

CITIES AND TOWNS BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

SEPTEMBER 2014

PAGE 1

JUNE TRAINING SCHOOL

The State Board of Accounts extends its deepest appreciation to the officers and committees of the Indiana League of Municipal Clerks and Treasurers for making the arrangements and to the Indiana Association of Cities and Towns for handling the registrations at the school in French Lick. Next year's June School will be held at the Westin Hotel in downtown Indianapolis as part of the League's Annual Conference during the week of June 7 through 11. Please note that the League's Fall District meetings will again qualify as State-called meeting days. This year's meetings will be in Middlebury on October 9 and in Columbus on October 29. Registration information will be sent out by the League for the District meetings.

CITY AND TOWN COURT COST FUND

Cities and towns may qualify for a distribution of the court costs collected by the various county courts. To qualify, your municipality must have maintained a law enforcement agency that prosecutes at least fifty percent (50%) of its ordinance violations in a circuit, superior, or county court located in the county.

IC 33-37-7-6 states:

“(a) Three percent (3%) of the amount of fees collected under IC 33-37-4-1(a), IC 33-37-4-2(a), IC 33-37-4-3(a), IC 33-37-4-4(a), IC 33-37-4-5(a), IC 33-37-4-6(a)(1), IC 33-37-4-7(a), and IC 33-37-5-17 is the qualified municipality share to be distributed to each city and town maintaining a law enforcement agency that prosecutes at least fifty percent (50%) of its ordinance violations in a circuit, superior, or county court located in the county.

(b) The county auditor shall determine the amount to be distributed to each city and town qualified under subsection (a) as follows:

Step One: Determine the population of the qualified city or town.

Step Two: Add the populations of all qualified cities and towns determined in STEP ONE.

Step Three: Divide the population of each qualified city and town by the sum determined under STEP TWO.

Step Four: Multiply the result determined under STEP THREE for each qualified city and town by the amount of the qualified municipality share.

(c) The county auditor shall semiannually distribute to each city and town described in subsection (a) the amount computed for that city or town under STEP FOUR of subsection (b).”

CITY AND TOWN COURT COST FUND – (Continued)

When the county auditor receives the court costs due to the county from the Clerk of the Circuit Court, the auditor will place three percent (3%) of the total court costs collected into a separate city and town court cost fund. Semiannually, the county auditor shall distribute the amount accumulated to each city and town that “prosecutes at least fifty percent (50%) of its ordinance violations in a circuit, superior, or county court located in the county.” The distribution shall be made to all qualified cities and towns based upon their individual proportionate share of population related to the total population of all the qualified cities and towns. The city or town fiscal officer shall receipt the distribution to the General Fund of the unit.

Each city and town that qualifies is encouraged to contact the county auditor in your county each May and November to ensure receipt of such distribution.

Several questions concerning the distribution of the City and Town Court Cost Fund by the County Auditor have been asked by city, town, and county officials. The questions along with our audit positions are as follows:

Question #1: What must a municipality do to qualify for a share of the City and Town Court Cost Fund?

Answer #1: A municipality must maintain a law enforcement agency and prosecute at least fifty percent (50%) of its ordinance violations in a Circuit, Superior, or County Court located in the County. The County Auditor shall determine the amount to be distributed to each qualified city and town. (IC 33-37-7-6)

Question #2: Does a City ordinance violation filed in County Court qualify the City to receive such funds even if the case is dismissed by the City?

Answer #2: No. The City must prosecute the case in order to qualify.

Question #3: In which semiannual period does the city or town receive a share of such funds assuming only one (1) case is filed? Is it the period in which the case was filed or is it the period in which it was prosecuted?

Answer #3: The period in which the case was prosecuted would govern the period of distribution. Distributions are to be made semiannually (June and December) for the previous six (6) months collections.

Question #4: Can a city or a town with an ordinance violations bureau qualify for the distribution?

Answer #4: Yes, IC 33-36-3-6(b) states that ordinances processed through an ordinance violations bureau are not to be considered in determining whether the unit prosecuted at least fifty percent (50%) of its ordinance violations in a Circuit, Superior, or County Court.

Question #5: What fund does a city/town receipt the distributions?

Answer #5: Distributions should be receipted to the General Fund.

CLERK-TREASURER - RECEIPT AND CARE OF MONEY

IC 36-4-10-4.5(b)(1) and IC 36-5-6-6(a)(1) require city and town clerk-treasurers to receive and care for all city and town money and pay the money out only on order of the proper approving body.

DESIGNATION OF DEPOSITORIES – DEPOSITING RECEIPTS

IC 5-13-6-1(d) requires cities and towns to deposit all funds not later than the next business day following the receipt of funds in depositories selected by the city or town as provided in an ordinance adopted by the city or town and approved as depositories of state funds.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision should be deposited intact.

CASH RESERVE FUND

Pursuant to IC 8-1.5-3-11, the municipal legislative body (common council and town council), with the approval of the board, may “transfer” surplus earnings of the utility (heat, light, water or gas utility) to the general fund. (The term “Board” is defined to mean the utility’s controlling body which may be either (1) the municipal works board; (2) the common council or town council; (3) a utility service board; or, (4) the board of directors of a department of waterworks.) The money can be transferred only if terms and conditions of any bond ordinance, resolution, indenture, contract, or similar instrument binding on the utility have been satisfied. (IC 8-1.5-3-11(a))

