Appendix C: Financial Glossary of Terms to Know

Participants should become familiar with terms, understand their meaning and be able to apply them to the Public Library Budgeting Process.

Department of Local Government Finance (DLGF) -- state agency that is responsible for:

- Ensuring that laws regarding property tax assessment and local government budgeting are carried out properly.
- Publishing rules governing property tax assessment.
- Annually reviewing and approving the tax rates and levies of every political subdivision in the state, including all counties, cities, towns, townships, school corporations, libraries, and other entities with tax levy authority.
- Gathering and analyzing data relating to property taxation, to maintain databases, and periodically to report on taxation to the General Assembly.
- Providing training to assessing officials and administer an assessment certification program.

Contact: https://www.in.gov/dlgf/files/maps/Field-Rep-Map-Budget.pdf

State Board of Accounts (SBOA) -- people who supervise the way you spend your money after the Department of Local Government Finance has approved it, and who conduct the audits of governmental units.

Contact: https://www.in.gov/sboa/political-subdivisions/libraries/

Accounts -- specific categories within funds from which monies may be expended.

Ad Valorem -- according to the value.

Ad Valorem Tax Levy -- total property taxes imposed by a taxing unit on current property assessment. It is collected the next year

Additional Appropriations -- requests for the approval to expend monies in addition to those already appropriated in the regular budget. The appropriations are for unanticipated revenue or existing revenues not already appropriated, such as monies in the Library Improvement Reserve Fund (LIRF).

Please note that these are requests for authority to spend money, not for the money itself. You must already have the money.

In order to get approval to spend additional monies the library board must pass a resolution, legal notice must be given to taxpayers, and a public hearing is held.

Adopting County -- county in which the County Adjusted Gross Income Tax (CAGIT) or County Option Income Tax (COIT) has been adopted.

Advance Draw -- advance payment of tax monies collected for distribution to you by the county auditor. It is intended to help alleviate cash flow problems caused by a lack of an operating balance. It is best to ask for an advance draw in the months of April, May, October and November. When asking for an advance draw, ask for 95% of all funds available. A letter must be written to the County Treasurer and County Auditor at least 30 days prior to the requested date(s). Also, a library board resolution should be approved and signed by all board members, either in favor of the advance draw or against the advanced draw.

Appropriation -- legally approved budget.

Appropriations
All "government" funds must be approved for expenditure by the State. This is done in the form of approving expenditures in specific accounts. These are called appropriations. Appropriations must be advertised and approved for the operating fund, BIRF fund, Lease Rental fund, Rainy Day fund, Library Capital Projects fund and Library Improvement Reserve Fund. Gift funds, outside of operating income, are not appropriated.

Assessed Valuation -- that fraction of the fair market value of taxable property as set by statute.

Assessed Value Growth Quotient (AVGQ) – now known as Maximum Levy Growth Quotient (MLGQ)

BIRF -- Bond and Interest Redemption Fund.

Budget Year -- the twelve month period for which a taxing unit adopts a budget, levies and property tax rate--January through December for public libraries.

CEDIT -- County Economic Development Income Tax (CEDIT or EDIT)
One of Indiana's county income taxes. CEDIT is adopted by the county council if the county has the County Adjusted Gross Income Tax (CAGIT), the COIT council if the county has County Option Income Tax (COIT), and either body if the county has neither. Most counties that use CEDIT also have either CAGIT or COIT. **Ended in 2016. See LIT.**

Certified Distribution -- the amount of County Adjusted Gross Income Tax (CAGIT) which the commissioner of the Department of Revenue shall, on or before July 1 of each year, certify to the treasurer of a county imposing CAGIT as the amount of tax the county treasurer shall receive during the next succeeding calendar year for allocation and distribution among the taxing units and school corporations.

Certified Share -- the amount of County Adjusted Gross Income Tax (CAGIT) which the auditor of a county imposing CAGIT shall certify to each participating taxing unit, including the library, in the county as the amount of tax such participating taxing unit shall receive from the treasurer during the next succeeding calendar year.

