YEAR END DUTIES

The following is a listing of duties and reports that occur each year end. Some of the articles have been published in this issue.

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OFFICE INQUIRIES

Letters written to this office should be addressed to the State Examiner, 302 W. Washington St., Room E-418, Indianapolis, Indiana 46204-2765. This will permit us to give prompt attention to your letter.

STATE BOARD OF ACCOUNTS

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CANCELATION OF WARRANTIES – OLD OUTSTANDING CHECKS

Pursuant to IC 5-11-10.5, all checks outstanding and unpaid for a period of two years as of December 31 of each year shall be declared cancelled.

Not later than March 1 of each year, the controller or clerk-treasurer shall prepare or cause to be prepared a list in duplicate of all checks outstanding for two or more years as of December 31 last preceding. The original copy shall be filed with the city or town council and the duplicate copy maintained by the controller or clerk-treasurer of the city or town. The controller or clerk-treasurer shall enter the amounts so listed as a receipt to the fund or funds upon which they were originally drawn and remove the checks from the list of outstanding checks. If the fund from which the check was originally drawn is not in existence or cannot be ascertained, the amount of the outstanding check shall be receipted into the general fund of the city or town.

FEDERAL AND STATE MILEAGE RATES

It is our understanding that effective January 1, 2009, the Federal mileage rate will be reduced from 58 ½ cents per mile to 55 cents per mile. The State mileage rate is 44 cents per mile.

SOCIAL SECURITY TAX BASE CHANGES JANUARY 1

The 2009 contribution rate will remain at a total of 15.3 percent. The tax rate for both employees and employer for 2009 will be 7.65 percent. (6.2% Social Security and 1.45% Medicare)

We further understand that the maximum amount of earnings that will be subject to Social Security contributions will be raised from $102,000 to $106,800 effective January 1, 2009.

Please contact the Internal Revenue Service at 1-800-829-1040 if you should have questions on this matter.

ENCumbered Appropriations – Balance Available

With the opening of a new budget year and a new set of ledgers, it is to the advantage of a municipality to review the unpaid purchase orders and contracts which remain on the ledgers as “encumbered.”

Those items under purchase order or contract are to be added for each appropriation account and the total carried to the new 2009 corresponding account. The actual unpaid amount of the purchase orders or contracts should be totaled and shown as a separate amount on the appropriation ledger sheet for 2009, with proper explanation, and added to the 2009 appropriation for the same purpose. By properly carrying out this procedure, the 2009 budget will not be expected to stand any expense not anticipated in making the budget.
ENCUMBERED APPROPRIATIONS – BALANCE AVAILABLE – (Continued)

We suggest the proper officials of the city or town make a listing of these encumbered items and make it part of their minutes in their last business meeting of the year. The Department of Local Government Finance should be sent a copy of the listing by the end of January.

Keep in mind the appropriations encumbered and carried forward can be used for no other purpose other than the purchase order or the contract for which they were appropriated.

DORMANT FUND BALANCES - TRANSFERS AUTHORIZED

IC 36-1-8-5 gives city and town councils authority to order the transfer of any unused and unencumbered balance in any fund raised by a general or special tax levy, the purposes of which have been fulfilled, to the general fund or rainy day fund. This action may be taken by a city or town council at any public meeting.

IC 36-1-8-5 states in part:

“(a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision.

(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise….. (2) Funds of a municipality, to the general fund or rainy day fund of the municipality…”

ANNUAL OPERATIONAL REPORT - LOCAL ROAD AND STREET OPERATIONS

Indiana Code 8-17-4.1 requires an operational report to be prepared by all cities and towns having a population of 20,000 or more with road and street responsibilities. The report shall list all receipts and disbursements related to the municipality’s road and street system made from any of the municipal funds.

A copy shall be filed with the State Board of Accounts, the governing body of the municipality, LTAP, and the Planning Division of the State Department of Transportation by June 1 of the year next following the operational report year. The report shall also be made available to the public and press.

The annual operational report shall be prepared and filed on City and Town Form No. 225. A copy of the report will be furnished to all affected city and town offices by the State Board of Accounts in January.
FIRE PROTECTION CONTRACTS WITH VOLUNTEER FIRE COMPANIES

IC 36-8-12-3 authorizes cities and towns to enter into agreements with one or more volunteer fire companies that maintain adequate firefighting service for the use and operation of firefighting apparatus and equipment owned by the volunteer fire company, including the service of operators of the apparatus and equipment.

