

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## Library Capital Projects Fund ("CPF") Frequently Asked Questions July 1, 2013

**PLEASE NOTE:** This memorandum is intended to be an informative bulletin; it is not a substitute for reading the law.

### PURCHASES FROM THE CPF

#### **Can vehicles be purchased through the CPF?**

No. 50 IAC 9-1-3 explicitly excludes "vehicle[s] subject to licensing under IC 9" from the term "equipment."

#### **May library materials and/or books be purchased through the CPF?**

No. The CPF cannot be used to purchase library materials and/or books, with the exception of computer software.

#### **May the CPF Plan include feasibility studies and architect fees?**

Yes. The planned expenditures should be included in item one (1) ("Planned construction, repair, replacement, or remodeling") of the capital projects fund plan summary. If the architect fees are to be reimbursed, such as in the formation of a holding corporation, the anticipated reimbursement would be included in the CPF plan summary as other revenue.

#### **May we pay for architect fees to design a building that a holding corporation will purchase at a later date?**

Yes. The CPF plan should anticipate the expenditures under item one (1) on the plan summary. If the library anticipates reimbursement from the holding corporation, the reimbursement should be estimated under "other revenue."

#### **What are some examples of "replacements" (Item One (1) under current expenditures of the Plan)?**

Replacements may include carpet, shelving, and computer equipment. For specific questions about what is a replacement item, contact the Department of Local Government Finance ("Department") or the State Board of accounts ("SBOA").

**Should we include a narrative section in the Plan format for site development?**

Yes.

**Is landscaping considered part of site development?**

It depends on what type of landscaping. Please refer specific questions to the Department or SBOA.

### **APPROPRIATIONS**

**If we spend less than planned in one portion of the CPF Plan, may we transfer the surplus appropriations to another area where we would like to spend more than planned?**

No. A CPF plan cannot be changed once it has been approved by the Department except in the case of an amendment approved for an emergency or an appropriation of an allocation for a future project in a year earlier than planned.

**If we do not spend all of the CPF appropriations for a given year or we have encumbrances, would those amounts be included in the ensuing year's January 1 cash balance?**

The January 1 cash balance on the CPF plan summary is the estimated or anticipated cash balance for the ensuing year. If you anticipate unexpended appropriations or encumbrances for the current year's plan, then those amounts would be included in the estimated January 1 cash balance for the ensuing year. The January 1 cash balance may also include allocation for future projects from the previous year(s).

**If the CPF Plan is denied but there is a cash balance in the CPF, can I do an additional appropriation to spend that money?**

No. If the plan is denied, you may not appropriate funds in the CPF. A Library desiring to close a CPF may, after the final tax settlement, adopt an ordinance to close the fund and transfer the remaining fund balances to either the operating fund or the rainy day fund. The ordinance may direct any remaining balances to one or both funds. The next year's operating fund budget may be prepared by merging the CPF balances and appropriations into the operating fund in anticipation of closing the CPF. The budget advertisement for the following year's budget will show the budget and levy amounts for the operating fund as including the CPF amounts.

### **THE LIBRARY'S FISCAL BODY**

**Must the fiscal body that approves the CPF Plan advertise the public hearing the fiscal body must conduct before voting to approve or reject the Library's CPF Plan?**

Yes. The fiscal officer must give notice of the public hearing. Although IC 36-12-12 does not dictate the advertising requirements for the fiscal body, it does subject the Library's

advertisement to IC 5-3-1-2. Thus, the Department suggests and expects that the fiscal body follow the same procedure whereby the notice is published one time at least ten days before the date of the hearing in the appropriate number of newspapers in accordance with IC 5-3-1-4. The Library may offer to publish this notice for the fiscal body to ensure that the advertisement complies with the necessary requirements.

**How do we certify copies of the CPF Plan to the fiscal body and the Department?**

A certificate of submission signed by the library board secretary attesting to the timely submission of the Plan to the fiscal body will suffice. A suggested certification form is included with the CPF memo. The Library's submission to the Department of its resolution, proofs of publication of the Notice to Taxpayers and Notice of Adoption, Certificate of Submission to the fiscal body, proof of publication of the fiscal body's Notice to Taxpayers, a copy of the fiscal body's resolution or ordinance, and a copy of the Plan will suffice as certification to the Department.

**Can the library pay for the advertisement of the fiscal body's public hearing?**

Yes, the library may submit the fiscal body's Notice to Taxpayers to the appropriate newspaper(s) and pay for the advertisement.

**Is there a prescribed format for the Notice to Taxpayers of the public hearing by the fiscal body?**

A suggested format is included with the CPF memo.

**Some fiscal bodies advertise the entire CPF Plan with the Notice to Taxpayers. Is this permissible?**

Yes, but it is not required. The fiscal body only needs to advertise the date, time, and location of the hearing. The ad must note that the fiscal body plans to discuss the CPF Plan. A suggested format of the fiscal body Notice to Taxpayers is included with the CPF memo.

**Is it possible for a fiscal body to approve appropriations for a CPF Plan but not approve a tax rate and levy?**

Yes.

**Can a fiscal body approve a lower tax rate and/or levy than those adopted by the Library board?**

No.

## PLAN AMENDMENTS (EMERGENCIES)

**May we amend the CPF Plan for non-emergency reasons?**

No. Libraries may only amend the CPF plan for emergency reasons as outlined in IC 36-12-12-9.

