CHAPTER 3 - FUNDS

SECTION A - DEFINITIONS

Funds are defined in Chapter 1, Section C, Page 3-1, to mean “cash” or a group of accounts set aside for the purpose of accounting for monies or other resources of general functions or specific activities, such as utilities, construction projects, or other activities of a city or town in accordance with the system of accounts prescribed by the State Board of Accounts or as required by statute.

Funds prescribed for use by cities and towns are the general fund, special revenue funds, debt service funds, capital projects funds, permanent funds, proprietary funds-enterprise funds, internal service funds, fiduciary funds, pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Fund types and account groups are defined in more detail in Chapter 2, Section B, Pages 7-1 and 7-2. A listing of funds presently in use by cities and towns are classified in the proper fund type and may be found in Chapter 2, Section B, Pages 7-2 through 7-6.

In order to conserve space, detail accounts are not listed for all fund revenue and expenditure categories. For further detail information relating to revenue and expenditure categories, please refer to the Chart of Accounts starting with Page 11-1.

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SECTION B - GENERAL FUND

SCOPE

GAAFR defines the General Fund as the fund used to account for all financial resources except those required to be accounted for in another fund. The General Fund is the general operating fund of the municipality. Tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures of the municipality are paid from the General Fund.

To summarize, the General Fund shall be used for current general operations of the city or town.

CASH

The General Fund cash balance should be determinable from analysis of the Ledger of Receipts, Disbursements and Balances (City and Town Form No. 208); i.e., the opening cash balance, plus cash receipts, less cash disbursements, equals the current cash balance.

RECEIPTS

The following type revenue receipts (account numbers) are common to the General Fund:

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 320 Licenses and Permits
  - 321 Business Licenses and Permits
  - 322 Nonbusiness Licenses and Permits

- 330 Intergovernmental Revenues
  - 331 Federal Operating Grants
  - 332 Federal Shared Revenues
  - 333 Federal Payments in Lieu of Taxes
  - 334 State Operating Grants
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.8 Liquor Excise Tax Distributions (ATC)
    - 335.9 Liquor Gallonage Tax Distributions
    - 335.10 Cigarette Tax Distributions
    - 335.18 Wagering Tax Distributions
    - 335.24 Other

- 340 Charges for Services

- 350 Fines and Forfeitures

- 360 Miscellaneous Revenue

361 Interest on Investments
362 Rental of Property
364 Cable TV Franchise
367 Contributions and Donations From Private Sources

390 Other Financing Sources
391 Interfund Transfers
391.1 Transfer From Parking Meter Fund
391.2 Transfer From Cumulative Capital Improvement Fund
391.3 Transfer From Dormant Fund
392 Proceeds of Capital Asset Dispositions
393 Proceeds From Long-Term Debt
393.1 General Obligation Bond Proceeds
393.2 Premiums on Bonds Sold
394 Temporary Loan From Fund
395 Sale of Investments
396 Refunds
397 Other

DISBURSEMENTS

410 Personal Services
411 Salaries and Wages - Cities and Those Towns Using Departmentalized Budgets
411.01 Department (See Note)
411.011 Department Head
411.012 Deputies
411.013 Regular
411.014 Temporary
411.015 Other
411.016 Overtime Excess Compensation
412 Salaries and Wages - Towns Without Departmentalized Budgets
412.01 Salaries of Town Council Members
412.02 Salary of Clerk-Treasurer
412.021 Salary of Clerk-Treasurer
412.022 Deputies
412.023 Regular
412.024 Temporary
412.025 Other
412.026 Overtime Excess Compensation
412.03 Salary of Town Manager
412.031 Town Manager
412.033 Regular
412.034 Temporary
412.035 Other
412.036 Overtime Excess Compensation

NOTE: .01 to .99 should be used for number each department. .011 to .991, .012 to .992, etc., should be used for each corresponding department head.

412 Salaries and Wages - Towns Without Departmentalized Budgets (Continued)
- 412.04 Salary of Town Marshal
  - 412.041 Town Marshal
  - 412.042 Deputies
  - 412.043 Regular
  - 412.044 Temporary
  - 412.045 Other
  - 412.046 Overtime Excess Compensation
- 412.05 Salary of Fire Chief
  - 412.051 Fire Chief
  - 412.052 Firemen
  - 412.053 Regular
  - 412.054 Temporary
  - 412.055 Other
  - 412.056 Overtime Excess Compensation
- 412.06 Salary of Street Superintendent
  - 412.061 Superintendent
  - 412.062 Assistant Superintendent
  - 412.063 Regular
  - 412.064 Temporary
  - 412.065 Other
  - 412.066 Overtime Excess Compensation
- 412.07 Salary of Town Attorney
  - 412.071 Town Attorney
  - 412.072 Deputies
  - 412.073 Regular
  - 412.074 Temporary
  - 412.075 Other
  - 412.076 Overtime Excess Compensation