1. “A cash reserve fund shall be established by ordinance and carried on the records of the utility or utilities. The fund shall be used to account for “monthly contributions or transfers.....of surplus earnings of the utility or utilities.” (IC 8-1-5-3-11(b))
2. “The term “surplus earnings” is defined to mean “those cash earnings remaining after provision has been made to take care of current obligations such as:
 - (a) operating expense;
 - (b) depreciation or replacement fund;
 - (c) bond and interest sinking fund;
 - (d) retirement fund;
 - (e) any other priority fund requirements fixed by law.” (IC 8-1.5-3-11(c))It follows, if there are no “surplus earnings” a cash reserve fund will receive no contributions or transfers.
3. “After creation of the cash reserve fund, the legislative body may include in the municipal general fund budget, as revenue in lieu of taxes, an amount equal to the actual balance in the cash reserve fund as of June 30 of the current year. However, the available cash reserve fund balance may be transferred to the municipal general fund only during the calendar year for which the budget was adopted, and transfers may not be made from any utility funds to the general fund except from the cash reserve fund.” ((IC 8-1-5-3-11(d))
4. “If at any time after the final approval of the budget an emergency should arise for further appropriations from the general fund, the legislative body, may, by ordinance, transfer additional money from the cash reserve fund to the general fund to provide for the additional appropriations, the transfer to be limited to the accretions to the cash reserve fund since the preceding June 30.” (IC 8-1.5-3-11(e))
5. “A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund.” (IC 8-1.5-3-11(f))

PUBLICATION OF LEGAL NOTICES – NUMBER OF NEWSPAPERS REQUIRED

IC 5-3-1-4(a) states that whenever officers of a political subdivision are required to publish a notice affecting the political subdivision, they shall publish the notice in two (2) newspapers published in the political subdivision.

IC 5-3-1-4(c) applies to notices by city, town or school corporation officers. If there is only one (1) newspaper published in the municipality or school corporation, then publication in that newspaper alone is sufficient. If no newspaper is published in the municipality or school corporation, then publication shall be made in a newspaper published in the county in which the municipality or school corporation is located and that circulates within the municipality or school corporation.

PROCUREMENT CARDS

We have received inquiries concerning the potential use of “procurement cards.” We understand some of the intended benefits of procurement cards are to add controls as to where purchases can be made; limit values of each purchase; prevent overspending the budget items; institute parameters on purchases; possibly reducing paperwork; etc.

The State Board of Accounts will not take exception to the use of procurement cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize procurement card use through an ordinance or resolution.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the procurement card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the procurement card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Procurement cards should be used in conjunction with the accounting system.
7. Payment should not be made on the basis of a statement or a procurement card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.
9. Procurement cards shall not be used to procure cash advances or at “ATM” machine or as a debit card.
10. An audit trail must exist for all transactions including changes made by an “administrator.”

PROCUREMENT CARDS – (Continued)

11. Access to transactions in accordance with the Public Records Law, IC 5-14-3-1 et seq. as appropriate must be assured.
12. Procurement card agreements should not contain references to debt.
13. Governmental units need to have available (if applicable) a copy of “SAS 70” audits of a sponsoring bank.

LOCAL ORDINANCE VIOLATIONS – ENFORCEMENT

Local ordinance enforcement is governed by IC 36-1-6 which sets out the procedures for handling the following types of ordinance violations:

1. Violations on Private Property (IC 36-1-6-2),
2. Proceedings to Enforce Ordinances (IC 36-1-6-3),
3. Injunctions (IC 36-1-6-4), and
4. Enforcement through proceedings before administrative bodies. (IC 36-1-6-9).

Violations on private property can be enforced by a city or town entering on the property and taking appropriate action to bring the property into compliance with a local ordinance. After proper notification requirements have been met, a city or town may certify the amount of any unpaid bill to bring the property into compliance to the county auditor who shall place such amount on the tax duplicate.

Certain ordinances may be enforced by a city or town without proceeding in court through:

1. an admission of violation before the violations clerk of an ordinance violation bureau under IC 33-36; or
2. administrative enforcement under IC 36-1-6-9.

An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5 which requires such cases to be heard in any circuit, superior, county, city or town court or traffic violations bureau designated by these courts. (IC 36-1-6-3).

A municipal corporation may bring civil action to enjoin any person from:

1. violating an ordinance regulating or prohibiting a condition or use of property; or
2. engaging in conduct without a license if an ordinance requires a license to engage in the conduct.

A city or town council may adopt an ordinance providing that certain other ordinances may be enforced through a proceeding before an administrative body of the city or town. Such ordinances brought before an administrative body are limited to those restricting or prohibiting actions harmful to the land, air, or water, or those ordinances that govern the use of the public way, or the standing or parking of vehicles. (IC 36-1-6-9)

PREMIUM AND ACCRUED INTEREST ON BONDS ISSUED AND SOLD

IC 5-1-12-2 states:

“Whenever any bonds are sold by any municipal corporation and when the successful bidder agrees to pay and does pay any premium as a part of the bid price of such bonds, any and all premiums so received shall constitute a part of the fund which is created to retire such bonds and to pay the interest thereon.”

In the sale of bonds, “accrued interest” is the interest accrued on the obligations from the date of the bonds to the date of their delivery to the purchaser. Interest coupons attached to bonds are for exact sums of money which the issuing authority is required to pay, but between the date of bonds and date of delivery and receiving payment of the bid price, no interest is actually earned. The accrued interest is simply a reimbursement to the municipal corporation for the unearned part of the interest the municipal corporation will be required to pay pursuant to its interest coupons.

Accrued interest also must be receipted to the bond and interest sinking fund in order for it to be used in retiring the bonds and interest. Only the principal sum of the bonds can be placed in the fund to carry out the project for which the bonds were issued.

DOCUMENT FEES – CITY OR TOWN COURT

A city or town court shall collect a fee of one dollar (\$1) per legal size or letter size page, including a page only partially covered with writing, for preparing a transcript or copy of any record. However, this would not apply to the transmitting of a document by facsimile machine or other electronic device. (IC 33-37-5-1)

COURTS – LATE PAYMENT FEES

A court may adopt a local rule to impose a late payment fee on defendants paying court costs, fees, fines and civil penalties after the due dates set by the court for payment of such amounts. The clerk of a court that adopts a local rule imposing a late payment fee shall collect a late payment fee of twenty-five dollars (\$25) from the defendant.