Circuit Breaker – The means by which no more than a certain percentage of a property's assessed value is paid in taxes. The percentage represents the "cap" for property taxes on the property. If the taxes for the property exceed the cap percentage, a property tax credit is issued for the dollar amount above the cap. The actual property tax to be paid would then equal the dollar amount of the property's gross assessed value multiplied by the circuit breaker percentage cap. For example, if a property with a gross assessed value of $100,000 has a tax bill of $2,100 and the circuit breaker percentage cap is 2%, a tax credit in the amount of $100 would be issued for that property, thereby reducing the property tax amount due to $2,000 or 2% of its gross assessed value.

Commercial Excise Vehicle Tax (CVET) -- truck, tractor, trailer, semi trailer, or truck-tractor subject to registration under IC 9-18.

County Adjusted Gross Income Tax (CAGIT) -- Taxes collected on County Income and divided into two forms of payment to libraries.

Certified Shares - Approximately 75% of CAGIT

Property Tax Replacement Credit (PTRC) - This is approximately 25% of CAGIT and is used primarily to reduce property taxes.

This is optional by individual counties and may be 1/2, 3/4, or 1% of taxpayer's income. This tax is distributed to governmental units county-wide, based upon their property tax levy as a percent of the entire county's and can thus fluctuate from year to year.

These receipts are distributed semi-annually and can fluctuate from year to year based upon the levies of other units and the money available for distribution. Only PTRC goes to schools. **Ended in 2016. See LIT.**

County Option Income Tax (COIT)

This is another county income tax that may be adopted by the county only if it does not have CAGIT or if it rescinds CAGIT. No county can have both taxes.

COIT is not a replacement for property tax. However, income from COIT can be used to increase the Homestead Credit. No schools receive COIT. **Ended in 2016. See LIT.**

Excess Levy Fund -- when property tax collection exceeds the library's approved levy, you are required to place this money in a separate "levy excess fund." This money must be used to reduce your levy in next year's budget.

Excessive Levy Appeals (Library Appeal) -- As a result of the property tax freeze and the elimination of maximum levies, the only way to increase funding beyond the state limits placed on libraries is to file an excessive levy appeal with the Department of Local Government Finance. The statute allows for the following appeals applicable to libraries:

1. Permission to permanently increase the library's levy in excess of prescribed limitations established if in the judgment of the Department of Local Government Finance such increase is reasonably necessary due to increased costs of the library resulting from annexation, consolidation or other extensions of governmental service by the library to additional geographic areas or persons

2. Permission to permanently increase the library's levy in excess of prescribed limitations if the library unit's three-year average growth factor exceeds one and one tenth (1.1).

3. Permission to the library to increase its levy in excess of prescribed limitations if in the judgment of the Department of Local Government Finance an advertising error, mathematical error, or error in data made at the local level (by the library) had a considerable financial impact in the determination of the civil taxing unit's levy limitations, rate, or levy. The increase to the maximum levy could be permanent or temporary depending on the type of error.

4. Permission to the library to temporarily increase its levy in excess of prescribed limitations if the library suffers a property tax shortfall due to an erroneous assessed value.

Expenditure -- actual paying out of funds.

Funds -- categories for separating revenues into which funds may be received and disbursed. Typical funds include: operating, improvement reserve, construction, bond, rainy day capital projects, gift and petty cash.

Some funds are required to be broken down into smaller categories for expenditures. These categories are called accounts. One of the most important funds, which must have accounts, is the operating fund.

Funds are categories into which money is received and disbursed on paper. They are not actual bank accounts or investments. You could conceivably have every last penny you own in one checking account in one bank and have several funds. The most you can have in one bank is $100,000.

Growth Quotient -- the estimate of total nonfarm personal income for Indiana in a calendar year as computed by the federal Bureau of Economic Analysis using any actual data for the calendar year and any estimated data determined appropriate by the federal Bureau of Economic Analysis.

> Growth Quotient minus 1
> •Because it's the growth, it includes the 100% you currently have. So it's like a 4% raise. You figure your new salary by multiplying the current salary by 1.04
> •So say your current salary is $1,000. You get a 4% (0.04) raise, your new raise is 1,000 x 1.04 = $1,040
> •But your raise was just 4% or 0.04, or the growth in salary minus 1 (1.04 –1.00 = .04)

Levy -- actual amount of dollars raised in property taxes; a product of a specified tax rate and the assessed value.