413 Employee Benefits - All Cities and Towns
- 413.01 Employer's Share of Social Security (FICA)
- 413.02 Employer's Share of Medicare Tax
- 413.03 Employer's Share of Retirement (PERF)
- 413.04 Unemployment Compensation
- 413.05 Employer's Share of Group Insurance - Health and Accident
- 413.06 Employer's Share of Group Insurance - Life
- 413.07 Clothing Allowance - Firemen and Policemen
- 413.08 Auto Allowance - Volunteer Firemen
- 413.09 Employer's Share of 1977 Firemen's Pension Contributions
- 413.10 Employer's Share of 1977 Policemen Pension Contributions
- 413.11 Other Employee Benefits

414 Self-Funded Insurance
- 414.01 Administrative Fee
- 414.02 Claims - Physicians and Surgeons
- 414.03 Claims - Hospitals and Other Providers

415 Other Personal Services

420 Supplies
- 421 Office Supplies
- 422 Operating Supplies
- 423 Repair and Maintenance Supplies
- 429 Other Supplies

430 Other Services and Charges
- 431 Professional Services
- 432 Communication and Transportation
- 433 Printing and Advertising
- 434 Insurance (Other Than Employer's Share of Group Insurance)
- 435 Utility Services
- 436 Repairs and Maintenance (By Contract or Outside Suppliers)
- 437 Rentals
- 438 Debt Service
- 439 Other Services and Charges
  - 439.01 Refunds, Awards, Indemnities
  - 439.02 Pension Benefits
  - 439.03 Subscriptions
  - 439.04 Premiums on Official Bonds
  - 439.05 Grants and Subsidies
  - 439.06 Garbage and Trash Collection Contract
  - 439.07 Election Expense
  - 439.08 Organization Memberships and Dues
  - 439.09 Other

440 Capital Outlay
- 441 Land
- 442 Infrastructure
- 443 Buildings
- 444 Improvements Other Than Buildings
- 445 Machinery and Equipment
- 449 Other Capital Outlays

450 Other Financing
- 451 State Board of Accounts
- 452 Interfund Operating Transfer
- 453 Temporary Loan to _____ Fund
- 454 Purchase of Investments
- 459 Other

Chapter 5, Section B, Definitions of Budget Classifications, starting on Page 48-1, should be used as a reference if any questions arise as to which expense classifications should be used.

SECTION C - SPECIAL REVENUE FUNDS

DEFINITION

GAAFR defines special revenue funds as those funds used to account for the proceeds of special revenue sources (other than those from major capital projects) that are legally restricted to expenditures for specific purposes. The most common special revenue type funds found in cities and towns are the motor vehicle highway fund, local road and street fund, riverboat, park and recreation operating fund, cemetery operating fund, aviation operating fund, parking meter fund and rainy day fund. See the following pages for discussion of each special revenue fund mentioned. Any other special revenue type funds of the municipality shall be accounted for in a similar matter.

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MOTOR VEHICLE HIGHWAY FUND

SCOPE

The primary purpose of this special revenue type fund is to account for state motor vehicle highway distributions. If a property tax levy is made for such fund, the proceeds shall also be accounted for in the motor vehicle highway fund.

This fund is to used principally for the construction and maintenance of streets and alleys. A complete detail of approved uses is listed in IC 8-14-1-5. Depending on calculation, a restricted portion of the distributions can be used for law enforcement purposes. [IC 8-14-1-5(b)(1) and (2)]

RECEIPTS

The following types of revenue are common to the motor vehicle highway fund. If a tax levy is made the following taxes would be collected:

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 320 Licenses and Permits
  - 321 Business Licenses and Permits
  - 322 Nonbusiness Licenses and Permits

- 330 Intergovernmental Revenues
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise Taxes
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.6 Wheel Tax/Surtax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.14 Gasoline Tax - Motor Vehicle Highway Fund
    - 335.20 Major Moves Construction Fund Distributions
    - 335.24 Other

- 340 Charges For Services
  - 343 Highways and Streets
    - 343.5 Mowing Weeds
    - 343.6 Sweeping Streets
  - 349 Other
    - 349.6 State Reimbursement for Services - State Highway Sweeping

- 360 Miscellaneous Revenue
  - 361 Interest on Investments

- 390 Other Financing Sources
  - 392 Proceeds of Capital Asset Dispositions
  - 395 Sale of Investments
  - 396 Refunds

DISBURSEMENTS

The Chart of Accounts and expenditure categories will be the same that is provided for the general fund. Please refer to Page 13-2. However, only those categories in the general fund that are related to the construction and maintenance of streets and alleys can be used.

ANNUAL OPERATIONAL REPORT

In addition to the foregoing, an annual operational report is required in cities and towns with populations of 20,000 or more. [IC 8-17-4.1] Such report must disclose receipts and expenditures of the street department, the number of employees, the department's proposed construction, reconstruction, and repair program for the following year, and maintenance expenses.

LOCAL ROAD AND STREET FUND

SCOPE

The Statutory purposes of this special revenue type fund is to account for state gasoline tax distributions made from the local road and street account. Purposes for which the distributions may be expended are listed at IC 8-14-2-5.