The clerk of a city or town court shall distribute monthly to the city or town fiscal officer one hundred percent (100%) of the late payment fees collected. The city or town fiscal officer shall deposit fees distributed by a clerk in the city or town general fund. (IC 33-37-5-22) (IC 33-37-7-8)

CLERK'S RECORD PERPETUATION FUND

IC 33-37-5-2 requires each city or town operating a city or town court to establish a clerk's record perpetuation fund. The following shall be deposited in the fund:

1. revenue received by the court clerk for the transmitting of documents by facsimile machine to a person under IC 5-14-3; and
2. document storage fees required under IC 33-37-5-20.

Such fees are to be remitted by the court to the city or town fiscal officer at the end of each month.

The clerk of a city or town court may use the money in the fund for the preservation of records, the improvement of record keeping systems and equipment, and a case management system. The fund would require appropriation.

PRETRIAL DIVERSION PROGRAM FEES

Instead of the criminal costs fee prescribed by IC 33-37-4-1 the clerk shall collect a pretrial diversion program fee if an agreement between the prosecuting attorney and the accused person entered into under IC 33-39-1-8 require payment of those fees by the accused person. The pretrial diversion program fee is:

1. an initial user's fee of fifty dollars (\$50);
2. a monthly user's fee of ten dollars (\$10) for each month that the person remains in the pretrial diversion program.

The clerk of the city or town court shall transfer to the city or town fiscal officer, not later than thirty (30) days after the fees are collected, any pretrial diversion fees collected by the clerk. The fiscal officer shall deposit such fees in the city or town user fee fund.

IC 33-37-8-4 states that upon receipt of monthly claims submitted on oath to the fiscal body by a pretrial diversion program, the fiscal body of the city or town shall appropriate from the city or town fund to the program the amount collected for the program under IC 33-37-5.

Additional fees to be collected from persons placed in a pretrial diversion program include a deferred prosecution fee, a public defense administration fee, a judicial insurance adjustment fee, a judicial salaries fee, a court administration fee, a DNA sample processing fee, a document storage fee, a highway worksite zone fee for a driving offense, and an automated record keeping - deferral division fee.

OFFICIAL BONDS – TERM

Based upon language contained in IC 5-4-1-9, it is our audit position that an official bond written to cover an elected city or town officer's term of office would satisfy the bonding requirements in IC 5-4-1-18.

If such official is subsequently reelected, it is our audit position that a new bond be acquired in lieu of a continuation certificate.

AUSTIN AND PRIDE RETIRE - CALDWELL BEGINS

Todd Austin and Charlie Pride recently retired after 34 and 36 years of service, respectively, with the State Board of Accounts.

We want to welcome Todd Caldwell as the new Director of Cities and Towns. Todd is a graduate of Ball State University and resides in Pendleton. Todd has over 25 years experience with the State Board of Accounts. You may contact Todd at tcaldwell@sboa.in.gov.

EMPLOYERS WITH EMPLOYEES IN A COMBAT ZONE - IRS REGULATIONS**Military Differential Pay**

Note: Rules for reporting military differential pay changed Jan. 1, 2009. The answers below reflect the current information. For information on reporting military differential pay before 2009, see Publication 15 for the appropriate year.

Q-36: What is military differential pay?

A-36: Some employers voluntarily agree to continue paying full wages to their employees who are called to active duty. This is commonly referred to as differential pay. Differential pay is any payment made by an employer to an individual for a period during which the individual is performing service in the uniformed services while on active duty for a period of more than 30 days and represents all or a portion of the wages the individual would have received from the employer if the individual were performing services for the employer.

Q-37: If an employer pays military differential pay to an employee called to active duty, are these payments considered wages?

A-37: Yes, for income tax purposes.

Q-38: What is the tax treatment of military differential pay?

A-38: Beginning in 2009, military differential pay is wages and should be reported in box 1 of [Form W-2](#) as wages for income tax purposes. Military differential pay is includible as wages for income tax purposes on Form W-2, but is excludable from social security and Medicare taxes (FICA).

Certain compensation paid by state or local government that is received for active service in a combat zone by members of the Armed Forces of the United States is excludable from gross income. Combat zone pay is not military differential pay.

Q-39: If an employee is called to active duty and receives military differential pay, how are these payments reported by the employer to the employee?

A-39: Employers should report military differential pay as wages in box 1 of Form W-2. These amounts are subject to withholding for income tax and should be reported on [Form 941](#).

Q-40: How does a person who receives military differential pay report this on the federal income tax return?

A-40: These amounts are included in wages on Line 7 of [Form 1040](#).

Social Security Taxes (FICA)**Q-41: Are there any benefit reductions due to FICA not being withheld by the employer?**

A-41: Military personnel have FICA taken out of their military pay even when serving in a combat zone. Thus, they will get Social Security credit for their military earnings. However, Social Security retirement benefits are based on a worker's total earnings history. Since the military differential pay is not subject to FICA, the person's Social Security retirement benefits may be reduced.

EMPLOYERS WITH EMPLOYEES IN A COMBAT ZONE - IRS REGULATIONS Continued**Social Security Taxes (FICA) - Continued****Q-42: How does an employer correct the Form 941 (Quarterly Employment Tax Return) if FICA and income taxes have been erroneously withheld?**

A-42: File a separate Form 941-X, Adjusted Employer's QUARTERLY Federal Tax Return, for each Form 941 that needs to be corrected. If you reported too much FICA or income tax, you can use this form to either make an interest-free adjustment or file a claim for refund or abatement. You must provide background information and certifications supporting any prior quarter adjustments. Form 941-X can also be used to correct underreported tax and, if done properly, is generally interest-free and penalty-free. See [Form 941-X](#) and its [instructions](#) for details.

Q-43: How does an employee recover FICA taxes that were erroneously withheld by the employer?

