

# **CITIES AND TOWNS BULLETIN**

**AND UNIFORM COMPLIANCE GUIDELINES  
ISSUED BY STATE BOARD OF ACCOUNTS**

**SEPTEMBER 2017**

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## **FALL STATE-CALLED MEETING**

The Indiana League of Municipal Clerks and Treasurers Fall District meetings will again qualify as State-called meeting days. This year's meetings will be in Middlebury on October 19 and in Nashville October 25. Registration information will be sent out by the League for the District meetings.

## **PROPERTY TAX ADVANCES**

Indiana Code 5-13-6-3(b) requires the county treasurer to advance property taxes to any municipal corporation prior to the semiannual distribution of taxes, where the funds are needed, upon receipt of a written request from the proper officer of the municipal corporation. The county treasurer shall, no later than thirty (30) days after receipt of the written request, advance such property taxes requested. Any such advances may not exceed 95% of the taxes collected at the time of the advance or 95% of the amount to be distributed at the semiannual distribution.

## **APPROPRIATION OF CUMULATIVE FUNDS**

Approval by the Department of Local Government Finance (DLGF) to establish a tax levy for any cumulative fund authorized by law does not carry with it the authority to expend such funds without appropriation.

Prior to obligating these funds, it will be necessary to secure an appropriation in the regular legal manner which requires advertising to the taxpayers and approval of the DLGF.

Specific questions related to the appropriation of cumulative funds should be addressed directly to DLGF at 317-232-3777

**PAYROLL FUND**

In order to simplify the handling of withholdings from employee's salaries and wages, we recommend the use of a "Payroll Fund" where the number of employees will justify it.

The following procedures should be used where a "Payroll Fund" is established:

1. "Payroll Fund" is to be printed or typed on each payroll warrant.
2. Each office and department shall submit a payroll schedule and voucher on prescribed General Form No. 99 (or an approved form used in lieu of the prescribed one), covering the personal services of that office or department. This form shall include all compensation of the office or department, including salary and wages of the officer, deputies, clerks and other employees.
3. The individual payrolls will be summarized by the clerk-treasurer or city controller for each fund, using General Form No. 99, but indicating "SUMMARY" on the form. This will compile in total the payrolls for all officers and departments in each fund for each payroll period. Show the payroll claim number in the column headed "Class Title," and the name of the officer or department in the column headed "Name of Employee".
4. Total the payroll "SUMMARY" for each fund and issue a regular city or town warrant from such fund for the total gross pay and receipt this amount into the Payroll Fund.
5. Issue payroll warrants from the Payroll Fund based upon the information on the individual payroll schedules and vouchers submitted by each office and department. Each warrant must be completed in full, showing the gross pay and applicable payroll deductions. It is not necessary to indicate on the payroll warrant the appropriation account to which the warrant is chargeable.
6. Payroll deductions will be accumulated in the Payroll Fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. The Payroll Fund ledger sheet should be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund.
7. At the close of each month the payroll warrants for the month should be totaled and proved to the totals of the payroll summaries for the month. Enter the totals of the payroll warrants for the month on the payroll warrant register immediately after the last warrant issued, showing separately the totals of gross pay, each of the payroll deduction columns, and the net amount of the payroll warrants. These totals may then be posted to a "Control Account" in the payroll deduction record, Employee Earnings Record, General Form 99B, thereby furnishing a proof of posting to this record.

**PAYROLL FUND - Continue**

8. Posting to appropriation accounts is to be made from the individual payroll schedules and vouchers for the gross amount of the pay. Posting to the respective fund accounts is to be made from the regular city or town warrants for transfer of funds to the payroll fund. The totals of amounts posted to the appropriation accounts and the respective fund accounts must agree. Posting to the payroll fund is to be made from the payroll warrants.
9. The individual office or department payroll schedules and vouchers are to be filed in the regular manner. The payroll summaries are to be filed in good order in a suitable post binder.

**OPTICAL IMAGES OF CHECKS**

The Indiana State Board of Accounts is of the audit position both sides of a check are part of the original record. Therefore, both sides of an "optical imaged check" should be available for public inspection and audit. Encoding, printing and bank certification should exist to ascertain that the back side of a check is part of a particular check, i.e. endorsements should belong to the front side of a check presented.

Indiana Code 5-15-5.1-10(a) states in part: "Each . . . local government shall: (1) Make and preserve records containing adequate and proper documentation of . . . essential transactions of the . . . local government to protect the legal and financial rights of the government. . . "

An optical image copy of a check would be treated as an original as long as the foregoing was followed.

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference. . .

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)." [Emphasis added]

**STATE MATCHING GRANTS**

If a political subdivision other than a school corporation receives state grant money requiring local matching money, the political subdivision shall create a special fund and deposit the grant money and matching money into the special fund. The money in the fund may be used only for the purposes of the grant.