RECEIPTS

300 Intergovernmental Revenues
- 335 State Shared Revenues
  - 335.15 Gasoline Tax - Local Road and Street Fund

360 Miscellaneous Revenues
- 361 Interest on Investments

390 Other Financing Sources
- 395 Sale of Investments
- 396 Refunds

DISBURSEMENTS

The same Chart of Accounts and expenditure categories will be followed that is provided for the motor vehicle highway fund with the only difference being no administrative or indirect cost can be paid from the local road and street fund. For instance, no expenditures would be made under 411.01, Department Head, or 412.061, Superintendent (Salary of Street Superintendent). See Pages 11-7, 13-2 and 13-3.

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RIVERBOAT FUND

Each city and town that receives tax revenue under IC 4-33-12-6, IC 4-33-13, or an agreement to share a city's or county's part of the tax revenue may establish a riverboat fund. Money in the fund may be used for any legal or corporate purpose of the city or town.

The riverboat fund shall be administered by the clerk-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 city or town's general fund.

RECEIPTS

335 State Shared Revenue
- 335.18 Wagering Tax Distributions

338 Local Government Shared Revenue

360 Miscellaneous Revenues
- 361 Interest on Investments

390 Other Financing Sources
- 395 Sale of Investments

DISBURSEMENTS

As stated previously, money in the fund may be expended for any purpose permitted by state statutes for other revenues of the city or town.

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PARK AND RECREATION OPERATING FUND

SCOPE

The purpose of this special revenue type fund is to account for the operating receipts and disbursements made in connection with the city or town providing recreation programs and facilities. The general Park and Recreation Law is found in IC 36-10-3.

RECEIPTS

The following types of receipts are common to the park and recreation operating fund:

- 228 Other Short-Term Liabilities
  - 228.4 State Sales Tax Collected

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 330 Intergovernmental Revenues
  - 331 Federal Operating Grants
    - 331.7 Culture and Recreation
  - 334 State Operating Grants
    - 334.7 Culture and Recreation

  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise Taxes
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.24 Other

- 340 Charges for Services
  - 347 Culture and Recreation
    - 347.1 Park Receipts
      - 347.11 Swimming Pool
      - 347.12 Golf Course
      - 347.13 Concession Stand(s)
      - 347.14 Leases

- 360 Miscellaneous Revenue
  - 361 Interest on Investments
  - 362 Rental of Property
  - 367 Contributions and Donations From Private Sources

- 390 Other Financing Sources
  - 392 Proceeds of Capital Asset Dispositions
  - 393 Proceeds From Long-Term Debt
  - 395 Sale of Investments
  - 396 Refunds

DISBURSEMENTS

With the exception of different manners in scheduling personal services as related to municipalities with departmental or nondepartmental budgets, the same Chart of Accounts and expenditure categories will be followed that is provided for the General Fund. See Page 13-2.

CEMETERY OPERATING FUND

SCOPE

The purpose of this special revenue type fund is to account for the operating receipts and disbursements in connection with a city or town owned cemetery. The general city and town cemetery law is found at IC 23-14-65.

RECEIPTS

The following types of receipts are common to the cemetery fund:

- 228 Other Short-Term Liabilities
  - 228.4 State Sales Tax Collected

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 330 Intergovernmental Revenues
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise Taxes
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.24 Other

- 340 Charges for Services
  - 349 Other
    - 349.1 Sale of Cemetery Lots
    - 349.8 Opening and Closing Graves

- 360 Miscellaneous Revenue
  - 361 Interest on Investments
  - 362 Rental of Property
  - 367 Contributions and Donations From Private Sources

- 390 Other Financing Sources
  - 392 Proceeds of Capital Asset Dispositions
  - 393 Proceeds From Long-Term Debt
  - 395 Sale of Investments
  - 396 Refunds

DISBURSEMENTS

With the exception of the manner of accounting for personal services in cities and towns with departmental budgets versus those towns with nondepartmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided in the General Fund. See Page 13-2.

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AVIATION OPERATING FUND

SCOPE

The purpose of this special revenue type fund is to account for the operating receipts and disbursements in connection with the operation of a city or town owned airport. The general law is found at IC 8-22-1 through IC 8-22-5.

RECEIPTS

The following types of receipts are common to the aviation fund:

- 228 Other Short-Term Liabilities
  - 228.4 State Sales Tax Collected

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 330 Intergovernmental Revenues
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise Taxes
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.24 Other

- 340 Charges for Services
  - 349 Other
    - 349.2 Airport Revenues

- 360 Miscellaneous Revenue
  - 361 Interest on Investments
  - 362 Rental of Property (Hangar Rental)
  - 367 Contributions and Donations From Private Sources

- 390 Other Financing Sources
  - 392 Proceeds of Capital Asset Dispositions
  - 393 Proceeds From Long-Term Debt
  - 395 Sale of Investments
  - 396 Refunds

DISBURSEMENTS

With the exception of the manner of accounting for personal services in cities and towns with departmental budgets versus those towns with nondepartmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided in the general fund. See Page 13-2.

