

LEGAL, FINANCIAL, AND ACCOUNTING PROBLEMS OF SPECIAL FUNDS OF CITIES AND  
TOWNS IN THE STATE OF OKLAHOMA

By

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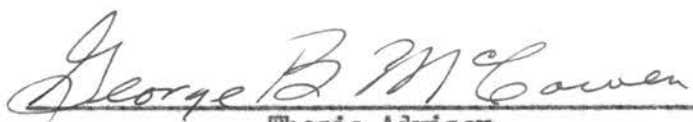
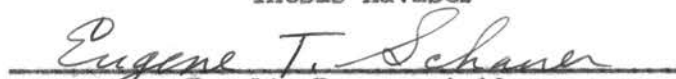
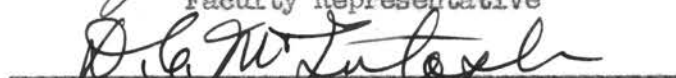
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## CHAPTER I

### THE PROBLEM AND DEFINITIONS OF TERMS USED

A number of textbooks on general municipal accounting have been written. These deal with the general fund, special revenue funds, bond funds, special assessment funds, trust and agency funds, sinking funds, capital funds, and a general discussion of the better known subdivisions of these main classifications of funds. A discussion of special revenue funds is not ordinarily presented. In these textbooks, the special funds, when discussed, are discussed as appropriations of the general fund or as subdivisions of a trust and agency fund. Some interest has been shown in having various funds of Oklahoma municipalities studied and presented for the purpose of comparing them with the treatment found in general municipal accounting textbooks and having information compiled to present more clearly Oklahoma municipal accounting practice.

#### I. THE PROBLEM

Statement of the problem. It is the purpose of this study (1) to search the statutes and court decisions of the State of Oklahoma and other sources available for the purpose of gathering pertinent data for the study; (2) to group these various special funds into general classifications for expediency of study and discussion; and (3) to compare the treatment found in Oklahoma with the more general textbook methodology.

Importance of the study. In practice, accounting for these funds does not follow a pattern which would be considered by accounting students a thorough, comprehensive accounting for the funds. In this study an outline of accounting is presented in an effort to show how such accounts

could be kept to conform with accounting theory and to present a complete history of these funds.

Grouping of funds. The first group includes the Firemen's Relief and Pension Fund and the Police Pension and Retirement System. These are strictly trust funds.

The second group includes Parking Stations, Recreational Facilities, Airport Funds, and Hospital Funds. These are all income-producing facilities and are, in theory, expected to be self-financing. They are divided into two groups because of the different methods of financing and liquidating bonds issued for acquisition and construction of such facilities.

The third group includes the Library Fund, the Park Fund, and the Cemetery Fund. These are funds which generally produce no income except from endowments. They must depend upon taxation for the major portion of the revenues with which to operate.

Limitations of the study. These funds may also be established and maintained by municipal corporations other than cities and towns except as limited in the text of the thesis. Municipalities may also establish a "Cumulative Building Fund" in accordance with Article X, Section 10 of the Constitution of the State of Oklahoma. This was ably covered by Nolan Williams;<sup>1</sup> but to his presentation should be added that courts have held that expenditures for fixtures for school buildings<sup>2</sup> and

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<sup>1</sup>Nolan Eugene Williams, "An Inquiry into The Legal Aspects of the Preparation of Budgets for Political Subdivisions of Oklahoma," (unpublished Master's thesis, Oklahoma Agricultural and Mechanical College, Stillwater, Oklahoma, 1948), pp. 8, 9.

<sup>2</sup>Oklahoma City Excise Board v. Kurn, 189 Okl. 203, 115 P. 2d 113; Pottawatomie County Excise Board v. Standish Pipe Line Co. et al., 189 Okl. 201, 115 P. 2d 118.



football stadia used by the school<sup>3</sup> are implied in this article. The funds can be used as collected or can be allowed to cumulate rather than to issue bonds and to set up a sinking fund for the retirement of such bonds. It should also be noted that the levy for the "Cumulative Building Fund" must be voted for and levied each year the levy is made.

The accounting outline presented is very simple. It should not be considered as the only acceptable procedure.

No attempt was made to cover other funds. Nor was an attempt made to include in this study any municipalities other than cities and towns.

## II. DEFINITIONS OF TERMS USED

"Special funds" are considered to be those funds, either special revenue or trust funds, which are frequently incorporated into the general fund or trust fund but which should be accounted for separately to present a clearer history of the funds.

The terms "municipal corporation and municipality" refer to any incorporated subdivision of the State of Oklahoma.

The word "fund" is used to denote the special fund to which it shall by usage refer. The word "funds" is used to denote more than one of the special funds or to denote moneys of special funds, as the text of the discussion implies.

"Governing board" is used in reference to the city or town council or board of town trustees.

The phrase "board of control" is used to mean the board of trustees, board of commissioners, or other agency established to supervise and control any of these special funds.

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<sup>3</sup>Lowden v. Jefferson County Excise Board, 190 Okl. 276, 122 P. 2d 991.

## CHAPTER II

### FUNDS CONSTITUTING PURELY TRUST TYPE FUNDS

The Firemen's Relief and Pension Fund and the Police Pension and Retirement System are the special funds which are wholly trust funds. These funds are to be established only for cities and incorporated towns eligible under the legal requirements for these funds.

"The Legislature may enact laws authorizing cities to pension meritorious and disabled firemen."<sup>1</sup> Cities and towns having a fire fighting apparatus of the actual value of not less than One Thousand Dollars (\$1,000.00) are eligible to establish a Firemen's Relief and Pension Fund by city ordinance.<sup>2</sup>

"The legislature may enact laws authorizing cities to pension meritorious and disabled police officers."<sup>3</sup> The governing board of any city or town having two or more policemen in its regular employment may establish a Pension and Retirement System for its police department.<sup>4</sup>

#### I. DEFINITION OF TERMS USED

The following definitions apply in this chapter. The word "fireman" shall mean any volunteer, part-paid, or full-paid fireman.

