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A Manual of

Accounting and Financial Procedures

in Iowa Towns and Cities

Institute of Public Affairs
of the State University of Iowa
in cooperation with the
League of Iowa Municipalities

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A Manual of

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in Iowa Towns and Cities

by WARREN E. MARLEY

IOWA CITY : 1954

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Price \$2.00

Foreword

THE IOWA MUNICIPAL FINANCE OFFICERS ASSOCIATION is an organization which has as its primary function the improvement of financial practices and procedures in the cities and towns of Iowa. Several years ago the board of directors of this organization requested that the Institute of Public Affairs undertake a study of municipal finance practices in this state so that a municipal accounting manual could be prepared which would be useful to all the municipal finance officers, regardless of the size of community in which they served. It was felt especially desirable that such a manual should include much information that would be helpful to the clerks in the small communities (eight of every nine of this state's 939 municipalities have a population of less than 2,000 people) as ordinarily these clerks do not have easy access to the information and advice available to the larger communities.

In 1952, Mr. Warren E. Marley, who was then a candidate for an advanced degree in the university's college of commerce and whose major field of study was accounting, was appointed as an intern by the Institute to prepare the accounting manual under the supervision of Professor Clayton L. Ringgenberg, Research Specialist in the Institute of Public Affairs and Professor Gilbert Maynard of the college of commerce. An advisory committee of the Iowa Municipal Finance Officers Association was appointed shortly thereafter to advise and help Mr. Marley with this project. In addition, Mr. Chet Akers, Auditor of the State of Iowa, volunteered the services of the personnel of his office to aid Mr. Marley and the Institute in any way possible.

As a part of the study made preliminary to preparing the accounting manual, Mr. Marley visited the clerks of seven communities, ranging from 700 to 11,000 population, in the Iowa City area. This was done to find out what the city clerks' problems and questions are regarding the financial phases of their work, and to find out what these persons, as representative finance officers, would like included in the manual

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to make it as useful and helpful as possible to them and other city clerks. Much was learned from these seven municipal officials about the practical side of the accounting officer's job, and the Institute is grateful for the cooperation given Mr. Marley by these persons.

Mr. Marley completed this manual during the summer of 1953. This information was used as the basic material of his doctoral dissertation. Each member of the advisory committee of the Iowa Municipal Finance Officers Association reviewed one chapter of chapters 2 through 7, and the suggestions made by these finance officers have been incorporated in the manual.

It is not the purpose of this manual to justify or to attack the extent of state control over local finance in Iowa. Each of the 48 states controls the financial activities of its municipalities, some to a greater extent than does Iowa and some to a lesser extent. Neither is it the purpose of this manual to evaluate the effectiveness of these state regulations in Iowa.

Rather, the purposes of this manual are three-fold:

1. To show and to explain, in handy reference form, the state requirements regarding the financial affairs administered by the accounting officer.

2. Primarily for the accounting officer who is new on the job, to show what must be done to meet these state requirements.

3. To suggest ways in which the budgeting, accounting and reporting features of the accounting officer's work may be improved in keeping with the accounting practices generally accepted as best and in keeping with the state statutes.

During the course of preparing the manual, it became evident that certain suggestions might be helpful in working toward the improvement of accounting, budgeting and reporting procedures in the cities and towns of this state, and these recommendations comprise the last chapter of the manual. At a meeting of the committee appointed to advise the Institute on this project, these recommendations were discussed one by one, and the recommendations included in this manual have been revised to take into account the suggestions of this committee. These recommendations do not reflect the unanimous approval of the accounting officers in Iowa, but on the whole they do reflect what are regarded as being good municipal finance practices, and it is hoped that they will serve as a guide to each accounting officer and will aid as a basis upon which the Iowa Municipal Finance Officers Association can build its educational and legislative program.

Acknowledgements are due to many finance officers of the state who contributed their time and thoughts to this report. Special mention is given to the officers of the Iowa Municipal Finance Officers Asso-

ciation and to the members of the committee who worked with Mr. Marley and the Institute. Mr. C. W. Ward, the supervisor of municipal accounts in the state auditor's office, has given much of his time to this project. His willingness to cooperate to help make the manual practical and useful was shown in numerous ways — answering many questions, reading critically the entire manual and making helpful suggestions regarding the recommendations.

As will be noted by the reader, the references to the state statutes made in this manual are to chapters and sections as they will appear in the 1954 Code. This Code is scheduled to be published in the spring of 1954, and in order to make the references in this manual up to date, the Institute has used the 1954 chapter and section numbers.

MAX A. CONRAD
Executive Secretary-Treasurer
League of Iowa Municipalities

ROBERT F. RAY, *Director*
Institute of Public Affairs
State University of Iowa

Iowa City
February 1954

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CHAPTER 1

State Supervision and Control of Municipal Finance in Iowa

IN IOWA, THE LEGISLATURE has placed extensive controls on the financial operations of cities and towns and has designated the state auditor's and state comptroller's offices to supervise, in general, municipal financial procedures and to enforce the statutory regulations. This supervision and these controls, almost without exception, apply to all municipalities of the state regardless of population or form of government.

There are many different operations involved in financing municipal government — assessment of property, collection of property taxes, budget preparation and control, purchasing, accounting, custody of funds, pre-auditing, reporting and debt management. In this state, each of these financial functions is to a degree affected by state law, in some cases to a considerable extent and in other cases to a minor extent.

In Iowa the assessment of property is handled by the county and city assessors, the collection of property taxes is done by the county treasurer, and the custody of funds is the responsibility of the city treasurer. Ordinarily, the accounting officer — the clerk in most cities and towns — is in charge of carrying out the remainder of these financial duties or acts in an advisory capacity to the council regarding these matters; consequently it is important that he knows and follows the statutory rules governing each kind of financial activity.

MAJOR STATE CONTROLS

In chapters 2 through 7 of this manual, the various aspects of state supervision and control of municipal finances are discussed in considerable detail as they relate to the accounting officer's daily work. As an introduction to the information contained in the remainder of this report, the more important state regulations that must be followed are listed here:

Budget Preparation and Control

1. A budget must be prepared annually in the manner required by the State Appeal Board. (The board members are the State Auditor, Treasurer and Comptroller.)

2. The budget must be published and a hearing held to discuss it.

3. The budget must be prepared by August 15 and must be sent to the county auditor who in turn sends it to the state board for approval.

4. This budget must be broken down by certain expenditure classifications known as funds. For each fund, there is a limitation on the property tax mill levy which may be made. For all purposes, except for the payment of interest and principal on debt and for contributions to public employee retirement programs, no more than a 30 mill tax levy may be made.

5. At the first meeting after January 1, the city council must allocate the budgeted figures to the proper funds and to the proper purposes within each fund. This procedure is known as the appropriation of funds, and for any particular fund the appropriated amount may not exceed the budgeted amount.

6. No appropriation may be carried over from one year to the next, and unencumbered balances at the end of the year must be anticipated as a receipt in the next year's budget.

7. Expenditures may not be made from a fund in excess of the amount budgeted except in the case where the state comptroller permits the transfer of money from one fund to another.

8. A city or town may amend its budget. Such amendments must be filed and published, and a public hearing must be held.

9. Certain types of revenue must be spent for those purposes specifically designated by law only; this revenue is parking meter, road use tax and parking lot money.

Purchasing

1. A warrant must be drawn when any payment of cash is made.

2. Warrants must be approved by the council and signed by the clerk or other person authorized by the council.

3. Bids must be taken on all proposed public improvement projects where the estimated cost is \$5,000 or more.

Accounting

1. All cash received and paid must be recorded by the accounting officer.

2. The clerk and the treasurer must keep separate records of cash.

3. The system of receipt and expenditure accounts used in accounting must be that prescribed by the state auditor's office.

4. The accounting records must show at all times the cash balance and the unexpended appropriation for each fund and for each account within each fund.

Auditing

1. Each municipality classified as a city must have its financial records audited annually by a certified or registered public accountant or by a state examiner.

2. A copy of this audit must be filed with the state auditor's office.

3. Each municipality classified as a town has the option of having its accounts examined, but a petition by a certain number of taxpayers may require the examination of a town's accounts.

Reporting

1. Each municipality must file an annual report of all its financial transactions to the state auditor's office on a form designed by that office.

2. The accounting officer must make a monthly report to the council of all warrants issued and must publish in a newspaper the claims allowed at each council meeting.

3. Monthly, the treasurer must submit to the council a statement of the municipality's cash balance in each fund. Also each month he must submit to the accounting officer a statement of warrants paid.

Debt Management

1. The debt of a community may not exceed five per cent of the actual value of taxable property within the city or town.

2. Most general obligation bond issues must be submitted to the voters for approval. In addition, definite procedures are established by state statute for the issuance and retirement of special assessment and revenue bonds.

3. Bond sales must be advertised and bids taken.

POPULATIONS AND EXPENDITURES OF IOWA MUNICIPALITIES

It is important to consider the setting in which the legislature has imposed these financial rules and limitations. The incorporated areas within this state for the most part are quite small. In 1950, there were 825 communities in Iowa with fewer than 2,000 persons living in them; only 108 of these towns had more than 1,000 population. In contrast the state has 51 cities exceeding 5,000 population and five cities exceeding 50,000 population.

During the 1950 fiscal year, the expenditures of 63 Iowa towns, excluding the cost of operating municipal utilities, were less than \$1,000, and approximately 500 communities spent less than \$10,000. On the other hand Des Moines spent \$8,000,000 and the total expenditures in 12 cities exceeded \$1,000,000 each.

These population and expenditure figures point up the fact that Iowa's municipal finance laws, which are applicable alike to all cities and towns, apply to tremendously different sizes of operations. The extent, kind and cost of services provided by the municipal governments of Iowa vary considerably. Therefore, the accounting records of some communities can be very simple, while the records of the larger communities, of necessity, must be detailed and somewhat complex. Budgeting, always important, takes on more meaning as the size of a community and the number of services it provides becomes larger. A financial report which might be adequate for a small community would be of little use to the council members or the department heads in the larger cities. These are simple illustrations of the differences involved, but they serve to show that the best kind of state supervision of municipal finance must be flexible enough to meet the needs of different sizes of communities. Too, these illustrations make it reasonable to conclude that all state regulations concerning municipal finances are not going to be acceptable or practical for ever city and town.

A second fact which is highlighted by these population and expenditure figures is that in the great majority of Iowa municipalities a full-time accounting officer is not needed, and, in fact, it is oftentimes difficult to get some person to take care of the town's financial records. The major difficulty is that a sufficient salary cannot be paid to the person taking this responsibility to warrant his devoting a lot of his time to the job. Because of this, the accounting officers of many Iowa communities hold some other job outside of municipal employment. Under these circumstances, it would not be surprising if the person hired as city clerk in most Iowa municipalities may have had very little, if any, experience or training in the financial aspects of the work he is undertaking; consequently he is forced to learn on the job. This manual, though it is believed it will be useful to the accounting officer of every city and town, is designed primarily as a help and guide to these clerks in the smaller communities.

CHAPTER 2

Funds

IOWA LAW REQUIRES that money raised from given tax levies and from miscellaneous sources may be spent to finance only specifically designated municipal functions. In order to provide better control and to simplify the budgeting, accounting, and reporting procedures for Iowa cities and towns, a separate fund is set up by state law for each group of related functions. Since cities and towns in Iowa finance many services and functions, the use of a relatively large number of separate funds is required.

GENERAL PROVISIONS OF THE FUND LAW

The present municipal revenue law, commonly known as the fund law, was enacted in 1951 by the 54th General Assembly. (Code 1954, ch. 404) This law establishes the funds which Iowa cities and towns must use in their financial administration and sets forth the maximum property tax levy which may be made for each fund.¹ These are the other major requirements of the fund law.

1. Municipal corporations have the power to establish seven functional funds, a debt service fund, and trust or agency funds. (sec. 404.2)

2. Municipal corporations, must, at the first meeting of the council after January 1, allocate by resolution all estimated revenues, including those from sources other than taxation and the unencumbered balances from the previous year, to the purposes authorized by law. (sec. 404.4)

3. A separate allocation within each functional fund is required for each particular purpose enumerated in the subsections of each functional fund and for each particular purpose within a particular subsection when they are reasonably separable. (sec. 404.14)

1. No other statute relating to property tax levies for purposes connected with any of these funds may be construed to increase the millage levies set forth in this municipal revenue law. (Code 1954, sec. 404.25(5))

4. The books of the municipal corporation must be kept so that they reflect at all times:

a. the nature and amount of each sum received and expended in each functional fund.

b. the total amount appropriated in each functional fund.

c. the total amount appropriated in each of the divisions or accounts within each functional fund.

d. the unexpended balance remaining in each functional fund and in each division or account within such functional fund. (sec. 404.4)

5. The original allocations within any functional fund may be amended to fit the actual income if the council passes a resolution to this effect. If the amendment increases any original allocation, a two-thirds vote of the council is necessary for approval. (sec. 404.5)

6. Transfers from one functional fund to another is allowed if the procedure provided in Chapter 24, Code 1954, is followed. (sec. 404.5)

7. Municipal corporations may establish an operating fund. This fund is formed by combining the general fund, the street fund, the public safety fund and the sanitation fund. (sec. 404.17)

8. A municipality may negotiate loans or issue warrants in anticipation of revenues for the fiscal year as long as the total amount of the loans and warrants does not exceed the estimated revenue for the particular fund or purpose. (sec. 404.18)

The detail in which the accounting records of a municipality must be kept within each fund is outlined in this statutory provision:

Separate accounts shall be kept for every appropriation, showing date and manner of each payment made out of the funds provided by such appropriation, the name and address of each person or corporation to whom paid, and for what purpose paid.

Separate accounts shall be kept for each department, public improvement, or undertaking, and for each public utility owned or operated by the said municipality. (Code 1954, sec. 368A.6)

The general practices required by the Iowa local budget and fund laws, with few exceptions, should be the accounting and budgetary practices of each city and town even if the state law did not make such requirements. If planned and business-like municipal financing is to result and if the end-product of accounting is to be meaningful and worthwhile, these general practices must be followed.

The portions of the fund law which relate to each fund are quoted in full in the following pages in order to provide a copy of the law for accounting officers and other municipal officials in cities or towns where a copy of the Iowa Code is not available and for all other municipal officials as a quick source of reference. Following the quotation of the law for each fund, a listing of typical expenses which may be

charged to each of the allocations set up by the fund law and the state auditor's office is presented. These listings cover most of the expenditures cities and towns make; they are not, however, intended to be complete listings of expenditures.

GENERAL GOVERNMENT FUND

The portion of the fund law (sec. 404.6) setting up the general government fund is as follows:

Municipal corporations shall have power to annually cause to be levied for a fund to be known as the general fund a tax not to exceed seven (7) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be used for the following purposes:

1. General and incidental expenses;
2. Construction, purchase, or remodeling of a city or town hall and such other buildings as the size, condition, and governmental activities of the corporation make reasonable or necessary, and purchase of the necessary sites therefor;
3. Improvement, operation and maintenance of the city or town hall and other governmental buildings;
4. City planning purposes as provided in chapter 373;
5. Expenses in connection with weights and standards, as provided in section 213.7;
6. Expenses in connection with elections required or authorized by law to be paid by municipal corporations;
7. Bonds of municipal officers or employees to be paid by the municipal corporation;
8. Defense expenses of a municipal officer sought to be removed from office, when payable by the municipal corporation under the provisions of section 66.23.

This is a classification of typical expenses within the general fund allocations:

GENERAL

Council's expenses
 Expenses of mayor's office
 Expenses of clerk's office
 Expenses of treasurer's office
 Engineering expenses
 Legal services and court costs
 Expenses of auditor's office
 Expenses of assessor's office
 Dues to municipal organizations
 Expenses of officers and employees to schools of instruction
 Publication costs
 Audit expenses
 New office equipment
 Postage, telephone and telegraph expenses

BUILDING AND SITES

Purchase of new building sites
 Construction of new city or town hall
 Costs of remodeling, improving or enlarging present city or town hall

CITY OR TOWN HALL MAINTENANCE AND REPAIR

Salary of custodian
 Supplies for custodian
 Insurance premiums
 Gas, electricity and water
 New furniture and fixtures
 Painting expenses
 Other minor repairs to city or town hall

CITY PLANNING

Expenses of city planning commission
Expenses of making surveys, studies, maps and charts
Publication expenses of studies and recommendations of the commission
Expenses of zoning commission

WEIGHTS AND STANDARDS

Salaries, wages and expenses of city sealer of weights and standards (see Code 1954, secs. 213.5 and 213.7)
Expenses of acquiring the services of a state sealer to inspect weights and standards of the city or town

ELECTIONS

Compensation of judges and clerks for municipal elections

Supplies for the municipal elections

Equipment for election purposes such as booths, ballot boxes and voting machines

Municipality's share of permanent registration expenses

OFFICIAL BONDS

Cost of premium on bonds for municipal officials and employees

Notary public expenses of notarizing bond applications

LEGAL SERVICE

Legal costs of defending a municipal official when a case is brought in court to remove him from office (see Code 1954, sec. 66.23)

STREET FUND

The portion of the fund law (sec. 404.7) setting up the street fund is as follows:

Municipal corporations shall have power to annually cause to be levied for a fund to be known as the street fund a tax not to exceed seven (7) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be spent for the following purposes:

1. Construction, reconstruction, repair, and maintenance of viaducts, underpasses, grade crossing separations, and approaches thereto, and for all drainage purposes connected therewith, except those constructed or maintained by any railroad company under the provisions of chapter 387;
2. Opening, widening, extending, constructing, maintaining, repairing, surfacing, marking, draining, and grading any street, highway, avenue, alley, public ground, or market place and purchase of necessary equipment and machinery therefor;
3. To pay deficiencies in assessments and for plats and schedules as provided by law, and for the construction, reconstruction, and repair of any street improvements at the intersection of streets, highways, avenues, alleys, and for one-half of the cost of such improvements at the intersection of streets, avenues, highways, and alleys not crossing, and for spaces opposite property owned by the municipal corporation or by the United States, and for the purchase price of property purchased by the city at tax sale and subsequent taxes assessed against such property;
4. For the removal of snow and ice from the streets;
5. In lieu of the tax provided by section 390.2 to acquire and improve real estate and to erect or improve buildings thereon for the parking of vehicles to the extent that income from parking meters or parking lots is insufficient for said purposes;

6. To pay any special assessment with interest, or any other installment thereof with interest levied against any street, alley, highway, public way, or park by the board of supervisors for said purposes;
7. In lieu of the tax provided by section 387.6 for the payment of damages to property caused by construction of a viaduct;
8. For all bridge purposes, except for the payment of bonds issued for bridge purposes;
9. In lieu of the tax provided by section 383.8 for preliminary expenses on interstate bridges;
10. For payment of damages to property for which the municipal corporation is liable under the provisions of sections 389.22 to 389.25 inclusive;
11. To plant, prune, care for, and maintain trees and shrubbery on public streets;
12. For the purchase of necessary street equipment and machinery, provided, however, that in any fiscal year no more than ten percent (10%) or twenty thousand dollars (\$20,000), whichever is the greater, of said fund to be used for this purpose;
13. For any other purpose having to do with streets specifically authorized by law;
14. Funds received by municipal corporations from the road use tax fund shall be separately allocated for expenditure within the street fund for only the purposes authorized and permitted by law.

