SENATE BILL No. 402

DIGEST OF INTRODUCED BILL

Citations Affected: IC 4-10-13-2; IC 4-12-1-9; IC 5-11-1-1.5; IC 5-11-1-16; IC 36-1-8.

Synopsis: Accrual accounting. Requires state agencies and political subdivisions to maintain accounts on an accrual basis and to include information in budgets and financial reports on an accrual basis.

Effective: July 1, 2011.

Delph

January 11, 2011, read first time and referred to Committee on Appropriations.

C o p y

Introduced

First Regular Session 117th General Assembly (2011)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type.~~

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~*this style type*~~ reconciles conflicts between statutes enacted by the 2010 Regular Session of the General Assembly.

C o p y

SENATE BILL No. 402

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

Be it enacted by the General Assembly of the State of Indiana:

SECTION 1. IC 4-10-13-2, AS AMENDED BY P.L.146-2008, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 2. (a) The auditor of state shall prepare and publish each year the following financial reports:

(1) A report showing receipts by source of revenue and by type of fund disbursements as they relate to each agency, department, and fund of the state government. This report shall include a recital of disbursements made by the following functions of state government:

(A) Education.
(B) Welfare.
(C) Highway.
(D) Health.
(E) Natural resources.
(F) Public safety.
(G) General governmental.
(H) Hospital and state institutions.

(I) Correction, parole, and probation.

(2) A report containing the following property tax data by counties:

(A) A report showing:

(i) the total amount of tax delinquencies;

(ii) the total amount of the administrative costs of the offices of township assessors (if any), county assessors, the offices of county auditors, and the offices of county treasurers; and

(iii) the total amount of other local taxes collected.

(B) An abstract of taxable real and personal property, which must include a recital of the number and the total amount of tax exemptions, including mortgage exemptions, veterans' exemptions, exemptions granted to blind persons, exemptions granted to persons over sixty-five (65) years of age, and any and all other exemptions granted to any person under the Constitution and the laws of the state.

(b) The reports described in this section shall be made available for inspection as soon as they are prepared and shall be published in the manner provided in section 7 of this chapter by the auditor of state not later than December 31 following the end of each fiscal year.

(c) An annual financial statement required under IC 5-11-1-4 and other financial statements issued by the auditor of state or another state agency or public officer must include information prepared on an accrual basis, in the manner and form specified by the state board of accounts, that shows the resources, liabilities, and costs of operations of the state, including the net cost of operations that do not generate or use resources in the reporting period covered by the financial statement. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the governmental entity in the reporting period.

SECTION 2. IC 4-12-1-9 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 9. (a) The budget agency shall assist the budget committee in the preparation of the budget report and the budget bill, using the recommendations and estimates prepared by the budget agency and the information obtained through investigation and presented at hearings. The budget committee shall consider the data, information, recommendations and estimates before it and, to the extent that there is agreement on items, matters and amounts between the budget agency and a majority of the members of the budget committee, the committee shall organize and assemble a budget report

C o p y

and a budget bill or budget bills. In the event the budget agency and a majority of the members of the budget committee shall differ upon any item, matter, or amount to be included in such report and bills, the recommendation of the budget agency shall be included in the budget bill or bills, and the particular item, matter or amount, and the extent of and reasons for the differences between the budget agency and the budget committee shall be stated fully in the budget report. Before the second Monday of January, in the year immediately after preparation, the budget report and the budget bill or bills shall be submitted to the governor by the budget committee. The governor shall deliver to the house members of the budget committee such bill or bills for introduction into the house of representatives.

(b) Whenever during the period beginning thirty (30) days prior to a regular session of the general assembly the budget report and budget bill or bills have been completed and printed and are available for distribution, upon the request of a member of the general assembly an informal distribution of one (1) copy of each such document shall be made by the budget committee to such members. During business hours, and as may be otherwise required during sessions of the general assembly, the budget agency shall make available to the members of the general assembly so much as they shall require of its accumulated staff information, analyses and reports concerning the fiscal affairs of the state and the current budget report and budget bill or bills.

(c) The budget report shall include at least the following ~~five (5)~~ **six (6)** parts:

(1) A statement of budget policy, including but not limited to recommendations with reference to the fiscal policy of the state for the coming budget period, and describing the important features of the budget.

(2) A general budget summary setting forth the aggregate figures of the budget to show the total proposed expenditures and the total anticipated income, and the surplus or deficit.

(3) The detailed data on actual receipts and expenditures for the previous fiscal year or two (2) fiscal years depending upon the length of the budget period for which the budget bill or bills is proposed, the estimated receipts and expenditures for the current year, and for the ensuing budget period, and the anticipated balances at the end of the current fiscal year and the ensuing budget period. Such data shall be supplemented with necessary explanatory schedules and statements, including a statement of any differences between the recommendations of the budget agency and of the budget committee.