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PARKING METER FUND

SCOPE

The purpose of this special revenue type fund is to account for the receipts and disbursements in connection with operating city and town owned parking facilities and parking meters. The general laws for these activities are found at IC 36-9-11, IC 36-9-11.1 and IC 36-9-12. These statutes should be reviewed in detail for approved uses of these revenues.

RECEIPTS

The following types of receipts are common to the parking meter fund:

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 330 Intergovernmental Revenues
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise Taxes
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.24 Other

- 340 Charges for Services
  - 343 Highways and Streets
    - 343.1 Parking Meter Receipts
    - 343.2 Parking Space Rental
    - 343.4 Penalties - Parking Meter Fines (When Not Required to be Receipted to General Fund)

- 360 Miscellaneous Revenue
  - 361 Interest on Investments
  - 362 Rental of Property

- 390 Other Financing Sources
  - 392 Proceeds of Capital Asset Dispositions
  - 393 Proceeds From Long-Term Debt
  - 395 Sale of Investments

DISBURSEMENTS

With the exception of the manner of accounting for personal services in cities and towns with departmental budgets versus those towns with nondepartmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided in the general fund. See Page 13-2.

APPROPRIATIONS

In all cities, appropriation of parking meter funds by the common council is required in the same manner as other public funds are appropriated. Such appropriations are not subject to review by either the County Tax Adjustment Board or by the Department of Local Government Finance. In towns, no appropriation is required.

PENALTIES

Penalties for violations of parking meter ordinances may be receipted either to the General Fund or Parking Meter Fund depending upon the requirement of the ordinance.

In the absence of any provision providing for the disposition of such penalties, they should go to the General Fund.

RAINY DAY FUND

SCOPE

The purpose of this special revenue fund is to account for transfers of unused and unencumbered funds, excess distributions of CAGIT and COIT, and transfers of dormant fund balances under IC 36-1-8-5. In any fiscal year a city or town may transfer not more than ten percent (10%) of the city or town's annual budget for that fiscal year to the rainy day fund. The fund should be established by ordinance and the ordinance should state the purposes and sources of funding for the fund. Transfers to the rainy day fund may be made at any time during the year. [IC 36-1-8-5.1]

Supplemental distributions of CAGIT under IC 6-3.5-1.1-21.1, COIT under IC 6-3.5-6-17.3, and CEDIT under IC 6-3.5-7-17.3, which must be deposited in the rainy day fund, and transfers of dormant fund balances are not subject to the ten percent (10%) transfer limitation.

Money in a debt service fund may not be transferred to the rainy day fund.

RECEIPTS

360 Miscellaneous Revenues
- 361 Interest on Investments

390 Other Financing Sources
- 391 Interfund Operating Transfers
- 395 Sale of Investments

DISBURSEMENTS

The fiscal body should determine by ordinance the use of the fund which could be for any purpose permitted by state statutes for other revenues of the city or town.

APPROPRIATIONS

The rainy day fund is subject to the same appropriation process as other funds that receive tax money. The Department of Local Government Finance may not reduce the actual or maximum permissible levy of a city or town as a result of a balance on the rainy day fund.

TRANSFERS TO OTHER FUNDS

A city or town may permanently transfer, by ordinance or resolution, money in its rainy day fund to any other appropriated city or town fund.

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SECTION D - DEBT SERVICE FUNDS

DEFINITION

GAAFR defines debt service funds to be those funds used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. Formerly this type fund was called a sinking fund. The most common debt service fund found in cities and towns is the bond and interest redemption fund. This fund will be described and all other debt service funds will be accounted for in a similar manner.

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BOND AND INTEREST REDEMPTION FUND

SCOPE

This debt service type fund is used to account for repayment of general obligation bond issues of a city or town.

RECEIPTS

The following revenues are common to the bond and interest redemption fund:

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 330 Intergovernmental Revenues
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise Taxes
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.24 Other

- 360 Miscellaneous Revenues
  - 361 Interest on Investments

- 390 Other Financing Sources
  - 393 Proceeds From Long-Term Debt
    - 393.1 General Obligation Bond Proceeds
    - 393.2 Premium and Accrued Interest on Bonds Sold
  - 395 Sale of Investments
  - 396 Refunds

DISBURSEMENTS

- 430 Other Services and Charges
  - 438 Debt Service
    - 438.1 Principal
    - 438.2 Interest
    - 438.3 Paying Agent Fees

- 450 Other Financing Uses
  - 454 Purchase of Investments

PAYMENT OF BONDS AND COUPONS

If the bond ordinance specifically provides for payment of bonds and coupons at a certain bank, payment should be made to the bank, on or immediately prior to each due date for the total amount of bonds maturing and coupons due and payable on such due date plus the paying agent's fees, if any.

The bank should render a statement of such account and turn over paid bonds and coupons periodically, preferably at the end of each month. The clerk-treasurer should keep a record of bonds and coupons paid in the prescribed Bond Register, General Form No. 53, and reconcile this register with each bank statement. The statements and bonds and coupons (properly canceled or stamped to show payment) must be carefully preserved.