"Policeman" is the word used to designate any officer or employee of a regularly constituted police department. This includes turnkeys,

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<sup>1</sup>Art. X, Sec. 41, Constitution of the State of Oklahoma.

<sup>2</sup>11 Okl. St. 1941, Sec. 373; 11 Okl. St. 1949 Sup., Sec. 373a.

<sup>3</sup>Art. X, Sec. 61, Constitution of the State of Oklahoma. As added State Question No. 207, Referendum Petition No. 65. Adopted Nov. 3, 1936.

<sup>4</sup>11 Okl. St. 1941, Sec. 541a.

matrons, PBX operators, radio operators, employees in bureaus of records, department clerks, and any other person whose salaries are paid from public funds.<sup>5</sup>

"Pension and Retirement System" is the phrase used when referring to the Police Pension and Retirement System of any city or town establishing such fund.<sup>6</sup>

## II. PURPOSE OF FUNDS

The purpose of these funds is to provide relief for the members and the families of the members of the respective departments herein discussed.

Retirement of long service members. Any fireman, who, prior to May 5, 1945, has been duly appointed and enrolled and has served for twenty (20) or more years in a regularly constituted fire department in the State of Oklahoma, the last five years being consecutive immediately preceding the end of this period in the department in which he was a member at the time of his retirement, shall be entitled, upon his written request, to receive a monthly pension of one-half ( $\frac{1}{2}$ ) of the average monthly salary paid to him during the last sixty (60) months of his service.<sup>7</sup>

Any fireman employed for the first time in a regularly constituted fire department in the State of Oklahoma after May 5, 1945, shall be

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<sup>5</sup>11 Okl. St. 1941, Sec. 541.

<sup>6</sup>Ibid.

<sup>7</sup>11 Okl. St. 1949 Sup., Sec. 364.

entitled, upon his written request, to retire upon a pension when he reaches the age of fifty-five (55) years and has served twenty-five (25) years in one or more fire departments in the State, the last sixty (60) months being continuous in the department of which he was a member at the time of his retirement.<sup>8</sup>

Retirement requirements and payments for policemen must be established by ordinance of each city or town. The statutes provide as minimum requirements in these ordinances that a policeman, reaching the age of not less than fifty-five (55) years, having served in one or more police departments in the State not less than twenty (20) years, five (5) years of which service shall have been consecutive immediately preceding retirement in the service of the town or city paying the pension, shall be eligible for a pension of not to exceed one-half ( $\frac{1}{2}$ ) of his average final compensation. Notwithstanding other minimum age requirements, if a policeman serves for twenty-five (25) years in accordance with these requirements, he may be retired at one-half ( $\frac{1}{2}$ ) of his average final compensation, plus two (2%) per cent for each additional year in excess of twenty-five (25) years, not to exceed, in any event, three-fourths ( $\frac{3}{4}$ ) of his final average compensation.<sup>9</sup>

Service in the armed forces of the United States of America under selective service regulations shall be counted toward retirement time.<sup>10</sup>

Sick and temporary disability benefits. Any member of either the fire department<sup>11</sup> or police department<sup>12</sup> may, provided that these departments have established pension and retirement funds, be eligible for

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<sup>8</sup>11 Okl. St. 1949 Sup., Sec. 364a.

<sup>9</sup>11 Okl. St. 1949 Sup., Sec. 541k.

<sup>10</sup>11 Okl. St. 1941, Secs. 391, 392; 11 Okl. St. 1949 Sup., Sec. 541w.

<sup>11</sup>11 Okl. St. 1949 Sup., Sec. 367.

<sup>12</sup>11 Okl. St. 1941, Sec. 541m.

temporary disability allowances when injured in line of or in consequence of duties assigned him or when such duty causes sickness which temporarily requires his being hospitalized or confined to his bed.

These benefits shall include hospital, medical, and nursing expenses. The salaries of regular members shall continue to be paid in full amount by the city--firemen for six (6) months<sup>13</sup> and policemen for three (3) months.<sup>14</sup> After this time the members shall be considered to be permanently disabled and permanent disability benefits shall be in force. Volunteer and part-paid firemen receiving no salary shall be paid from the pension and retirement fund five (\$5.00) dollars per week compensation while so confined.<sup>15</sup>

Upon recovery, these members shall be reinstated to their previous rank at their previous pay.

Policemen are required to submit to an examination, if requested by the board of trustees, to establish proof of disability or sickness. Before making any finding concerning benefits, the board of trustees of the pension and retirement system shall require a certificate from the policeman, certified to by the city or town physician, establishing his rights to such benefits by being disabled to the extent which renders him unable to perform his regular duties. If there is no town or city physician, any physician licensed to practice in the State of Oklahoma will suffice.<sup>16</sup>

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<sup>13</sup>11 Okl. St. 1949 Sup., Sec. 367.  
<sup>14</sup>11 Okl. St. 1941, Sec. 541m.  
<sup>15</sup>11 Okl. St. 1949 Sup., Sec. 367.  
<sup>16</sup>11 Okl. St. 1941, Sec. 541m.

Disability pensions. Any fireman or policeman of a city or town which has established pension and retirement funds who shall become physically or mentally disabled while in, and in consequence of, the performance of his duties as such employee is entitled to be paid a disability pension from these funds.

Firemen's pensions shall be equal to one-half ( $\frac{1}{2}$ ) the amount of the salary attached to the rank held at the time of his retirement.<sup>17</sup>

Policemen's pensions shall be provided by city or town ordinance but in no event shall exceed one-half ( $\frac{1}{2}$ ) of the average final compensation of the policeman. Such disability shall not be a result of the negligence of the policeman, except that, after a policeman has served for a period of twenty (20) years, negligence on his part will not bar him from receiving a pension.<sup>18</sup>

In cases of both departments, certification to disability shall be made by the city or town physician, or if there be no city or town physician, any physician who is licensed to practice in the State of Oklahoma may render this certificate.<sup>19</sup>

Whenever disability ends, the fireman or policeman is restored to active service—firemen at not less than the salary received when retired,<sup>20</sup> and policemen at not less than three-fourths ( $\frac{3}{4}$ ) of the salary received when retired.<sup>21</sup>

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<sup>17</sup>11 Okl. St. 1949 Sup., Sec. 365.