A-43: Employees are encouraged to contact their employers and request that they seek a refund of the erroneously withheld FICA on the employees' behalf. Because employers also pay a portion of FICA that is not withheld from payments to the employee, the employer will also be entitled to a refund. The employer may have other similarly situated employees who are entitled to refunds and the IRS can process a single refund claim filed by the employer more efficiently than it can process numerous refund claims filed by individual employees. If the employer refuses to seek a refund on the employee's behalf, the employee may file a refund claim using Form 843. Line 5 is where the employee explains the reason for the refund and efforts made to secure it. The employee's claim for refund must include a statement from the employer indicating whether the employer has reimbursed any of the erroneously withheld FICA to the employee or filed a refund claim for any of the erroneously withheld FICA.

Other Benefits**Q-44: What is the tax treatment of health care benefits and coverage while the employee is on active military duty?**

A-44: Generally, the gross income of an employee does not include employer-provided coverage under an accident or health plan or employer contributions to such plans. This exclusion from gross income extends to employees who are on military leave. The value of employer-provided coverage, or employer contributions to accident or health plans, is not reported on the [Form 1099-MISC](#) given to the employee.

Q-45: Is the cost of group term life insurance included in gross income while the employee is on military pay?

A-45: The tax treatment of group term life insurance coverage provided to employees on military leave is the same as coverage provided to current employees. Generally, the cost of \$50,000 of group term life insurance coverage is not included in gross income while the employee is on military leave.

Q-46: If an employer pays an employee who is called to active duty his vacation pay is this pay subject to social security, Medicare, and income taxes?

A-46: Yes, vacation pay that is earned or accrued prior to the worker being called for active duty or active service is subject to withholding as if it were a regular wage payment, even if paid to the worker after activation. When vacation pay is in addition to regular wages for the vacation period, treat it as a supplemental wage payment. If the vacation pay is for a time longer than your usual payroll period, spread it over the pay periods for which you pay it. Vacation pay that is earned or accrues after the employment relationship is terminated by activation is not a wage payment.

EMPLOYERS WITH EMPLOYEES IN A COMBAT ZONE - IRS REGULATIONS Continued**Other Benefits - Continued**

Q-47: If a co-worker wants to donate vacation time to an employee who is called to active duty to whom is such leave taxable?

A-47: The donated vacation time is taxable to the recipient of the vacation time. As a result, the employee on active duty receiving donated vacation pay is subject to withholding of social security, Medicare, and income taxes as if it were a regular wage payment. When vacation pay is in addition to regular wages for the vacation period, treat it as a supplemental wage payment. If the vacation pay is for a time longer than your usual payroll period, spread it over the pay periods for which you pay it.

Q-48: An employee received an award from the employer and wishes to donate it to a co-worker who has been called to active duty. To whom is the award taxable?

A-48: The award is taxable to the recipient. The recipient's award is subject to withholding of social security, Medicare, and income taxes as if it were a regular wage payment. When an award is in addition to regular wages, treat it as a supplemental wage payment.

Reference for questions 44-48: Publication 15, Employer's Tax Guide ([PDF 344K](#))

For more details on tax issues related to military service, see Publication 3, Armed Forces' Tax Guide ([PDF 166K](#)).

Page Last Reviewed or Updated: 17-Apr-2014

BUY MONEY

The following procedures shall be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

1. under IC 36-1-3 an ordinance shall be passed allowing this type of program and associated expenditures;
2. an appropriation for such purpose must be obtained in the manner authorized by state statutes;
3. petty cash fund procedures are to be followed as authorized by IC 36-1-8-3; and
4. A minimum documentation procedure must be followed, similar to either:
 - A. "Guidelines for the Expenditure of Confidential Funds," published by the U.S. Department of Criminal Justice.
 - B. "Guidelines For Obtaining and Accounting For Confidential Funds Used in Support of Criminal Investigations," (Revised S.O.P. PR – INV-009), by the Indiana State Police Department.

If you do not have copies of these two guidelines, please contact our office.



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Changes to GASB Pension Reporting to Impact Employers in 2015

Significant pension reporting changes are coming from the Governmental Accounting Standards Board (GASB). These will affect employers participating in retirement plans administered by the Indiana Public Retirement System (INPRS). GASB Statement No. 68, Accounting and Financial Reporting for Pensions, was issued in June, 2012 and is effective for fiscal years beginning after June 15, 2014. This statement is an amendment to GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures.

The new standards in GASB Statement No. 68 set different methods for pension funding and financial reporting. Historically, there has been a close relationship between how governments fund pensions and how they account and report information. However, the new guidance makes a clear shift from a funding-based approach to an accounting-based approach. This shift was designed to improve pension information and increase the transparency, consistency, and comparability of pension information across governments.

For GAAP basis employers, GASB Statement No. 68 will have a significant impact on financial statements. It requires GAAP basis employers to report their net pension liability (unfunded liability) in the financial statements. Calculation of pension expense will change, and deferred outflows / inflows of resources related to pensions will also need to be reflected in the financials. There will be substantial financial statement note disclosures and additional required supplementary information related to employer's participation in retirement plans administered by INPRS.

GASB Statement No. 68 doesn't apply to non-GAAP basis employers. The Indiana State Board of Accounts (SBoA) will provide direction with what will be required to be included with your annual financial statements.

Employers are encouraged to begin preparations for these changes. You can do so by discussing possible implications of these changes with preparers of your financial statements. Also, because GAAP basis employers' financial statements will be required to show their proportionate share of net pension liability, if applicable you may want to review debt covenants for possible violations resulting from these accounting changes.

INPRS plans to provide individual employers with their required financial reporting information and is currently analyzing the proposed changes. In early 2014, the GASB plans to issue an Implementation Guide for GASB Statement No. 68. The Implementation Guide and or the Statement may be downloaded at no charge or purchased in a hard copy format at the GASB's website www.gasb.org. After the Implementation Guide has been issued, the INPRS and SBoA plan to have additional communications with you regarding the implementation of GASB Statement No. 68.