If a political subdivision completes the project for which the state grant money was provided and money remains in the fund:

- (1) the political subdivision shall transfer the state's share of the remaining money to the treasurer of state for deposit in the fund from which the grant was made; and
- (2) the political subdivision's pro rata share of the remaining money reverts to the political subdivision's general fund. [Indiana Code 36-1-8-12]

**CITY MANAGERS – THIRD CLASS CITIES**

The following provisions for a city manager can be found in Indiana Code 36-4-12:

A third class city may employ a nonpartisan city manager to be the administrative head of the city government. To employ a city manager, the executive must initiate an ordinance and the city legislative body must adopt an ordinance creating the city manager position. An ordinance creating the city manager position must state the powers and duties to be assumed by the city manager.

If the city legislative body adopts an ordinance to employ a city manager, the city legislative body may adopt an ordinance to permit the city manager to perform the duties of the executive on a part-time basis.

The city manager may be employed to serve at the pleasure of the executive who may submit to the city legislative body for approval under Indiana Code 36-4-7-3 the city manager's compensation and terms of employment.

The city legislative body may not employ a member of the legislative body as the city manager. A former member of the city legislative body may not be employed as the city manager for a period of two (2) years after leaving office.

A city may hire a city manager solely on the basis of the applicant's administrative and educational qualifications. The city shall give special deference to actual experience in or knowledge of accepted practices in field of municipal management.

A city manager may not campaign for or against a candidate for the city legislative body and may not participate in partisan political activities that would impair the city manager's performance as a professional administrator.

Two (2) or more cities may employ the same person as the city manager of their respective cities.

**CITY MANAGERS – THIRD CLASS CITIES – Continued**

The city manager shall execute a bond for the faithful performance for the city manager's duties in the manner prescribed by Indiana Code 5-4-1.

The executive may appoint a qualified person to perform the duties of the city manager whenever the city manager is absent or unable to perform the city manager's duties.

The city manager, under the direction of the executive, is responsible for the administrative duties of the city. The powers and duties of the city manager must be stated in the ordinance creating the city manager position. The city manager's powers and duties may include:

1. attending the meetings of the legislative body and recommending actions the city manager considers advisable;
2. hiring city employees according to the pay schedules and standards fixed by the legislative body or by statute;
3. suspending, discharging, removing, or transferring city employees;
4. delegating any of the city manager's powers to an employee responsible to the city manager;
5. administering and enforcing all ordinances, orders, and resolutions of the legislative body;
6. ensuring that all statutes that are required to be administered by the legislative body or a city employee subject to the control of the legislative body are faithfully administered;
7. preparing budget estimates and submitting them to the legislative body when required;
8. executing contracts on behalf of the city for materials, supplies, services, or improvements after the completion of the appropriations, notice, and competitive bidding required by statute;
9. receiving service of summons on behalf of the city;
10. administering the city's economic development plans and projects;
11. advising the executive, city legislative body, and public on the conduct of city affairs;
12. making recommendations on policy formulation;
13. recommending and executing city improvements;
14. serving on the board of public works and safety, and

**CITY MANAGERS – THIRD CLASS CITIES – Continued**

15. other powers and duties determined to be advisable by the executive and legislative body.

The city manager may not serve as a member of any body that hears disciplinary charges against:

1. the chief of police;
2. a member of the city police department;
3. the city fire chief; or
4. a member of the city fire department.

The city legislative body may not authorize the city manager to issue or execute bonds, notes, or warrants of the city.

**CLERK-TREASURER'S LIABILITY**

A clerk-treasurer is not liable, in an individual capacity, for an act or omission occurring in connection with the performance of the requirements set forth in Indiana Code 36-4-10-4.5(b) or Indiana Code 36-5-6-6(a), unless the act or omission constitutes gross negligence or an intentional disregard of the requirements. [Indiana Code 36-4-10-4.5(c) and Indiana Code 36-5-6-6(b)]

**RIVERBOAT FUND**

Each unit that receives tax revenue under Indiana Code 4-33-12-6, Indiana Code 4-33-13, or an agreement to share a city's or county's part of the tax revenue or a development agreement under Indiana Code 36-1-8-9.5, may establish a riverboat fund. Money in the fund may be used for any legal or corporate purpose of the unit.

The riverboat fund established shall be administered by the unit's treasurer, and the expenses of administering the fund shall be paid from money in the fund. Money in the fund not currently needed to meet the obligations of the fund may be invested in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the fund. Money in the fund at the end of a particular fiscal year does not revert to the unit's general fund. [Indiana Code 36-1-8-9]

If a riverboat fund is not established, admissions taxes and wagering taxes would be deposited in the unit's general fund and may not be used to reduce the unit's maximum or actual tax levy. [Indiana Code 4-33-12-9 and Indiana Code 4-33-13-6]

**PARK AND RECREATION - BOARD MEMBER SALARIES, CONFERENCES, MEETINGS**

Indiana Code 36-10-3-9 allows for salaries to be paid to board members and also provides that per diems could be paid to board members for attending meetings of the board in amounts appropriated and approved by the council.

In addition, if the board determines that members or employees should attend a state, regional, or national conference dealing with park and recreation problems, the board may authorize the payment of the actual expenses involved in attending the conference. However, the amount must be available as part of the board's appropriation.