This is a classification of typical expenses within the street fund allocations:

MAINTENANCE

Salary of street superintendent
 Sidewalk, curb and gutter repair expenses
 Street repair expenses
 Motor equipment repair expenses
 Gas, oil and other supplies for motor equipment
 Street cleaning expenses
 Weed control expenses
 Chauffeur's licenses for employees
 Insurance premiums on equipment

CONSTRUCTION

Costs of street lighting fixtures, connections and facilities
 Construction costs of sidewalks, curbs and gutters
 Construction costs of viaducts and underpasses and the approaches to them
 Construction costs of grade crossing separations and the approaches to them
 Costs of grading and graveling or blacktopping streets
 Costs of paving streets

EQUIPMENT

Snow removal equipment
 Graders
 Sweepers
 Trucks
 Sprinklers

ASSESSMENTS

Transfers to special assessment bond fund to make up deficiencies in special assessment levies because of nonassessable property

SNOW REMOVAL

Wages of men employed to remove snow
 Snow removal equipment repair expense
 Hire of extra equipment to help in snow removal
 Gas and oil for snow removal equipment
 Other supplies such as salt, cinders, sand, picks and shovels

BUILDINGS

Repair and maintenance expenses of building to store street equipment
Fire insurance premium on such building
Gas, electricity and water for building
Cost of remodeling present building
Cost of purchasing site for new building
Cost of constructing new building

DAMAGES

Awards to property owners because of damage, injury, or reduction of value to their property caused by change in established grade of street or the construction of viaducts or underpasses

Expenses of appraisers
Court expenses in case of losing trial

BRIDGES

Expenses of repairing bridges
Maintenance expenses of bridges
Expenses in connection with interstate bridges
Cost of purchasing property needed to construct new bridges and the approaches to them
Cost of constructing new bridges

TREES

Tree cutting expenses
Tree trimming and pruning expenses
Expenses of planting trees and shrubs on public streets

ROAD USE TAX EXPENDITURES

(This account must be kept separate from all other street fund accounts.)
Expenses for any purpose authorized by Code 1954, sec. 312.6.

This section states:

Funds received by municipal corporations from the road use tax fund shall be used solely for the construction, reconstruction, repair and maintenance of roads and streets and for the construction of storm sewers and other necessary drains necessary to control and provide adequate drainage for surface waters originating within or flowing upon the right of way of newly constructed or reconstructed roads or streets within municipal corporations. Such funds shall not be used for the purchase of machinery or equipment except as provided in subsection twelve (12) of section 404.7, Code 1954.

PUBLIC SAFETY FUND

The portion of the fund law (sec. 404.8) setting up the public safety fund is as follows:

Municipal corporations shall have power to annually cause to be levied for a fund to be known as the public safety fund a tax not to exceed twelve (12) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be used for the following purposes:

1. To establish, equip, staff, and maintain a police department;
2. To establish, equip, staff, and maintain a fire department;
3. To establish, erect, and maintain a jail and such numbers of police and fire stations as circumstances require;
4. To pay the expenses of maintaining a municipal court;
5. To maintain and operate the improvements authorized by chapter 395, Code 1954, and in lieu of the taxes provided in section 395.22, Code 1954, relating to flood protection.
6. Liability insurance premiums authorized by section 321.497;
7. For any other purpose having to do with public safety.

This is a classification of typical expenses within the public safety fund allocations:

POLICE

Salary of chief of police
Salaries of other policemen and police-women
Uniform allowances
Dues to police organizations
Travel expenses of policemen on official business
Training schools and short course expenses
Publication and printing expenses
Office supplies
Telephone, telegraph and postage expenses
Repairs and maintenance expenses of motorcycles and police cars
Radio repairs and maintenance expenses
Installation and original cost of new traffic signs and signals
Repair and maintenance of traffic signs and signals
Electricity to operate traffic signals
Scientific police equipment
Motorcycles and police cars
Office furniture and equipment
Medical expenses of injured policemen
Patrol wagon expenses
Expenses of escorting prisoners
Ambulance services provided by police department
Cost of policemen's pensions
Expenses of automobile safety testing program
Expenses of safe driving campaign

FIRE

Salary or wages of fire chief
Salaries or wages of other firemen
Pay to volunteer firemen on a per-call basis
Uniform allowances
Cost of firemen's pensions
Dues to firemen's organizations
Publication and printing costs
Supplies for fire alarm office
Telephone, telegraph and postage expense
Fire equipment
Fire alarm and communications equipment
Building inspector's expenses

Plumbing and electrical inspectors' expenses
Gas, boiler and elevator inspectors' expenses
Training school and short course expenses
Expenses of fire prevention program
Hydrant and water service expenses
Medical expenses for injured firemen
Furniture, fixtures and equipment for fire station

BUILDINGS

Gas, electricity and water for public safety buildings
Janitorial wages
Janitorial supplies
Repairs and maintenance of public safety buildings
Cost of building sites
Cost of constructing new buildings
Cost of remodeling present buildings
Wages of jail keeper
Prisoner provisions
Jail equipment and supplies
Insurance premiums on buildings

COURT

Municipality's share of judge's salary
Municipality's share of clerk's and bailiff's salaries
Publication and printing costs
Court reporter's fees and supplies
Jury fees and mileage expenses
Furniture and fixtures in court rooms
Office supplies, forms, and equipment

FLOOD

Costs of deepening, widening, straightening, altering, changing, diverting or otherwise improving watercourses within municipal limits (Code 1954, sec. 395.1)
Costs of constructing levees and embankments
Costs of improving, widening and establishing streets, alleys and boulevards across and adjacent to the old or the new river channel
Costs of acquiring the necessary land to carry out the above purposes
Costs of filling old river channel

SANITATION FUND

The portion of the fund law (sec. 404.9) setting up the sanitation fund is as follows:

Municipal corporations shall have power to annually cause to be levied for a fund to be known as the sanitation fund a tax not to exceed seven (7) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be used for the following purposes:

1. To pay for deficiencies in special assessments for sewers as provided by law, and for the construction, reconstruction, and repair of any sewer at the intersection of streets, highways, avenues, and alleys, and for one-half of the cost of such sewer at the intersections of streets, highways, avenues, and alleys not crossing and for spaces opposite property owned by the municipal corporation or by the United States, and for the whole or any part of the construction, reconstruction, or repair of any sewer within the limits of said municipal corporation, and for the construction, reconstruction, maintenance, and operation of any sewage disposal plants;
2. To control surface waters flowing into sewers, sewer outlets, and disposal plants;
3. To construct sewer outlets and sewage purifying plants and to purchase dump grounds;
4. To pay for establishing and maintaining comfort stations;
5. To pay for the cost of collection and disposal of garbage and refuse and for the sprinkling, flushing, or cleaning of streets;
6. For the construction, reconstruction, or repair of any main sewer within the municipal corporation and those extending outside the corporate limits;
7. For the purpose of carrying out the provisions of the laws relating to public health;
8. For any other purpose having to do with sanitation specifically authorized by law.

This is a classification of typical expenses within the sanitation fund allocations:

ASSESSMENTS

Transfers to special assessment bond fund to make up deficiencies in special assessment levies on sewer projects because of non-assessable property.

SEWER

Construction of catch basins, manholes, cesspools and sewer lines
 Construction of sanitary and storm sewers
 Construction and improvement of drainage ditches
 Inspection of sewer system
 Cleaning and flushing sewer system
 Construction of sewage disposal plant
 Purchase of site of sewage disposal plant
 Transfers to a revenue bond fund for principal and interest payments on

revenue bonds issued for purchase of a site for, or construction of a sewage disposal plant

Operation and maintenance of sewage disposal plant

Operation and maintenance of sewer system

Remodeling or improvement of sewage disposal plant

DUMP

Expenses of constructing and maintaining a sanitary fill

Purchase of necessary land

Expenses of acquiring and maintaining a municipal dump

Cost of necessary equipment

Repair and maintenance of equipment

COMFORT STATION

Expenses of comfort station commission

Cost of acquiring and constructing public comfort stations
Cost of renting public comfort stations
Repair and maintenance of public comfort stations

GARBAGE

Salaries of garbage collectors
Cost of garbage collection equipment
Cost of municipality contracting with someone to collect garbage

CLEANING OF STREETS

Expenses of flushing and washing streets
Expenses of sweeping streets
Sprinkling or oiling streets to settle dust
Collection of leaves, storm debris and street sweepings
Repair and maintenance of street flushing, sweeping and sprinkling equipment
Cost of street flushing, sweeping and sprinkling equipment

HEALTH DEPARTMENT

Fees and expenses of food and sanitary inspectors
Fees and expenses of milk inspectors
Expenses of controlling communicable diseases
Expenses of child health services
Expenses of adult health program
Expenses of smoke abatement program
Expenses of pest extermination program
Publication and printing expenses
Laboratory fees and expenses
Salary of health officer
Wages of clerical employees
Office supplies
Office equipment
Repair and maintenance of office equipment
Furniture and fixtures
Medical equipment and supplies
Repair and maintenance of medical equipment

MUNICIPAL ENTERPRISES FUND

The portion of the fund law (sec. 404.10) setting up the municipal enterprises fund is as follows:

Municipal corporations shall have power to annually cause to be levied for a fund to be known as the municipal enterprises fund an annual tax not to exceed ten (10) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be spent for the following purposes:

1. To pay for land acquired for cemetery purposes and the interest accruing on the cost thereof;
2. For the care, preservation, and adornment of any cemetery utilized for burial purposes by the people of the city or town whether such cemetery is located within the limits of such municipality or is established by its authority outside of its corporate limits. Said fund may be used for any cemetery owned and controlled by said municipal corporation within or without the corporate limits, or for any cemetery owned and controlled by any private or incorporated cemetery association, township, or other municipality, even though situated in an adjoining county, if actually utilized for burial purposes by the people of the city or town. Said tax may be expended for the support and maintenance of any such cemetery after it is no longer used for the purpose of interring the dead;
3. For the purchase of a library site and construction of buildings thereon and for the purchase of a library site and construction of buildings thereon for a branch library in cities of thirty thousand (30,000) or over;
4. For the maintenance of a free public library. The board of

library trustees shall, on or before the first day of August in each year, make an estimate of the amount it deems necessary for the improvement, operation, and maintenance of the library and shall transmit said estimate together with a statement of the amount necessary for the purposes authorized by subsection three (3) to the council. In no event shall the amount of the tax allocated for maintenance purposes exceed the amount that would be derived from a three mill levy at current valuations, nor shall the amount allocated for purposes of subsection three (3) exceed the amount that would be derived from a levy of three-fourths mill at current valuations;

5. When a public library has not been established, to secure for the inhabitants of the municipal corporation the free use of a public library;
6. When a municipal hospital has been established, for the purpose of purchasing sites for hospitals or sites with buildings thereon for hospital purposes, and constructing, reconstructing, rebuilding, remodeling or enlarging buildings to be used for hospitals;
7. To improve, operate, and maintain a municipal hospital;
8. In lieu of the taxes provided by sections 330.7 and 330.16 to acquire, operate, or equip a municipal airport;
9. In lieu of the taxes provided by section 372.10, Code 1954, for river front improvement purposes;
10. In lieu of the taxes provided by sections 565.9 and 565.13 to provide annuities for gifts accepted by municipal corporations, but not in excess of the limits provided therein;
11. In lieu of the taxes provided by subsections ten (10) and thirteen (13) of section 384.3 for dock purposes;
12. In lieu of the taxes provided by sections 37.7 and 37.8 for memorial halls and monuments;
13. For any other purpose having to do with municipal enterprises specifically authorized by law.

This is a classification of typical expenses within the municipal enterprises fund allocations:

CEMETERY

Salary of caretaker of cemetery
 Wages of additional employees
 Expenses and supplies for caretaker
 Equipment necessary to care for cemetery
 Repair and maintenance of the equipment
 Construction and maintenance of storage building for the equipment
 Cost of additional land for cemetery purposes
 Interest charges on purchase of land
 Expenses of purchasing and planting grass seed, flower plants and trees
 Record and plat forms and expenses

Expenses of cemetery board

LIBRARY

Purchase of new books
 Purchase of site for library
 Construction of library building
 Remodeling, enlarging or improving present library building
 Repair and maintenance of building
 Expenses of library board
 Wages of janitor
 Supplies for janitor
 Salary of librarian
 Salaries of other library staff members
 Office supplies and expenses
 Publication and printing costs

Bindery expenses
Subscriptions to periodicals and pamphlets
Purchasing musical recordings and films for public use
Expenses of providing free library services when a library has not been provided in the municipality

HOSPITAL

Purchase of site for hospital
Construction of hospital
Equipping the hospital
Remodeling or enlarging the present hospital
Expenses of hospital board members
Repair and maintenance of hospital building
Repair and maintenance of hospital equipment
Purchase of new equipment
Repair and maintenance of medical equipment
Purchase of new medical equipment
Medical supplies
Salaries of building superintendent and staff
Salaries of hospital superintendent and staff
Salaries of office manager and staff
Laboratory fees and expenses
Office equipment
Office supplies and expenses
Publication and printing expenses
Furniture and fixtures

AIRPORT

Salaries and wages
Purchase of land for airport
Construction of airport and buildings

Enlarging, improving or remodeling present airport and buildings
Repair, operation, and maintenance of airport and buildings
Purchase of equipment
Repair and maintenance of equipment
Expenses of airport commission members

RIVER FRONT

Salaries and wages
Expenses of river front commission
Construction of dock, wharf, harbor, basin, pier and warehouse facilities
Purchase of the necessary land on which to construct the above projects
Rebuild, alter, lease, operate and maintain the above structures
Construction of belt railway or necessary railway switches
Cost of necessary grading, filling, paving, dredging and deepening in and about the above structures
Transfers to a revenue bond fund for principal and interest payments on revenue bonds issued for any of these projects

MEMORIAL HALL AND MONUMENT

Salaries and wages
Purchase of site for memorial hall or monument
Construction of memorial hall or monument
Furniture, fixtures and equipment for memorial hall
Operation and maintenance of memorial hall
Maintenance of monument
Expenses of memorial hall board members

RECREATION FUND

The portion of the fund law (sec. 404.11) setting up the recreation fund is as follows:

Municipal corporations shall have power to annually cause to be levied for a fund to be known as the recreation fund a tax not to exceed five (5) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be used for the following purposes:

1. To purchase real estate for use as a community center and construct thereon buildings with proper equipment;
2. For the development, improvement, maintenance, or operation of a place for the exhibition of works of art, or for the support of an established art gallery, museum, institute, or center

- conducted for the use and benefit of the public and not for profit;
3. For the development, improvement, maintenance, or operation, of community centers, playgrounds, and swimming pools;
 4. To purchase real estate for park, art or memorial purposes;
 5. For the purpose of caring for and improving the parks;
 6. Procuring a site and for constructing swimming pools, bathing beaches, bath houses, exhibition halls, armories, ice rinks, dance pavilions, shelter houses, wading pools, river walls, field house, athletic or recreational facilities, and for paving, macadamizing, and otherwise improving roadways, drives, avenues, and walks in parks;
 7. In lieu of the tax provided by sections 375.1 and 375.4 for band purposes;
 8. In lieu of all taxes provided by sections 370.6, 370.28, 370.29, and 370.30 for park purposes;
 9. In lieu of the tax provided by section 379A.1 for a symphony orchestra;
 10. For any other purpose having to do with recreation, specifically authorized by law.

This is a classification of typical expenses within the recreation fund allocations:

COMMUNITY CENTER

Purchase of site for community building
 Construction of building
 Remodel, improve or enlarge present building
 Equipment for community building
 Repair, maintenance and operation of community center
 Furniture and fixtures for community building
 Salary of director of community center
 Salaries of other staff members of the community center
 Expenses of community center board members

PLAYGROUND

Purchase of playground site
 Equipment for playground
 Salaries of playground supervisors
 Salary of playground director
 Maintenance and operation expenses
 Expenses of playground board members

SWIMMING POOL

Purchase of site for swimming pool
 Construction of swimming pool and bath house
 Equipment for swimming pool
 Equipment for bath house

Water service expenses

Chemicals and disinfectants
 Bath house supplies
 Salary of director
 Salaries of lifeguards and attendants
 Expenses of swimming pool board members
 Transfers to a revenue bond fund to pay the principal and interest of revenue bonds issued to purchase site and construct swimming pool and bath house

ART CENTER

Purchase of site for art building
 Construction of art building
 Repair and maintenance of building
 Equipment for the building
 Purchase of works of art
 Custodian's services
 Custodian's supplies
 Salary of director of art center
 Salaries of other staff members

PARKS

Purchase of site for park
 Construction of park buildings such as pavilions, bandstands, etc.
 Remodel, improve or enlarge park buildings
 Repair and maintenance of park buildings

Equipment for park buildings
Planting and care of trees and shrubs
Equipment for park such as picnic tables, benches, trash cans, etc.
Planting and care of lawns and flowers
Construction, repair and maintenance of park roads and walks
Expenses of park board members
Park lighting if separated from other street lighting
Salary of director of parks
Salaries of other staff members

ARMORIES

Purchase of site for armory
Construction of the armory
Equipment for the armory
Repair and maintenance of armory
Repair and maintenance of equipment
Salary of custodian
Supplies and expenses of custodian
Remodel, improve, or enlarge armory
Expenses of armory board members

BAND

Purchase of instruments
Wages to musicians
Music and other supplies
Salary of band director
Band members' uniforms
Repair and cleaning of band uniforms

GOLF

Purchase of site for golf course
Construction of golf course and clubhouse
Equipment for clubhouse
Machinery and equipment to care for golf course
Golfing equipment and supplies
Remodeling, maintenance and operation of clubhouse
Salaries of golf professional, custodian, greenkeepers and clubhouse attendants
Transfers to a revenue bond fund to pay the principal and interest of revenue bonds issued to purchase or construct a golf course

UTILITIES FUND

The portion of the fund law (sec. 404.12) setting up a utilities fund is as follows:

Municipal corporations shall have the power to annually cause to be levied for a fund to be known as the utilities fund a tax not to exceed five (5) mills on the dollar on all taxable property within the corporate limits and allocate the proceeds thereof to be used for the following purposes:

1. If the authorized rates or rentals are insufficient to meet the expenses of running, operating, and repairing the waterworks, gas, or electric plant, or power plant owned or operated by the municipal corporation, such amount as may be necessary to make up the deficiency;
2. In cities and towns owning and operating a light plant to pay for electricity for street lighting and other municipal purposes;
3. Payment for water furnished the corporation under contract;
4. Payment for gas, light, heat, and power furnished the corporation under contract;
5. In lieu of the tax provided by section 389.18 for street lighting;
6. In lieu of the taxes provided by sections 398.1 and 399.5 for the purchase and construction of waterworks;
7. For any other purpose relating to municipal utilities, specifically authorized by law.