If you have any questions, please contact Dawn Anderson with the Indiana State Board of Accounts at dranderson@sboa.in.gov or (317) 232-2513.

**Indiana State Board of Accounts and Indiana Public
Retirement System
GASB Statement No. 68 – Accounting and Financial
Reporting for Pensions**

Questions and Answers

Q: Who is impacted by GASB Statement No. 68?

A: GASB Statement No. 68 directly impacts GAAP basis (economic resources measurement focus and accrual basis of accounting) employers. Non-GAAP (regulatory, etc.) basis employers will be indirectly impacted as the Indiana State Board of Accounts (SBoA) will provide direction with what will be required to be included with your financial statements. Additionally, any employer may be subject to the audit of their payroll and census (birthday, sex, etc.) data by the Indiana Public Retirement System's (INPRS) auditor, regardless of their basis of accounting.

Q: When is GASB Statement No. 68 effective?

A: GASB Statement No. 68 becomes effective for fiscal years beginning after June 15, 2014 and is an amendment to GASB Statement No. 27. For most employers in the state of Indiana, the requirements of GASB Statement No. 68 will be effective for fiscal year ends ending June 30, 2015 or December 31, 2015.

Q: Will GASB Statement No. 68 cause contribution rates to increase?

A: No. GASB Statement No. 68 does not impact the funding policies of pension plans.

Q: What are the primary requirements of GASB Statement No. 68?

A: GASB Statement No. 68 significantly changes the accounting and financial reporting regarding pension plans for GAAP basis employers. Some of the primary changes impacting GAAP basis employers are:

- Employers are required to record their proportionate share of the net pension liability or asset in their financial statements.*
- Changes the calculation of the pension expense to be reported by employers and requires the recording of deferred inflows and outflows of resources in their financial statements.*
- Replaces many of the current note disclosures and required supplementary information to be provided in employer financial statements.*

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions
Questions and Answers (Continue)

Q: Will GASB Statement No. 68 cause contribution rates to increase?

A: *No. GASB Statement No. 68 does not impact the funding policies of pension plans.*

Q: What are the primary requirements of GASB Statement No. 68?

A: *GASB Statement No. 68 significantly changes the accounting and financial reporting regarding pension plans for GAAP basis employers. Some of the primary changes impacting GAAP basis employers are:*

- *Employers are required to record their proportionate share of the net pension liability or asset in their financial statements.*
- *Changes the calculation of the pension expense to be reported by employers and requires the recording of deferred inflows and outflows of resources in their financial statements.*
- *Replaces many of the current note disclosures and required supplementary information to be provided in employer financial statements.*

Q: How are employers to obtain the required information to be reported?

A: *The Indiana Public Retirement System (INPRS) plans to prepare standalone employer schedules of allocations and amounts, which should provide the required information by plan. The Indiana State Board of Accounts and INPRS plan to provide training and spreadsheets to assist employers. Details on how the stand alone employer schedules of allocations and amounts will be communicated are in process.*

Q: Will the testing of payroll and census data required by the recent AICPA Whitepaper have any impact on employers (see Whitepaper at: www.aicpa.org/interestareas/governmentalauditquality/resources/gasbmatters/downloadabledocuments/aicpaslgep_cs_census_data_whitepaper.pdf)?

A: *Potentially yes. The auditor of INPRS will select a sample of employers from each defined benefit plan to test the payroll and census data provided by employers to INPRS. Employers could be contacted to assist with the audits of their census data as early as May of this year.*

Q: Where can employers obtain information about GASB Statement No. 68 and its implementation?

A: *GASB has an implementation toolkit at: www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163527940*

Q: Who do I contact with any questions?

A: *If you have any questions, please contact Dawn Anderson with the Indiana State Board of Accounts at dranderson@sboa.in.gov or (317) 232-2513.*

HERITAGE BARNs - PUBLIC SAFETY FEES

In those counties where such fees are assessed, IC 6-1.1-12-26.2 requires the county auditor to distribute the heritage barn public safety fees equitably among the police and fire departments in whose territories each heritage barn is located. If your city or town receives such distributions, the distributions would be receipted to Fund Number 255 - Heritage Barn Public Safety - Police and Fund Number 256 - Heritage Barn Public Safety - Fire.

Money in these funds would require appropriation by the fiscal body and would be used to pay for police and fire expenditures.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL

Question: No.1: The Town Water Operating Fund shows a negative balance of about \$50,000; however, the bank balance is a positive balance and the bank has not been reconciled to the books for quite some time. The prior report contained a Condition of Records AR&C which referred to several posting errors including receipts not posted and lack of bank reconcilements. The prior AR&C also referred to a consultant that had been hired during the prior audit to perform the reconcilements and they still had not been performed. A new clerk-treasurer came into office in May of 2013 and there have been at least three Clerk-Treasurers in the last four years. The Clerk-Treasurer was seeking advice on hiring a consultant to perform reconcilements.

Answer No. 1: It is appropriate for the Town to hire a consultant to reconcile the books and find all the errors. Any adjustment to the records would need to be supported by a list of errors and should reference supporting documentation to support the adjustment for the errors.

Question No. 2: Do service records have to be collected from each department at the end of the year when the record includes the prior year on one side and the current year on the other side?

Answer No. 2: Service records which are currently in use but also contain prior year information can be maintained at the department so that the current records can be posted. At the end of the two year period it would be best to collect the records and maintain them with other payroll records.

Question No.3: Do towns have to collect sales tax on rental revenue (i.e., full-time rental of building space)? This question was the result of a presentation on the first day of the conference where the presenter stated it was a requirement to collect taxes on rentals of the shelters, etc.

Answer No. 3: According to Department of Revenue Information Bulletin #41, if building space is rented for thirty or more consecutive days it is not subject to sales tax. Rentals of rooms, lodgings, camping space, or other accommodations for less than thirty consecutive days would be subject to sales tax.

Question No. 4: The City has established an EMS department and an EMS Non-reverting fund. The EMTs are also Firefighters. Can overtime for firefighters be paid from the EMS Non-reverting fund?