IC 36-8-12-4 states the contract must provide an amount determined by negotiation between the municipality and volunteer fire company. The consideration must include the amounts the unit is required to pay under IC 36-8-12 for insurance premiums and clothing, automobile, and other allowances.

If the contractual agreement is properly drawn, an added benefit gained is the elimination of the problem of the governmental unit reporting clothing and auto allowances to the Internal Revenue Service and the Indiana Department of Revenue. Since the contractual payments are lump sum to the volunteer fire company, the volunteer fire company assumes the responsibility for making the payments of allowances to the volunteer firefighters and for reporting of such payments.

Year end is a good time to review existing contracts for fire protection. If renewals or changes in contracts are necessary, such renewals or changes should be made under the guidance of the city or town attorney. All agreements for fire protection should be in writing and the agreements must be preserved as any other public documents. There is no statutory authority to make contractual payments to volunteer fire companies unless an agreement has been entered into.

REPORT OF NAMES, ADDRESSES, DEPUTIES AND COMPENSATION OF PUBLIC EMPLOYEES

All cities and towns must file with the State Examiner, State Board of Accounts, 302 West Washington St., Room E418, Indianapolis, Indiana, 46204, on or before January 31, Form 100-R, a certified Report of Names, Addresses, Duties and Compensation of Public Employees. This report is required by IC 5-11-13. If a computer printout can supply all of the required information, it can be substituted in place of Form 100-R as long as it contains the certificate section on the last page of the form. Only the business address of each officer or employee listed is to be included on the form. An electronic version of the form is available on our website at www.in.gov/sboa.

CERTIFICATION OF NAMES AND ADDRESSES TO COUNTY TREASURER

IC 6-1.1-22-14 state that on or before June 1 and December 1 of each year, the disbursing officer of each political subdivision shall certify the name and address of each person who has money due the person from the political subdivision to the county treasurer of each county in which the political subdivision is located. Upon the receipt of this information, the county treasurer shall search the records to ascertain if any person so certified is delinquent in the payment of property taxes.
CERTIFICATION OF NAMES AND ADDRESSES TO COUNTY TREASURER –
(Continued)

IC 6-1.1-22-15 states that if the county treasurer finds that a person whose name is certified to him under 6-1.1-22-14 is delinquent in the payment of taxes, he shall certify the name of that person and the amount of delinquency to the official of the political subdivision who is to make payment to the person. The disbursing officer shall periodically make deductions from money due the person and shall pay the amount of these deductions to the county treasurer.

ANNUAL REPORT

IC 5-3-1-3 provides that each city controller or city and town clerk-treasurer shall have published an annual report of the receipts and expenditures of such city or town within sixty days after the close of each calendar year. The total indebtedness at December 31 of such municipality must also be shown on this published report.

The annual report is to be published one time in two newspapers unless there is only one newspaper in the city or town, in which case publication in the one newspaper is sufficient. If no newspaper is published in the city or town, then publication is to be made in a newspaper published in the county in which the city or town is located and that circulates within the city or town.

All second class cities and those cities and towns that prepare a Comprehensive Annual Financial Report (CAFR) will complete form CTAR-2. All the other cities and towns will complete CTAR-1.

The certification on the cover page, Parts 1 and 6, with the accompanying footnote, shall be published. In our opinion, this publication will satisfy state statutes, Local Governmental Data Base input documents, and Bureau of Census annual reporting requirements. You should use and/or publish only those parts that apply to your particular unit. (For instance, if you have no long-term indebtedness at December 31, 2008, it will not be necessary for you to include and publish Part 6 of the report.) If questions arise, please call (317) 232-2521.

Computer disks with instructions were mailed to all municipal fiscal officers early in December.
PUBLICATION OF ANNUAL REPORT IN PAMPHLET FORM-SECOND CLASS CITIES

IC 36-4-10-5(b)(5) requires the city fiscal officer of a second class city to “submit under oath to the city legislative body a report of the accounts of the city published in pamphlet form and showing revenues, receipts, expenditures, and the sources of revenues.” It appears furnishing the common council a copy of the Annual City and Town Annual Report, CTAR-2, Part 1 through Part 6, would fulfill the requirements of this statute. Please note that this statute does not apply to Towns or Third Class Cities.