This is a classification of typical expenses within the utilities fund allocations:

WATERWORKS

Salaries and wages
Purchase of site for waterworks
Construction or purchase of waterworks
Repair, operation, and maintenance of waterworks
Transfers to a revenue bond fund to pay the interest and principal of revenue bonds issued to purchase a site for, or to purchase, repair or expand a waterworks
Construction of water mains and installing hydrants
Billing and collection expenses
Cost of water used by municipality
Cost of water sold to the city under contract

ELECTRIC PLANT

Salaries and wages
Purchase of site for electric plant

Construction or purchase of electric plant
Repair, operation and maintenance of electric plant
Construction of transmission system of lines
Repair, operation and maintenance of transmission lines
Transfers to a revenue bond fund for payment of principal and interest on revenue bonds issued to purchase a site for, or to purchase, repair or expand an electric utility plant, or to construct transmission lines
Billing and collection costs
Cost of electricity used by municipality
Cost of electricity purchased by municipality under contract

STREET LIGHTING

Cost of electricity used for street lighting

DEBT SERVICE FUND

The portion of the fund law (sec. 404.13) setting up the debt service fund is as follows:

Municipal corporations shall establish a debt service fund and shall cause to be levied for said fund a tax in such number of mills on the dollar on all taxable property within the corporate limits, as is necessary for the following purposes:

1. To pay all judgments against the municipal corporation other than those specifically authorized by law to be paid from other funds;
2. To pay the interest as it becomes due and to create a sinking fund to pay the principal at maturity of all bonds issued by municipal corporations except bonds or certificates which by their terms are payable solely from assessments levied against benefited property and bonds or certificates which by their terms are payable solely from earnings derived from the operation of municipally owned revenue producing undertakings.

It shall be the duty of the council to allocate the proceeds of the tax herein provided to accomplish the purposes herein enumerated.

This is a classification of typical expenses within the debt service fund:

TO RETIRE OR TO REFUND BONDS ISSUED for any purpose for which the issuance of general obligation bonds is permitted and to pay interest on such bonds. A separate account within this fund should be kept for each general

obligation bond issue, as in the following examples:

Streets
Community centers and playgrounds
Sewers
Municipal buildings

Public library
Public safety buildings
Street department garage
Airport
Hospital
Cemeteries
Bridges

STAMPED WARRANTS

CERTIFICATES

JUDGMENTS

Payment of judgments assessed against
the municipality and not payable
from other funds

As a guide to the accounting for revenue bonds and special assessment bonds, see chapter 7 of this manual (pp. 82-83 and p. 84 respectively).

TRUST AND AGENCY FUNDS

The portion of the fund law (sec. 404.16) setting up trust and agency funds is as follows:

Municipal corporations shall have power to establish trust and agency funds for the purpose of accounting for gifts received by the corporation for a particular purpose and for the purpose of accounting for money and property received and handled by such corporation as trustee or custodian or in the capacity of an agent of any public moneys as authorized by law and to levy such taxes as are authorized by law.

This is a classification of typical expenses within the trust and agency funds:

PENSION AND RETIREMENT FUNDS

Transfer of municipality's share of the cost of any retirement system to the retirement board

Transfer of cost of pensions, for those former employees eligible for pension, to the pension board

CEMETERY PERPETUAL CARE FUND

Payment of expenses for upkeep of perpetual care cemetery lots

GIFTS

Payment of expenses permitted by the terms agreed to when the gift was accepted

WATER METER DEPOSIT FUND

Refunds to customers who leave town or disconnect from water system

Transfers to water fund to pay bills of those who disconnect from the system

ELECTRIC UTILITY METER DEPOSIT FUND

Refunds to consumers who disconnect from the electric system

Transfers to electric utility fund to pay bills of those who disconnect from the system

SPECIAL PURPOSE FUNDS

In addition to the foregoing funds, several special purpose funds have been created by the Iowa legislature — parking meter, parking lot and

liquor profits funds. Since parking meter collections are for special purposes, the receipts and expenditures involved in handling such money must be accounted for in a fund which is separate from all other funds, and ordinarily parking lot money is kept in a separate fund. The liquor profits fund is merely a clearing fund through which the state liquor profits distribution to the city or town is apportioned among the functional funds.

PARKING METER FUND

The Iowa law governing the money collected from parking meters is as follows:

Funds derived from the operation of parking meters shall be used for the following purposes and none other, to wit:

1. Payment of the cost of acquisition and installation of meters purchased;
2. Payment of the cost of maintenance and repair of meters, the collection of meter taxes, and the enforcement of traffic laws in parking meter district;
3. Payment of the purchase and installation costs of other parking or traffic control devices installed on such portions of streets as are equipped with parking meters;
4. Payment of the cost of acquiring by purchase, lease or similar arrangement of parking lots or other off-street parking areas, including operation, enlargement or improvement thereof or the facilities thereof, within four-tenths of a mile of the metered portion of the streets within the meter district and widening the streets within the meter district or within two (2) blocks thereof to provide additional parking facilities;
5. Retirement of revenue bonds issued pursuant to the provisions of this chapter; and cities and towns may pledge such funds not required for the payment of costs under subsections 1, 2, and 3 hereof to the payment of such bonds.

Until such time as there shall have been provided adequate parking lots or other off-street parking areas in any city or town operating parking meters, all revenues derived from the operation of such parking meters or other similar devices not required for the payment of costs under subsections 1, 2, and 3 hereof shall be expended for the acquisition of such facilities, provided, however that the total expenditures for items 2 and 3 shall not exceed twenty-five percent of the total meter income and provided further that such funds may be retained and accumulated for such purpose for such length of time and in such amount as may be reasonably necessary to effectuate such program of acquisition of parking lots or other off-street parking areas. No part of the street area in any parking meter district shall be set aside or used for parking purposes at a charge less than the ordinary charge for parking throughout the parking meter district, except such part of the street area in any parking meter district set aside for the vehicles used by any person, firm,

or corporation engaged in public passenger transportation which are required by law to pay a tax. (Code 1954, sec. 390.8)

The requirements of section 390.8 are applicable to cities of more than 10,000 population only. Similar requirements, though less stringent, apply to cities and towns of less than 10,000 population.

Sections 390.8 and 390.11 shall not be applicable to cities and towns having a population of less than ten thousand, however such cities shall have power and authority to use the funds received from the operation of parking meters to pay the cost of acquiring, operating, maintaining and repairing the same, and also to pay the cost of acquiring and operating other parking and traffic control devices. Any of such funds remaining thereafter may be used either to purchase, lease or otherwise acquire parking lots or other off-street parking areas for the parking of vehicles, or said remaining funds may also be used for the retirement of revenue bonds issued for the purpose of acquiring parking lots, in the event the revenue from said parking lots is insufficient to pay the cost of retiring said bonds, or for any other lawful purpose for which the street fund may be used where reasonable off-street parking privileges have been provided. (Code 1954, sec. 390.12)

This is a classification of typical expenditures within the parking meter fund allocations:

MAINTENANCE

Repair and maintenance of parking meters
Expense of collecting money from meters
Cost of enforcing traffic laws in parking meter district
Widening streets

EQUIPMENT

Purchase and installation of additional meters
Purchase and installation of other parking or traffic control devices in parking meter district
Cost of acquiring, leasing and construction of parking lots and other off-street parking areas in parking meter district

REPLACEMENT

Cost of replacing parking meters

REVENUE BONDS

Retirement of revenue bonds issued to purchase and construct parking lots or purchase parking meters and install them

PARKING LOT FUND

A one-half mill tax may be levied to acquire real estate for parking lot purposes, and this amount may be levied from either the parking lot fund, the general fund or the street fund. (Code 1954, secs. 390.2 and 404.7 (5)). In lieu of this tax, the same levy may be made to

acquire real estate or to make improvements upon real estate for parking lot purposes, in which case a parking lot fund must be established.

In cities and towns whenever parking lots shall have been authorized or established as provided in section 390.1 in lieu of the tax provided for in section 390.2, there may be levied a tax not exceeding one-half mill, the proceeds of which shall be credited to and known as the "parking lot fund." Such fund shall be used only to acquire or improve real estate, including the erection or improvement of buildings thereon or for any or all said purposes for the parking of vehicles, and including the payment of bonds and interest thereon issued in anticipation of the collection of such tax. Such fund shall be used to meet maturities of such bonds and interest thereon from year to year, but only to the extent that after the application of all net returns available from the income of said parking lots or parking meters, or both, as specified by law, the same shall be required to meet such maturing bonds or interest thereon. (Code 1954, sec. 390.13)

LIQUOR PROFITS FUND

The Iowa Liquor Control Act provides that semi-annually a sum of money equal to five percent of the gross amount of liquor sales in Iowa shall be distributed to the cities and towns in proportion to the population of each municipality to the total population of all incorporated municipalities.

These funds can be used for any lawful purpose as directed by the municipal council or other governing body. (Code 1954, sec. 123.50)

The expenditures of this fund are the transfers to any other fund as determined by the governing body of the municipality.

REVENUE OF THE FUNDS

Although the laws of Iowa are specific as to what expenditures must be paid from each type of fund, the laws governing the receipt of revenues from sources other than taxation are, for the most part, quite general.

The revenue from the sale of beer licenses and cigarette licenses must be entered in the general fund. (Code 1954, secs. 124.33 and 98.35 respectively) Other non-tax receipts are to be accounted for as follows:

Any income to a municipal corporation not designated by law to be placed in or credited to a certain existing fund enumerated in this chapter [the municipal fund law] or otherwise provided by law shall be credited to the functional fund or funds enumerated in this chapter, which are allocable to the purpose or class of purposes most nearly related to the type of transaction from which the income arose. (Code 1954, sec. 404.23)

The revenue from tax collections is paid to the municipality by the county treasurer. The warrant prepared by the county treasurer should show the amount collected for each fund; consequently the city clerk and treasurer should have no difficulty in determining the amount to enter in each fund. In addition Iowa law requires the county treasurer to give a written notice each month to the municipal clerk showing the amount collected during the past month for each fund. This notice must be given before the third Monday of each month. (Code 1954, sec. 404.19)

Accounting for Cash Received

THE HANDLING OF CASH is one of the most important functions of municipal accounting officials. For this reason, adequate safeguards and controls should be set up to record properly and fully the receiving and the paying of cash. The setting up of such safeguards and controls is the responsibility primarily of the accounting officer; he should make sure such controls are adequate, for his own protection as well as for the protection of the public funds.

IOWA LAWS RELATING TO THE HANDLING OF CASH

The Iowa legislature has recognized the necessity for proper accounting of money received by cities and towns and has enacted laws which provide certain general safeguards. These are the more important rules in this regard:

1. Public deposits must be deposited with reasonable promptness and must be evidenced by a passbook entry by the bank which has been legally designated as the bank for such funds. (Code 1954, sec. 453.6)
2. Any councilman or officer of a municipal corporation who participates in, advises, consents, or allows the proceeds of any tax or assessment levied by the municipal corporation, the proceeds of any source of municipal revenue other than taxation to be diverted to any other purpose not authorized by law, or who in any way becomes a party to such diversion, shall be guilty of willful maladministration. (Code 1954, sec. 404.22)
3. The Iowa law sets up separate duties for the clerk and treasurer. Both of these municipal officials participate in the procedures which account for the receiving and paying of cash. This works as an internal check or audit on the activities of the clerk and treasurer. (Code 1954, secs. 368A.3 and 368A.4)
4. If any municipal official who by law is authorized to receive any fees of office, or who is or may be authorized to impose or collect

finer, shall fail, neglect, or refuse to turn over, as prescribed by law, all such fees and fines, he is deemed guilty of a misdemeanor, and is liable in a civil action for the amount of fines and fees illegally withheld or appropriated. (Code 1954, sec. 740.7)

5. The treasurer shall receive all money which is payable to the city or town. (Code 1954, sec. 368A.4)

6. The treasurer is required to give a bond in the amount fixed by the council. (Code 1954, sec. 368A.4)

7. The Iowa law requires an annual audit of the financial condition of all cities, and makes such audits optional for towns. (With few exceptions, all municipalities under 2,000 population are towns.) The law provides, however, that if at least 100 taxpayers in any town (or if there are less than 500 taxpayers in the town, at least five percent) ask for an audit, it has to be made. The law also provides that the auditing may be done by either the state auditor's office or by certified or registered public accountants. (Code 1954, sec 11.18)

OTHER RULES GOVERNING THE RECEIVING OF CASH

In addition to those provided by state statute there are other controls and safeguards which may be used advantageously by most cities and towns. The suggested rules which follow are those which are generally accepted by accountants as being desirable in accounting for cash received.

1. Whenever possible, all cash due the city should be collected by the treasurer himself, but if it is more practical or necessary, other employees may be designated to collect money. This rule does not conflict with the law quoted in (5) above. As long as the treasurer receives all the money due the municipality, either directly from the person owing it or from an employee who has been designated to collect it, the law has been complied with.

2. Receipts, each of which should be numbered when printed, should be given for all cash received. All copies of receipt forms which are spoiled should be retained by the city or town treasurer, thus accounting for each receipt number.

3. If someone other than the treasurer collects money, that person should give a receipt to the person paying the money. The treasurer should, in turn give a receipt when the money is turned over to him.

4. All cash received should be deposited in a bank. This must be done so that the bank statement acts as an additional check on the money received.

5. If it is practicable, cash should be deposited daily. This procedure would tend to eliminate even a temporary misuse of public funds.

6. The preparing and sending of statements, such as for water and electrical service, should be done by a person other than the one who collects the money when the bills are paid. In this way, a check system is established, and the records of two different persons have to agree, or the reason for any difference must be accounted for.

THE TWO PRIMARY ACCOUNTING RECORDS OF CASH RECEIVED

There are two primary accounting records for recording cash received by Iowa municipalities. One is the clerk's "Record of All Receipts," and the other is the treasurer's "Register of Warrants Paid and Receipts." Both of these accounting records are uniform throughout the state as the accounting forms are prescribed by the state auditor's office.

Because the accounting records are kept on a cash basis, most Iowa city and town accounting officers may use the "Record of All Receipts" both as a journal and as a ledger for transactions involving cash received. In the larger cities, of course it is necessary to keep separate ledger accounts supporting this basic record. This holds true as well for the recording of cash paid out.

Clerk's "Record of All Receipts"

In Iowa only the clerk's "Record of All Receipts" register classifies and summarizes within a fund the cash received. The information required to record each collection includes:

1. date of receipt
2. number of the receipt
3. amount received
4. from whom received
5. for what purpose
6. distribution by fund
7. distribution by purpose within the fund

If all of this information is filled in, a complete history of each collection is kept. In addition, this information is very helpful in preparing the clerk's annual report to the state auditor's office. The clerk's "Record of All Receipts" register is Iowa Official Form 37-9, Revised 1951.

If a city or town has a large number of cash collections for the same purpose, such as water or electric utility bills, an alternative procedure may be used. At the end of the day, or other designated period, all the money collected for each purpose as shown by the office copy of all the receipts may be totaled. The total for each purpose is then entered in the "Record of All Receipts" as a single amount. If this

method is used, it is important to give adequate information to identify the purpose for which the money was received. This alternative method reduces the number of entries to be made in the "Record of All Receipts" because groups of individual collections are entered as one figure. The disadvantage of this method is that it reduces the information given in the "Record of All Receipts" and reference to the office copy of the receipts is necessary if detailed information is desired.

"City or Town Treasurer's Register of Warrants Paid and Receipts"

The treasurer's record of cash received and warrants issued are combined in one form entitled "City or Town Treasurer's Register of Warrants Paid and Receipts." The treasurer distributes cash received and warrants issued by fund only; consequently his register consists of one column for cash received and one column for warrants issued under each fund heading. This register is Iowa Official Form No. 56-1.

DOCUMENTS USED IN THE RECEIVING OF CASH

Documents used in receiving cash are those forms which serve as the basis for recording in the first instance the necessary information in the clerk's "Record of All Receipts" and the "City or Town Treasurer's Register of Warrants Paid and Receipts." In addition, these documents are used by auditors to verify the cash received. Forms included in this group are general and special receipts, meter reader slips, utility statements, and licenses and permits. Illustrations and descriptions of the more common forms follow.

General Receipt Form

When cash or a check is received, a receipt should be given to the person making the payment. A form can be designed which may be used for almost all kinds of cash collected. The number and the variety of purposes for which a general receipt form is used will determine its design. Figure 1 illustrates a general receipt form. Some suggestions which may be helpful in the design of a general receipt form follow:

1. The minimum number of copies of a general receipt is two, one to be given to the person making the payment and one to be kept by the treasurer or the clerk. In many of the smaller cities and towns the duplicate copy may serve as the basis for both the clerk's and the treasurer's entries in their respective cash received registers.

