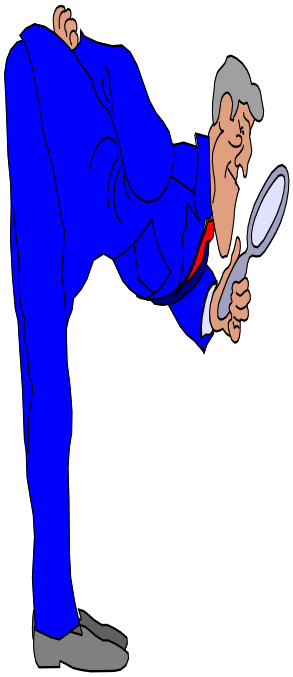
Key Ideas

Chapter 3: Budgetary Principles and Definitions



In this section, we will discuss the following:

- ***The concept of a funded budget as it relates to local government budgeting in Indiana.***
- ***The organization of local government budgets.***
- ***The State Board of Accounts established budgetary fund accounting methods used for all local governments in the state.***

BUDGETARY PRINCIPLES AND DEFINITIONS

Indiana's local government budgeting system is based on a number of fundamental premises, which govern both substantive and administrative aspects of the budgeting process. Since these guiding principles and definitions are so essential to local government budgets in Indiana, they should be fully understood before proceeding further.

Funded Budget

The concept of a funded budget is one of the keys to local government budgeting in Indiana. It involves two related budgeting principles:

- Each Library Board annually adopts a single integrated and funded budget that reflects the financial program of every office or function, both individually and collectively.

- Indiana law requires not only a funded budget, but also one that individually balances each component fund or account.

A funded- budget is defined as available resources greater than the necessary appropriations at the end of the budget cycle.

Fund Accounts

Local government budgeting is organized into fund accounts that separate receipts and expenditures by source, purpose, function, and organizational unit within the local government. The purpose of classifying revenues and expenses according to such diverse criteria is to permit people with different interests to view the local government budget from the perspective that means the most to them. At the same time, of course, the use of fund account classifications is intended to make the local budget more useful to the elected official at every level of government.

Two basic principles of classification apply:

- Receipts within each fund are classified by source and type.

- Disbursements from each fund are classified by Administrative Unit, and Object of Expense.

Uniform System of Accounts

It is called the Uniform System of Accounts and it prescribes both procedures and forms to be used in the preparation of the local budget and in the collection of revenues and the expenditure of funds. The primary purposes of the Uniform System of Accounts are these:

- To furnish responsible local officials with an effective aid in the management of the Library.
- To provide taxpayers with an adequate record of Library operations, and information on local government finances.
- To afford local officials, State and Federal agencies, and financial or investment analysts' sufficient statistical and economic data to assess the financial position of the Library.
- To provide officials at all levels with a uniform system for budgeting, accounting, and reporting.

Indiana's State Board of Accounts has established the budgetary fund accounting method for all local governments in the state.

Public libraries in Indiana have a common fund structure. Those funds and their purposes are:

- Operating Fund – This is the general fund for the library and is where every transaction is posted that is not required to be accounted for another fund
- LIRF – Library Improvement Reserve Fund is the fund used to accumulate balances in advance for capital improvements
- CPF – Capital Projects Fund is used to finance a capital improvement plan
- Rainy Day Fund – A fund where previous budget surpluses can be transferred to stabilize future revenue disruptions
- Capital (Construction) Fund – A fund to deposit and appropriate bond proceeds for major capital projects
- Debt Service Fund – A fund to account for the revenues and expense related bond principal and interest payments.

Summary

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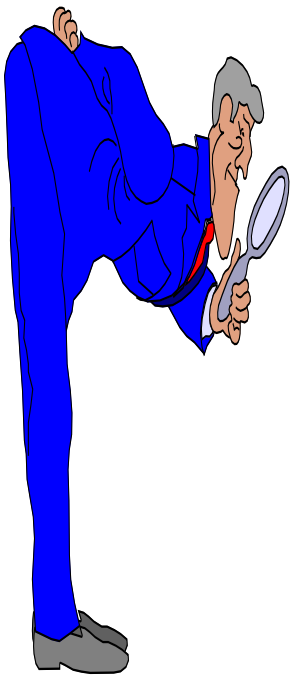

In this section, we have discussed the following:

- ***The concept of funded budgets as one of the keys to local government budgeting in Indiana.***
- ***Local government budgeting is organized into fund accounts that separate receipts and expenditures by source, purpose, function, and organizational unit within the local government.***
- ***Indiana's State Board of Accounts has established the budgetary fund accounting method for all local governments in the state.***