Answer No. 4: A percentage of the payroll or some other method of distributing the cost of payroll expense should be established based on a reasonable estimate of time spent by the firefighter/EMTs performing those roles. The method of distribution of the payroll should be approved in conjunction with the salary ordinances for the two departments.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 5: The Town has been receipting all CAGIT distributions, except for the special distribution, to the Rainy Day fund, to a fund entitled CAGIT. Should the town have a CAGIT fund or should this have been receipted to the Town General fund? Can the Town transfer the balance to the General fund?

Answer No. 5: When the town establishes the budget each year it should determine to which funds this should be receipted to. The "CAGIT" fund balance can be transferred to the appropriate funds based on the detailed revenue estimates prepared during the budget process for the CAGIT distributions.

Question No. 6: Do capital asset records have to be computerized or can the town post the data to the prescribed form? Is there a set \$ amount that we have to keep track of? How do we determine the cost of sewer lines from 1968?

Answer No. 6: Capital Asset ledger forms can be purchased from a printing supplier. They are not required to be computerized. The capitalization policy should be approved by the Town Council and be reasonable for the size of the Town. Estimated historical values can be used for the infrastructure using the charts published in the Cities and Town Bulletins.

Question No. 7: Are Cities and Towns required to hire private auditors when the SBOA cannot get to the exam due to being understaffed?

Answer No. 7: No, Cities and Towns should not hire private auditors. The SBOA will perform the exam or audit on a timeline based on established criteria.

Question No. 8: The City is building a municipal pool. The cost will be around \$625,000. Would this be a public works project? The City is collecting donations for the pool project and is having fund raising projects. The funds are being deposited to the Donations fund. Are the rules for spending the donations fund pretty loose? Can the City pay an individual who had a verbal agreement with the mayor to draw up plans for the pool when the plans are not bid ready and the bill provided by the individual for services is not detailed as to the services provided but states it is for drawing up plans for the pool.

Answer No. 8: Yes, this would qualify as a public works project. The governing body should have authorized the acceptance of the donations. Also, any donation funds that are collected would be required to be used for the purpose for which it was collected. The City should consult the City Attorney regarding the legality of the verbal agreement and the bill.

Question No. 9: Three of the four park board members resigned and there is no quorum for the park board to approve claims. The Town Attorney stated if we pay the claims without them being approved by the board the Clerk-Treasurer has to forfeit office.

Answer No. 9: In order to require the forfeiture of office, this would have to be pursued in accordance with IC 5-8-1. Also, the Clerk-Treasurer does have an obligation to pay the claims in a timely fashion to avoid penalties and interest. The claims should be approved by the Board of Works until the Park Board has a quorum.

Question No. 10: Charlie mentioned at our meeting in Huntingburg about Clerk-Treasurers contacting the regional SBOA offices. Explain those offices?

Answer No. 10: This would be the coordinator's offices in the area. Contact our main office at (317) 232-2513 for information on the district office located nearest to your office.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 11: Paul Joyce mentioned this morning something about C.A.F.A or something like it. What is it?

Answer No. 11: The Comprehensive Annual Financial Report (CAFR) is a thorough and detailed presentation of the unit's financial condition. It reports on the unit's activities and balances for each fiscal year. Currently there are four cities and two towns that prepare a Comprehensive Annual Financial Report.

Question No. 12: What are the reporting requirements for Treasurers of Redevelopment Commission?

Answer No. 12: IC 36-7-14-3 requires the treasurer to report annually to the fiscal body before July 1. Such report should contain revenues received, expenses paid, and fund balances. Also, any debt obligations should also be reported.

Question No. 13: If we write off a bad debt and the person moves back to town can we make them pay for the debt they had outstanding that was written off? If we don't write off the bad debt and they move back into town can we make them pay for the old debt? If someone moves back into town and has outstanding account balance that has been written off can we deny them Utility Service?

Answer No. 13: The governing body of a governmental unit should have a written policy concerning a procedure for collecting delinquent accounts, the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible.

Question No. 14: We have an old (1981) former ambulance that we have been using to store utility equipment. We plan now to dispose of this vehicle at an auction. What is the IC for this kind of disposition?

Answer No. 14: For an auction the law governing this is IC 5-22-22-4. For an internet auction, the law governing this is IC 5-22-22-4.5.

Question No. 15: If we move our Clerk-Treasurer and Water Department office what kind of notification must we post (i.e., time prior to move)? Any other required notices?

Answer No. 15: There are no requirements for this situation that we are aware of. Adequate public notification should be given as determined through board action.

Question No. 16: In a settlement agreement on forfeiture, money in the amount of \$195.26 is to be returned to the City. The Order states that the money is to be receipted into the general fund. Can this be deposited into our forfeiture fund or does it have to be placed in the general fund?

Answer No. 16: IC-34-24-1-4 requires the money to be receipted to the general fund.

Question No. 17: Two office ladies will be retiring the end of the June with 72 years of collective experience. I have recommended to my Council that the two replacement begin at a lower pay level. We created a full time position last year for a new person. She devotes ½ of her time to planning and zoning as the executive secretary and the other ½ to the office staff. The 20 hours that she has devoted as office back up makes me feel comfortable enough to make her my deputy. Is this possible? Would I need Council approval? What would be your recommendations?

Answer No. 17: The Council sets the number of deputies you have.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 18: Everyone is paid a salary except the Street Department employees. From past experience I had been advised that only people in supervisory positions could be paid salary and that staff had to be paid on an hourly basis. The deputy of 37 years has assured me that the SBOA knows of the payroll process and no problems exist with how we handle compensation. I want to clarify that the procedures are completely legal and satisfactory.

Answer No. 18: You can pay anyone a salary but if the non-supervisory people work over forty hours in a week, you need to pay them overtime at a rate of time and one-half.

Question No. 19 What are the requirements for investing for terms greater than 2 years and less than 5 years?