2. Cities and towns may, under certain circumstances, find it desirable to use more than two copies of the receipt form. Probably the ideal number is three: one for the person making payment, one for the clerk and one for the treasurer.

GENERAL RECEIPT		
Office of Town Clerk		
		No. 837
Town of _____, Iowa, _____, 195 _____		
Received of _____, \$ _____		
DOLLARS		
Distribution:		
For	Fund	Amount
Total		

Town Clerk		

FIGURE 1 *A Suggested General Receipt Form*

3. The use of different colors is a practical way of distinguishing the various copies of a receipt form.

4. As a safety precaution, it is suggested that the receipt forms should be bound in a book when they are printed. Each copy of the receipt, except one, should be perforated so they may be easily removed. Since the treasurer's copy is the one that is usually left in the book, the possibility of his losing his copy of a particular receipt is virtually eliminated.

5. The receipt forms should be numbered when they are printed. A statement as to the numbers used should be obtained from the printer. A careful check should be kept on all receipt numbers, and the person in charge of issuing receipts should be required to account for each receipt and the amount of money collected for each receipt issued.

6. Certain information, such as the distribution of the cash to the proper fund or funds, need not appear on the original copy of the receipt. This information, however, should appear on all other copies of the receipt.

Special Receipt Form

If a large number of collections are made for the same purpose, it is usually beneficial to have a special receipt form prepared. Special receipt forms may be designed for any number of different purposes.

However, the number of collections for a given purpose should justify the cost of having a special receipt form prepared. The advantages which may result from the use of a special receipt form are as follows:

1. The form may be designed so that the statement and the receipt can be filled in at the same time. An example of this is the perforated "post card" type of utility statement.

2. The copies of receipts issued for a given purpose will be kept together for convenience in recording, handling and storing.

3. Information which would have to be recorded in writing on a general receipt form may be printed when a special receipt form is used.

Probably the most common purpose for which a special receipt may be used is for collections for municipal utility services. If the charge is a flat rate, a very simple special receipt form would be most convenient. One method is to have a series of 12 receipts in a sheet for each customer. Each receipt would be for a given month and the same number would appear on each receipt in the series. A complete series would consist of three sheets: original, duplicate and triplicate. The original and both duplicate sheets should be perforated so that each receipt may be easily removed from the sheet. Then, all that is necessary to verify the collections is to check the series of receipts of each customer to see if the current month's receipt has been removed from the original sheet. The number of

receipts removed for the month times the amount of the flat rate should equal the money collected for the month. An example of a flat rate service charge form is illustrated in Figure 2.

When the charge is for metered service, the receipt and statement form must be somewhat more elaborate as more information must be shown. A common form used for this type of charge is the "post card" form which includes the statement and the receipt, separated by a perforation. A post card is mailed to each customer with the following information: meter reading at the beginning of the period; meter reading at the end of the period; units used; charges; discount, if any, and the time allowed for paying the bill.

_____, 195__ No. 942 Town of _____, Iowa <p style="text-align: center;">GARBAGE RECEIPT</p>
Name and Address
Monthly Charge _____ Penalty _____ <p style="text-align: right;">Total _____</p>

FIGURE 2 A Type of Flat Rate Service Charge Form

If the bill is paid by mail, the customer may detach the statement section and keep it for his own record. The receipt section is returned to the city or town with the check or money order. The customer's cancelled check will serve as his receipt. If the bill is paid in person, the customer should bring the post card with him. The person collecting the money will stamp "paid" and the date on each section of the post card, detach and keep the receipt section, and give the statement section to the customer as his receipt. Figure 3 illustrates a sample post card form.

If there is a large number of statements to prepare, mail and collect, a procedure which would distribute the work throughout the month may be used. For example, divide the area of the city or town into four sections so that the number of customers in each section is approximately the same. The work involved in handling metered utility charges can logically be divided into four parts: meter reading, preparing the statements, mailing the statements and collecting. The four sections of customers and the four divisions of work could then be arranged so that one work division would process one section of customers each week. Let us follow one section of customers through a month: the first week the meters would be read; the second week the statements would be prepared; the third week the statements would be mailed; and the fourth week the collections would be made. If two or more utility services are provided by the city or town, all the charges may be included on the same statement. This would result in a reduction in time, postage and cost of materials.

Customer Deposit Receipt

A deposit is usually required before a new customer is provided utility service. A receipt should be issued to the customer for such a deposit. Most cities and towns would find it too costly and confusing to have a separate special customer deposit form for each utility and service such as gas, electricity and water, and a special receipt form may be designed which can be used to record the deposit for any one of the several utility services. If, however, the different utilities of a city or town are operated by separate boards, have different offices and different persons collecting the customer deposits, then a different deposit receipt for each utility may be desirable.

The special receipt form for customer deposits may have a blank space where the name of the utility may be written in or the names of the utilities may be listed and the proper utility encircled to designate for which utility a given deposit was made. Information such as the purpose of the deposit and the conditions governing its refund are necessary only on the original copy of the receipt, but it may be

No. 8221 CITY OF _____, IOWA ELECTRIC BILL					Please return this stub with mail remittance No. 8221		
Meter Readings		Electricity Used	Rate Used	Gross Amount	Net Amount	Gross Amount	Net Amount
Previous	Present						
Service from _____ to _____ Gross amount payable after tenth day of month							

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FIGURE 3 A Suggested Post Card Receipt Form

CONSUMER'S DEPOSIT RECEIPT

Town of _____, IOWA

Account No. _____ Date _____ Receipt No. 421

Received from _____

Address _____

The Sum of _____ Dollars \$ _____

as security for the payment of any amount which may become due
the Town of _____ Water Department for services
provided at the above address.

(Accounting Officer)

This receipt is non-transferable

Date Service Discontinued _____

Deposit _____ \$ _____

Less Accounts Due _____

Amount Refunded _____

Receipt of \$ _____ is hereby acknowledged and is the full
amount due on the above deposit.

Date _____ Depositor _____

Town of _____, Iowa Water Department

(Accounting Officer)

FIGURE 4 *A Suggested Customer's Deposit Receipt Form*

shown, if desired, on the other copies of the receipt. Figure 4 shows a customer deposit receipt form.

Meter Reading Form

Since the amount of utility service used by a customer is usually determined by the use of a meter, a meter reading form should be designed for recording the meter readings. The meters for most utilities

are read monthly. In some cities and towns, however, the water meters are read only once every three months and the water statements paid quarterly.

A very simple form which should be prepared by the utility office to facilitate the recording of meter readings is desirable. The information which should be shown on this form is the name and address of each customer, a blank space following the address so that the person reading the meters can fill in the present meter reading and spaces to record the date the reading is made and the initials of the person reading the meter.

Meter Reading Summary

A meter reading summary should be kept for each customer. This summary shows the monthly meter readings, the units of service used and the amount paid for the utility service. The summary is actually a listing of the monthly statements for a given customer. Figure 5 illustrates a meter reading summary.

When a customer at a given address moves, the meter should be read and the old customer's account closed. A new meter reading summary should be set up for the new customer. This procedure settles any controversy over how much of the monthly bill is owed by the old and new customer.

Licenses and Permits

The Iowa law seems to make no clear cut distinction between licenses and permits and, in fact, uses the terms interchangeably. For that reason, the two are grouped together here. When licenses and permits are issued the municipality receives money, and adequate safeguards must be set up to record all the money collected from these sources.¹

Most small communities do not issue enough licenses and permits for a given purpose to have a special form designed for each purpose for which a license or permit may be issued. A general form on which the nature of the license or permit may be written simplifies the license and permit issuing procedure and is adequate in most cases. The issuance of cigarette and beer licenses is very closely regulated by the Iowa State Tax Commission, and this office will provide a city or town with the necessary forms.

It is very important that all license and permit forms be numbered

1. A report of the Institute and League published in 1952 and entitled "License and Permit Fees in Iowa Cities" shows the many types of licenses and permits issued, and the amounts charged for these licenses and permits, in Iowa cities.

METER READING SUMMARY					
Name _____					
Address _____					
Size of meter _____ Number of meter _____					
Month	Date	Reading	Consumption	Amount of Bill	Meter Reader
Dec.					
Nov.					
Oct.					
Sept.					
Aug.					
July					
June					
May					
Apr.					
Mar.					
Feb.					
Jan.					
Fwd.					

FIGURE 5 A Suggested Meter Reading Summary Form

when they are printed. In addition, all copies of a spoiled form should be kept in the bound book of license and permit forms in order that all numbers of licenses and permits may be accounted for.

The office receipt for licenses and permits which have been issued usually is a duplicate copy of the license or permit. Sometimes, however, a stub is attached to the license or permit, and this stub is the office receipt. If a duplicate of the license or permit is used, it is advisable to have it a different color than the original copy.

When a license or permit is issued, both the license or permit, and the stub, if a stub is required, are filled in with the necessary information and the license or permit is detached from the stub and given to the purchaser. The information which is shown on the license or permit and stub includes the license number if not already printed, date of issuance, to whom issued, reason issued, amount of money received, and the period of time covered by the license or its renewal date. Figures 6 and 7 illustrate license forms.

An ideal procedure for issuing a license or permit consists of the following steps:

1. when required, the person seeking the license or permit requests the council, mayor or department to issue the license or permit;
2. if the permit is granted, this person finds out from the proper department what the license or permit will cost;

TOWN OF _____, IOWA	
LICENSE	
\$ _____	No. 47
Name of License Holder _____	
Place of Business _____	
Having complied with the ordinances and paid the sum of _____ Dollars into the Treasury of the said town, the holder is hereby licensed to _____ _____ within said town for a period of _____ beginning _____ and ending _____	
This license is non-transferable and is subject to all the regulations established by ordinances of the town council.	
	Issued _____, 195 _____
	_____ Town Clerk
(Seal)	_____ Mayor

FIGURE 6 A General License Form

No. 213	TOWN OF _____, IOWA
\$ _____	LICENSE
_____	\$ _____ No. 213
Date Issued	Name of License Holder _____
_____	Place of Business _____
Name	Having complied with the ordinances and paid the sum of _____ Dollars into the Treasury of the said town, the holder is hereby licensed to _____ within said town for a period of _____ beginning _____ and ending _____
Address	This license is non-transferable and is subject to all the regulations established by the ordinances of the town council.
Purpose	Issued _____ 195__
Period Covered	(Seal) _____ Town Clerk
Beginning Date	_____ Mayor
Ending Date	

FIGURE 7 A Type of General License Form with Attached Stub

3. this person next pays the treasurer the proper amount and receives a receipt;

4. the purchaser then gives the receipt to the city clerk who issues the license or permit;

5. the license or permit itself then acts as a receipt to the purchaser.

In practice, however, the more common procedures, especially where the office of city treasurer is a part-time position, seems to be for the clerk to receive the money and issue the license or permit at the same time. The clerk then turns this money collected, along with the other money shown in the collection summary, over to the treasurer who in turn, under best practice, should issue a receipt to the clerk for the money received.

Collection Summary

When an official or employee other than the municipal treasurer collects money belonging to the city or town, a collection summary showing the source of the money collected should be prepared and given to the treasurer so that he can make the proper entries in his register. This should be done each time money is turned over to the treasurer, usually daily, but sometimes at other agreed upon intervals. The purpose for which the money was received and the fund to which the money will be deposited is the information most necessary for the treasurer to obtain from this particular report. A collection summary form is illustrated in Figure 8.

In addition to the above information, the collection summary may be designed to include a listing of the individual checks and the amount of the currency collected. The total of this list of individual checks and currency should equal the total amount of money which will be distributed to the various funds in the treasurer's register.

If collections have been made by some employee other than the clerk or treasurer, three copies of the collection summary should be made, preferably by using carbon paper. One copy goes to the treasurer, one copy to the clerk and the other copy remains with the employee who originally collected the money.

Persons who collect money should be cautioned not to use the collection summary in place of a copy of each receipt issued as supporting evidence when transferring money to the treasurer. The use of the collection summary as well as the receipts is desirable, however, as it provides another safeguard in accounting for cash received.

SUMMARY

In summarizing this chapter a brief outline of the procedures that should be followed in recording the receiving of cash under three different conditions may be helpful.

CASH COLLECTION SUMMARY		
Town of _____, Iowa		
Collecting Office _____		
Date _____		
Reason for Collection	Fund	Amount
Total for This Report		
<p>I certify that the above summary is a correct statement of money collected for the period indicated.</p> <p style="text-align: right; margin-right: 100px;"> _____ Signature _____ Title </p>		

FIGURE 8 *A Suggested Form for Reporting Cash Collections*

If cash is collected in the form of currency or check by the city or town clerk:

1. The proper receipt form is filled out by the clerk and the original copy is given to the person making payment.
2. The collection is recorded in the clerk's "Record of All Receipts."
3. The collection summary of all the cash received for the day or other designated period is filled out by the clerk.

4. A duplicate copy of each receipt issued, the collection summary and the cash is turned over to the city or town treasurer.
5. The treasurer gives the clerk a receipt for the money turned over to him.
6. The treasurer records the collections in the "City or Town Treasurer's Register of Warrants Paid and Receipts."
7. The treasurer deposits the money in the bank.
8. The duplicate deposit slip is kept by the treasurer as a record of the deposit.

If cash in the form of currency or check is collected by the city or town treasurer:

1. The proper receipt form is filled out by the treasurer, and the original copy is given to the person making payment.
2. The treasurer records the cash collections in the "City or Town Treasurer's Register of Warrants Paid and Receipts."
3. At the end of the day or other designated period, the treasurer deposits the money collected in the bank.
4. The treasurer keeps the duplicate deposit slip as a record of making the deposit.
5. The treasurer detaches the clerk's copy of each receipt and sends it to the municipal clerk.
6. The clerk records the collections in his "Record of All Receipts" from the information on his copy of each receipt.

If cash in the form of currency or check is collected by some city or town employee other than the clerk or treasurer:

1. The proper receipt form is filled out by the official or employee receiving payment, and the original copy of the receipt is given to the person making payment.
2. At the end of the day or other designated period the official or employee collecting the cash makes out a collection summary in triplicate.
3. The cash and the treasurer's copy of each receipt, and the clerk's and treasurer's copies of the collection summary are turned over to the treasurer by the official or employee making the collection. Another copy of each receipt is given to the clerk; this is used for auditing purposes.
4. The treasurer gives the employee collecting the cash a receipt for the money turned over to the treasurer.
5. The treasurer verifies the amount of cash by comparing it with the total of the receipts and the total of the collection summary.
6. The treasurer keeps his copy of each receipt and his copy of the

collection summary and records the collections of cash in the "City or Town Treasurer's Register of Warrants Paid and Receipts."

7. The treasurer deposits the money in the bank.

8. The treasurer retains the duplicate deposit slip as a record of making the deposit.

9. The treasurer gives the clerk a copy of the collection summary.

10. The clerk records the cash collections in his "Record of All Receipts."

It should be emphasized that there are two basic rules which should be followed in the handling of public money: (1) whenever a person receives cash, a receipt should be given, and (2) no matter who collects money in a city or town, the cash must be turned over to the treasurer before it is deposited in the bank. The latter is required by state law.

CHAPTER 4

Accounting for Cash Payments

IN ACCOUNTING FOR CASH PAYMENTS, a record should be made of every dollar spent. Furthermore each payment should be made by means of a warrant issued by the clerk.

Equally as important as proper accounting for and safeguarding of cash receipts is proper accounting for and controlling of cash payments. This involves a careful system of checks over cash paid out to see that:

1. the money is not used for any private purposes;
2. the payments are for the purposes specified by state law and are within the amounts authorized by state law and the municipal council.

The budget is the guide for controlling the payments of cash; it is the city's or town's annual financial plan showing how it is anticipated the money is to be spent and the sources from which the money is to be received. The budget governs the allocation of estimated revenues to the specific purposes authorized by law and limits the amount which is to be spent for each purpose. The best way to tell whether you have a good budget or not is by keeping a detailed accounting of how the money is being spent. The accounting should show if the payments are being made as estimated in the budget. In addition, the amounts of money taken in and paid out which are shown in the accounting records are helpful in preparing the new budget for the coming year. In fact, accounting and budgeting are so closely related that the same fund and account names for the classifying of payments should be used for both.

IOWA LAWS GOVERNING THE PAYMENT OF CASH

The Iowa legislature has recognized the problem of properly safeguarding and controlling the payments of cash. The following statutory provisions set up some basic rules for paying out cash:

1. The city or town official whose duty it is to make out warrants

cannot do so without the consent of the city or town council. (Code 1954, sec. 368A. 14)

2. Separate accounts must be kept for every appropriation, showing the date and the manner of each payment made out of the funds provided by such appropriations, the name and address of each person or corporation to whom paid and for what purpose. (Code 1954, sec. 368A. 6)

3. The official making out warrants must, on or before the tenth day of each month, furnish the council with a sworn and complete list of all warrants and the amount of each warrant issued by him during the preceding month. This list must state to whom payment was made and the object and purpose for which each warrant was issued. (Code 1954, sec. 368A. 15)

4. No official, including council members, can be directly or indirectly interested in any contract, work, material or in the services to be furnished or performed for the city or town. (Code 1954, sec. 368A. 22)

5. The treasurer must not loan or use for private purposes in any way, any of the funds which come into his hands as treasurer. (Code 1954, sec. 368A. 4)

OTHER RULES GOVERNING PAYMENTS OF CASH

In addition to the requirements set forth by the legislature, there are other rules regarding the payment of cash which may be used to advantage by most cities and towns. The suggested rules which follow are those which are generally accepted by accountants as being desirable and helpful in accounting for cash payments:

1. Another official, in addition to the clerk, should sign the warrants.

2. Warrants should be numbered consecutively by the printer, and each number should be accounted for in the warrant register.

3. Each item presented to the clerk for payment should be supported by some form of written evidence such as an invoice or payroll record.

4. Each written form presented should be signed by an official who knows that the material or service was received, is satisfactory, and the price is correct.

5. The clerk should see that no payment is made which exceeds the budget and the appropriation limit. When a payment for a necessary material or service would cause the total payments for this given purpose to exceed the original appropriation, an emergency or supplemental appropriation should be made by the council before the warrant is issued.