<sup>18</sup>11 Okl. St. 1949 Sup., Sec. 541 l.

<sup>19</sup>11 Okl. St. 1941, Sec. 366; 11 Okl. St. 1949 Sup., Sec. 541 l.

<sup>20</sup>11 Okl. St. 1941, Sec. 365.

<sup>21</sup>11 Okl. St. 1949 Sup., Sec. 541 l.

Death benefits. Whenever any fireman<sup>22</sup> or policeman<sup>23</sup> dies as a consequence of such disability or sickness discussed in the preceding section or dies or is killed while in the performance of his duties or as a consequence of performing his duties, his widow or child or children shall be entitled to pension benefits to be paid from the pension and retirement funds of his respective department.

The widow—if there be no widow, the child or children under eighteen (18) years of age—of any fireman who shall lose his life in performance of his duty shall be paid from the Firemen's Relief and Pension Fund of the city or town a pension equal to one-half ( $\frac{1}{2}$ ) of the salary attached to the rank held by the fireman at the time of his death.<sup>24</sup>

If a fireman is receiving a pension from this fund when he dies, his widow shall receive a pension not to exceed sixty-six and two-thirds (66  $\frac{2}{3}$ %) per cent of the pension received by the pensioner; and his child or children under eighteen (18) years of age shall share an additional pension of twenty (20%) per cent of the pension of the father. If there is no widow or if the widow has remarried, the child under eighteen (18) years of age shall receive a pension of forty (40%) per cent of the pension previously received by the father. If there is more than one child, each shall receive a pension of twenty-five (25%) per cent of the father's pension; however, if there are more than four (4) children, the total amount received by the father shall be equally divided among

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<sup>22</sup>11 Okl. St. 1941, Sec. 365; 11 Okl. St. 1949 Sup., Sec. 368.

<sup>23</sup>11 Okl. St. 1941, Sec. 541 1.

<sup>24</sup>11 Okl. St. 1941, Sec. 368.

the children.<sup>25</sup>

The widow and/or child or children under eighteen (18) years of age of any policeman who shall lose his life in line of duty or shall die while receiving a pension shall receive a pension from the Pension and Retirement System funds in amount fixed by city or town ordinance. Said pension shall in no event exceed one-half ( $\frac{1}{2}$ ) of the amount of the average final compensation of the policeman before his death or retirement.<sup>26</sup>

The pension shall cease as to the widow when she dies or remarries. Pensions to children cease when they reach the age of eighteen (18) years.

Regulations governing benefits in general. In order for any of these benefits to be available for the members of their respective departments and for their families, ordinances must be established and the other requirements of law must be met. Payments are made only from these funds and in no event shall payments exceed the amount in the funds.<sup>27</sup>

Whenever funds are insufficient to pay the claims due on pension and disability payments, these funds are prorated to persons receiving such benefits; but payments must be made in an equitable manner, as is deemed proper by the boards of trustees of the funds.<sup>28</sup>

In prorating the funds of the Firemen's Relief and Pension Fund, payments for temporary benefits for hospital and nursing care due to

<sup>25</sup>11 Okl. St. 1949 Sup., Sec. 368a.

<sup>26</sup>11 Okl. St. 1941, Sec. 541n.

<sup>27</sup>11 Okl. St. 1941, Sec. 367, 11 Okl. St. 1949 Sup., Secs. 367, 541 l.

<sup>28</sup>11 Okl. St. 1941, Secs. 380, 541q.



temporary disability or sickness shall be paid before other benefits are paid.<sup>29</sup>

It shall not be legal for the board of trustees, after having awarded benefits or a pension to any person from these funds, to refuse to pay such benefits or pension if sufficient money is in the fund to pay such benefits or pension.<sup>30</sup>

Any person receiving benefits shall lose his right to these benefits if he shall be convicted of a felony, become an habitual drunkard, or fail to meet the requirements of the board of trustees as to physical examinations or periodic reports.<sup>31</sup>

Any person feeling aggrieved at the decision of the board of trustees of such funds in the amount of benefits allowed or in the rejection of his claims has the right to appeal his case in the District Court of the County. He must furnish the court with a transcript of proceedings of the board of trustees and provide for the deposit of costs as required by the court clerk.<sup>32</sup>

Failure to comply with the prescribed method of applying for benefits or in transmitting a certified copy of the transcript of proceedings of the board of trustees on action for benefits is grounds for refusal of the court to order payment of benefits.<sup>33</sup>

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<sup>29</sup>11 Okl. St. 1941, Sec. 380.

<sup>30</sup>Board of Trustees of Firemen's Relief and Pension Fund of City of Marietta v. Brooks, 179 Okl. 600, 67 P. 2d 4; Stephenson v. Dudley, 191 Okl. 166, 127 P. 2d 172.

<sup>31</sup>11 Okl. St. 1941, Secs. 370, 541p.

<sup>32</sup>11 Okl. St. 1941, Sec. 381; 11 Okl. St. 1949 Sup., Sec. 541v.

<sup>33</sup>Board of Trustees of Firemen's Relief and Pension Fund of Town of Thomas v. Mulcahy, 189 Okl. 326, 116 P. 2d 1000.

### III. REVENUES

The source of revenues for these two funds was one of the distinct features determining the grouping in this thesis. Another feature was the scope of benefits provided by these funds. Expenditure of these funds is for a limited group rather than for public benefit.