Answer No. 19: The fiscal body of a political subdivision may adopt an investment policy authorizing the investment of public funds of the political subdivision for more than two (2) years and not more than five (5) years. The policy must:

1. be in writing;
2. be adopted at a public meeting;
3. provide for the investment of public funds with the approval of the investing officer;
4. provide that the investments must be made in accordance with this article;
5. limit the total investments outstanding to not more than twenty-five percent (25%) of the total portfolio of public funds invested by the political subdivision, including balances in transaction accounts; and
6. state a date on which the policy expires, which may not exceed four (4) years.

Question No. 20: Do clerk-treasurers' bonds have to be recorded at the courthouse?

Answer No. 20: All official bonds, employee blanket bonds, and crime insurance policies which are to be obtained under IC 5-4-1-18 shall be filed in the office of the County Recorder. All other bonds and crime insurance policies shall also be filed in the office of the County Recorder. [IC 5-4-1-5.1]

Question No. 21: Can a council member take claims and minutes to other towns for reviews before approval?

Answer No. 21: We would not recommend such practice.

Question No. 22: I have a salaried employee who is a part time appointed board member who does not put hours worked down for documentation of hours worked. Is it necessary to have them put hours on documentation papers?

Answer No. 22: IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

Question No. 23: We quoted a project in November and awarded a contract to the bidder. The contract amount was encumbered at year end. In the Spring of the next year, the contractor could not do the work for the quoted price (wants much more money). Can the city/town rebid the project and use the prior encumbrance?

Answer No. 23: Yes, if the project has to be rebid due to the contractor's failure to perform, we will not question using the encumbrance for the original contract.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 24: Can a Town Council "unappoint" a Park Board member for not attending meetings?

Answer No. 24: A member may be removed only for cause, upon specific written charges filed against him. The charges shall be filed with and heard by the appointing authority, unless the appointing authority is bringing the charges. If the appointing authority is bringing the charges, the unit's fiscal body shall appoint a hearing officer. The person to hear the charges shall fix a date for a public hearing and give public notice at least ten (10) days in advance of the hearing. At the hearing the member is entitled to present evidence and argument and to be represented by counsel. The appointing authority and fiscal body of a Town is the Town Council.

Question No. 25: I am a clerk-treasurer who was a former state employee and I am currently drawing retirement from PERF. Due to PERF regulations, I do not qualify for the Town's PERF's Plan and the Town does not make any contribution to a pension plan on my behalf like they do other employees. Is it legal for the Town Council to contribute to an IRA account on behalf?

Answer No. 25: If the Town made contributions to an IRA account on your behalf, it would be reportable as wages.

Question No. 26: How should the Town report payments to volunteer firemen who receive a clothing allowance?

Answer No. 26: If the volunteer firefighters are considered employees of the Town, the IRS has advised that if the payments are not paid as part of an accountable plan, clothing allowances should be included in wages and reported on a W-2.

Question No. 27: Can a City employee accrue comp time?

Answer No. 27: Yes. The City Council should have in its Leave Policy provisions for earning and using compensatory time in lieu of being paid overtime.

Question No. 28: Who are the members of the Audit Committee that the SBoA reports to?

Answer No. 28: Chair, Rep. Matthew Lehman; Members - Sen. James Arnold, Sen. Brandt Hershman, Rep. Mara Candelaria Reardon, and Rep. P. Eric Turner

Question No. 29: How do you use the Payroll Schedule and Voucher, Voucher Form 99?

Answer No. 29: The form is illustrated in the Cities and Towns Accounting Manual along with instructions on pages 43-2 and 46-11.

Question No. 30: The City has an old dormant fund that has been inactive for at least seven years. Can we transfer this balance to the General fund?

Answer No. 30: The Council needs to declare the fund a dormant fund and document this in the minutes and approve transferring the fund to the General fund.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 31: Where can I get copies of the Power Point presentations?

Answer No. 31: There is a link to Meeting Materials on the SBOA website on the menu on the left side of the home page.

Question No. 32: The park board awarded a \$4,500 contract which included an upfront 50% payment. Can the City pay this 50% prior to any work being completed?

Answer No. 32: Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee.

Question No. 33: Does the Riverboat fund require appropriation?

Answer No. 33: The Riverboat fund requires local appropriation which would need to be advertised and approved by the Council.

Question No. 34: Can a City hire employees for the pool that are under the direct supervision of the pool manager that are siblings of the pool manager.

Answer No. 34: According to IC 36-1-20.2-10, if the employees are hired after July 1, 2012, employment of relatives that are in the direct line of supervision of another relative is prohibited.

Question No. 35: Can a city or town give monies to a Boys Club?

Answer No. 35 IC 36-10-2-4 allows a city or town to establish aid, maintain, and operate libraries and museums, cultural, historical, and scientific facilities and programs, and community restitution or service facilities and programs. Further, IC 36-10-2-5 allows a city or town to establish aid, maintain, and operate neighborhood centers, community centers, civic centers, convention centers, auditoriums, arenas, and stadiums. If a city or town desires to fund one of the aforementioned programs or activities, a contract should be entered into setting out what services are to be provided to the city or town in return for such aid.

Question No. 36: In addition to the pay as outlined in our salary ordinance, Town employees also get longevity pay. The clerk-treasurer before me was with the Town for 25 years, and received an additional \$3,125 in longevity pay. Does this count towards the compensation minimum for me? Or do I get my pay plus my own longevity or is it the total pay of the clerk-treasurer before me plus my longevity? Longevity pay is included in the salary ordinance.

Answer No. 36: We do not recommend your compensation include longevity pay. Due to wording in IC 36-4-7-2 (cities) and IC 36-5-3-2 (towns) which define compensation, it appears that longevity pay would be included in the "compensation" definition.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 37: What are the rules for working high school students at the Park. Do workers need a work permit from the school for summer employment?