6. The clerk should check periodically to see that the cash balance in the bank and the treasurer's cash balance can be reconciled to the amount shown in the clerk's records. The clerk should also verify any undeposited cash.

WARRANTS

The payment of all money, except for those small amounts paid from petty cash, is the duty of the city or town treasurer in each Iowa city or town. However, since the treasurer is not permitted to make cash payments unless warrants are made out and signed by the proper official or officials, the city or town clerk is very closely connected with the cash paying procedure.

The municipal clerk is usually the official who has the duty of making out the warrants and is one of the officials who signs them. However, he cannot make out a warrant unless the council has approved the expense. Usually this is done at the first regular council meeting of each month. After such council meeting, the clerk must give the treasurer a statement of all warrants approved and issued, giving the number and the amount of each. By the tenth of each month, the clerk must give the council a sworn and complete list of all warrants he has issued during the preceding month. This list must show the amount, the fund and function charged and the object and purpose of each warrant.

At least once each month, the treasurer is required to give the clerk a list of the warrants and the amounts paid. This is to help the clerk know that no warrants are being paid by the treasurer except those issued by the clerk's office.

Warrants may be issued or loans may be negotiated in anticipation of revenues to be received during the calendar year. The clerk must remember, however, that the amount of such warrants and loans cannot exceed the estimated revenues for the budget year for the given fund or function. (Code 1954, sec. 404.18)

Some suggestions which may be of help in preparing and issuing warrants follow:

1. Warrants should be numbered when they are printed and every warrant should be kept even though it may be spoiled. Apparently the law requires that warrants be kept for 10 years before they may be destroyed. (Code 1954, sec. 368A.3)

2. Warrants should be printed on good quality paper because of possible excessive handling and because they have to be kept for many years before they may be destroyed.

3. The warrant should specify the fund which is to be charged for the amount of the cash payment.

4. Cities and towns may find it to their advantage to have a separate series of warrants for each important fund. Each series may be differentiated by the use of different colors of paper or a different series of numbers.

Warrant forms may or may not have attached stubs. If the form does have a stub, the warrant is detached from the stub and the stub is kept as part of the records of the city or town. The information

TREASURER OF THE TOWN OF	
_____, IOWA	
Date _____, 195__	No. 1476
Pay to the order of _____	\$ _____
_____	Dollars
For _____	
Fund to be charged _____	
_____	_____
Mayor	Town Clerk

FIGURE 9 *An Example of a Town Warrant*

shown on the stub usually includes the number of the warrant, date of issuance, person or firm being paid, reason for the payment, fund which is being charged and the amount of the payment. However, the use of stubs is not necessary since each warrant should be entered in the clerk's "Warrant and Distribution" register where the same information is shown, before it is sent to the person or firm being paid.

Most of the warrants issued by the city or town clerks in Iowa are payable through a bank which is named on the warrant. The bank forwards periodically, usually monthly, to the city or town treasurer all of the warrants in the "City and Town Treasurer's Register of Warrants Paid and Receipts." A monthly summary of warrants paid by the treasurer is sent to the clerk who records the date of payment in the clerk's "Warrant and Distribution" register in the column headed "Date Paid."

At the end of each month the clerk and the treasurer should reconcile their respective registers in order to determine if the difference

in the cash balance shown on the respective registers can be accounted for. After this is done, the treasurer files the paid warrants in numerical order in a permanent file.

A warrant form which can be used by most cities and towns is illustrated in Figure 9.

WARRANT REGISTERS

Both the municipal clerk and treasurer are required by state law to keep a record of warrants issued and paid. (Code 1954, secs. 368A.4 and 368A.6) The clerk must enter each warrant in his register at the time the warrant is issued. The clerk's register also has a column where he can record the date of payment for each warrant which he has issued. The treasurer records each warrant in his register as soon as he gets the cancelled warrants from the bank.

Clerk's "Warrant and Distribution" Register

The clerk's "Warrant and Distribution" register may be thought of as being divided into two parts. The first part distributes the expenses of the city or town to each fund while the second part distributes the expenses within each fund according to the classifications set up by the state law.

The first section of the clerk's register — which distributes the expenses by fund — consists of a column for each of the funds and the following information:

1. date of the warrant
2. the number of the warrant
3. the amount of the warrant
4. the name of the person or firm to whom the warrant is issued
5. the reason for the payment
6. the date the warrant was paid

The second section of the clerk's register — which distributes the expenses by function within a fund — consists of a column for each of the functions listed under each fund. A listing of the functions under each fund and the typical expenses to be charged to each function is given in the chapter entitled "Funds."

Every warrant should be recorded in the clerk's register in numerical order. In case a warrant is spoiled, the number of the warrant should be recorded in the "Warrant Number" column and the word "Cancelled" written in the "To Whom Drawn" column. By following this procedure, a complete record of all warrants will be recorded in the clerk's register.

The clerk's "Warrant and Distribution" register is Iowa Official Form 37.8, Revised 1951.

"City or Town Treasurer's Register of Warrants Paid and Receipts"

The "City and Town Treasurer's Register of Warrants Paid and Receipts" is designed so that payments may be recorded by fund only.

Columns are provided in this register where the following information is to be recorded:

1. the date of the warrant
2. the number of the warrant
3. the name of the person or firm to whom the warrant is addressed
4. the purpose for which the warrant was issued
5. the total cash payments, which are recorded in two columns — one column entitled "Amount of Warrant" and the other column entitled "Interest"
6. the amount of each warrant in the column entitled "Warrants" under the proper fund

All the warrants which the treasurer receives from the bank should be recorded in this register. The treasurer usually sorts these warrants so that they will be in numerical order and then records them in his register. The advantage of this procedure is that it simplifies the checking of the clerk's and treasurer's registers because the warrants will be in the same order in each register.

The "City and Town Treasurer's Register of Warrants Paid and Receipts" is Iowa Official Form 56.1.

PETTY CASH

Many towns and cities find it desirable and convenient to have on hand a small amount of cash either as a change fund for the person collecting utility service bills or to pay relatively small expenses. This money is called "petty cash."

A petty cash fund may be established in this way. A warrant is made out payable to petty cash and the proper fund cash balance is reduced by this amount. This warrant is entered in the clerk's "Warrant and Distribution" register the same as any other warrant. After the warrant has been cashed, the money is turned over to the designated municipal official or employee. This person should have a receipt book and he should see that he gets a receipt every time a payment is made from petty cash. Periodically, when the amount of money in the petty cash fund becomes low, it may be replenished by issuing a warrant for the total amount of expenses paid from petty cash since it was last replenished. This warrant should have copies of the petty cash receipts as supporting evidence of the expenditures made, and the amount of the warrant should be the same as the total of the petty cash receipts. As a final step, the warrant is recorded in the

clerk's "Warrant and Distribution" register, and the expenses are distributed to the proper funds and functions.

PURCHASING

Good purchasing procedures are essential in a well-operated municipal government. In any enterprise, it is the responsibility of the officials in charge to obtain reasonable value for the dollars spent. In municipal government where the requirement is made that expenditures be made within certain appropriation limits, it is even more important than to the ordinary enterprise that this value be received, and this requires that the best kind of purchasing procedures be used.

Centralized Purchasing

The procedure whereby all or much of the purchasing of goods and services for a city or town may be done by one person is called "centralized purchasing." The principal advantages of centralized purchasing are (1) materials and supplies will usually be purchased in larger quantities and a per unit price reduction usually results, and (2) a file of information about prices, quality of merchandise and where to buy certain types of materials and supplies will be developed in one office.

In most municipalities that have centralized purchasing the clerk acts as the purchasing agent. In some larger cities, however, this function is handled by a person hired specifically for this purpose. The clerk, or purchasing agent, should make almost all the purchases for a city or town, but sometimes materials or equipment of an unusual nature must be purchased, and in these instances some person with the necessary technical knowledge either should do the actual purchasing or give sufficient information to the purchasing agent so that he can make the proper purchase.

Purchase Request

There are several important forms used in the purchasing process. One of these is the purchase request form which is used to notify the purchasing agent that certain materials or services are needed by a given department. The purchase request form is usually prepared in duplicate. One copy, usually the original, is sent to the purchasing agent and the other copy is retained by the department making the request so that the department head has a record of all purchases requested.

The purchasing agent usually attaches his copy of the purchase request to his copy of the purchase order and keeps them in his file of materials ordered but not received. When the materials are re-

REQUEST FOR PURCHASE		
City of _____, Iowa		
Date _____ 19 ____	No. 1147	
Date wanted _____ 19 ____		
For _____	Department _____	Ship to _____
Quantity	Description	Quoted price of seller or estimated price
Approved by _____		
Purchase Order no. _____ Date ordered _____		
Ordered from _____		

(Seller's name and address)		

FIGURE 10 *A Suggested Form for City Departments to Use When Requesting Purchases*

ceived, the purchasing agent transfers these forms to his permanent file.

Purchase Order

Purchases of all kinds, except those small in amount and those covered by formal contracts, should be made by purchase orders. A purchase order protects the buyer by clearly stating the terms and conditions under which the municipality offers to purchase. In addi-

PURCHASE ORDER

Town of _____, Iowa

To: _____ No. 6974

Deliver to: _____ Date _____
 _____ Terms _____
 _____ Ship Via _____

Please enter our order for the following:

Quantity	Unit	Description	Account Code	Unit Price	Total Price

INSTRUCTIONS TO VENDOR:

1. Purchase order number must appear on invoice and on all packages and cartons.
2. Deliver no goods without a purchase order.
3. Submit an invoice for each purchase order.
4. Send invoice to town clerk.

Town of _____, Iowa

By _____

 Town Clerk

Original Copy

FIGURE 11 A Suggested Purchase Order Form

tion, the purchase order becomes a contract binding both parties when it is acknowledged by a person or company from whom the purchase is to be made.

The minimum number of copies of the purchase order is two; however, the usual number used is three. The three copies are used as follows:

1. The first or original copy is sent to the firm or person from whom the material is being ordered or the service requested.

2. The second or duplicate copy is kept by the city clerk as a record of the material having been ordered.

3. The third or receiving copy is sent to the person or department which will receive the materials. This copy notifies the person or department that the order has been placed and provides a means of checking to see that the correct kinds and amounts of goods are received.

It is helpful if different colors are used to distinguish the various copies of the purchase order. In addition, it is also desirable to have the title of each — original, duplicate and receiving — printed on the proper copy when the forms are made.

Any difference between the materials received and those listed on the purchase order should be clearly noted on the third or receiving copy of the purchase order. If the materials received are exactly as ordered, this too should be noted. When the proper notation has been made on the receiving copy of the purchase order, it should be attached to the invoice. Not until the clerk has been informed by the department that the merchandise received is satisfactory, should he prepare a warrant for payment of the order. It should be remembered, however, that the city or town council has to vote favorably on this invoice before the warrant can be issued.

Figure 11 illustrates a purchase order form which may be used by cities and towns.

Purchase Discounts and Tax Exemptions

The purchasing agent of every municipality should take advantage of every purchase discount offered and of every tax exemption to which the municipality is entitled.

If materials and supplies are purchased in certain quantities, a seller may offer a discount. In addition, a discount is given oftentimes on a purchase if payment is made in cash or is made within a given period of time. On any one purchase, the money saved by taking advantage of the discount may not appear to be significant, but if the clerk, or purchasing agent, is careful to take advantage of every discount offered, a considerable savings will result over a period of time.

State and local governments are not required to pay federal excise taxes. Therefore, when a purchase is made of materials which ordinarily are subject to these excise taxes, the purchasing agent should inform the seller that no tax should be charged. Information regarding federal excise tax exemptions may be obtained from any internal revenue office.

Prior to July, 1953, municipalities were required to pay a sales or

use tax on any goods purchased that were subject to the state sales or use tax. After paying such a tax, however, a city or town could apply to the state for a refund. Now this procedure is no longer necessary as the 1953 legislature enacted a law which provides that cities and towns do not have to pay a sales or use tax on the supplies and equipment they purchase, except that sales of goods used in the manufacturing process to municipally owned utilities which sell gas, electricity or heat to the general public are subject to these taxes.¹

PAYROLL ACCOUNTING RECORDS AND PROCEDURES

Payroll accounting is the accounting necessary to pay and to record correctly the salaries or wages of each municipal employee. Our modern income tax laws and pension and retirement programs have added to the importance of keeping adequate payroll records.

Individual Earnings Record

An individual earnings record should be kept for each employee. At the end of each pay period, information about the employee's earnings for that period should be entered in this record. The information usually shown in the individual earnings record includes the name and address of the employee, the type of work performed during the period, the total time worked, the total earnings, the deductions made, the amount paid and the number of the warrant issued to pay the employee. In addition, it may be desirable to show vacation periods and sick leave time taken on this form.

This individual earnings record gives a payroll history of the individual employee. In addition, it gives, in convenient form, the information necessary to fill in an employee's W-2 Federal Income Tax form.

Payroll Record

A payroll record, showing on one sheet the amount paid each employee, should be prepared each pay day. The kind of information which should be shown on this record may be decided by each city and town, but at a minimum, the amount paid to each employee in salaries or wages and the fund from which each payment is to be made should be shown.

SUMMARY

In summarizing this chapter a brief outline of the steps that should

1. Sales of utility services to a city or town are not subject to the sales tax. Op. Atty. Gen., June 26, 1953.

be followed in the payment of cash under two sets of circumstances may be helpful.

Purchase of Materials or Services When No Bid is Required

1. Department head or other official prepares in duplicate a purchase request for the materials or services needed and sends a copy to the purchasing agent, usually the city clerk in the smaller municipalities.
2. The clerk prepares the purchase order in triplicate and sends the original to the person or firm from whom the materials or services are ordered, retains a copy himself and sends the other copy to the department which originated the order.
3. When the materials are received, a check of the goods is made to see if they are the same as were ordered.
4. The council votes its approval or disapproval of the invoice.
5. If the council approves, the clerk prepares and issues a warrant in payment of the invoice.
6. The clerk records the issuance of the warrant in his register.
7. The bank pays the warrant when it is presented at the bank.
8. The treasurer receives from the bank all the warrants which have been paid.
9. The treasurer records these warrants in numerical order in his register.
10. The treasurer prepares a report for the clerk which informs the clerk as to the warrants which have been paid during the month, and the clerk records the date each was paid in his register.

Payment of Salaries or Wages of Municipal Employees

1. The payroll record for the pay period is prepared for all employees.
2. The income tax withholdings and other deductions for each employee are computed.
3. The approval of the council for the payment of the salaries and wages is obtained.
4. The clerk prepares and issues the warrants paying the officials and employees.
5. The clerk prepares and issues a warrant for each class of withholding and deduction such as income tax withholdings, insurance, pensions, social security, etc.
6. The clerk records each of these warrants in his register.
7. The bank pays the warrants as they are presented for payment.
8. The bank sends the paid warrants to the treasurer.

9. The treasurer records these warrants in numerical order in his register.

10. The treasurer notifies the clerk that certain warrants have been paid, and the clerk fills in the date paid in his register.

It is important to remember that every warrant must be recorded in both the clerk's register and the treasurer's register. In addition, council approval must be obtained before any warrant can be issued.

CHAPTER 5

Budgeting

THE COLLECTION OF PROPERTY TAX MONEY produces a considerable portion of the funds a municipality uses to finance the services furnished its residents. One of the reasons for preparing a budget is to determine the amount of property taxes which must be levied to pay for a municipality's operation.

A budget, however, should not be thought of only as a procedure which has to be followed in order to collect the necessary tax money for a city or town. Rather, the budget should be looked upon as the master financial plan of the municipality, showing, for the next calendar year, the proposed cost for every function performed or service provided and the proposed methods of raising the money to pay for those expenditures. In addition, a budget can be of much assistance to the city or town council in controlling expenses and can provide a sound basis upon which an accounting system may be established.

The Iowa Local Budget Law prohibits the expenditure of a sum of public money for any specific purpose greater than the amount estimated and appropriated for that purpose. (Code 1954, sec. 24.14) For that reason, the budget, if constructed in sufficient detail and if this detail is followed, can aid in assuring the public of a business-like handling of municipal funds.

RESPONSIBILITY FOR THE BUDGET

To be certain that the budget law is being followed, some municipal official should have the responsibility for preparing the budget. This does not mean, however, that one person should do all of the work in budget preparation. It does mean that one person should be designated to see that the budget procedure is progressing according to the calendar set up by law and that one person or agency should be responsible for considering the budget as a whole as well as in its parts.

In the smaller cities and towns, the budget is usually the respon-

sibility of one or more of the following: the clerk, the mayor or council committees. In most instances, however, the clerk does the major portion of the work in preparing the budget.

In the larger cities, budget estimate forms are distributed to the department heads to fill in, and then the municipal clerk collects these completed forms and prepares the over-all budget. If a city has a budget director, he would have the duty of seeing that the budget is completed on time.

No matter which municipal official is held accountable for preparation of the budget, each municipal employee should see to it that any budget information requested of him is readily made available.

BUDGET CALENDAR

A budget calendar should be established to make sure that the budget is completed within the time prescribed by Iowa law. A very simple calendar follows:

On or before July 1	Budget estimate forms distributed to department heads
July 1 to July 15	Budget estimate forms collected from department heads
July 15 to July 25	Over-all budget estimate completed by clerk or budget director
July 25 to Aug. 4	Setting of the date for and place of the budget hearing. Publishing or posting of the budget estimate
Aug. 4 to Aug. 14	Hearing held and the budget adopted
On or before Aug. 15	Certification of the adopted budget and incorporation tax made to the county auditor
On or before the first Tuesday in Sept.	Filing of appeals to the adopted budget by taxpayers
First meeting of Council after Jan. 1	Council makes the actual fund appropriations by functions using the adopted budget figures as a maximum amount for each function

BUDGET ESTIMATE FORMS

Iowa Official Form No. 621 (Revised), entitled "Budget Estimate and Record of Filing," is the over-all budget estimate form designed by the State Appeal Board. It is used as the guide to follow when the budget

estimate and the date and place of the hearing is published or posted as required by law. The information required on this form is as follows:

1. In the first two columns: *the actual expenditures made, not the amounts adopted in the budget*, for the two preceding calendar years.