Source of revenues. When these funds are established by cities and towns, the following rates of contribution shall be made to the funds:

The treasurer of the city or town shall deduct from each fireman's salary two (2%) per cent of his annual salary to be paid into the fund for such benefits.<sup>34</sup> Each policeman shall contribute not less than one (1%) per cent of his monthly salary to the fund. Such amount shall be set by city or town ordinance.<sup>35</sup>

When deficiencies or insufficient funds are expected in the Firemen's Relief and Pension Fund, the board of trustees is required to file, for such deficiencies, an estimate of needs in accordance with law for filing regular annual estimates of needs. Whenever these estimates are approved, the city or town shall make an appropriation from municipal funds for this amount and shall pay this amount into the fund on or before June 15.<sup>36</sup>

The city or town is authorized to appropriate from municipal funds an amount not to exceed ten (10%) per cent of the current annual salaries of its policemen to be used for the benefit of the Pension and Retirement System. This appropriation shall be made only after an estimate of needs

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<sup>34</sup>11 Okl. St. 1949 Sup., Sec. 373.

<sup>35</sup>11 Okl. St. 1941, Sec. 541i.

<sup>36</sup>11 Okl. St. 1949 Sup., Secs. 383, 384.

is made and approved. Such appropriation shall be paid into the Pension and Retirement System on or before June 15.<sup>37</sup>

Fire insurance companies shall pay to the State Treasurer, and report of this payment shall be made to the Insurance Commissioner, four (4%) per cent of gross premiums received in this State less cancellations and dividends to policy holders.<sup>38</sup> Five-eighths (5/8) of this amount is to be prorated by the Insurance Commissioner among the various cities and towns of the State having established a Firemen's Pension and Retirement Fund.<sup>39</sup> Proration shall be made by the Insurance Commissioner; and the State Auditor shall, upon receipt of the proration, draw warrants, payable to the treasurers of these cities and towns for the benefit of the fund, upon the State Treasurer.<sup>40</sup>

For the benefit of Police Pension and Retirement Systems shall be assessed the following costs in criminal cases:

Where the statutory penalty does not exceed the sum of One Hundred Dollars (\$100.00) and/or thirty (30) days imprisonment in the county jail, the sum of Two Dollars (\$2.00); for all misdemeanors where the penalty fixed by statute is in excess of One Hundred Dollars (\$100.00) and/or thirty (30) days imprisonment in the county jail, the sum of Three Dollars (\$3.00); and for all felonies the sum of Five Dollars (\$5.00).

For the violation of city or town ordinances the sum of One Dollar (\$1.00), provided, however, that this requirement shall not apply where the violation is of a traffic ordinance, unless the city or town shall by ordinance, provide that such costs be assessed and paid in such cases; . . .<sup>41</sup>

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<sup>37</sup>11 Okl. St. 1941, Sec. 541h.

<sup>38</sup>11 Okl. St. 1941, Sec. 372; 36 Okl. St. 1941, Sec. 104.

<sup>39</sup>11 Okl. St. 1941, Secs. 372, 373.

<sup>40</sup>11 Okl. St. 1949 Sup., Sec. 373.

<sup>41</sup>11 Okl. St. 1949 Sup., Sec. 542.

When there are two or more cities or towns in the county having a Policemen's Pension and Retirement System, these court costs shall be prorated between or among these cities and/or towns according to population of said cities and/or towns.<sup>42</sup>

Custody of funds. All moneys provided for both of these funds are to be paid over to and received by the city or town treasurer for custody. The moneys so received by the treasurer for these funds shall be used only for the purposes provided in the law for the funds. The treasurer shall be liable under his oath and bond as city or town treasurer for the custody and proper disposition of these funds.<sup>43</sup>

All court costs collected by district court clerks, clerks of courts of common pleas, and justices of the peace, as provided by Section 542 of Title 11 of the Oklahoma Statutes, 1949 Supplement, shall be paid to the county treasurer. The county treasurer shall, on or before June 1, 1941, and quarterly thereafter, transmit these funds to the treasurers of cities and towns in his county eligible to receive such funds for the benefit of Policemen's Pension and Retirement Systems.<sup>44</sup>

Payments from these funds shall be made upon proper vouchers as provided by town or city ordinance for disbursement of funds.<sup>45</sup>

No portion of any cash in either fund can be assigned or attached by any court order, either before or after order of distribution for

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<sup>42</sup>11 Okl. St. 1941, Sec. 342c.

<sup>43</sup>11 Okl. St. 1941, Secs. 374, 541f.

<sup>44</sup>11 Okl. St. 1941, Sec. 342b.

<sup>45</sup>11 Okl. St. 1941, Secs. 376, 541f.

benefits. These funds shall be sacredly held in trust for the benefits herein provided.<sup>46</sup>

#### IV. BOARD OF TRUSTEES

Organization of board. Whenever the funds discussed in this chapter are established by cities or towns eligible to establish such funds, a board of trustees shall be created in accordance with regulations stated in this section for each fund.

For the Firemen's Relief and Pension Fund shall be created a board of trustees. The mayor or the president of the board of town trustees, as the case may be, shall be the chairman; the city or town clerk shall be ex-officio secretary; the city or town treasurer shall be ex-officio treasurer; and two members of the fire department shall be members of the board of trustees. The two members from the fire department shall serve, one for one year and one for four years,<sup>47</sup> by virtue of a ballot by the fire department. At the end of one year and every two years thereafter the department shall elect by ballot one member to serve for a period of four years on the board.<sup>48</sup>

In any city or town having in its regular employ not more than five policemen and having a Pension and Retirement System, the city or town clerk together with two members of the police department constitute a board of trustees for the fund. One of the members of the department, so elected by ballot of the police department, serves for two years; and

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<sup>46</sup> 11 Okl. St. 1941, Secs. 377, 541t.

<sup>47</sup> As appears in 11 Okl. St. 1941, Sec. 361. The "one" probably should read "two."

<sup>48</sup> 11 Okl. St. 1941, Secs. 361, 362.

the other serves for a term of four years. Every two years thereafter a member of the department is chosen by ballot for a term of four years. If the police department has more than five members in its regular employ, the board of trustees consists of the city or town treasurer, city or town clerk, and three members of the department. These members are chosen by ballot of the police department for terms of one, two, and three years. Each year thereafter a member of the police department is chosen by ballot to serve for a period of three years.<sup>49</sup> The board of trustees of the fund elects its chairman and secretary, who serve for a term of one year or until their successors are elected, from members of the board of trustees.<sup>50</sup>

Duties of board. The boards of trustees of these funds manage all funds and transact all business in the name of such funds and for the benefit of those persons to be benefitted by the funds.