C o p y

(4) A description of the capital improvement program for the state and an explanation of its relation to the budget.

(5) The budget bills.

(6) For budget reports submitted after December 31, 2011, supplemental information, prepared on an accrual basis, showing the full cost of operations for the affected budget period, including the net cost of operations that do not generate or use resources in the reporting period covered by the budget or supplemental budget. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the governmental entity in the reporting period.

(d) The budget report shall cover and include all special and dedicated revenue funds as well as the general revenue fund and shall include the estimated amounts of federal aids, for whatever purpose provided, together with estimated expenditures therefrom.

(e) The budget agency shall furnish the governor with any further information required concerning the budget, and upon request shall attend hearings of committees of the general assembly on the budget bills.

SECTION 3. IC 5-11-1-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 1.5. To assist in including cost based information in budgets and financial reports each agency or instrumentality of the state and each political subdivision and instrumentality of a political subdivision shall, for budget years beginning after December 31, 2011, maintain accounts on an accrual basis to show the resources, liabilities, and costs of operations of the governmental entity that are attributable to the reporting period, including the net cost of operations that do not generate or use resources in the reporting period covered. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the governmental entity in the reporting period. The accounting system must be consistent with the principles and standards prescribed by the state board of accounts and include monetary property accounting records.**

SECTION 4. IC 5-11-1-16 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: Sec. 16. (a) As used in this article, "municipality" means any county, township, city, town, school

C o p y

corporation, special taxing district, or other political subdivision of Indiana.

(b) As used in this article, "state" means any board, commission, department, division, bureau, committee, agency, governmental subdivision, military body, authority, or other instrumentality of the state, but does not include a municipality.

(c) As used in this article, "public office" means the office of any and every individual who for or on behalf of the state or any municipality or any public hospital holds, receives, disburses, or keeps the accounts of the receipts and disbursements of any public funds.

(d) As used in this article, "public officer" means any individual who holds, receives, disburses, or is required by law to keep any account of public funds or other funds for which the individual is accountable by virtue of the individual's public office.

(e) As used in this article, "entity" means any provider of goods, services, or other benefits that is:

(1) maintained in whole or in part at public expense; or

(2) supported in whole or in part by appropriations or public funds or by taxation.

The term does not include the state or a municipality (as defined in this section).

(f) As used in this article, a "public hospital" means either of the following:

(1) An institution licensed under IC 16-21 and which is owned by the state or an agency of the state or one which is a municipal corporation. A hospital is a municipal corporation if its governing board members are appointed by elected officials of a municipality.

(2) A state institution (as defined in IC 12-7-2-184).

(g) As used in this article, "political subdivision" has the meaning set forth in IC 36-1-2-13.

(h) As used in this article, "accrual basis" means a basis of accounting in which revenue is recognized when earned and expenses are recognized in the period incurred, regardless of when cash is received or paid. The term does not include modified accrual accounting.

SECTION 5. IC 21-37-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]:

Chapter 2.5. Accrual Accounting

Sec. 1. The accounting system of a state educational institution must comply with the requirements of IC 5-11-1-1.5.

C o p y

Sec. 2. An annual financial statement required under IC 5-11-1-4 and other financial statements issued by a state educational institution must include information prepared on an accrual basis, in the manner and form specified by the state board of accounts, that shows the resources, liabilities, and costs of operations of the state educational institution, including the net cost of operations that do not generate or use resources in the reporting period covered by the financial statement. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the governmental entity in the reporting period.

Sec. 3. For budget periods beginning after December 31, 2012, a budget or supplemental budget of a state educational institution must include supplemental information, prepared on an accrual basis, showing the full cost of operations for the affected budget period, including the net cost of operations that do not generate or use resources in the reporting period covered by the budget or supplemental budget. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the state educational institution in the reporting period.

SECTION 6. IC 36-1-8-17 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 17. For budget periods beginning after December 31, 2012, a budget or supplemental budget of a political subdivision must include supplemental information, prepared on an accrual basis, showing the full cost of operations for the affected budget period, including the net cost of operations that do not generate or use resources in the reporting period covered by the budget or supplemental budget. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the governmental entity in the reporting period.**

SECTION 7. IC 36-1-8-18 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2011]: **Sec. 18. For reporting periods beginning after December 31, 2011, an annual financial statement required under IC 5-11-1-4 and other financial statements issued by a political subdivision must include information prepared on an accrual basis, in the**

C o p y

manner and form specified by the state board of accounts, that shows the resources, liabilities, and costs of operations of the political subdivision, including the net cost of operations that do not generate or use resources in the reporting period covered by the financial statement. The costs that must be attributed to a reporting period include allowances for unfunded future health and pension benefits that are earned or earned on a contingent basis by employees performing services for the governmental entity in the reporting period.

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