2. In column three: the estimated expenses for the coming calendar year.

3. In column four: the estimated unencumbered balance at the end of the present year. (Unencumbered balance is the amount of money left in a fund at the end of the year, against which there are no bills, orders or contracts outstanding.) In order to estimate this balance, the accounting officer should estimate the total receipts for the current year and add to this total the actual cash balance at the beginning of the current year; then from this aggregate amount, he should subtract the estimated total expenditures for the current year. When determining the estimated unencumbered balance in July, it is a good plan to use actual receipts and expenditures to date as a guide in estimating the total receipts and expenditures for the current year. It is realized that accurate estimates for each fund are difficult to make this far in advance; therefore it is suggested that the estimate of the unencumbered balance should be conservative, that is the estimate should be low rather than high.

4. In column five: the estimated amount of income from sources other than taxation.

5. In column six: the estimated amount of tax money needed for each fund for the coming year.

Although this form requires the revenues and expenses be listed by fund totals only, a more detailed budget form is necessary if it is to fulfill the requisites of a good budget. The person or persons who prepare the budget should prepare a work sheet which gives a detailed division of estimated revenues and expenses for the coming year as well as the actual expenses for the two preceding years. These estimates should be prepared in at least as much detail as the present accounting record forms of the accounting officer. The information shown on the budget form required by the state is merely a summary, by fund, of these detailed estimates.

Estimating the Cash Balance When Budgeting

The law changing the fiscal year for municipalities so that it coincides with the calendar year has created a financing problem for the cities and towns. Inasmuch as the fiscal year now ends on December 31, and the municipality does not begin to receive its tax money until April 1, a question arises as to what method can be used in order to have sufficient cash to pay for the municipality's operations for the

first three months of the fiscal year. Two methods would seem to be acceptable. They are as follows:

1. Maintain an adequate cash balance at the end of the year.

A cash balance, equal to the amount estimated as necessary for the operation of the municipality during the first three months of the next fiscal year, may be maintained by the municipality. These estimated amounts will be, in all probability, the figures which will be recorded in column four, entitled "Estimated Unencumbered Balance," of the "Budget Estimate and Record of Filing" form. If this method is used, the amount recorded in column three, entitled "Proposed Expenditures Estimated" of the "Budget Estimate and Record of Filing" form, should include the estimated amount which the municipality intends to spend for the functions within the given fund, *plus* the estimate of money which will be carried over at the end of the year. (For example: If the estimated amount which the municipality intends to spend for the functions within the Recreation fund is \$20,000 and the estimated amount of the unencumbered balance is \$5,000, the total amount, \$25,000, is the figure which would appear in column three of the "Budget Estimate and Record of Filing" form.)

The difficulty in using this approach is that a municipality overstates its proposed expenditures in column three of the budget form which is submitted to the county auditor.

It is important that the municipal accounting officer or any other official in charge of administering the budget realize the difference between the amount shown as proposed expenditures estimated on the budget form, which of course is inflated by the amount of the unencumbered cash balance, and the amount which should be appropriated by the council. (Referring to the illustration above, \$20,000 should be the amount appropriated and not the \$25,000 which appears as the proposed expenditures estimated on the budget form.) If the improper amount is appropriated, the cash balance on hand a year hence on December 31 will be insufficient to meet the obligations of the municipality during the first three months of the ensuing year.¹

1. Although not recognized by law, here is the way some communities handle this matter: maintain an adequate cash balance to take care of the expenditures for the first three months, but not show these balances in the budget statement. In these cases, column four of the "Budget Estimate and Record of Filing" is filled with zeros, and therefore neither the estimated receipts nor the estimated expenditures are likely to be overstated.

A suggestion for a change in the requirements for showing cash balances on the budget statement is made in Chapter 8. (See recommendation "4" under "Budgeting Procedures," p. 91)

2. *Borrow the necessary cash on a short term basis.*

Sufficient money may be borrowed to carry on the municipal functions during the first three months of the next fiscal year until the first installment of tax money is received from the county treasurer. If this procedure is used, most likely there will be no unencumbered balance at the end of the fiscal year; consequently, column four of the "Budget Estimate and Record of Filing" form will be filled with zeros. In addition, the amount entered in column three of the budget form will be just the estimated amount which the municipality intends to spend.

The only difficulty with this approach is that the cost of providing municipal functions and services is increased because of the interest which has to be paid on the money borrowed.

PUBLICATION AND HEARING

After the budget estimate has been completed, a date and place for the budget hearing must be arranged. The Iowa law requires that the date and place of the budget hearing and the budget estimate by fund must be either published or posted, according to the size of the town, and the publication or posting must be done at least 10 days before the date set for the hearing. Unless verified proof of the publication or posting of the hearing notice is filed in the county auditor's office, a tax levy is not valid. (Code 1954, sec. 24.10)

The hearing should open with the mayor or clerk explaining the proposed financial program of the municipality. In this way the council members and the taxpayers present are told why the municipal officials believe the proposed budget should be adopted. Any person who would be subject to the proposed tax levy can speak for or against all or any part of the proposed budget. The council members, after hearing the city or town officials and the taxpayers, can either adopt the proposed budget as originally prepared or can make changes in the estimates before voting the adoption. Best practice requires that the budget be adopted in at least as much detail as there are functions within each fund.

Since limitations are set by law as to the amount of taxes which can be levied for each fund, the council should see to it that the adopted budget conforms to these limitations. The total number of mills which can be levied for the general fund, the street fund, the public safety fund, the sanitation fund, the municipal enterprises fund, the recreation fund and the utilities fund is limited to 30 mills by state law. (Code 1954, sec. 404.2) Prior to the 1953 legislative session, apparently the number of mills levied for the debt service fund also was included in the 30 mill limitation, but an act of the 1953 legislature repealed

this part of the limitation, and cities and towns may levy taxes for the debt service fund over and above the 30 mills limitation.

FILING THE ADOPTED BUDGET

Immediately after the hearing is completed and the budget is adopted, the municipal clerk is required to fill out two copies of Iowa Official Form No. 635 (Revised) entitled "Adopted Budget and Certificate of Incorporation Taxes" and to file them with the county auditor. These have to be filed with the auditor by August 15. (Code 1954, sec. 24.17) The information needed to complete this form follows the same pattern as that used to fill out the "Budget Estimate and Record of Filing" form explained earlier.

PROTEST OF THE BUDGET

The Iowa Local Budget Law provides a method whereby an adopted budget may be appealed after it has been filed with the county auditor. If, on or before the first Tuesday in September, the prescribed number of persons file with the county auditor a written protest listing their objections to the budget and the basis for the objections, the county auditor must send the protest to the state appeal board immediately.

The state appeal board then sets a date for a hearing on the protest. One member of the board, or his representative, presides over the hearing, and the proceedings of the hearing are recorded and sent to the state appeal board for review and final decision.

BUDGETARY CONTROL

One of the major purposes of budgeting is to control expenditures. The amount of control actually provided, however, depends upon the municipal council and other officials.

The accounting officer should feel that it is his duty to advise the council when an appropriation is in danger of being exceeded. Even the fact that the percent of an appropriation already spent is more than it normally should be at a certain time of the year should be called to the attention of the council members. The accounting officer should not rely on the council members to notice such information when it is presented in a written monthly appropriation report. Department heads, too, should be notified periodically of the status of their department's appropriations.

In order to facilitate using the budget as a controlling device, the proposed budget should be adopted in some detail — at least by functions within the funds. The appropriation ordinance, which should be passed at the first meeting of the council after the first of January, should be adopted in the same amount of detail. This procedure gives

council approval to the amount appropriated for each function within each fund and necessitates council approval before a transfer of appropriations can be made from one function to another function within the same fund.

AMENDING THE BUDGET

The 55th General Assembly passed a law legalizing the amending of the budget during the year in which the budget is in operation. (Code 1954, sec. 24.9)

If the cash balance at the end of the preceding year is more than was estimated or the cash received from sources other than taxation is more than originally estimated, this money may be available for appropriation and expenditure during the year as the need arises.

An amendment to the budget may be made at any time during the year. The amendment has to be filed and published and a hearing held in the same manner as for the adoption of the original budget.

TRANSFER OF APPROPRIATIONS AND MONEY

The budget law provides that money may be transferred from one fund to another if permission is received from the state appeal board.² The fund law provides that the council may make transfers from one function to another within the same fund and the council may authorize this type of transfer by approving a resolution to that effect, no outside approval being necessary.

Transfer of money between funds may be on either a permanent or a temporary basis. (Code 1954, sec. 24.22) If the transfer is of a permanent nature, the council has to approve a resolution asking that a request be filed with the state appeal board, and the board has to give its approval before the transfer is legal. Iowa Official Form No. 698 entitled "Resolution and Application for the Approval of the Permanent Transfer of Funds" should be used when submitting this request to the state appeal board. If the transfer is of a temporary nature, the same procedure as above is followed. Iowa Official Form No. 640A entitled "Resolution and Application for Temporary Transfer" should be used in submitting this type of transfer. In addition, however, the

2. Generally, state approval is necessary for transfers between funds, but there are some exceptions to this rule. For example, money to retire revenue bonds or to pay the municipality's share of a special assessment bond project may be transferred from a functional fund to the appropriate revenue bond fund or special assessment bond fund without first obtaining state permission. Likewise, it is not necessary to obtain state permission to transfer money from a functional fund to an agency fund which is set up for employee retirement plan purposes or to transfer money from the liquor profits fund to any functional fund. In these instances, however, it is a good practice for the council to pass a resolution to authorize the accounting officer to make such transfers.

state appeal board establishes the time and conditions under which the transfer has to be reversed and the money returned to the original fund. While a procedure allowing the transfer of money between funds is necessary to give flexibility to municipal financing, too many transfers of this type defeat the purposes of budgeting. For best results from a budget, transfers between funds and within a fund should be kept at a minimum.

One very important limitation to the transfer of money between funds should be remembered — funds received for the construction and maintenance of streets and parking lots *can be used for no other purpose*. The money referred to is that received from the state distribution of road use taxes, from parking meter receipts and from revenue of the parking lot fund.

When a transfer is to be made from the emergency fund, a two-thirds vote of the council and the approval of the state appeal board is required. Iowa Official Form No. 639A entitled "Resolution and Application for Transfer of Emergency Funds" should be used when requesting this transfer.

The balance of a specific fund may be transferred to one or more other funds when the purpose for which the fund was established no longer exists. No outside approval is necessary for this type of transfer, although a copy of Iowa Official Form No. 639 entitled "Resolution for Transfer of Dead Funds" should be filed with the state comptroller's office.

CASH BALANCE AND APPROPRIATION BALANCE

Since municipal accounting records in Iowa are kept on a cash basis, it is believed an explanation of the difference between a cash balance and an appropriation balance in a fund may be helpful. A fund's cash balance is simply the amount of money in the fund. A fund's appropriation balance is the amount appropriated in the budget less the expenditures made and warrants issued but unpaid. Similarly, the appropriation balance of a functional account within a fund is the amount appropriated for that purpose less the expenditures made and warrants issued but unpaid. An appropriation, it is emphasized, is an authorization to spend at any time during the year (an authorization which is matched by an anticipated amount of money to be received), regardless of whether cash is available in the particular fund at the moment. If the money which is to be collected by a community during the year is not meeting expectations, the appropriated amounts should be reduced accordingly. The appropriation, not the cash balance, should be the guide to spending, and the appropriated amount, by fund or by functional account, should not be exceeded unless a transfer is ap-

proved by the state appeal board or the budget is amended to authorize a transfer between funds or unless a resolution of the council permits such a transfer between functions within a fund.

It is not necessary to make a transfer of cash between funds to meet the warrants of a fund which is temporarily low or out of cash, *providing that the warrants issued do not exceed the appropriated amount for the fund.* In other words it is possible for a fund to be "in the red" on a cash basis as long as it is "in the black" from the standpoint of the amount appropriated for the fund. Then, as soon as enough money is received for this fund, it will be "in the black" on a cash basis as well.

SUMMARY

Good budgeting is very important to the business-like financing of a city's or town's operations. The goal of budgeting is not merely the right to levy taxes; more important, it is a plan for receiving and spending public money, which, if properly used, can be an important administrative aid. It cannot be over-emphasized that the budget is the master financial plan of a municipal government, governing the amount to be spent for each function and the sources from which the money is to come.

A budget, however, is only as good as the municipal officials in charge of budgeting want it to be. The fact that methods are available to transfer appropriations within funds and money between funds should not mean a reduction in the time, care and study given to the preparation of the budget and the carrying out of its provisions. Budgeting should be a continuous, year-around process rather than a job of two or three months' duration.

CHAPTER 6

Financial Reports

IN MUNICIPAL ACCOUNTING the term "financial report" usually refers to any formal written presentation of financial facts. For that reason, a financial report may vary all the way from a single statement, such as the treasurer's monthly report to the council, to the annual report, which usually consists of a number of separate statements showing the present financial condition of the municipality and a summary of its financial operations for the previous year.

Municipal financial reports are prepared primarily for the benefit of four groups of people: the municipal council, the municipal administrative officers, the state auditor's office and the residents of the community. In Iowa, the city or town council has the primary responsibility for financial administration; for example, the council has to approve every bill before the clerk can issue a warrant in payment. Since this responsibility is centered in the council, it is important that the city or town accounting officer keep the council informed, through the use of reports, as to the cash, budgetary and debt status of the municipality. Administrative officials of a municipality are interested in financial reports in order to see, at any time during the year, how much money has been spent for each function and how much of the budgeted amount for each function is unspent. Iowa law places in the state auditor's office the major responsibility for seeing that the municipal finance laws enacted by the state legislature are followed. For this reason, the state auditor's office must have comprehensive reports from every municipality. The residents of a municipality must rely on financial reports for information regarding the amounts spent for each municipal service, the amounts collected from each revenue source and the amount of debt the community has. In addition, financial reports may be an important source of information to prospective purchasers of municipal bonds and notes.

ANNUAL REPORT

The annual report is prepared primarily for the benefit of the state auditor's office and the residents of the municipality, although the council, the administrative officials and the prospective bond purchasers will find it useful.

The laws of Iowa require every municipal corporation to file an annual report with the auditor of state's office on or before the first working day of February of each year. (Code 1954, sec. 368A.12) The state law also makes the fiscal year for municipalities the same as the calendar year, January 1 to December 31. It is the duty of the person who was clerk or auditor during the period covered by the report to prepare and file the annual report. If the report is not filed on time, the state auditor may send an examiner to prepare the report, and the expense of making the examination is charged to the municipality. (Code 1954, sec. 368A.12) In addition, Iowa law requires the publication of the annual report in a newspaper of general circulation in the city or town, or if there is no newspaper of general circulation published in the town, the annual report should be posted in three places. (Code 1954, sec. 368A.11) The detail in which the annual report must be published is outlined in the form prepared by the state auditor's office and approved by the state printing board. This form must be completed in triplicate, one copy to be given to the newspaper, one copy to be sent to the state auditor and one copy to be kept by the city or town.

The accounting officer of the municipality should look upon the annual report as his opportunity to let the people of the community know how the municipal administrative officials have spent the public's money during the past year. In addition, the revenue and expenditure information included in the annual report can be very useful in the preparation of future budgets.

The form of the annual report is prescribed by the auditor of the state. (Code 1954, sec. 11.22) It may be thought of as consisting of two parts: (1) statements presenting information on all cash transactions and debt, and (2) statements and lists presenting general financial information. Each of these parts is described separately below.

Statements Presenting Information on All Cash Transactions and Debt

The information necessary to fill out these statements may be found in the various records of cash. The statements included in this section are as follows:

1. *Statement of cash received.* All cash received by the municipality is shown in this statement. This is divided by fund and by source within each fund. In addition, all the cash received is classified into

tax receipts, office receipts and other receipts. The clerk's "Record of All Receipts" register does not provide for this three-fold classification; consequently, the accounting officer should set up some procedure which will simplify transferring the totals from the accounting records to the annual report.

A number of procedures may be used in the accounting records so that the necessary information will be readily available for the annual report. However, one procedure seems to be the most simple. Set up a letter or numerical code, such as "T", "OF", and "OT" or "1", "2", and "3" (which would symbolize taxes, office receipts and other receipts, respectively), and place the proper code letter or number beside each amount of cash received as it is recorded in the proper source within the proper fund in the clerk's "Distribution of Receipts" register. In order to find the total amount at the end of the year, simply add all the amounts coded "T" or "1" and that is the total of tax receipts for the given function within the given fund. The total amount of office receipts and other receipts may be obtained by adding all the amounts coded "OF" or "2" and "OT" or "3" respectively.

2. *Statement of expenses.* All expenditures of the municipality are divided by fund and by function within each fund in the statement of expenses. In addition, the expenses of each function are classified into salaries and wages, capital outlay and other expenses.

A letter or numerical coding procedure similar to the one described in the "Statement of Cash Received" may be used to simplify the division of expenses within each function into this three-fold classification.

In the annual report submitted to the state auditor, *town* accounting officers are required to show only the cash received and paid *by funds*. In addition, the amounts shown on the budget forms which municipalities are required to file with the county auditor are by fund only. Although this procedure is permitted in the interest of good budgeting and informative accounting, the municipal accounting officer should prepare the budget and keep his accounting records so that the functional breakdown within each fund is shown.

3. *Statement of cash transactions.* This statement shows the cash on hand and the warrants outstanding at the beginning of the preceding year, the total cash received and the total cash expended during the preceding year. All the information necessary to complete this statement, with the exception of the warrants outstanding, may be found in the clerk's register. The amount of the warrants outstanding may usually be determined by comparing the treasurer's monthly statements of warrants paid during the year and the clerk's warrant register showing the warrants issued during the year. The

difference between the amount of the warrants issued and the amount of the warrants paid is the amount of the warrants outstanding.

4. *Statement of municipal indebtedness.* The information shown on this statement is the indebtedness of the municipality by class, such as general bonds, municipal industry bonds, revenue bonds, judgments, etc. The amount of each class of indebtedness at the beginning of the preceding year, the amount of each class of indebtedness issued during the year, and the amount of each class of indebtedness paid during the year are the amounts necessary to complete this statement. These figures may be found in the clerk's register and the bond register.

