</u>	<u>Starting Levy for Line 2</u>		<u>June 2020 Distributions</u>		<u>Estimated 2022 Line 2</u>
0180 DEBT SERVICE	4,697,896	4,659,162	4,697,896	—	_____	—	_____
3101 EDUCATION	0	0	0		_____		_____
3300 OPERATIONS	3,894,297	3,648,922	3,648,922		_____		_____



# 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
  - Pension Neutrality
  - Temp Loans



# 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.

14. Budget Year Total Revenues ⓘ	\$ 6,200,000
17. Total Expenses ⓘ	\$ 7,000,000

- Or by comparing the ending cash balances

9. Estimated December 31st 2021 Cash Balance (Line 4 - 8) ⓘ	\$ 1,000,000
18. Operating Balance - Estimated December 31st Cash Balance (Line 9 + 14 - 17) ⓘ	\$ 200,000



# 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
  - It is the estimated 12/31/2022 operating balance is listed at the end of the budget year section.
  - 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.
  - Always carefully look at the operating balance for each of your funds.



# Best Practices

- Line 18 - Operating Balance
  - 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.
  - The operating balance assumes the entire budget will be spent but adopting a “blanket appropriation reduction resolution” can provide options.
  - Let’s review how to manage an operating balance.



# Best Practices

- The only two ways to increase a fund's operating balance is to either increase revenues or decrease expenses. It is a delicate balancing act.
  - Expenses can be decreased for the current year through an appropriation reduction.
  - Expenses can be decreased for the following year by advertising or adopting a lower budget.
  - Revenues can sometimes be increased by transferring more funds from another fund, but that decreases another fund's available revenue.
  - Some school receive LIT Certified Shares, which has some flexibility on where it can be deposited.



# Best Practices

- Property Tax Rate: Understanding the property tax rate is important.
  - A tax rate is expressed in per \$100 of net assessed value.
  - Here is an example of a \$0.50 tax rate throughout an increasing NAV.

Net Assessed Value	Taxes
\$100	\$0.50
\$1,000	\$5.00
\$10,000	\$50.00
\$100,000	\$500.00



# 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 certified by the Department.



# 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	0.0800
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.

	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>

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



# Best Practices

- Net Assessed Value Estimate – Operating Referendum Funds
  - Please be aware that Operating Referendum funds work differently, as they also have a maximum rate.
  - Using a conservative AV for these funds along with the desired rate, will cause the calculated levy to be lower.
  - For these funds, schools might want to consider using a higher than expected NAV estimate that will increase the adopted levy, if the rate is most important to the school.
  - Please contact your Department Budget Field Representative with any questions.



# 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](http://Gateway.in.gov)
  2. Select Report Search A dark blue rectangular button with a white grid icon on the left and the text "Report Search" in white.
  3. Select Assessed Value A circular icon with a green background, a white dollar sign, and a magnifying glass over it. [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 previously entered.

Method Selection	Advertised Amount	Adopted Amount
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 Department's 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 2021
    - 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.
  - 2022 Estimate
    - The school’s 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 (appropriations).
  - 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's CYFW 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 	\$ 0
7b). Reserved	\$ 0
7c). School Transfers 	\$ 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	\$	0	\$	0
16b). Reserved	\$	0	\$	0
16c). School Transfers	\$	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 into Operations.
    - 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.



# Best Practices

- Pension Neutrality
  - For schools that currently are paying on pension bonds, the Operations fund property tax levy will be reduced by the amount of levy certified for the Pension Debt Service fund.
  - Please be aware, that the Department will make this adjustment and this is not an adjustment the school should make to their advertised/adopted levy as this would result in the levy being reduced twice.



# Best Practices

- Temporary Loans
  - Temporary loans outstanding as of June 30 are shown on the Line 7 of the CYFW and 4B.
  - Interfund loans to and from funds, are not shown as an appropriated expense when calculating the “Line 5” remaining appropriations amount on the CYFW/4B.
  - Temporary loans must be repaid by the end of the year unless a resolution is passed declaring an emergency.



# Best Practices

- Temporary Loans
  - If a school takes out a tax anticipation warrant (TAW), this temporary loan must be repaid out of the fund it was borrowed from, however, the interest due can be paid out of Debt Service, if properly appropriated, and documentation of the interest due is provided to the Department.
  - For temporary loans borrowed from another Department reviewed fund, the repayment should be shown as a revenue on Form 2.



# Summary

- Today we have discussed the following:
  - Purpose of Form 4B
  - Introduction to the New Form 4B
  - The New Form 4B – Layout
  - The New Form 4B – Data Entry
  - Form 3: Notice to Taxpayers
  - Form 4: Adoption Resolution
  - Department Estimates
  - Best Practices
- Are there any questions?