POLICE AND FIRE DEATH BENEFITS

The heirs or estates of active or retired members of the 1925, 1937, or 1977 police and fire pension plans are entitled to receive a funeral benefit of at least twelve thousand dollars ($12,000) upon death of a member of such pension plans. [IC 36-8-6-9.8, IC 36-8-7-13, and IC 36-8-8-16]

SEWER SYSTEM – CUMULATIVE BUILDING AND SINKING FUND

A municipality may, by ordinance, establish a cumulative building and sinking fund under IC 6-1.1-41 to provide money for one (1) or more of the following purposes:

1. The planning, erection, remodeling, extension, and repair of sewage disposal plants and sewers to convey sanitary sewage to those plants.
2. The construction, remodeling, repair, and extension of storm sewers.
3. Relief sewers and drains in aid of the sanitary system or storm sewers.
4. The payment of the municipality’s part of the costs of any public sewer or drainage project that:
   (A) lies partly or wholly within the municipality; and
   (B) aids or is connected to the sewage collection or drainage system of the municipality.
5. The payment of the part of any project that is allocable to property owners by special assessment under IC 36-9-39, for repayment to the cumulative building and sinking fund.

The statement for repayment under (5) shall be mailed to the property owner separately from the property tax statement. [IC 36-9-26-2]

A municipality that has established a cumulative building and sinking fund may levy a tax in compliance with IC 6-1.1-41 not to exceed one dollar ($1) on each one hundred dollars ($100) of taxable property in the municipality. [IC 36-9-26-4]
CONTRACTS FOR COLLECTION AND DISPOSAL OF SOLID WASTE

IC 36-9-30-5 provides that a city or town may contract with persons for the collection or disposal of solid waste. The contract may provide that persons contracted with have the exclusive right to collect or dispose of solid waste under IC 36-9-30-4.

A city or town may contract with any business or institution for the collection and disposal of industrial, commercial, or institutional solid waste. All fees collected by the unit shall be deposited in the treasury of the city or town for the administration, operation, and maintenance of the solid waste collection and disposal project.

A city or town may contract for the use of privately owned solid waste disposal facilities.

If a contract executed under IC 36-9-30-5 (a) or (b) will yield gross revenue to a contractor (other than a governmental entity) of at least twenty-five thousand dollars ($25,000) during the time it is in effect, then the city or town must comply with IC 36-1-12-4 in awarding the contract. The city or town shall require the bidder to submit a financial statement, a statement of experience, the bidder’s proposed plan or plans for performing the contract, and the equipment that the bidder has available for the performance of the contract. The statement shall be submitted on forms prescribed by the State Board of Accounts. IC 36-1-12-4(b)(6) does not apply to this procedure.

A city or town may contract with private persons that operate facilities that combine significant elements of recycling or production of refuse derived fuel.

REDEVELOPMENT COMMISSION – TAX LEVY

IC 36-7-14-28 provides for the establishment of a “Redevelopment District General Fund” and “Redevelopment District Capital Fund.” The statutes contemplate separate budgets for these two funds for which the total combined rate for both funds could not exceed ($0.0333) per $100.00 of assessed valuation. The budgets should be prepared on the same forms and in the same manner as the budget estimates for other executive departments of the city or town and submitted to the city or town council, tax adjustment board and Department of Local Government Finance.

UNEMPLOYMENT COMPENSATION ON VOLUNTEER FIREFIGHTERS

Compensation paid to volunteer firefighters by a political subdivision shall not be included when computing the amount of wages subject to tax for unemployment compensation purposes. (IC 22-4-8-2)
BANDS AND ORCHESTAS

Under prior law (IC 19-7-26), a common council of a city or a town council of a town could make annual appropriations for the purpose of maintaining and employing bands and orchestras to furnish music in public places and parks. Since this statute was repealed in 1981, a city or town should use the following when appropriating money for bands and orchestras.

The audit position of the State Board of Accounts is that if local units wish to provide bands and orchestras they should: (1) follow the provisions of IC 36-1-3, the Home Rule statute; (2) cite IC 36-10-2-2 and IC 36-10-2-4 in the home rule ordinance enacted; and (3) follow the provisions of the ordinance and the cited statutes. By doing this, cities and towns would not be subjected to exception in our audit reports.

IC 36-10-2-2 states: “A unit may establish, aid, maintain, and operate public parks, playgrounds, and recreation facilities and programs.

IC 36-10-2-4 states: “A unit may establish, aid, maintain, and operate libraries and museums, cultural, historical and scientific facilities and programs, and community restitution or service facilities and programs.”

MONTHLY BANK RECONCILEMENTS

IC 5-13-6-1(e) states that all local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of local officers, with the balance statements provided by the respective depositories.