5. *Statement of cash in banks and in treasurer's hands at end of year.* The information requested on this statement consists of a list of the names and the amount of cash on deposit at each bank in which the municipality has an account, the amount of securities held by the treasurer and the amount of cash which the treasurer has not deposited. These names and amounts may be found in the treasurer's records. In fact, the treasurer is required to sign this statement.

Statements and Lists Presenting General Financial Information

Some of the information which is necessary to fill out these statements is available in the records of the municipality, and the remainder must be obtained from the county assessor's or county auditor's offices.

1. *Statement of the value of property subject to taxation.* This property must be divided into real, personal, railroad, telephone and telegraph, utility, and moneys and credits. The assessed and tax value of each kind of property is requested; this may be secured from the county assessor or auditor. In addition, information as to the numbers of acres of agricultural land in the corporation, the assessed valuation of the agricultural land in the corporation which is subject to tax, and the number of mills of tax levied on agricultural land is requested.

2. *Statement of tax levies.* The amount of the tax levy in mills and in dollars for each fund, as determined by the county auditor from the budget forms submitted to him the preceding August, is necessary to complete this statement. These figures may be obtained from the county auditor's office.

3. *Statement of general information.* The last population figure, the date of the municipality's incorporation, the number of acres of land in the municipality, and the miles of paved, graveled and dirt streets are the figures necessary to complete this statement.

4. *List of officials serving during the preceding year.* The names

and salaries of each councilman and the salary of each official such as the mayor, clerk, treasurer, engineer, etc., are to be listed.

5. *Statement of the value of municipal possessions as of December*

31. The valuations placed on the various buildings and sites, equipment, parks, utility facilities and other land and property of the municipality are to be recorded in this statement.

CLERK'S LIST OF WARRANTS ISSUED

After each council meeting, the clerk is required to give to the treasurer a list of all warrants issued and approved by the council, together with the number and the amount of each warrant. (Code 1954, sec. 368A. 3) No form is required or has been especially designed for this list. The purpose of this list is to notify the treasurer as to the payments which have been approved by the council.

CLERK'S STATEMENT OF APPROPRIATIONS TO THE COUNCIL

Although the state law requires the clerk to keep his records so that they show the present status of the appropriations, either by fund or by function within a fund, he is not required to report this information to the council. However, it is a good practice for the accounting officer to do this, and such a report should be made to the council and budget officers at least monthly. If the municipality is to follow its budget and appropriations as adopted by the council, council members, department heads and budgetary officials must know how much of the appropriation for each fund or function has been spent and how much is left.

Because of the importance attached to a report of this kind, two suggested forms are illustrated. The first illustration, Figure 12 is similar to the monthly report form used at Tipton, Iowa, where the appropriation information is presented by funds. The second illustration, Figure 13, is similar to the monthly report form used at West Liberty, Iowa, where the appropriation information is presented by fund and by functions within each fund.

TREASURER'S MONTHLY REPORT TO THE COUNCIL

Iowa law requires the municipal treasurer to prepare a written report which must be submitted to the council at its first regular meeting of each month. The report must show the cash balance of each fund at the end of the preceding month. (Code 1954, sec. 368A. 4)

This report is made in order that the council may know the current condition of the cash balance in each of the funds. Since the

TOWN OF _____, IOWA				
TOWN CLERK'S STATEMENT OF APPROPRIATIONS				
AS OF _____, 195__				
Fund	Government	Street	Public Safety	Sanitation
Appropriated				
Expended				
Available				
Fund	Municipal Enterprises	Recreation	Utilities	Debt Service
Appropriated				
Expended				
Available				

FIGURE 12 *Type of Appropriation Report Made to the Council in Tipton, Iowa*

TOWN OF _____, IOWA				
TOWN CLERK'S STATEMENT OF APPROPRIATIONS AS OF _____, 195__				
Funds	Appropriated	Expended	Available	Remarks
General Expense				
City Hall				
Elections				
General Fund Total				
Street Construction				
Equipment				
Snow Removal				
Tree Removal				
Street Fund Total				
Transfer				
Emergency Fund Total				

FIGURE 13 *Type of Appropriation Report Made to the Council in West Liberty, Iowa*

TOWN OF _____, IOWA								
TOWN TREASURER'S REPORT TO THE COUNCIL FOR								
THE MONTH OF _____, 195__								
	General Government	Street	Public Safety	Sanitation	Municipal Enterprises	Recreation	Utilities	Debt Service
Cash on Hand <u>(Date)</u>								
Receipts								
Disbursements								
Cash in Bank <u>(Date)</u>								

FIGURE 14 A Suggested Form for Reporting Cash Balances to the Council

state law does not require any special form to be used for this report, the treasurer and the council may determine the form to be used.

A form which may be used for this report is illustrated in Figure 14.

TREASURER'S MONTHLY STATEMENT TO THE WARRANT ISSUING OFFICER

The municipal treasurer is also required by state law to submit, at least once a month a statement to the warrant issuing officer. This statement must list the amount of each warrant paid during the preceding month. (Code 1954, sec. 368A. 4) Once again, no special form is required for this statement, consequently the treasurer and the clerk may determine what form should be used. The reason the treasurer must prepare this report is so that the warrant issuing officer may note on his records the warrants which have been paid.

REPORTS OF BOARDS AND COMMISSIONS

The accounting officer of every board and commission of a municipality who receives or pays out public funds is required to file a written report with the municipal auditor or clerk. The deadline for filing this report is January 30th of each year. The report must show in detail the money received and expended during the preceding calendar year for the particular purpose for which the board was created. (Code 1954, sec. 368A. 7)

The auditor or clerk must incorporate these reports into his annual report. For the clerk's benefit, the report from any board or commission should be arranged so the information may be easily transferred from the commission report to the annual report. In fact, it is suggested that the clerk or auditor design a report form for the the board's or commission's accounting officer to use in submitting such information.

SUMMARY

Reporting is an essential part of municipal accounting. Reports summarize what the financial operations have been and what the financial status of a community is at a certain stopping point. The accounting officials of a city or town should prepare and submit all the reports which are required or deemed necessary to inform the municipal administration and the public about the financial affairs of the city or town.

Special Accounting Procedures

IN FINANCING MUNICIPAL GOVERNMENT there are several kinds of transactions which require special accounting. For this reason, this chapter is devoted to a discussion of some of the accounting procedures which may be used under present state law to account for such transactions. The subjects which will be covered are as follows:

1. Accounting for transfers
2. General obligation and revenue bond accounting
3. Special assessment accounting
4. Utility accounting
5. Pension and retirement accounting

ACCOUNTING FOR TRANSFERS

If the statutory procedures are followed, Iowa law permits the transfer of money from one fund to another. A brief outline of these procedures for the different types of transfers were presented in the chapter on budgeting.

Transfers may be either permanent or temporary in nature. Any transfer which is to be paid back within a year from the date of the transfer is considered a temporary transfer.

Every transfer should be made through the issuance of a warrant. The warrant is made payable to the fund which is to receive the money and issued against the fund from which the money is to be taken.

A warrant issued because of a transfer must be entered in the clerk's "Record of All Receipts" register *and* in the clerk's "Warrant and Distribution" register. The transfer is considered as money received in one fund and as an expense of the other fund; consequently, an entry is necessary in each of the clerk's registers. In addition the warrant must be entered in the "City and Town Treasurer's Register of Warrants Paid and Receipts," and the amount of the transfer will appear in both the "Total Receipts" column and the "Total Paid" column.

If the transfer of money into a fund results in more money being

available to spend than was originally appropriated, the council should pass an appropriation resolution allocating all of the transferred money among the proper funds and functions. It should be remembered that just because all this money is appropriated, it does not have to be spent.

The amount of a transfer which is entered in the proper columns in the clerk's and treasurer's registers should be added as part of the total cash received and the total expenses just the same as any other amount which is entered. While it is recognized that in effect this procedure results in the overstatement of both cash received and expenses by the amount of a transfer, the overstatement is all right as long as municipal officials know the effect and make proper allowances when preparing the municipal financial reports.

The annual report form provides a method for correcting this overstatement of cash received and expenses. Under each fund listed in the statement of cash received and the statement of expenses, space is given so that the amount of transfers into a fund or out of a fund is listed separately from other cash received or cash paid out, respectively. In addition, the annual report provides space to record the total amount of transfers just below the line entitled "Grand Total" in both the statement of cash received and statement of expenses. If the total amount of the transfers are subtracted from the amounts given in the "Grand Total," the overstatement is corrected. This correction is especially important if the figures on the annual report are to be used as the basis of expenditure estimates for future budgets.

GENERAL OBLIGATION AND REVENUE BOND ACCOUNTING

Iowa law authorizes cities and towns to issue bonds for a variety of purposes; in most instances the projects which are financed by the sale of bonds are through general obligation bond issues, but in some instances the law requires that revenue bonds must be used. These authorizations are given in many different sections of the Code, and legal advice regarding the kind of bonds which may be issued should be sought whenever a project requiring the sale of bonds is undertaken.

General obligation bonds have as security the general taxing power of the municipality which issues them. Revenue bonds have as security only the revenues of the municipal enterprise or utility for which the bonds are issued.

The accounting for general obligation bonds is different from that for either revenue bonds or special assessment bonds in that principal and interest payments on general obligation bonds are made from the debt service fund, while payments of principal and interest on

revenue and special assessment bonds may not be made from this fund (see p. 26), but instead must be made from a revenue bond fund or a special assessment bond fund created especially for these purposes.

Four major accounting transactions are involved when it is necessary to finance a capital improvement through the sale of bonds. These are: (1) the receipt of money when the bonds are sold, (2) the expenditure of the bond money for the project, (3) the collection of revenue to be used in paying off the bonds and (4) the payment of the principal and interest on the bonds. Each of these transactions must be accounted for by the municipal finance officer, and the accounting should be done so that each transaction involving each bond issue is easily distinguishable.

General Obligation Bonds

Accounting for the money from a general obligation bond issue and for the money spent from the proceeds of such an issue is done in a special fund. For example, if bonds are sold to build a new city hall, a separate fund entitled "General Obligation Bond Proceeds, City Hall" should be set up in the "Record of All Receipts" register and in the "Warrant and Distribution Register." It is not necessary that the receipts and expenditures of this fund be budgeted, as these transactions are authorized when the council or the people approve the issuance of the bonds; however, if money in this fund is carried over from one year to the next, the council must reallocate and reappropriate this money. A good practice is to have a separate fund for each bond issue, but the decision as to whether this should be done or whether all general obligation bond issues should be consolidated in one separate fund is left to the discretion of each city and town. If any money is left in a general obligation bond proceeds fund after all the proper payments for the improvement are made, this money should be transferred to the debt service fund to aid in paying the interest and principal on these bonds.

When property taxes are received to pay off general obligation bonds, this money should be placed in the debt service fund to be used to pay the principal and interest on the bonds as they become due. These transactions must be anticipated and budgeted.

Revenue Bonds

The accounting for the receipt and expenditure of the money received from a revenue bond issue is the same as for a general obligation bond issue; that is, a separate fund is set up for this particular purpose in the "Record of All Receipts" register and in the "Warrant

and Distribution Register." For example, if revenue bonds are sold to finance an addition to the water works, a fund which might be entitled "Water Works—Revenue Bonds" would be set up.

The accounting for paying off revenue bonds usually involves the transfer of money from a functional fund to the special revenue bond fund. When revenue bonds are issued, the requirement is made that a portion of the receipts of the particular municipal enterprise or utility involved must be devoted to paying off the bonds. Normally, when such money is first received, it is credited to the municipal enterprises fund or the utilities fund, dependent upon the purpose for which the revenue bonds were issued, and the portion of the receipts collected in these functional funds for revenue bond purposes may be transferred subsequently to the revenue bond fund. In the example cited above, the portion of the water works receipts assigned to paying off the bonds would be transferred from the water works portion of the utilities fund to the special fund entitled "Water Works—Revenue Bonds," and the principal and interest payments would be made from this special fund. For budgeting purposes, only the receipt and expenditure of this money through the water works portion of the utilities fund would be necessary.

This procedure, accounting for all of the four transactions involved in financing a project through bonds in the one special revenue bond fund, differs from the accounting for general obligation bonds where principal and interest payments are made from the debt service fund. Therefore, in order to keep the record clear in the special revenue bond fund (that is, to separate the receipt and expenditure of bond proceeds from the receipt and expenditure of money to be used in paying off the bonds), it is a good practice to set up at least two separate accounts within the fund, for both receipts and expenditures. For the recording of bond proceeds, an account labeled "Bond Proceeds" in the receipts register and a corresponding account "Expenditure of Bond Proceeds" in the warrant register could be set up. For the recording of the transactions for paying off such bonds, an account termed "Receipts for Principal and Interest" in the receipts register and a corresponding account "Payment of Principal and Interest" in the warrant register could be set up.

There may be some instances where the principal and interest on revenue bonds may be paid directly from either the municipal enterprises or utilities fund, and this, of course, would eliminate the necessity for the transfer of such money to the special revenue bond fund. In most cases, however, when revenue bonds are issued, the bonds provide that the revenue designated to pay principal and interest must be placed in a separate fund.

SPECIAL ASSESSMENT ACCOUNTING

The accounting for special assessments consists primarily of recording the receipts of cash from the sale of special assessment bonds and from the collection of assessments levied against the individual property owners benefited and recording the expenses incurred in constructing the improvement and paying off the special assessment bonds. Construction and surfacing of streets and sewer, sidewalk, curb and gutter construction are examples of improvements which are usually financed through special assessments.

The proceeds from the sale of special assessment bonds and the expenses incurred in constructing the improvement should be accounted for in a special assessment fund created specifically for this purpose. For example, if special assessment bonds were sold to pay for a street paving project, a fund would be set up entitled "Special Assessment Bonds-Paving" in the "Record of All Receipts" register and in the "Warrant and Distribution Register." This procedure tends to eliminate the chance of the money being used for some purpose other than for the special improvement, a possibility that is present when special assessment money is accounted for in a functional fund.

When the money collected from the benefited property owners is received, it should be deposited in this same special assessment fund to pay the principal and interest on these bonds. As in the case of a revenue bond fund, some division of accounts within a special assessment bond fund is helpful to designate which receipts and expenditures are from bond money and which are from special assessment collections. Again, the use of a separate fund for each special assessment project is a good practice in order to keep clear at all times the financial status of each particular project.

Many times the municipality contributes part of the money to finance a special assessment improvement, usually because the city or town owns some of the benefited property. The tax money necessary to pay for the city's share of the cost of such improvements is budgeted, levied, collected and accumulated in the proper functional fund. Subsequently, this amount is transferred to the proper special assessment fund and is then used to pay part of the principal and interest costs of the special assessment bonds.

UTILITY ACCOUNTING

A municipally owned utility may be controlled either by the council or by a board of trustees. If the council controls the utility, the city or town clerk usually keeps the accounting records. If a board controls the utility, a person is usually employed by the board to keep the accounting records. Regardless of who controls a city or town utility,

the receipts and expenditures of the utility must be budgeted the same as all other municipal receipts and expenditures. (Code 1954, sec. 24.3)

Utility Controlled by the Council

Each of the clerk's registers provides only one column for each utility. Obviously this does not provide the necessary breakdown of cash received and expenditures made. A more detailed breakdown is essential in order to furnish the utility manager the information needed to control the operations of the utility properly.

A good way to provide this information is to keep a complete set of accounts for each utility separate from the usual receipts and payments registers of the clerks. The columns in the clerk's registers should then be used as a summary account — that is, to record the cash received and expenses in the receipt and warrant registers in total only. Usually it is satisfactory to record this summary at the end of each month.

Utility Controlled by a Board of Trustees

The accounting officer appointed by the board of trustees keeps a complete set of books for the utility. The amount of detail which is to be provided is determined by the board and the manager of the utility.

The accounting officer of the utility is required to file an annual report with the city or town clerk or auditor on or before the 30th day of January of the following year. The city or town clerk or auditor may incorporate this report into his annual report which is sent to the state auditor's office. Since the classification of cash received and expenses on the clerk's annual report is the same for a utility as for any other function within a fund, the annual report submitted by the accounting officer of the utility should provide this same classification, or a similar classification, so that the clerk can easily transfer the information to the city's report to the state.

Revenue Bonds for Utility Construction and Improvement

When revenue bonds are sold to pay for the construction or improvement of a utility works, the transactions involved in obtaining the bond money, paying for the project and paying off the bonds should be accounted for in a revenue bond fund. (The method for doing this was described in the foregoing section on general obligation and revenue bond accounting.) If these funds are accounted for in this way, it is unlikely that either bond money or the money specifically designated to pay the interest and principal on the revenue bonds may be spent for some unauthorized purpose.

PENSION AND RETIREMENT ACCOUNTING

The large increase in the number of public employees covered by pension and retirement plans has greatly increased the importance of accounting for pension and retirement funds.

Iowa law makes five separate provisions for pension and retirement plans — policemen's and firemen's pension plans (Code 1954, ch. 410), policemen's and firemen's retirement plans (Code 1954, ch. 411), utility employees' pension and annuity retirement plan (Code 1954, ch. 412), and federal social security and the state supplemental retirement program passed by the 1953 Legislature. (Code 1954, chapters 97C and 97B respectively)

Similar to bond accounting, there are several steps involved in the accounting for retirement money. These are (1) receiving the city's contribution (tax money) and the employees' contributions (part of the employees' salaries and wages) to the retirement system; (2) the deposit of this money in a trust or agency fund, and (3) transferring money from the agency fund to the state government, in the cases of the state supplemental plan and the federal social security program, or the payment of retirement allowances from the trust fund, in the cases of the police, fire and utility employee plans. Only the receipt and expenditure of the contributions by the city and by the employees need be budgeted; the other transactions must be accounted for, but do not have to be budgeted.

The employees' and the employer's contributions to these retirement plans may be financed in either of two ways:

1. Both contributions may be budgeted, levied and collected through the proper functional funds;
2. The employees' contributions may be budgeted, levied and collected through the functional fund, and the city's or town's contribution may be budgeted, levied and collected through the proper trust or agency fund. (In practice, this is the most common procedure.)

The contributions which are financed from the functional funds should be accounted for as follows. The employees' contributions should be charged to the proper functional funds, as a part of the employees' salaries; then the amount of these contributions for each functional fund should be transferred to the proper retirement program fund under trust and agency by the issuance of a warrant. If the municipality's contribution is financed from a functional fund, again the transfer to the proper trust or agency fund is necessary. This transfer should be made at least once a month.