Within a reasonable time after the due date of the last maturing bond any balance in the account resulting from bonds or coupons not presented for payment should be returned by the bank to the clerk-treasurer.

If the bond ordinance specifically provides for payment of bonds and coupons at the office of the clerk-treasurer, there would appear to be no authority for a bank to act as paying agent and the presentation and payment would be made at the office of the clerk-treasurer.

SECTION E - CAPITAL PROJECTS FUNDS

DEFINITION

GAAFR defines capital projects funds as those funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The most common capital projects funds found in all cities and towns are the cumulative capital improvement fund, the cumulative capital development fund, and the general improvement fund.

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CUMULATIVE CAPITAL IMPROVEMENT FUND

SCOPE

This capital projects type fund is used to account for receipts and disbursements of state cigarette tax distributions. The fund is established by IC 6-7-1-31.1.

RECEIPTS

The following revenue categories are common to the cumulative capital improvement fund:

330 Intergovernmental Revenues
- 335 State Shared Revenues
  - 335.11 Cigarette Tax Distributions - Cumulative Capital Improvement Fund

360 Miscellaneous Revenues
- 361 Interest on Investments

390 Other Financing Sources
- 395 Sale of Investments
- 396 Refunds

DISBURSEMENTS

IC 6-7-1-31.1 (a) states in part:

> ". . . The city or town may only use money in its cumulative capital improvement fund to: (1) Purchase land, easements, or rights-of-way; (2) purchase buildings; (3) construct or improve city owned property; (4) design, develop, purchase, lease, upgrade, maintain, or repair: (A) computer hardware; (B) computer software; (C) wiring and computer networks; and (D) communications access systems used to connect with computer networks or electronic gateways; (5) pay for the services of full-time or part-time computer maintenance employees; (6) conduct nonrecurring in service technology training of unit employees; (7) undertake Internet application development: (8) retire general obligation bonds issued by the city or town for one (1) of the purposes stated in clause (1), (2), (3) of this subsection; or (9) for any other governmental purpose for which money is appropriated by the fiscal body of the city or town. The money in the city's or town's cumulative capital improvement fund does not revert to its general fund."
>
> "(b) Any city or town may at any time, by ordinance or resolution, transfer to its general fund any monies derived under this chapter [6-7-1-1 -- 6-7-1-36], which have been deposited in the city's or town's cumulative capital improvement fund."

The Attorney General held in Official Opinion No. 32 of 1965, that the term "capital improvement" as used and defined in the law does not contemplate the purchase of "major movable equipment" or any other personal property and the use of such fund for such purposes would be contrary to the express restrictive authority of the law. Such expenditures could be made from the municipality's general fund after the transfer permitted by IC 6-7-1-31.1(b).

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CUMULATIVE CAPITAL DEVELOPMENT FUND

SCOPE

This capital projects type fund is used to account for receipts and disbursements of taxes levied under IC 36-9-15.5 for capital project uses.

RECEIPTS

The following type revenue receipts (account number) are common to the Cumulative Capital Development Fund:

- 310 Taxes
  - 311 General Property Taxes
  - 312 Other Taxes

- 330 Intergovernmental Revenues
  - 335 State Shared Revenues
    - 335.1 Financial Institutions Tax
    - 335.2 Auto and Aircraft Excise
    - 335.3 Certified Shares (Local Option Tax)
    - 335.4 Property Tax Replacement Credit (Local Option Tax)
    - 335.5 County Option Income Tax
    - 335.7 Commercial Vehicle Excise Tax
    - 335.21 Other

- 360 Miscellaneous Revenues
  - 361 Interest or Investments
- 390 Other Financing Sources
  - 395 Sale of Investments
  - 396 Refunds

DISBURSEMENTS

There are fifteen (15) possible capital project type of uses of the fund which are set out in IC 36-9-15.5-2. The ordinance establishing the fund should list which one(s) of the possible uses are permitted.

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GENERAL IMPROVEMENT FUND

The general improvement fund should be classified as a capital projects fund effective January 1, 1988.

The statute authorizing a general improvement fund for municipalities is found at IC 36-9-17.

The law gives permissive authority to any city or town to establish a permanent revolving fund to be used for financing public improvements which are to be paid for by special assessments. [IC 36-9-17]

Public improvements mentioned include improvements for a public way, public place or to construct, repair or reconstruct sidewalks, curbs, gutters and sewers, drains, streets or alleys. [IC 36-9-17-2 and IC 36-9-17-3]

All collections on such assessments shall be receipted to this fund and all portions of such cost as shall be assumed by the city shall also be receipted to this fund, thus making such fund self-perpetuating. The aggregate sum which may be appropriated and levied shall not exceed the equivalent of fifty cents on each one hundred dollars of net taxable valuation. [IC 36-9-17-5(c)]

The use of this fund eliminates the necessity for issuing Barrett Law bonds. The board shall fix the time within which assessments shall be paid -- which time shall not extend beyond a period of five (5) years. All interest and penalties collected on assessments are to be receipted to the General Fund. [IC 36-9-17-7(c)]

Accounting for the financing of public improvements handled through this revolving fund requires the use of the regular Barrett Law forms and procedures that are applicable.

