CHAPTER 4 - FUNDS

SECTION A - DEFINITIONS

Funds are defined in Chapter 2, Section C, 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 3, Section B. A listing of funds presently in use by cities and towns are classified in the proper fund type and may be found in Chapter 3, Section B.

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 in Chapter 3, Section F.
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 Income Tax)
    335.4 Property Tax Replacement Credit (Local 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
Other Financing Sources

- Interfund Transfers
  - Transfer From Parking Meter Fund
  - Transfer From Cumulative Capital Improvement Fund
  - Transfer From Dormant Fund

- Proceeds of Capital Asset Dispositions

- Proceeds From Long-Term Debt
  - General Obligation Bond Proceeds
  - Premiums on Bonds Sold

- Temporary Loan From Fund

- Sale of Investments

- Refunds

- Other

DISBURSEMENTS

Personal Services

Salaries and Wages - Cities and Those Towns Using Departmentalized Budgets

- Department (See Note)
  - Department Head
  - Deputies
  - Regular
  - Temporary
  - Other
  - Overtime Excess Compensation

Salaries and Wages - Towns Without Departmentalized Budgets

- Salaries of Town Council Members
- Salary of Clerk-Treasurer
  - Salary of Clerk-Treasurer
  - Deputies
  - Regular
  - Temporary
  - Other
  - Overtime Excess Compensation
- Salary of Town Manager
  - Town Manager
  - Regular
  - Temporary
  - Other
  - 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.

Salaries and Wages - Towns Without Departmentalized Budgets (Continued)

- Salary of Town Marshal
  - Town Marshal
  - Deputies
  - Regular
  - Temporary
  - Other
  - Overtime Excess Compensation
- Salary of Fire Chief
  - Fire Chief
  - 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
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.

MOTOR VEHICLE HIGHWAY FUND

REFERENCE: IC 8-14-1

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.

A complete detail of approved uses is listed in IC 8-14-1-5. At least 50% of the distributions received from the state motor vehicle highway account must be used for construction, reconstruction, and preservation and will be accounted in a sub-fund of the Motor Vehicle Highway Fund called MVH Restricted.

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 (LIT)
      335.4 Property Tax Replacement Credit (LIT)
      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 Chapter 4, Section B. However, only those categories in the General Fund that are related to the purposes stated in IC 8-14-1-5 can be used.

ANNUAL OPERATIONAL REPORT

In addition to the foregoing, an annual operational report is required in cities and towns with populations of 15,000 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 preservation program for the following year, and maintenance expenses.

LOCAL ROAD AND STREET FUND

REFERENCE:  IC 8-14-2

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 Chapter 4, Section B.
RIVERBOAT FUND

REFERENCE: IC 36-1-8-9

SCOPE

Each city or 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. [IC 36-1-8-9]

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 legal or corporate purpose of the city or town.

PARK AND RECREATION OPERATING FUND

REFERENCE: IC 36-10-3

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.

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 (LIT)
    335.4  Property Tax Replacement Credit (LIT)
    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 non-departmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided for the General Fund. See Chapter 4, Section B.

CEMETERY OPERATING FUND

REFERENCE: IC 23-14-65

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.

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
AVIATION OPERATING FUND

REFERENCE: IC 8-22-1 through IC 8-22-5

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 (LIT)
    335.4 Property Tax Replacement Credit (LIT)
    335.7 Commercial Vehicle Excise Tax
    335.24 Other

DISBURSEMENTS

With the exception of the manner of accounting for personal services in cities and towns with departmental budgets versus those towns with non-departmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided in the General Fund. See Chapter 4, Section B.
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 non-departmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided in the General Fund. See Chapter 4, Section B.

PARKING METER FUND

REFERENCE: IC 36-9-11 Municipal Parking Facilities
            IC 36-9-11.1 Marion County Parking Facilities
            IC 36-9-12 Parking Meters and Parking Fees

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.

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 (LIT)
      335.4 Property Tax Replacement Credit (LIT)
      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)
DISBURSEMENTS

With the exception of the manner of accounting for personal services in cities and towns with departmental budgets versus those towns with non-departmentalized budgets, the same Chart of Accounts and expenditure categories will be followed that is provided in the General Fund. See Chapter 4, Section B.

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.

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

REFERENCE: IC 36-1-8-5.1

SCOPE

The purpose of this special revenue fund is to account for transfers of unused and unencumbered funds under IC 36-1-8-5 (dormant fund balances) or IC 6-3.6-9-15 (supplemental distributions). 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.

Supplemental distributions under IC 6-3.6-9-15 and transfers of dormant fund balances are not subject to the ten percent (10%) transfer limitation.

Money in any debt service fund may not be transferred to the Rainy Day Fund.

RECEIPTS

360 Miscellaneous Revenues
    361 Interest on Investments
    362 Rental of Property

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.
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.

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 (LIT)
      335.4 Property Tax Replacement Credit (LIT)
      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.

CUMULATIVE CAPITAL IMPROVEMENT FUND

REFERENCE: IC 6-7-1-31.1

SCOPE

This capital projects type fund is used to account for receipts and disbursements of state cigarette tax distributions.

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

A complete list of uses is in IC 6-7-1-31.1(a).

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(c).

TRANSFERS TO OTHER FUNDS

A city or town may at any time, by ordinance or resolution, transfer to its General Fund money raised under this chapter.
CUMULATIVE CAPITAL DEVELOPMENT FUND

REFERENCE: IC 36-9-15.5

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 (LIT)
      335.4 Property Tax Replacement Credit (LIT)

   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

A complete list of permitted uses is in IC 36-7-15.5.2. The ordinance establishing the fund should list which one(s) of the possible uses are permitted.

GENERAL IMPROVEMENT FUND

REFERENCE: IC 36-9-17

The general improvement fund should be classified as a capital projects fund.

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. The aggregate sum which may be appropriated and levied shall not exceed the equivalent of sixteen and sixty-seven hundredths cents ($0.1667) on each one hundred dollars ($100) net taxable valuation of property in the municipality. [IC 36-9-17-5]

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 under IC 36-9-17-6.]

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.
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.

UTILITY FUNDS

INTRODUCTION

When the Clerk-Treasurer serves as treasurer of the utility funds each fund shall be kept 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 8-1.5-3.5  - Water Bill adjustments for undetected leaks
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.
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 possible. 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 in Chapter 6, Section A.

**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**

2019

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


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.

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
Wastewater (Sewage) Operating Fund
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 the restrictions placed upon the use of the foregoing fund.

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

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**


**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.

**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**


**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**


**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.

**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 the Chart of Accounts and expenditure categories will be the same that is provided for the General Fund. Please refer to Chapter 4, Section B.
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.

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.

PAYROLL FUND

In order to simplify the handling of withholdings from employees' salaries and wages, a city or town may use a "Payroll Fund."

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 for each fund, 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 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. 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.

**PAYROLL DEDUCTION FUNDS**

Payroll Deduction Funds are used only where a Payroll Fund is not utilized. If a payroll fund is used 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 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 Indiana Public Retirement System (INPRS), 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.

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)