Library Tax Rate -- shall be in the amount of one cent on each hundred dollars of assessed value of taxable property within the library taxing district for Class I libraries.

Library Improvement Reserve Fund (**LIRF)** -- can be established for the accumulation of monies for anticipated future capital expenditures such as: purchase of land; purchase and construction of buildings or structures; construction of additions or improvements to existing structures; purchase of equipment; and all repairs or replacement of buildings or equipment. This money comes from the operating fund and is not a separate tax rate.

Local Income Tax (LIT) – Replacement of CAGIT, COIT, CEDIT, and LOIT. Imposed at the county level at a single rate, and then distributed among government units according to their maximum levy.

LOIT Local Option Income Tax gives counties the flexibility to fund the costs of local government with local income taxes instead of property taxes. The county decides by ordinance whether to adopt. **Ended in 2016. See LIT.**

Maximum Levy -- maximum amount of property taxes that can be raised. The maximum levy, as of 2017, is the prior year maximum levy, plus financial institutions adjustment (one-time adjustment), times the maximum levy growth quotient, equals the Budget Year Maximum Levy. This is then added to any levy adjustments to equal the working maximum levy for planning purposes. These estimated figures are provided to each political subdivision before August 1.

Maximum Levy Growth Quotient -- the amount that the maximum levy is allowed to grow per year as set by the State Budget Agency. This number will be provided by June 30.

Operating Balance -- the sum of all your monies (cash, investments, etc.) in the operating fund at the end of the year after all receipts for the year have been received and all appropriations that are going to be spent have been spent.

Three things that this operating balance can go toward are:

1. an increase in next year's budget
2. a reduction in next year's tax levy
3. an increase in operating balance.

All three of these items are on your budget forms. The key in this whole thing is line six (6) budget form 4B (Actual Balance June 30th of present year).

In theory the operating balance should represent the fund's first six months (January 1 to June 30) of operating expenses less miscellaneous revenues (excluding property taxes) received in the same time period. This balance is traditionally used as cash flow for expenditures until your tax draws are received.

There is an old wives' tale that any appropriated monies not spent at the end of the year will be lost. This is not the case. All that you lose is the appropriations. The money, which is not spent, goes to increase your operating balance. This extra must, however, be anticipated when preparing the next year's budget.

Property Tax Levy -- actual amount of money to be collected from property owners as charged against their assessed valuation. The formula is:

$$\frac{\text{assessed valuation}}{100} \times \text{tax rate} = \text{tax levy}$$

The tax levy is the maximum statutory levy set for the unit.

Property Tax Rate -- figure used to determine how much tax will be charged against a taxpayer's assessed valuation for every $100.00 worth of valuation. The formula is:

$$\frac{\text{property tax levy}}{\text{assessed valuation}} \times 100 = \text{property tax rate}$$

Public Employees Retirement Fund (PERF) -- a retirement program to provide retirement, disability and survivor benefits for its members.

Rainy Day Fund – can be established to receive transfers of unused and unencumbered funds (not more than ten percent of operating fund per fiscal year). Funds other than operating funds may be added to the rainy day fund. It is subject to the same appropriation process as other funds that receive tax money. See IC 36-1-8-5.1

Revenues (Receipts) -- all of the monies you take in and they can be of several types. There are:

- Property Taxes - paid semi-annually in the summer and at the end of the year
- Local Income Taxes (LIT)
- License Excise, FIT (Financial Institutions Tax) - distributed with property tax
- Commercial Vehicle Excise Tax (CVET) -This is an excise tax on commercial vehicles that has recently been moved from property tax rolls.
- To receive money from Indiana State Library a library must meet Standards for Public Libraries.
- PLAC sold - Public Library Access Card - any citizen residing in a public library district or any citizen who purchases a non-resident card, may then purchase a PLAC for a set amount of money, determined by law each year, and use any public library in Indiana. Must be deposited in a fund entitled PLAC fund. Quarterly, this revenue is sent to the Indiana State Library for deposit into the statewide PLAC fund.
- PLAC disbursement - Distributed by Indiana State Library in July, based on net loans your library has. Money received from PLAC sold is distributed back to libraries yearly.
- Miscellaneous Revenues - such as fines, fees, etc.
- Loans - (Tax Anticipated Warrants, or Bonds)

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