Also, the unit (city or town) shall provide suitable quarters for holding meetings and conducting the work of the board.

**REDEVELOPMENT COMMISSIONS - SALARIES AND PER DIEMS**

A redevelopment commissioner who does not hold a lucrative office for the purpose of Article 2, Section 9 of the Indiana Constitution may receive a salary or a per diem and is entitled to reimbursement for expenses necessarily incurred in the performance of the redevelopment commissioner's duties. [Indiana Code 36-7-14-7]

**POPULATION DECREASE - SECOND CLASS CITIES**

A second class city remains a second class city even though its population decreases to less than thirty-five thousand (35,000) unless the legislative body of such city adopts third class city status by ordinance. [Indiana Code 36-4-1-1]

**INVESTMENTS - AUTHORITY FOR**

Indiana Code 5-13-9-1 authorizes each fiscal officer of a political subdivision or other officer of a governmental entity authorized by statute to make investments under the guidelines established by the fiscal body of the political subdivision and in accordance with Indiana Code 5-13-9.

**SPREADSHEET SOFTWARE UTILIZATION TO GERNERATE  
EXACT REPLICAS OF PRESCRIBED FORMS**

The Indiana State Board of Accounts prescribes the forms to be utilized in accounting systems, but does not specify the source from which the prescribed forms must be obtained. With the current capabilities of spreadsheet software, the use of spreadsheet software may, in some instances, be an acceptable method of generating exact replicas of prescribed forms.

Spreadsheets may not be utilized to replace functionality that should be an integral function of a computerized accounting system or replace a controlled document for the entry of accounting information. Examples of this type of form include forms that are required to be either prenumbered by an outside printing supplier or numbered by the accounting system with sufficient controls to prevent unauthorized generation of the form or duplication of control numbers on the forms. These forms include receipts, checks, purchase orders and material receiving documents. In addition, spreadsheets should not be utilized to generate control documents such as ledgers, receipt registers, check registers, outstanding check lists and similar reports.

Under no circumstances is it acceptable to implement an electronic interface from spreadsheet software directly to the information files of an accounting system without being processed through the same edit and control features as are utilized to ensure the accuracy of information entered manually into the accounting system.

Exact replicas of prescribed forms generated by spreadsheet software may be utilized for forms incidental to the computerized accounting system. Examples of these forms include travel vouchers, attendance records, and capital asset records.

If you have any questions on the utilization of spreadsheet software to replicate a specific prescribed form, please contact our Information Technology Services department at (317) 232-2513.





**STATE OF INDIANA**  
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**MEMORANDUM**

TO: County Auditors, City Controllers, and Clerk-Treasurers

FROM: Paul D. Joyce, CPA  
State Examiner

RE: Stay of the Implementation of MVH Forms and Procedures pursuant to Public Law 218-2017  
(HEA 1002)

DATE: June 29, 2017

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The implementation of HEA 1002 has raised many questions regarding the uses of MVH distributions as well as the accounting and reporting of the fund. Until these issues can be resolved properly, the State Board of Accounts is staying the implementation of the forms and procedures outlined in the memorandum dated June 12, 2017 regarding "Use of MVH Fund pursuant to Public Law 218-2017 (HEA 1002)."

**Statutory Definitions**

Many questions revolve around the types of expenditures which may be considered as construction, reconstruction, and maintenance. For example, we have been asked whether snow removal, street lighting, street sweeping, painting curbs, utility costs, supervisor salaries, sidewalks, and tree trimming fall into these categories. Further research is needed so that these questions may be uniformly addressed among all units.

**Annual Operational Report and Prescribed Forms**

Concerns have been stated with the information required in the Annual Operational Report in light of HEA 1002. This report is required of all counties and of all cities and towns with a population of greater than 20,000. We will be working with INDOT, LTAP and the various associations to revise and update the report for information required by HEA 1002. Once the Annual Operational Report has been updated, all MVH prescribed forms will be revised to directly support the information required in the report.

**Accounting for the 50% Restricted Portion of MVH**

It has come to our attention that some cities and towns have established a separate Home Rule fund to account for the 50% restricted portion of the MVH Fund. Each unit should maintain all of the MVH distributions in the MVH Fund at this time. If, in the future, the statutory definitions are clarified and a separate fund is necessary, the established fund will be a statutory fund with an assigned number on the chart of accounts. No separate fund is necessary at this time.

**Cost Allocation and Supporting Documentation**

We do encourage all units to allocate costs to various projects and by various type within their established system. Supporting documentation for all costs from the MVH fund is required.

**Conclusion**

Until the statutory definitions can be clarified and the Annual Operational Report and prescribed forms are updated, the State Board of Accounts is staying the implementation of the MVH forms and procedures outlined in the memorandum dated June 12, 2017. The State Board of Accounts cannot delay the effective date of a statute. House Enrolled Act 1002 with the 50% limitation on MVH uses to construction, reconstruction, and maintenance is still effective on July 1, 2017. During this stay, we will not take audit exception to a properly authorized and documented disbursement from the MVH fund that is for an allowable use of the fund.

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