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SECTION F - PROPRIETARY FUNDS

Enterprise funds are a common type of proprietary funds. Another type of proprietary fund listed by GAAFR is an internal service fund.

DEFINITION

GAAFR defines “Enterprise Funds” as those funds used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The most common examples of enterprise funds are those used for municipally owned water, wastewater, electric and gas utilities. It is possible that the operation of transit systems, airports, swimming pools, golf courses, parking garages, trash pickup or cemeteries might also qualify as an enterprise activity requiring enterprise fund accounting and reporting.

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UTILITY FUNDS

INTRODUCTION

When the Clerk-Treasurer serves as treasurer of the utility funds he will keep each fund on City and Town Form No. 208, Ledger of Receipts, Disbursements and Balances, in the same manner as other funds are carried in the ledger. Appropriations are not required since tax levies are not involved.

This manual will not go into detail concerning the handling of water, wastewater, electric, and gas utility funds on a double-entry basis since manuals are ordinarily provided for this purpose by regulatory commissions. A short discussion of each of these utility funds will follow where all of these funds are handled on a single entry basis.

The clerk-treasurer shall keep all of the accounting records of the utilities unless the board employs and authorizes other personnel for such purposes.

The statutes relating to municipally owned utilities are as follows:

IC 8-1-1 - Indiana Utility Regulatory Commission
IC 8-1-2.2 - Municipal Electric Utility Programs
IC 8-1-11.1 - Department of Public Utilities of Consolidated Cities
IC 8-1-12-1 - Utility Service to Certain Hospitals
IC 8-1.5 - Municipal Utilities
IC 8-1.5-1 - Definitions
IC 8-1.5-2 - Transfer, Acquisition and Improvement of Utilities
IC 8-1.5-3 - Operation of Municipally Owned Utilities Generally
IC 8-1.5-4 - Department of Waterworks in Certain Municipalities
IC 8-1.5-5 - Storm Water Management Systems
IC 36-9-23 - Municipal Sewage Works
IC 36-9-24 - Leasing of Sewage Disposal Facilities
IC 36-9-25 - Sanitation Department in Certain Cities
IC 36-9-26 - Cumulative Building Fund for Municipal Sewers

There may be funds in use in cities and towns other than those discussed in this manual; however, the accounting for such funds will follow the procedures provided herein.

UTILITY ACCOUNTING SYSTEM

Electric and gas utilities are defined into four classes, Class A, B, C, and D, depending on the amount of annual operating revenues. Water and wastewater utilities are divided into three classes, A, B, and C, also depending on the amount of annual operating revenues. The National Association of Regulatory Utility Commissioners has published charts of accounts for the various classes of utilities and the Indiana Utility Regulatory Commission has adopted these for use by the Indiana municipal utilities. The Uniform System of Accounts pertaining to any particular class may be obtained by writing to the National Association of Regulatory Utility Commissioners, 1101 Vermont Avenue, N.W., Washington, D.C., 20005 or by visiting their website at www.naruc.org.

The accounting manuals classify utilities to their annual operating revenues as follows:

Electric and Gas Utilities

Class A - $2,500,000 or more.
Class B - $1,000,000 or more but less than $2,500,000.
Class C - $150,000 or more but less than $1,000,000.
Class D - $25,000 or more but less than $150,000.

Water and Wastewater Utilities

Class A - $1,000,000 or more.
Class B - $200,000 or more but less than $1,000,000.
Class C - Less than $200,000.

Notwithstanding the above classifications, each utility should use the chart of accounts for the classification set by the National Association of Regulatory Utility Commissioners.

Classes A and B must use the double-entry accrual accounting system as prescribed. Municipal utilities which are Class C should use double entry records if personnel employed are capable of understanding double-entry accrual accounting. If such personnel are not available, it is permissible to continue using the simplified single entry cash basis forms prescribed for utilities.

A complete list of prescribed municipal utility accounting forms, including wastewater utilities, may be found on Page 42-6.

WATER UTILITY FUNDS

The purpose of these funds is to account for receipts and disbursements in connection with the operation of a water plant and/or distribution system.

The funds most common to the operation of a Water Utility are as follows:

Water Operating Fund
Water Bond and Interest (Sinking) Fund
Water Depreciation Fund
Water Meter Deposit Fund

RECEIPTS

Water Operating Fund

Single Entry Basis - Follow the account classification on Form No. 319, Simplified Cash Journal - Water Utility and the Uniform System of Accounts for Class C Water Utilities approved by the Indiana Utility Regulatory Commission.

Water Bond and Interest (Sinking) Fund

Monthly transfers from Water Operating Fund in accordance with bond ordinance.

Water Depreciation Fund

Monthly transfers from Water Operating Fund in accordance with bond ordinance.

Water Meter Deposit Fund

Deposits by Consumers.

DISBURSEMENTS

Water Operating Fund

Single Entry Basis - Follow the account classifications on Form No. 319, Simplified Cash Journal - Water Utility and the Uniform Systems of Accounts for Class C Water Utilities approved by the Indiana Utility Regulatory Commission.