The financing of policemen's and firemen's pension programs is different from the financing of the retirement programs described above in that under the pension programs there is no employee con-

tribution involved and money is not accumulated over a period of years to be paid out later as retirement benefits. Under the pension programs, each year the city is required to levy a tax which will raise sufficient money to pay pensions to persons eligible for such benefits that year. Normally, transactions regarding pensions are budgeted and accounted for in a trust fund, but the levy may be made from the public safety fund.

The social security and state supplemental retirement plan contributions are paid quarterly to the state, and a warrant on the proper agency fund must be issued for this purpose. For the other programs discussed here, where the pension and retirement allowances are paid by the city or town, the payments to the persons eligible to receive the benefits are paid by warrant from the proper trust fund.

Recommendations Regarding

Municipal Finance in Iowa

PRIOR TO PREPARING THIS MANUAL, the author spent considerable time acquainting himself with the financial practices of Iowa municipalities. This was done by studying closely the municipal finance statutes, by talking with city and town clerks about their work, by looking at the accounting records of a number of small and medium size Iowa communities and by talking with state officials who are in charge of administering most of the state laws pertaining to municipal finance. Also, before preparing the manual, the author studied material written by governmental accounting authorities, especially the reports of the National Committee on Governmental Accounting in which the generally accepted municipal finance practices and procedures are set forth.

From this preliminary study, much was learned which helped in the preparation of the manual. In addition, perhaps the greatest need regarding municipal accounting in this state was brought out. This need is for a simple and practical classification of account names which can be set up, using the identical account names, throughout the budgeting, accounting and reporting records of the municipality. This kind of arrangement, accounting authorities agree, is basic to any good governmental accounting system.

The financial forms which are used by the great majority of communities in this state are prepared by the state auditor's and comptroller's offices. (Code 1954, sec. 11.22) These do not provide for this uniform classification of accounts throughout the budgeting, accounting and reporting phases; the fund structure is the same, but the breakdown of account names is different. The fact that a greater breakdown of expenditures is required on the annual report form than in the state-prescribed accounting records causes some difficulty for the city accounting officer when he transfers figures from his accounting records to the annual report form. Furthermore, since the state budget form requires that the budget document be prepared by

funds only, rather than by functional breakdowns within each fund for each type of municipal service provided, the importance of the budget as a detailed guide to spending is not stressed, it appears, to the extent implied in section 24.5 of the Code. This part of the Code states:

The [budget] estimates herein required shall be fully itemized and classified so as to show each particular class of proposed expenditure, showing under separate heads the amount required in such manner and form as shall be prescribed by the state board.

Another factor which causes considerable difficulty for the accounting officers is the fact that the state law appears to require that certain account names be used on the state-prescribed accounting forms. In most cases these account names are satisfactory, but in some instances the account names which are included in the law are of little practical use and in other instances important functional accounts or important expenditure accounts are not included in this law.

The account names in the budgeting, accounting and reporting forms can be made uniform by the appropriate state offices, but these accounts, in the opinion of the supervisor of municipal accounts, would have to be established just as they appear in the state law. Since the account names of the law are not satisfactory in some instances, and it would be difficult to make such a stringent type of requirement by law that would be satisfactory, the solution to this problem perhaps is to change the law to permit the state offices concerned to prepare the account names of the budget form, the accounting forms and the annual report form within the present fund structure provided by law. In this way, the state officers could work with the municipal finance officers to set up a classification of accounts which would be satisfactory for their purposes and would be uniform for budgeting, accounting and reporting.

The author and the persons advising him believed that this idea was of so much importance to good municipal finance practice in Iowa that it was decided to include this recommendation in the manual. At the same time, they agreed that perhaps some other suggestions should be included in the manual. Most of these recommendations require action only by those finance officers who do not now employ the suggested practices. However, to put some of these suggestions into effect would require action either by the state administrators of the municipal finance laws or by the legislature. The following portion of this chapter is a listing of these recommendations. It is hoped that these recommendations will be used as a basis for further study for the development of a program aimed at simplifying the work of the finance officer, improving the accounting and budgeting practices throughout the state and aiding in making municipal fi-

nances more understandable to the municipal administrative officials and to the public.

Recommendations Regarding Handling Cash Receipts and Payments

1. Any time public money is collected, the municipal official or employee who collects the money should be required to give a receipt. The treasurer should be required to give a receipt to any municipal official who turns money over to him. A copy of each receipt should be kept by both the municipal clerk or auditor and the treasurer.¹

2. Every warrant issued should be signed by two or more municipal officials. Even though this need not be required by state statute, the accounting officer should make this a practice in order to give himself some measure of protection.¹

3. The council should be required by state law to pass a resolution at the beginning of the year stating those persons who may sign warrants, and the treasurer should be permitted to honor only the warrants signed by these designated persons. Each board and commission should be required by state law to designate one of its members to sign warrants.³

4. The accounting officer should take the lead in encouraging planned spending of appropriations in his city or town so that enough money will be left in each department's appropriation during the latter part of the fiscal year to meet the needs of the department. One practical way to do this, at least for most departments and functions, is for the council to limit in some way the portion of an appropriation which may be spent before a certain part of the year has elapsed. For those departments which do seasonal work, this restriction could be set up according to the spending experience of previous years.¹

5. The form of the clerk's register should be revised so as to provide a place where the amount budgeted and appropriated for each fund and each function within the fund can be entered so it is easy to determine the amount of the appropriation spent and the amount left to be spent. The inclusion of a space across the top of each page entitled "Amount Appropriated" is suggested as the simplest way of providing this information.²

Recommendations Regarding Budgeting Procedures

1. The budget form required by the state should have three parts:
1. Could be put into effect under the present laws by the accounting officer or the city council.
 2. Could be put into effect under the present laws by the state auditor's or comptroller's offices.
 3. Apparently, could be put into effect only through action of the legislature.

- a. A budget of the estimated receipts and expenditures for current operation for the functional funds, within the 30 mill limitation.
- b. A budget of the estimated receipts and expenditures for current operation, outside the 30 mill limitation.
- c. A budget of the estimated receipts and expenditures of each utility operation.³

2. The procedures necessary for the county auditor to prepare the tax roll from the assessment roll and the school, municipal and county budgets should be reviewed to determine if the time required to do these tasks could be shortened. If this time could be shortened, it should be possible to permit cities and towns to prepare their budgets more closely to the date they go into effect.³

3. The budget should be prepared so that it will show the receipts by source for each fund and the expenditures by major functions for each fund. It is suggested that the budget forms prepared by the state comptroller's office under the present laws be revised so this information would be shown. Cities and towns should not be required to publish their budgets in any more detail than is now required; however, if it is necessary to change the publication law to make this clear, that amendment should be made.²

4. If a municipality has a policy of maintaining approximately the same cash balance at the end of each year to pay the expenditures of the first three months of the following year, this amount should not be shown as an unencumbered balance in the budget. Any estimated cash balance in excess of this reserve for the first three months should be shown in the budget as an estimated receipt. Municipalities should be required to show, on the budget form *but not as a part of the budget*, their actual cash balances at the end of the two preceding years and the estimates of their cash balances at the end of the current year. This information would enable the state officials concerned to keep track of money accumulated by each city and town of the state.³

5. The appropriation for each fund and for each function made by the council at its first meeting after the first of January should not exceed those amounts shown in the adopted budget.¹

6. The estimate of receipts and expenditures for the current year

1. Could be put into effect under the present laws by the accounting officer or the city council.
2. Could be put into effect under the present laws by the state auditor's or comptroller's offices.
3. Apparently, could be put into effect only through action of the legislature.

should be included as a part of the comparison shown in the budget form prescribed by the comptroller's office.³

7. Special assessment collections and bond proceeds should not be budgeted in the current operating budget. The state should require that special assessment and bond expenditures for capital improvements be accounted for, but in funds separated from the functional funds, and that a report of such transactions be made on the annual report, again separated from the current operating receipts and expenditures.²

Recommendations Regarding Reporting and Auditing

1. The law should be changed so as to require the accounting officers of boards and commissions to file their reports earlier than the thirtieth day of January or to give the municipal clerk longer than the first working day of February to make his report to the state auditor's office. A filing date of February 15 for the municipal annual report is budgeted amount could be shown by fund only.²

2. The annual report should be revised to provide a column where the amounts budgeted and appropriated can be shown. This will provide the residents of the municipality and the state auditor's office a comparison of the actual amounts received and spent with the amounts budgeted and appropriated. For publication purposes, the budgeted amount could be shown by fund only.²

3. The receipts and expenditures of publicly owned utilities should not be included as part of the general and ordinary operating statement of the municipality. A separate annual statement for each utility should be shown in a separate section of the annual report.²

4. It is recommended that the present three-fold classification of receipts and expenditures be dropped from the annual report.²

5. It is recommended that the state require an annual audit of all towns which receive over a certain amount of money each year. The accounts of the remaining towns should be examined, but not audited, at least biennially to ensure that these communities are complying with the state laws.³

6. It is recommended that the use of accounting terms in Iowa laws should conform to the generally accepted municipal or governmental accounting definitions.³

7. The municipal finance law should be revised to allow municipi-

1. Could be put into effect under the present laws by the accounting officer or the city council.
2. Could be put into effect under the present laws by the state auditor's or comptroller's offices.
3. Apparently, could be put into effect only through action of the legislature.

palties to build up a reserve or surplus in the functional funds to meet the expenditures of the first three months of the ensuing year.³

8. Although the financial transactions within the Special Funds (Utility Funds, Public Improvement Funds and Trust and Agency Funds which do not require a tax levy) should appear on the annual report, this information should be shown separately from the revenue and expenditure figures relating to current operations.²

9. The clerk should be required to furnish the council a monthly report showing the status of each appropriation.³

Recommendations Regarding Funds

1. A separate fund should be kept for each publicly owned utility.³

2. In accounting for a public improvement project which is financed through a bond issue, a special fund or separate account within one special fund should be set up for each project. A fund created for this purpose should not be considered as a general operating fund, as are the functional funds and debt service fund which are required by state law. The receipt of bond money and the expenditure of such bond money should be shown in the special fund, whether the bonds from which the money is received are general obligation, revenue or special assessment bonds. (A separate fund should be set up for each of the three types of bond issues.) The money received to pay the principal and interest on revenue bonds or special assessment bonds should be accounted for in the special fund, but money received and spent for debt retirement on general obligation bonds should be accounted for in the debt service fund.¹

3. The law should define clearly which tax levies may be made outside the 30 mill limitation. The best financial practice dictates that if there is a mill levy limitation, all tax levies should be made from within it. If this policy were followed in Iowa, it undoubtedly would necessitate an increase in the mill levy limit.³

4. The contributions of employees to any local retirement program, the federal social security program and the state supplemental retirement program should be paid from the appropriate functional fund. The municipality's contribution should be made from separate current operating funds established specifically for those purposes.³

5. The expenditure for street lighting should be charged to the street fund. The utility fund should be eliminated and the tax levy

1. Could be put into effect under the present laws by the accounting officer or the city council.
2. Could be put into effect under the present laws by the state auditor's or comptroller's offices.
3. Apparently, could be put into effect only through action of the legislature.

permitted for the street fund should be increased to account for this additional expenditure to be made from that fund.³

6. A liquor profits fund should not be required.³

New Chart of Accounts

The fund law should be liberalized so that the supervisor of municipal accounts of the state auditor's office can set up, within the functional funds now required by statute, a more practical chart of accounts than is now the case. This system of accounts should not be any more compulsory than is the present system of accounts. If the supervisor of municipal accounts is permitted to set up a new chart of accounts, the budget, accounting and report forms which are prescribed by the state for the municipalities should be revised so that each form includes the same account names as well as fund names.

The following is a suggested chart of expenditure accounts. It is set forth here in the hope that it may be helpful as a starting point from which the state auditor's office, with the aid of the Municipal Finance Officers Association, can prepare a new system of expenditure accounts, should the state law be changed to permit this to be done. This suggested chart of accounts has only a few major classifications of expenditures within each fund, and therefore would be most practical for the many small communities in the state. The larger communities, however, could use such a classification by breaking down these classes of expenditures into more detail to suit their individual needs. (As far as accounting is concerned, this is done at present in the larger communities which use the state prescribed warrant register.)

CURRENT OPERATING FUNDS

1. GENERAL FUND	2. STREET FUND
1.1 Mayor and Council	2.1 Street commissioner
1.2 Clerk	2.2 Street construction, maintenance and improvement
1.3 Treasurer	2.3 Snow removal
1.4 City hall	2.4 Street lighting
1.5 Elections and registration	2.5 Bridges, viaducts and grade separations
1.6 Capital expenditures	2.6 Sidewalk and curb construction and maintenance
1.7 Legal services	2.7 Transfers
1.8 Refunds	2.8 Other street expenditures
1.9 Transfers	2.81 Dues
1.10 Other general government expenditures	2.82 Publication and recording
1.101 Dues	2.83 Weed control
1.102 Publication and recording	2.84 Tree removal
1.103 Auditing expenses	
1.104 Official bonds	

3. Apparently, could be put into effect only through action of the legislature.

3. PUBLIC SAFETY FUND

- 3.1 Police department
- 3.2 Fire department
- 3.3 Municipal court
- 3.4 Jail
- 3.5 Safety inspection
- 3.6 Flood control
- 3.7 Transfers
- 3.8 Other public safety expenditures
- 3.81 Dues
- 3.82 Publication and recording
- 3.83 Insurance

4. SANITATION FUND

- 4.1 Health department
- 4.2 Sewers and sewage disposal
- 4.3 Garbage disposal
- 4.4 Street cleaning
- 4.5 Comfort station
- 4.6 Transfers
- 4.7 Other sanitation expenditures
- 4.71 Dues
- 4.72 Publication costs
- 4.73 Dust prevention
- 4.74 Smoke regulation

5. MUNICIPAL ENTERPRISES FUND

- 5.1 Cemetery
- 5.2 Library
- 5.3 Hospital
- 5.4 Airport
- 5.5 Memorial hall and monument
- 5.6 Transfers
- 5.7 Other municipal enterprises
- 5.71 Dues
- 5.72 Publication costs
- 5.73 River front

6. RECREATION FUND

- 6.1 Municipal parks
- 6.2 Swimming pool
- 6.3 Playgrounds
- 6.4 Golf course
- 6.5 Musical entertainment
- 6.6 Transfers
- 6.7 Other recreation expenditures

7. DEBT SERVICE FUND

- 7.1 Judgments and losses
- 7.2 Interest on notes and warrants
- 7.3 Retirement of general obligation bonds (A separate account for each bond issue)
- 7.31 Principal payments
- 7.32 Interest payments

8. EMERGENCY FUND

- 8.1 Transfers

9. PARKING METER FUND

- 9.1 Maintenance
- 9.2 Equipment
- 9.3 Replacement of parking meters
- 9.4 Traffic control and traffic control devices (as permitted by law)
- 9.5 Transfers to pay for principal and interest on revenue bonds

10. PARKING LOT FUND

- 10.1 Purchase of real estate
- 10.2 Parking lot improvements

11. MUNICIPAL SHARE OF FEDERAL SOCIAL SECURITY FUND

- 11.1 Transfer of municipality's contributions to Federal Social Security Fund

12. MUNICIPAL SHARE OF STATE SUPPLEMENTAL RETIREMENT SYSTEM FUND

- 12.1 Transfer of municipality's contributions to the State Supplemental Retirement System Fund

13. MUNICIPAL SHARE OF POLICEMEN'S RETIREMENT FUND

- 13.1 Transfer of municipality's contributions to the Policemen's Retirement Board

14. MUNICIPAL SHARE OF FIREMEN'S RETIREMENT FUND

- 14.1 Transfer of municipality's contributions to the Firemen's Retirement Board

15. POLICEMEN'S PENSION FUND

- 15.1 Transfer of tax money which is raised to meet police pension requirements to the Policemen's Pension Board

16. FIREMEN'S PENSION FUND

- 16.1 Transfer of tax money which is raised to meet firemen pension requirements to the Firemen's Pension Board

TRUST AND AGENCY FUNDS

- | | |
|---|--|
| 17. UTILITY FUNDS
(A separate fund and a separate listing of accounts should be prepared for each municipally-owned utility operation) | 19.2 Revenue Bond Issue "B" |
| 18. GENERAL OBLIGATION BOND IMPROVEMENT FUND | 19.21 Expenditure of bond proceeds |
| 18.1 Expenditure of bond proceeds of General Bond Issue "A" | 19.22 Payment of principal and interest |
| 18.2 Expenditure of bond proceeds of General Bond Issue "B" | 20. SPECIAL ASSESSMENT BOND IMPROVEMENT FUND |
| 19. REVENUE BOND IMPROVEMENT FUND | 20.1 Special Assessment Bond Issue "A" |
| 19.1 Revenue Bond Issue "A" | 20.11 Expenditure of bond proceeds |
| 19.11 Expenditure of bond proceeds | 20.12 Payment of principal and interest |
| 19.12 Payment of principal and interest | 20.2 Special Assessment Bond Issue "B" |
| | 20.21 Expenditure of bond proceeds |
| | 20.22 Payment of principal and interest |

SPECIAL FUNDS

- | | |
|--|---|
| 21. POLICEMEN'S PENSION TRUST FUND | 26. METER DEPOSIT FUND |
| 21.1 Payment of pension benefits | 26.1 Return of meter deposit to former consumer |
| 22. POLICEMEN'S RETIREMENT FUND | 27. FEDERAL SOCIAL SECURITY FUND |
| 22.1 Payment of retirement benefits | 27.1 Transfer of employee and employer contributions to the state |
| 23. FIREMEN'S PENSION TRUST FUND | 28. STATE SUPPLEMENTAL RETIREMENT SYSTEM FUND |
| 23.1 Payment of pension benefits | 28.1 Transfer of employee and employer contributions to the state |
| 24. FIREMEN'S RETIREMENT FUND | 29. INCOME TAX WITHHOLDING FUND |
| 24.1 Payment of retirement benefits | 29.1 Transfer to federal government |
| 25. CEMETERY PERPETUAL CARE FUND | |
| 25.1 Transfers to municipal enterprises fund for cemetery care | |

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