**If an emergency situation occurs and we need to use CPF moneys, how do we contact the Department?**

The Department may be reached by telephone (317-232-0651) and by fax (317-974-1629). A written explanation of the emergency and the proposal for an amendment to the CPF plan must also be submitted.

**What if an emergency situation occurs and the Library does not have appropriations in the emergency allocation line item to cover the emergency?**

The Library would need to amend its CPF Plan.

**How quickly can an emergency amendment be approved by the Department?**

The Department reviews CPF emergency amendments as soon as possible. Please contact the Department for assistance in preparing an amendment to your Plan.

## ESTABLISHING THE FUND AND THE BUDGET PROCESS

**If I receive an order approving the Library CPF Plan, must I also go through the normal budget process?**

Yes. The submission of the Plan to the Department is for approval of only the Plan only. The budget process is subject to IC 6-1.1-17. The CPF must be advertised and adopted as would any other fund for the ensuing budget year. Failure to do so will result in the appropriations, levy, and rate being denied.

**Is the CPF the same as the Library Improvement Reserve Fund ("LIRF")?**

No. Funds for accumulation in the LIRF come from the operating fund budget as a transfer to LIRF and fall within the maximum levy limit set for the operating fund. The library may levy a separate tax rate of not more than one and sixty-seven hundredths cents (\$.0167) annually for accumulation of funds in the CPF. The CPF also falls within the maximum levy limits.

**Does the CPF replace the LIRF?**

No. Both funds are permitted under Indiana law (CPF: IC 36-12-12 and LIRF: IC 36-12-3-11).

**Must I go through the Plan and budget procedure to expend funds even if our Library does not want a tax rate?**

Yes. Indiana Code 36-12-12-8 states that the Department may approve appropriations from the CPF only if the appropriations conform to a plan that has been advertised and adopted.

**I advertised a \$.0133 rate for my CPF in my annual budget. When I received my budget certification, the rate was reduced to \$.005. Why didn't I receive the full rate?**

The Library CPF rate is based upon the need shown in the plan. Need refers to the total current expenditures and allocation for future projects. During the budget process, the rate approved will be lowered if current expenditures and allocation for future projects can be funded at a lower rate. Also, the rate could be lower because of the adjustment made per IC 6-1.1-18-12.

### REVENUES, CASH, AND OPERATING BALANCE

**Where does the January 1 cash balance come from on the CPF Plan Summary?**

A cash balance in the CPF Plan can only come from allocations for future projects from the previous year(s) or unexpended appropriations from the previous year(s).

A narrative within the Plan must indicate the sources of the anticipated January 1 cash balance for the ensuing year. Later year cash balances reflect the previous year future allocation amount.

**Isn't my operating balance the same as my future allocations?**

Yes, the operating balance is the amount of future allocations detailed in your Plan. Keep in mind that the Department will not approve a future allocation (line 11) that is higher than what is adopted in the Plan.

### ACCOUNTING FOR CPFs

**What if I have money left over in my CPF and it is not appropriated for anything?**

The money will remain in the fund and will be accounted for in the operating balance.

**If we use the CPF to help pay for a project that includes bonds as part of the financing, do we disburse the bond proceeds through the CPF?**

No. Bond proceeds for a project are disbursed through a construction fund.

**What if my ensuing year's CPF Plan is denied and I have funds left over?**

You will have a CPF with a cash balance. This cash balance cannot be transferred to the library operating fund or rainy day fund unless the CPF is closed.

**Does the interest generated from the cash in the CPF need to be receipted to the CPF?**

Yes. Refer specific questions about this to SBOA.

**Do we need to set up a separate fund to account for the CPF Plan?**

Yes.

**Are there any special accounting guidelines associated with the CPF?**

Generally this fund is handled like any other fund. Please refer specific questions to SBOA.

**Do we include our local matching funds for a CPF project in the estimates of "Other Revenue" in the CPF Plan Summary for each fiscal year?**

No. Local matching funds should be appropriated in the LIRF or other special fund and should not be included in the CPF Plan Summary or the CPF budget. A description and explanation of use of the local matching funds should be included as a part of the narrative describing the CPF Plan.

#### OTHER

**Can the public hearing be held on the same day as a regular Library board meeting? Can the public hearing be held one hour before the board meeting?**

Yes, if advertised correctly beforehand, the public hearing for the CPF may be held on the same day as the Library board meeting and can be held an hour before the board meeting. The public hearing must be held on the date and time advertised in the Notice to Taxpayers and must precede adoption of the Plan.

**If I am accumulating money in my future allocations for a new roof (1/3 of the cost each year) and the fiscal body denies my future allocation for the final (3rd) year, can I still purchase the roof if I have sufficient money in my fund?**

No, but it may be possible to purchase the roof through an emergency amendment. Contact the Department.

**Will the ad from the paper be sufficient Proof of Publication?**

Yes.

**Is the annual cost for telephone lines an allowable expense from the CPF?**

No, telephone lines are not considered equipment, so the rental charges for this item are not an allowable expense.

**Is the cost of internet service an allowable expense for the CPF (this would include educational services provided through the internet)?**

The initial cost for the installation of the lines could be an allowable expense. However, the monthly fees for internet service would not qualify.