Water Bond and Interest (Sinking) Fund

Bonds Retired
Interest Paid
Paying Agent's Fees

Water Depreciation Fund

Major repair and replacement of plant and equipment.

Water Meter Deposit Fund

Deposits refunded or applied.

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WASTEWATER (SEWAGE) UTILITY FUNDS

The purpose of these funds is to account for receipts and disbursements in connection with the operation of a sewage treatment plant and sanitary sewers. In some instances, storm sewers are also included.

The funds most common to the operation of a Wastewater (Sewage) Utility are as follows:

Wastewater (Sewage) Operating Fund
Wastewater (Sewage) Bond and Interest (Sinking) Fund
Wastewater (Sewage) Depreciation Fund
Wastewater (Sewage) Meter Deposit Fund

RECEIPTS

The following receipts are common to the Wastewater (Sewage) Utility funds:

Wastewater (Sewage) Operating Fund

* Commercial Sales
* Industrial Sales
  Penalties
  Other Operating
  Other Receipts (Nonoperating)

* Rates and charges are usually based on water consumption.

Wastewater (Sewage) Bond and Interest (Sinking) Fund

Monthly transfers from Sewage Operating Fund in accordance with bond ordinance.

Wastewater (Sewage) Depreciation Fund

Monthly transfers from Sewage Operating Fund in accordance with bond ordinance.

DISBURSEMENTS

Wastewater (Sewage) Operating Fund

Single Entry Basis - Follow the account classifications on Form No. 323, Simplified Cash Journal - Municipal Sewage Utility.

Wastewater (Sewage) Bond and Interest (Sinking) Fund

Bonds Retired
Interest Paid
Paying Agent's Fees

Wastewater (Sewage) Depreciation Fund

Major repair and replacement of plant and equipment.

The bond ordinance should be reviewed carefully in order to determine what restrictions are placed upon the use of the foregoing fund.

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ELECTRIC UTILITY FUNDS

The purpose of these funds is to account for receipts and disbursements in connection with the operation of an electric generating plant and/or distribution system.

The funds most common to the operation of an Electric Utility are as follows:

Electric Operating Fund
Electric Bond and Interest (Sinking) Fund
Electric Depreciation Fund
Electric Meter Deposit Fund

RECEIPTS

Electric Operating Fund

Single Entry Basis - Follow the accounting classifications on Form No. 318, Simplified Cash Journal - Electric Utility and the Uniform System of Accounts for Class D Electric Utilities approved by the Indiana Utility Regulatory Commission.

Electric Bond and Interest (Sinking) Fund

Monthly transfers from Electric Operating Fund in accordance with bond ordinance.

Electric Depreciation Fund

Monthly transfers from Electric Operating Fund in accordance with bond ordinance.

Electric Meter Deposit Fund

Deposits by consumers.

DISBURSEMENTS

Electric Operating Fund

Single Entry Basis - Follow the account classifications on Form No. 318, Simplified Cash Journal - Electric Utility and the Uniform System of Accounts for Class D Electric Utilities approved by the Indiana Utility Regulatory Commission.

Electric Bond and Interest (Sinking) Fund

Bonds Retired
Interest Paid
Paying Agent's Fees

Electric Depreciation Fund

Major repair and replacement of plant and equipment.

Electric Meter Deposit Fund

Deposits refunded or applied.

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GAS UTILITY FUNDS

The purpose of these funds is to account for receipts and disbursements in connection with the operation of a gas plant and/or distribution system.

The funds most common to the operation of a Gas Utility are as follows:

Gas Operating Fund
Gas Bond and Interest (Sinking) Fund
Gas Depreciation Fund
Gas Meter Deposit Fund

RECEIPTS

Gas Operating Fund

Single Entry Basis - Follow the account classifications on Form No. 327, Simplified Cash Journal - Gas Utility and the Uniform System of Accounts for Class D Gas Utilities approved by the Indiana Utility Regulatory Commission.

Gas Bond and Interest (Sinking) Fund

Monthly transfers from Gas Operating Fund in accordance with bond ordinance.

Gas Depreciation Fund

Monthly transfers from Gas Operating Fund in accordance with bond ordinance.

Gas Meter Deposit Fund

Deposits by consumers.

DISBURSEMENTS

Gas Operating Fund

Single Entry Basis - Follow the account classifications on Form No. 327, Simplified Cash Journal - Gas Utility and the Uniform System of Accounts for Class D Gas Utilities approved by the Indiana Utility Regulatory Commission.

Gas Bond and Interest (Sinking) Fund

Bonds Retired
Interest Paid
Paying Agent's Fees

Gas Depreciation Fund

Major repair and replacement of plant and equipment.

Gas Meter Deposit Fund

Deposits refunded or applied.

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INTERNAL SERVICE FUNDS

DEFINITION

GAAFR defines Internal Service Funds as those funds used to report any activity that provides goods or service to other funds, departments or agencies of the primary government and its compositions, or to other governments, on cost reimbursement basis.