The board of trustees of the Firemen's Relief and Pension Fund meet on the first Monday of each and every month of each year and at any other time that the president of the board deems necessary.<sup>51</sup>

The board of trustees of the Police Pension and Retirement System meet on the second Monday of each and every month of each year and at any other time that the chairman deems necessary.<sup>52</sup>

Orders for all payments from the funds are passed upon by the board

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<sup>49</sup>11 Okl. St. 1941, Sec. 541b.

<sup>50</sup>11 Okl. St. 1941, Sec. 541c.

<sup>51</sup>11 Okl. St. 1941, Sec. 363.

<sup>52</sup>11 Okl. St. 1941, Sec. 541d.

of trustees and signed by the president or chairman and the secretary. A record of the proceedings of all meetings is kept and becomes a public record. A list of all persons, with the amount due each and the reason or purpose for which granted, to receive payment from the funds is transmitted to the city or town treasurer following each meeting. This list is signed by the president or chairman and secretary and attested under oath of both. The treasurer of the city or town enters a copy of the list in the correct book---either the Firemen's Relief and Pension Fund Book or the Police Pension and Retirement System Book.<sup>53</sup>

A majority of the members of either board constitutes a quorum and has power to transact business; provided that no moneys of such funds is paid for any purpose without a majority vote of all members of the board taken by the yeas and nays. The vote of each member is entered upon the proceedings of the board.<sup>54</sup>

The board reviews all claims and acts upon these claims in a manner which seems just and equitable. It passes upon all benefits or changes in benefits previously awarded which require review. When funds are insufficient to meet all benefit payments, the board of trustees prorates the available funds in an equitable manner.

In addition to the above duties and powers the boards of trustees have the power (1) to compel witnesses to attend and testify before them upon all matters connected with the operation and administration of such funds; (2) to provide for payment of necessary expenses in connection with the funds, but no compensation is paid to members of the boards for

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<sup>53</sup>11 Okl. St. 1941, Secs. 363, 541d.

<sup>54</sup>Ibid.

duties performed in connection with the funds; and (3) to make all rules and regulations necessary for their guidance in conformity with laws governing these funds.<sup>55</sup>

By a majority vote of the board members, the board of trustees of the Firemen's Relief and Pension Fund may invest an amount not to exceed seventy-five (75%) per cent of the funds in interest-bearing bonds and warrants of the State of Oklahoma and in interest-bearing securities of the United States. The board may liquidate any of these investments.<sup>56</sup> The board is also authorized, in its discretion, to allocate an amount not to exceed ten (10%) per cent of such moneys received by the fund to a special account designated "Reserve Account" for benefits calculated or contemplated to arise in subsequent years. Payments of benefits shall not be less than twenty-five dollars (\$25.00) per month to any person entitled to benefits while this "Reserve Account" is being provided for.<sup>57</sup>

The board of trustees of the Pension and Retirement System is authorized to invest and re-invest any moneys in the fund in State and Federal bonds only, subject to all terms, conditions, limitations, and restrictions imposed by law upon life insurance companies. The board is also authorized to liquidate these investments. The board shall, however, keep available an amount of cash of at least ten (10%) per cent of the total amount of this fund on deposit in one or more banks or trust

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<sup>55</sup> 11 Okl. St. 1941, Secs. 371, 541e.

<sup>56</sup> 11 Okl. St. 1941, Sec. 382.

<sup>57</sup> 11 Okl. St. 1941, Sec. 380.



companies in the city or town. The deposit in any one bank or trust company shall not exceed twenty-five (25%) per cent of paid-up capital of the bank or trust company.<sup>58</sup>

Reports in connection with funds. The clerk of any city or town having a Firemen's Relief and Pension Fund must file a certificate with the insurance department. This certificate must show the existence of the department, the number of steam, hand, or other engines, hook and ladder trucks, hose carts, and number of feet of hose in actual service, the number of organized companies, and the system of water supply in use in the department, and the number of men---including their names, date of appointment, and date of expiration of term of service. This report must be filed on or before January 15 of each year.<sup>59</sup>

Before an appropriation of funds for the Firemen's Relief and Pension Fund can be made by the governing board of the city or town, the board of trustees of the fund must file an estimate of needs for the ensuing fiscal year, showing the necessity for the appropriation, at the time and in the manner the offices and departments of the city or town file

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<sup>58</sup>11 Okl. St. 1941, Sec. 541e. Investments by life insurance companies are controlled by 36 Okl. St. 1941, Sec. 17.2:

- "1. Any domestic company may invest in the following securities:
- (a) Bonds or securities which are the direct obligations of the United States or which are secured or guaranteed as to principal and interest by the United States and in bonds issued by the Federal Land Bank;
  - (b) Bonds or evidences of indebtedness which are direct obligations of, or secured by the full faith and credit of, any state of the United States or the District of Columbia where there exists the power to levy taxes for the prompt payment of the principal and interest of such bonds or evidences of indebtedness, provided that such state or district shall not be in default in the payment of principal or interest on any bonds or other evidences of indebtedness at the date of such investment; . . ."

<sup>59</sup>11 Okl. St. 1941, Sec. 375.

their estimates of needs for the fiscal year.<sup>60</sup>

The secretary of the Pension and Retirement System must report annually, at the time of election of officers of the board, the condition of the Policemen's Pension and Retirement System and the receipts and disbursements on account of the fund with a full and complete list of beneficiaries of the fund and the amount paid each.<sup>61</sup>

The board must make an estimate of needs and furnish the same to the governing body of the city or town at the time and in the manner that other departments of the city or town make their estimates of needs if the board of trustees wishes an appropriation from the city or town.<sup>62</sup>

The city or town attorney is the legal advisor of the board of trustees of the Policemen's Pension and Retirement System.<sup>63</sup>

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<sup>60</sup><sub>11</sub> Okl. St. 1949 Sup., Sec. 384.

