



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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**MEMORANDUM**

TO: All Units  
FROM: Paul D. Joyce, CPA, State Examiner  
RE: Temporary Transfer of Funds  
DATE: April 9, 2020

Dear Officials:

Due to the Public Health Emergency, governmental units may be experiencing cash flow issues. We would like to inform you of existing statutory provisions which allow for the fiscal body to make transfers for cash flow purposes as needed.

**Temporary Transfer of Funds.** Indiana Code 36-1-8-4(a) provides for the temporary transfer of funds for cash flow purposes, as follows:

"The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

**Ordinance or Resolution.** An ordinance or resolution authorizing the transfer should acknowledge the required conditions stated in IC 36-1-8-4(a) and specify the amount of money which will be transferred from one fund to another, stating the Name and Fund Number of the affected funds.

**Extension of the Prescribed Period.** Indiana Code 36-1-8-4(b) also provides for an extension of the prescribed period, as follows:

"If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

**Accounting Procedures and Entries.** When making the temporary transfer, if two bank accounts are involved, a warrant (or electronic funds transfer if authorized) should be deposited into the depository account designated for the depleted fund. If only one bank account is involved, you can simply post the transfer transaction on your accounting ledger.

The amount being transferred will be accounted for in the ledger as a receipt in the fund receiving the money and as a disbursement to the fund transferring the money. As an example, if an ordinance/resolution is passed to authorize a temporary transfer of \$25,000 to the General Fund from the Rainy Day Fund, the following entry should be made:

Single Entry. For those units on a single-entry system, post to your ledger a transfer out of the Rainy Day Fund for \$25,000 and a transfer in to General Fund for \$25,000.

<u>General Fund</u>		
Other Financing Sources – Transfer from Rainy Day Fund		\$25,000
<u>Rainy Day Fund</u>		
Other Financing Uses – Transfer to General Fund		\$25,000

At the end of the prescribed period, this entry would be reversed to record the repayment, as follows:

<u>Rainy Day Fund</u>		
Other Financing Sources – Transfer from General Fund		\$25,000
<u>General Fund</u>		
Other Financing Uses – Transfer to Rainy Day Fund		\$25,000

Double Entry. If your unit is on a double-entry system, the following entry should be made:

<u>General Fund</u>		
Cash		\$25,000
Other Financing Sources – Transfer from Rainy Day Fund		\$25,000
<u>Rainy Day Fund</u>		
Other Financing Uses – Transfer to General Fund	\$25,000	
Cash		\$25,000

At the end of the prescribed period, this entry would be reversed to record the repayment, as follows:

<u>Rainy Day Fund</u>		
Cash		\$25,000
Other Financing Sources – Transfer from General Fund		\$25,000
<u>General Fund</u>		
Other Financing Uses – Transfer to Rainy Day Fund	\$25,000	
Cash		\$25,000

We hope that you find this information helpful as you continue to provide service to your community through this Public Health Emergency situation.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

SG/DG