FINAL ACTION ON BUDGETS

If any reduction is made by the Department of Local Government Finance in your budget and tax levy, the appropriating body should comply with the section of the budget law found in IC 6-1.1-18-4 which is quoted below:

“Appropriations not to exceed budget – Except as otherwise provided in this chapter, the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article.”
CITY AND TOWN COURTS – JUDGMENTS ON OVERWEIGHT VEHICLES

Infraction judgments levied for overweight vehicles should be accounted for in the following manner:

1. All overweight infraction judgments shall be indicated separately as “Overweight Vehicle Fines” on City or Town Form No. 214, City/Town Court Receipt.

2. The receipts shall be posted as “Overweight Vehicle Fines” on City and Town Form No. 213, City/Town Court Cash Book.

3. Monthly, the total of all overweight infraction judgments shall be transmitted to the County Auditor (along with state fines and forfeitures) on City and Town Form No. 217, Report to County Auditor of Fines and Forfeitures Collect in City/Town Court. The total overweight infraction judgments shall be indicated separately on the transmittal as “Overweight Vehicle Fines.” They should not be included as State Fines and Forfeitures.

4. The County Auditor shall quietus the collections reported by the Clerk of the City/Town Court to a separate fund entitled “Overweight Vehicle Fines.” Such collections shall be transmitted to the Auditor of State.

5. Pursuant to IC 9-20-18-12, the Auditor of State will deposit such judgments into the State Highway Fund.

INDEX TO BULLETINS

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The articles appearing in the year 1998 and prior issues have been revised and reprinted in later issues. Also, articles revised in later issues that are obsolete have been omitted from the index. Please discard all issues prior to March 1999.
SURPLUS BOND PROCEEDS

Notwithstanding any other law, whenever:

(1) bonds are issued by any local issuing body in the state of Indiana for any lawful purpose or project;
(2) the purpose or project for which the bonds were issued has been accomplished or abandoned; and
(3) a surplus remains from the proceeds of the bonds or investment earnings derived from the proceeds of those bonds;

the local issuing body may use the surplus only in the following manner.

The legislative body or other governing body of any such local issuing body may by an order, ordinance, or resolution entered of record direct the disbursing officer of such local issuing body to transfer the surplus bond proceeds or investment earnings to the fund of the local issuing body pledged to the payment of principal and interest on those bonds, and upon such order, ordinance, or resolution being made, the disbursing officer shall make such transfer. Thereafter such funds transferred shall be used for the payment of the bonds to which the surplus bond proceeds or investment earnings are attributable or interest due for such bonds.

Surplus bond proceeds or investment earnings may be used by a local issuing body for the following purposes:

(1) To maintain a debt service reserve fund for the bonds to which the surplus bond proceeds or investment earnings are attributable, at the level required under the terms of the bonds, if the local issuing body adopts an ordinance, resolution, or order authorizing that use of the proceeds or earnings.
(2) To pay the principal or interest, or both, on any other bonds of the local issuing body, if the local issuing body adopts an ordinance, a resolution, or an order authorizing the use of the surplus proceeds to pay principal or interest on the bonds.
(3) To reduce the rate or amount of ad valorem property taxes, special benefit taxes on property, or tax increment revenues imposed by or allocated to the local issuing body.

Surplus bond proceeds or investment earnings from bonds that are not payable from ad valorem property taxes, special benefit taxes on property, or tax increment revenues derived from property taxes may be used by a local issuing body for the same purpose or type of project for which the bonds were originally issued, if:

(1) the fiscal officer of the local issuing body certifies before or at the time of that use that the surplus was not anticipated at the time of issuance of the bonds; and
(2) the board or legislative body responsible for issuing the bonds takes action approving the use of surplus bond proceeds or investment earnings for the same purpose or type of project for which the bonds were originally issued.

[IC 5-1-13-2]
CITIES AND TOWNS BULLETIN
AND UNIFORM COMPLIANCE GUIDELINES

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HAPPY HOLIDAYS

We would like to take this opportunity to look back on the many warm associations that we have been blessed with. The outstanding cooperation and help that we are extended by city and town officials is truly appreciated.

From each of us and our staff to each of you and your staff, we send our best wishes for the holidays and our sincere wishes for a prosperous and happy New Year.

Bruce Hartman
State Examiner

Mike Bokymski
Deputy State Examiner

Paul D. Joyce
Deputy State Examiner