<sup>61</sup><sub>11</sub> Okl. St. 1941, Sec. 541c.

<sup>62</sup><sub>11</sub> Okl. St. 1941, Sec. 541h.

<sup>63</sup><sub>11</sub> Okl. St. 1941, Sec. 541g.

CHAPTER III  
INCOME PRODUCING FUNDS

In this group of funds the distinguishing feature is the expectancy for the projects to be self-financing. Because there was so little legal material available for a critical study of the two Recreational Facilities Funds and Parking Station Funds and because the cities and towns which are authorized to establish such funds are so limited in number, these funds were not considered to be of great importance in this study. The Airport Fund and the Hospital Fund were considered the most important part of the study in this group because of the authority for extensive usage of these facilities.

Cities of not less than 140,000 population may own, maintain, and operate parking stations. These cities may also own these parking stations and lease them to any financially responsible person.<sup>1</sup>

Cities of 160,000 population may acquire and construct or build additions to existing facilities one or more stadia, sport arenas, or other recreational facilities.<sup>2</sup>

Cities with a population in excess of 3,500 but not in excess of 4,000 according to the 1940 Federal Decennial Census may construct, build, and equip docks, boat houses, and boats for amusement and recreational purposes.<sup>3</sup>

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<sup>1</sup>11 Okl. St. 1949 Sup., Secs. 1351, 1352.

<sup>2</sup>11 Okl. St. 1949 Sup., Secs. 1371, 1372.

<sup>3</sup>11 Okl. St. 1949 Sup., Sec. 1385.1.

Any incorporated city or town in the State may acquire, own, operate, improve, and maintain, within or without the corporate limits of the municipality, real estate, buildings, improvements, and facilities for aviation purposes.<sup>4</sup>

The governing board of any municipality of the State has power and authority to establish and maintain a municipal hospital.<sup>5</sup>

The main purpose of these facilities is the benefit of the public. Parking station funds and recreational facilities funds are classified as special revenue funds. The airport and hospital funds are special revenue funds as to the income from the facilities but are trust funds as to endowments of the funds.

#### I. DEFINITIONS OF TERMS USED

"Parking stations" include parking lots, parking areas, and buildings or other structures for parking or storing automotive vehicles.<sup>6</sup>

"Airport" means any area of land or water used or intended for use for the landing and take-off of aircraft, and any appurtenant areas which are used or intended for use for airport buildings or other airport facilities.<sup>7</sup>

The phrase "air navigation facility" includes any structure or mechanism used in the maintenance or safe operation of aircraft. This includes landing lights, markers, buoys, operation and control towers,

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<sup>4</sup>3 Okl. St. 1949 Sup., Sec. 61; Price v. Storms, 191 Okl. 410, 130 P. 2d 523.

<sup>5</sup>11 Okl. St. 1949 Sup., Sec. 544.1.

<sup>6</sup>11 Okl. St. 1949 Sup., Sec. 1352.

<sup>7</sup>3 Okl. St. 1949 Sup., Sec. 65.1.

and any other necessary equipment.<sup>8</sup>

An "airport hazard" is any structure, object, or natural growth or use of land which obstructs required airspace for flight, landing, or take-off of aircraft.<sup>9</sup>

The word "person" used in reference to the airport fund means any individual, firm, partnership, corporation, company, association, joint stock association, or body politic. It includes any trustee, receiver, assignee, or other similar representative thereof.<sup>10</sup>

## II. ACQUISITION OF PROPERTY

Property may be acquired by cities and towns by purchase—either by agreement and/or contract or exercise of eminent domain--or by donation.

Purchase. Land and buildings may be purchased by the governing board of the city or town or by the board of trustees of such funds by agreement and contract.<sup>11</sup> Any necessary construction may also be contracted for by the governing board or board of trustees.<sup>12</sup> The board of trustees may also exercise the right of eminent domain for acquisition of property for use in such projects.<sup>13</sup> Park grounds may be used for these purposes.<sup>14</sup> In connection with purchase and construction, the

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<sup>8</sup>Ibid.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid.

<sup>11</sup>3 Okl. St. 1949 Sup., Secs. 65.2, 65.14; 11 Okl. St. 1949 Sup., Sec. 544.9.

<sup>12</sup>Ibid.

<sup>13</sup>11 Okl. St. 1949 Sup., Sec. 563; Fischer et ux v. Oklahoma City et al., 174 P. 2 d 244.

<sup>14</sup>Fischer et ux v. Oklahoma City et al., 174 P. 2d 244.

cities and towns may issue bonds in conformity with law governing each fund.

The bonds issued for parking stations and recreational facilities are to be serial bonds and are to bear interest not to exceed: for parking stations, six (6%) per cent;<sup>15</sup> for recreational facilities for cities with a population of 160,000, four (4%) per cent;<sup>16</sup> and for recreational facilities of cities with a population between 3,500 and 4,000, five (5%) per cent.<sup>17</sup>

Bonds issued for parking stations and recreational facilities are not added in total indebtedness of the city or town in calculating legal debt limit because payment of interest and principal of such bonds carries a lien only on income from the property for which the bonds are issued and carries no right to any money raised by taxation.<sup>18</sup>

Bonds which do not constitute a debt of the municipality may be issued for airport purposes. These bonds are payable, as to principal and interest, solely from the revenues of the facilities and must so state on their face.<sup>19</sup>

Bonds issued for airport and hospital purposes shall be issued in conformity with law for bond issues which constitute a legal debt of the city or town. These issues shall not raise the bonded indebtedness

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<sup>15</sup>11 Okl. St. 1949 Sup., Sec. 1354.

<sup>16</sup>11 Okl. St. 1949 Sup., Sec. 1374.

<sup>17</sup>11 Okl. St. 1949 Sup., Sec. 1385.5.

<sup>18</sup>11 Okl. St. 1949 Sup., Secs. 1353, 1373, 1385.3.