Answer No. 37: IC 20-33-3 places certain restrictions on work hours for children under 18 years old. A summary of such restrictions follow:

Children 14 and 15 Years of Age

Children 14 and 15 years of age may not work before 7:00 a.m. or after 7:00 p.m. during the school year. From June 1 through Labor Day, such children may work until 9:00 p.m. These children may not work:

1. more than three (3) hours on a school day;
2. more than eighteen (18) hours in a school week;
3. more than eight (8) hours on a nonschool day; or
4. more than forty (40) hours in a nonschool week. (IC 20-33-3-22)

Children 16 Years of Age

Except as provided in IC 20-33-3-27, a child who is 16 years of age and less than 17 years may not:

1. work for more than eight (8) hours in any one (1) day;
2. work for more thirty (30) hours in any one week;
3. work for more than six (6) days in any one (1) week; or
4. begin a work day before 6 a.m. [IC 20-33-3-23]

Children 17 years of Age

Except as provided in IC 20-33-3-27, a child who is at least 17 years of age and less than 18 years of age may work until 11:30 p.m. on nights that are followed by a school day if the employer has obtain written permission from the child's parent and placed the written permission on file in the employer's office. Such child may work until 1:00 a.m. the following day if the employer has obtained written permission from the child's parent and placed the written permission on file in the employer's office. However, the nights followed by a school day on which a child works until 1 a.m. the following day may not be consecutive and may not exceed two (2) nights per week. [IC 20-33-3-24 and IC 20-33-3-28]

IC 20-33-3-27 states that a child who is at least sixteen (16) years of age and less than eighteen (18) years of age may be employed for up to forty (40) hours during a school week if the employer has:

1. obtained written permission from the child's parent; and
2. placed the written permission on file in the employer's office.

If the employer or employers have obtained such written permission, a child who is at least sixteen (16) years of age and less than eighteen (18) years of age may be employed for periods that do not exceed a total of nine (9) hours in any one (1) day and a total of forty-eight (48) hours in any one (1) nonschool week.

Rest Breaks

A person, firm, limited liability company, or corporation that employs a child less than eighteen (18) years of age shall provide the child one (1) or two (2) rest breaks totaling at least thirty (30) minutes if the child is scheduled to work at least six (6) consecutive hours. Breaks shall be provided as set forth in IC 5-10-6-2. [IC 20-33-3-30]

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Answer No. 37 (Continued):

Required Notices

Every person, firm, corporation, or company that employs a child at least fourteen (14) years of age and less than eighteen (18) years of age in an occupation for which the child must obtain an employment certificate shall post and keep posted a printed notice in a conspicuous place or in places where notices to employees are customarily posted. This notice must state:

1. the maximum number of hours a child may be employed or permitted to work each day of the week; and
2. the hours of beginning and ending each day.

The printed forms for this notice shall be furnished by the department of labor. [IC 20-33-3-34]

Civil Penalties

IC 20-33-3-39 through IC 20-33-3-41 list the penalties for violations of the child employment laws which can be as high as \$400 per violation.

Question No. 38: Can the Clerk-Treasurer hire their own attorney different than what the council has hired?

Answer No. 38: IC 36-4-10-5.5 and IC 36-5-6-8 state that a Clerk or Clerk-Treasurer may hire or contract with competent attorneys or legal research assistants on terms the Clerk or Clerk-Treasurer considers appropriate. Appropriations for the salaries of attorneys and legal research assistants employed shall be approved in the annual budget and must be allocated to the Clerk or Clerk-Treasurer for the payment of attorneys and legal research assistant's salaries. Furthermore, IC 36-4-10-5.5 states that employment of an attorney by a city clerk or city clerk treasurer does not affect a city department of law established under IC 36-4-9-4.

Question No. 39: We allow "farmers market" booths to setup within town limits. They have to register with the clerk-treasurer's office and we issue them a permit at no charge. They are only allowed to sell fresh produce and plants. We do not inspect any of their products. Does Public Law 154 affect this for us?

Answer No. 39: Public Law 154 states that a city or town ordinance or resolution may not require licensure, certification, or inspection of food or food products of individual vendors, farmers, or egg producers at farmer's markets and roadside stands where the food is made, grown, or raised by the vendor and meets certain conditions.

Question No. 40: A citizen has donated an asset to the Town but wants to remain anonymous. What procedures are necessary to document the donation and can a department head accept the donation?

Answer No. 40: The town council can accept the donation as an anonymous donation and document that it was accepted in the minutes.

QUESTIONS FROM THE JUNE 2014 CITIES AND TOWNS TRAINING SCHOOL - Continued

Question No. 41: The Park Superintendent issues prescribed receipts and deposits the money. He takes the deposit ticket to the Clerk-Treasurer's office with a supporting report (I do not know if it is the Report of Collections). The Clerk-Treasurer issues the Park Superintendent a receipt. Is it was proper to issue him a receipt?

Answer No. 41: It is proper to issue a receipt. It would be a good idea to have the Park Superintendent document the receipt numbers that make up the deposit.

Question No. 42: Can a fund be ran in the red?

Answer No. 42: The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit.

Question No. 43: Can a council member also be a volunteer fireman?

Answer No. 43: If the council member was a volunteer firefighter and council member on or before July 1, 2012, the council member may hold both roles until the end of his term.

Question No. 44: What is the Retention Schedule for records and destruction of records?

Answer No. 44: The retention schedules for city and town records can be obtained on the Indiana Commission on Public Records website at www.in.gov/icpr .

Question No. 45: I have old outstanding checks. What do I do to get rid of them?

Answer No. 45: 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 void. Not later than March 1 of each year, the 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 fiscal body of the city or town and the duplicate copy maintained by the disbursing officer of the city or town. The 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.

Question No. 46: Does indebtedness from one fund to another (i.e., Utility to the General fund, etc.) need to be reported with debt in Gateway.

Answer No. 46: Interfund loans and loans from a utility would not be included in the Gateway Debt Report.