

# Property Taxes Receivable

Auditors Session  
2021

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## Generally Accepted Accounting Principles - GAAP

- Regulatory Basis of reporting- Annual Financial Report
  - State Examiner prescribes report
- GAAP Basis of reporting
  - State and local governments use standards set by the Governmental Accounting Standards Board (GASB).



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## Cash Basis vs. Accrual Basis of Accounting

- The main difference between the cash basis and the accrual basis is the timing of when revenues and expenses are recognized.
- Cash Basis:
  - Receipts are posted when cash is received, and
  - Disbursements are posted when warrants are issued
- Accrual Basis:
  - Revenue is recognized when it is earned, and
  - Expense is recognized when it is incurred.



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## Example – Ambulance Run

- Billing Cycle: On 12/4/2019 the ambulance service makes a run and provides basic life support. A log is kept for all ambulance runs and a bill is sent to the insurance company on 12/15/19. The payment is received on 3/3/20.



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## Example – EMS Services

- **Cash Basis:** Revenue is recognized when payment is made
  - Revenue is posted on March 3, 2020 when the payment is received by the county for the run in December.
  
- **Accrual Basis:** Revenue is recognized when service is provided
  - Revenue is recognized for December 2019 based on the date the ambulance run occurred.



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## Receivable

- In our ambulance example, for GAAP we recognized revenue in 2020 but we didn't receive payment until 2021. So, to offset the revenue we need an asset other than cash. This would be a receivable.

- |                       |       |
|-----------------------|-------|
| • Accounts Receivable | \$200 |
| • Ambulance Run Fees  | \$200 |



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## Revenue Recognition of Property Taxes

- Cash Basis (Regulatory Report): When the property tax has been paid and settled.
  - Taxing unit has received their June or December settlement
- Accrual Basis (GAAP Report): The period for which the tax is levied
  - 2019 pay 2020 is recognized as revenue for 2020.
  - Adopted budget shows the tax levy for a particular unit



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## Recognize Asset (Receivable)

- When an enforceable legal claim to the assets arises or when the resources are received, whichever comes first
- Deferred inflow of resources when reported before the period for which property taxes are recognized as income (levied)



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## Property Taxes Receivable

- Property taxes levied
- Less Allowance for Doubtful Accounts
- Less taxes collected
- Total Receivable would include each year's receivable less collections
  - Layers for each year that has uncollected taxes still on the tax duplicate



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## Example – 2020 Financial Statements

<b>2020</b>		<b>2021</b>	
• Levy/Billed	500,000	• Levy	510,000
• Penalties	9,500	• Allowance	(10,200)
• Allowance	(10,000)	• Collections	0
• Collections	(480,000)	• Receivable	499,800
• Receivable	\$19,500		



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## Example – 2020 Financial Statements

### 2019

• Levy/Billed	490,000
• Penalties	10,000
• Allow for Doubt	(9,800)
• Collections	480,000
• Total	10,200

### Total Receivable

• 2019	10,200
• 2020	19,500
• 2021	499,800
• Total Receivable	529,500



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## Approved Tax Levy

- Certified Tax Levy: Dollar amount that a taxing unit may raise each year in property tax
- Modifications to tax levy
  - Property Tax Cap Loss
  - Changes to NAV
  - Uncollectible Amounts



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## Other Taxing Units

- Tax Levy – Units would have this information
- Information on property tax caps, history of collections, actual collections that have not been distributed and potential appeals, if material
  - Circuit Breaker Report available on DLGF website
  - Form 22 provide taxes received
  - Form 102 for the taxing unit



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## Full Accrual and Modified Accrual

- Modified accrual basis – government funds
- Full accrual basis – proprietary funds and fiduciary funds
  - Enterprise funds
  - Internal Service funds
- Government Wide Financial Reporting uses full accrual



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## Memorandum – February 25, 2021

- Explanation of summary of the Authoritative Language for both modified accrual and full accrual basis
- Indiana Code
- Facts about governmental units in Indiana
  - Schools are on a different fiscal year than other governmental units



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## Example in Memo – Other than Schools

- Property tax levy of \$14,800 levied before December 18, 2020
- Allowance for doubtful accounts set at \$1,700
- Collections for January 1 to December 31, 2021 distributed by County in 2021 - \$8,000
- Collections distributed by County within entity's defined period of availability of 60 days after fiscal year end of 2021 - \$200.



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## Modified – December 31, 2020

• Year End Adjustments	
• Property tax receivable (net) (4,800 – 1,700)	13,100
• Deferred Inflow of Resources –unavailable revenue	13,100
• Account Balances	
• Property tax receivable	13,100
• Revenue from 20 pay 21	0
• Deferred Inflow of Resources- unavailable revenue	13,100



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## Modified – December 31, 2021

• Year End Adjustments:	
• Property tax receivable (net)(14,800-1,700-8,000)	5,100
• Revenue	200
• Deferred inflow of resources – unavailable revenue	4,900
• Account Balances:	
• Property tax receivable	5,100
• Revenue 20 pay 21	8,200
• Deferred inflow of resources – unavailable revenue	4,900



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## Full Accrual – December 31, 2020

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• Deferred Inflow of Resources	13,100



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## Full Accrual – December 31, 2021

• Year End Adjustments	
• Property tax receivable (14,800-1,700-8,000)	5,100
• Revenue	5,100
• Account Balances	
• Property tax receivable	5,100
• Revenue 20 pay 21	13,100



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# Questions ????

- Resources

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