<sup>19</sup>3 Okl. St. 1949 Sup., Sec. 65.10.

above the legal limit of five (5%) per cent of assessed valuation of the taxable property in the city or town.<sup>20</sup>

Donations. The board of control of the airport and hospital funds is authorized to accept by donation, gift, devise, or bequest real and personal property to be used in operation of the facilities or to be invested for income purposes as the terms of the donation or bequest dictate.<sup>21</sup>

### III. REVENUES

The funds in this chapter are, in theory, expected to be self-financing. The income from services is the main source of revenue. This income feature is the distinguishing feature of this group of funds.

Source of funds. The main source of revenue is income from services performed by these facilities. The only source of revenue for the parking facilities is rentals or fees charged for parking and storing automobiles. The only source of revenues for recreational facilities is admission, toll, and fee charges for the facilities offered.

Airports may charge for services furnished, privileges allowed to private and commercial airplanes, concessions at the airport or airport facilities. These concessions may be candy sales, beverage vendors, restaurants, fueling facilities, and others.<sup>22</sup> The airport may be leased to a competent person, or portions of the airport may be leased to various persons. In either case the airport must be operated as a

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<sup>20</sup><sub>11</sub> Okl. St. 1949 Sup., Sec. 563.

<sup>21</sup><sub>3</sub> Okl. St. 1949 Sup., 65.2 (b); 11 Okl. St. 1949 Sup., Sec. 544.7.

<sup>22</sup><sub>3</sub> Okl. St. 1949 Sup., Sec. 65.5 (a).

municipal airport. The income from leases must be sufficient to cover any payments as to principal and interest on any bonded indebtedness of the airport. No lease shall exceed five years.<sup>23</sup> Airports may also receive donations of property and money. Federal and State grants and loans are available to airports for use according to terms of such grants and loans. These moneys must be kept separate and be expended only in accordance with the terms of the grant or loan.<sup>24</sup> Appropriations of tax revenues may be made by the governing board of the city or town for the airport.<sup>25</sup>

Hospitals are authorized to receive income from the operation of such hospitals.<sup>26</sup> Donations may be received in expendable or endowment form. The expendable donations and income from endowments also provide a source of revenue.<sup>27</sup> The governing board of the city or town must include in its estimate of needs for the year an amount estimated to be needed to maintain and operate the hospital.<sup>28</sup>

Custody of funds. Funds of the recreational facilities and parking stations must be accounted for by the boards of trustees of such funds. The city or town treasurer may receive the moneys and hold them in custody for these funds or the moneys may be deposited in a bank to the account of the funds.

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<sup>23</sup>3 Okl. St. 1949 Sup., Sec. 65.5(b).

<sup>24</sup>3 Okl. St. 1949 Sup., Sec. 65.13.

<sup>25</sup>3 Okl. St. 1949 Sup., Sec. 65.9.

<sup>26</sup>11 Okl. St. 1949 Sup., Sec. 544.4.

<sup>27</sup>11 Okl. St. 1949 Sup., Sec. 544.7.

<sup>28</sup>11 Okl. St. 1949 Sup., Sec. 544.1.



The municipality receives and issues receipts for moneys received for and on behalf of the airport fund.<sup>29</sup> These moneys must be deposited with the city or town treasurer. However, when the municipality shall, as is authorized, designate the Oklahoma Aviation Commission as its agent for the airport, all moneys so received shall be received by the state treasurer on behalf of the Airport Fund of the city or town.<sup>30</sup>

The city or town treasurer is the custodian of all funds of the Hospital Fund and must account for such.<sup>31</sup>

All moneys in these funds must be expended in accordance with agreements made for the expenditure of the funds or in accordance with the statutes where provision is expressly outlined.

#### IV. BOARD OF CONTROL

Organization of board. For the automotive parking stations and the recreational facilities for cities of 160,000 population, management and control is vested in a board of trustees for each facility. Each board consists of three members who receive as compensation an amount not to exceed one percent of the gross receipts of the facilities. The statutes do not state whether or not the board shall continue after the bonds are retired.<sup>32</sup>

No mention is made of a board of control for recreational facilities of cities with a population between 3,500 and 4,000. The facilities would probably be controlled by the board of park commissioners if there be such a board. If there be no such board, the governing board of the city would

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<sup>29</sup><sub>3</sub> Okl. St. 1949 Sup., Sec. 65.12.

<sup>30</sup><sub>3</sub> Okl. St. 1949 Sup., Sec. 65.13.

<sup>31</sup><sub>11</sub> Okl. St. 1949 Sup., Sec. 544.3.

<sup>32</sup><sub>11</sub> Okl. St. 1949 Sup., Secs. 1355,1375.

manage and control these facilities.

The term "municipality" is used throughout the statutes in referring to duties, rights, and obligations in reference to airports. When the Oklahoma Aviation Commission is designated as agent for the city or town to operate the airport, the commission shall make and supervise all contracts and account to the city or town for all funds provided from all sources.<sup>33</sup> In operating a joint air facility with another municipality, the governing board shall, with the governing board of the other municipality, appoint a joint board of members to control the joint air facility. The powers, duties, and appointment of the joint board of members shall be covered in the agreement.<sup>34</sup> Air facilities leased to a person by the municipality are controlled and operated by that person. The municipality shall, however, provide police patrol and such regulations as are considered by the governing board to be necessary.<sup>35</sup> An officer, board or other agency for control purposes may be appointed by the governing board of the city or town.<sup>36</sup>

The governing board of any city or town establishing a hospital fund may, in its discretion, appoint a board of control of five (5) members. These members are to be chosen from the citizens with reference to their fitness for such duties.<sup>37</sup> Appointment of this board is not

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<sup>33</sup> Okl. St. 1949 Sup., Sec. 65.13(b).

<sup>34</sup> Okl. St. 1949 Sup., Sec. 65.15.

<sup>35</sup> Okl. St. 1949 Sup., Secs. 65.2(a), 65.5, 65.18.

<sup>36</sup> Okl. St. 1949 Sup., Sec. 65.7.