Common examples are where separate departments (and separate budgets) outside the General Fund are established (by ordinance) for data processing, garage, or purchasing. In this situation, the following revenues and expenditures may be received and expended.

Revenue

Data Processing:

340 Charges for Service
349.9 Data Processing Charges

Expenses

With the exception of personal service, which is handled differently in cities and towns with departmentalized budgets and towns without departmentalized budgets (See page 11-10), the Chart of Accounts and expenditure categories will be the same that is provided for the general fund. Please refer to page 13-2.

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SECTION G – FIDUCIARY FUNDS

Fiduciary funds are used to report assets held in a trustee or agency capacity, for others. Fiduciary funds include pension trust funds investment trust funds, private-purpose trust funds, and agency funds.

DEFINITIONS

GAAFR defines agency funds used to account for assets held by a governmental unit in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The most common examples of agency funds are the payroll fund, payroll deduction funds, and the Surplus Barrett Law fund.

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PENSION TRUST FUNDS

GAAFR defines a pension trust fund as a fiduciary fund type used to report resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Examples of pension trust funds are the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, and any Utility Pension Funds.

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PAYROLL FUND

In order to simplify the handling of withholdings from employees' salaries and wages this department recommends the use of a “Payroll Fund” where the number of employees will justify it.

If the local officials decide to establish a “Payroll Fund,” the following procedures should be used in connection with such fund.

1. “Payroll Fund” is to be printed or typed on each payroll warrant.

2. Each office and department (including utilities if the Clerk-Treasurer is responsible for detail utility records) shall submit a payroll schedule and voucher on General Form No. 99, 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. Supplemental records such as time cards, daily logs, and other such supporting records may be prepared and maintained.

3. The individual payrolls will be summarized by the Clerk-Treasurer <u>for each fund</u>, using Form No. 99, but indicating “SUMMARY” on the form. This will compile in total the payrolls for all offices 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 office or department in the column headed “Name of Employee.”

4. Total the payroll “SUMMARY” for each fund and <u>issue a regular city or town warrant</u> from such fund for the <u>total gross pay</u> and <u>receipt this amount</u> 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. It is suggested the payroll fund ledger sheet 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 pay period the payroll warrants for the period should be totaled and proved to the totals of the payroll summaries for the period. Enter the total of the payroll warrants for the period 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 Employee's Earnings Record, Form No. 99B, thereby furnishing a proof of postings to this record.

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 issued 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.

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PAYROLL DEDUCTION FUNDS

The accounting for receipts and disbursements of payroll deductions requires little analysis. Each title is generally descriptive of both the source of receipts and the purpose of disbursements of the particular fund. These funds are used only where a Payroll Fund is not utilized. If a payroll fund is used (See Page 34-1) no separate funds for payroll deductions are needed.

The following are some of the most common of these funds:

Federal Withholding Tax Fund

This fund will be receipted from the amounts deducted from the employees' salaries and wages for Federal Withholding Tax.

When the tax is paid to the Federal Government it will be entered as a disbursement.

State Withholding Tax Fund

This fund will be receipted with the amounts deducted from employees' salaries and wages for State Withholding Tax.

When the tax is paid to the State, it will be entered as a disbursement.

Social Security Fund

This fund will be receipted with the amounts deducted from employees' salaries and wages for Social Security.

When payment is made to the Director, Internal Revenue Service, it will be entered as a disbursement.

Public Employees' Retirement Fund

This fund will be receipted with the amounts deducted from employees' salaries and wages for the Public Employees' Retirement Fund.

When payment is made to the State Public Employees' Retirement Fund, it will be entered as a disbursement.

Payments from the foregoing payroll deduction funds are required to be made by statute, based upon reports made by the Clerk-Treasurer, and there is no provision requiring the agencies to claim the amounts due. The Clerk-Treasurer should simply prepare a claim without certification and attach thereto any copies of reports and workpapers, thus using the claim blank for a jacket only for the purpose of showing the fund on which drawn and accounts to be charged. [IC 5-11-10-1]

Other trust and agency funds might include:

Group Insurance Fund

This fund will be receipted with the amounts deducted from employees' salaries and wages for group insurance.

When payment is made to the insurance company, it will be entered as a disbursement.

With regard to social security, retirement and group insurance funds, there will be contributions to be paid from city or town funds. It is our recommendation that such contributions not be paid into the trust and agency funds monthly. At such time as reports are made to the respective agencies to which payments are due then at that time a warrant will be issued for the city's or town's portion and charged directly to the proper fund and appropriation. If deduction funds are in a separate bank account, reports to the proper agencies will have to be supported by two checks, one drawn on the withholding fund containing employee's contributions and the other drawn on city or town funds and charged direct to the proper expense or appropriation account.

Additional trust and agency funds may be established by the Clerk-Treasurer as warranted; however, the accounting procedure will be the same as indicated for the foregoing funds.

OTHER FIDUCIARY FUNDS

Construction retainage, if held by the city or town, should be accounted for as a fiduciary fund. (IC 36-1-12-14)

Cities and towns that operate courts would account for the user fees the court collects in a city or town user fee fund. (IC 33-37-8-3)

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