<sup>37</sup> Okl. St. 1949 Sup., Sec. 544.2.

mandatory as the law is stated; yet the remainder of the text of the law is drafted in reference to the board, prescribing the conduct of the board of control—its duties and obligations. From this the conclusion was drawn that a board of control shall be established.

Duties of the board. The boards of control for the two classes of recreational facilities and parking stations must see that bond issues are properly authorized and approved in accordance with the laws governing such bond issues. All must file applications for approval with the Supreme Court of Oklahoma to validate the bond issues. The boards have the duty of setting rates that will produce sufficient income to meet principal and interest payments. They shall provide for custody of the funds received from these facilities and for application of such funds to retire indebtedness of the facilities. The boards shall also make and cause to be enforced all rules and regulations that are necessary for the operation and management of these facilities.<sup>38</sup> The boards of trustees of parking stations and recreational facilities for cities with a population of 160,000 shall also provide for leasing such facilities to responsible persons if they deem it wise to do so. In leasing these facilities, the boards of control shall not fix a rent in amount less than the amount required to retire the principal and interest of the bonds as these come due.<sup>39</sup>

The governing board of the city or town or the officer, board of control, or other agency of airports provides for acquisition of these

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<sup>38</sup>11 Okl. St. 1949 Sup., Secs. 1351-1359, 1371-1379, 1385.1-1385.10.

<sup>39</sup>11 Okl. St. 1949 Sup., Secs. 1356, 1376.

facilities and for issuance of bonds in accordance with the law for such bond issues.<sup>40</sup> Whenever a bond issue seems impractical, it arranges for and leases, at a stipulated rental, real estate for such purposes or any improved airport. But it must reserve the right to purchase the property in the future.<sup>41</sup> The board of control may—except as restricted by contract, agreement, grant, or loan—sell, lease, or otherwise dispose of any airport, air navigation facility, or portions thereof or other property as it deems necessary or expedient.<sup>42</sup> The board of control makes contracts for the lease of any privileges, services, or concessions, establishes terms and conditions, and fixes charges and rental fees. It shall, if it deems advisable to do so, lease the airport or air facilities to a competent person to be operated as a municipal airport.<sup>43</sup>

The municipal treasurer acts as treasurer for the board of control of the hospital fund and has custody of all funds and deposits them in the municipal treasury in a special account designated the "hospital fund."<sup>44</sup> The board of control adopts rules and regulations for its own guidance and for the operation and control of the hospital. It has exclusive control of funds of the hospital fund—collection, deposit, and expenditure. All moneys paid must be paid by warrants authorized by the board, except that a petty cash fund may be established. The petty cash

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<sup>40</sup>3 Okl. St. 1949 Sup., Sec. 61.

<sup>41</sup>3 Okl. St. 1949 Sup., Sec. 62.

<sup>42</sup>3 Okl. St. 1949 Sup., Sec. 65.4.

<sup>43</sup>3 Okl. St. 1949 Sup., Sec. 65.5.

<sup>44</sup>11 Okl. St. 1949 Sup., Sec. 544.3.

fund can be replenished by warrant only. This fund must not exceed five hundred dollars (\$500.00) and is to be expended by the superintendent and accounted for as prescribed by the board of control. The board has the authority to appoint and discharge a superintendent, matrons, nurses, and other necessary employees, including those employed for care, custody, and maintenance of the grounds, buildings, and fixtures. It shall also fix the compensations of these employees.<sup>45</sup>

The board of control of the hospital holds meetings at least once a month. Three members constitute a quorum. A complete record of all its meetings is kept. One of its members must visit and examine the hospital at least twice a month. Any pecuniary interest in any purchase for the hospital shall not be allowed except that such purchase be upon a competitive bid basis.<sup>46</sup>

It is stipulated that the board shall appoint only competent and experienced nurses, attendants, physicians, and surgeons.<sup>47</sup>

The board of control receives and invests any donations of money according to the donation agreement. All donations, whether real or personal property or money, to the hospital fund may be used only in the manner prescribed by the donor.<sup>48</sup>

The board of control has the power to purchase grounds and erect buildings and suitably equip such buildings for hospital purposes.<sup>49</sup> In

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<sup>45</sup>11 Okl. St. 1949 Sup., Sec. 544.4.

<sup>46</sup>11 Okl. St. 1949 Sup., Sec. 544.5.

<sup>47</sup>11 Okl. St. 1949 Sup., Sec. 544.6.

<sup>48</sup>11 Okl. St. 1949 Sup., Sec. 544.7.

<sup>49</sup>11 Okl. St. 1949 Sup., Sec. 544.9.

acquiring such grounds, the board may exercise eminent domain. It may also issue bonds for the purchase of land, construction of buildings, and equipment of the buildings.<sup>50</sup>

Reports in connection with the funds. The only reports required in connection with the recreational facilities and parking stations funds are those prescribed in the indenture contracts.

The governing board of a city or town having an airport is required to include in its annual estimate of needs such amount as is necessary to provide for operation of the airport as must be raised by taxes.<sup>51</sup> Any other reports required by agreements, leases, or the governing board of the city or town, by the State, or by the Federal Government must be made in accordance with such requirements.<sup>52</sup>

The board of control of a hospital shall make, on or before the first day of July each year, an annual report to the governing board of the municipality. This report states the condition of its trust as of the thirtieth day of June, the various sums of money and property received, how such moneys have been expended and for what purpose. It includes the number of physicians, attendants, nurses, and other employees, and such other information and suggestions as is deemed necessary or of general interest.<sup>53</sup> The governing board of the municipality is required to include in its annual financial statements and estimate of needs an item to maintain the hospital.<sup>54</sup>

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<sup>50</sup><sub>11</sub> Okl. St. 1941, Sec. 563.

<sup>51</sup><sub>3</sub> Okl. St. 1949 Sup., Sec. 65.9.

<sup>52</sup><sub>3</sub> Okl. St. 1949 Sup., Secs. 65.13, 65.15, 65.18.

<sup>53</sup><sub>11</sub> Okl. St. 1949 Sup., Sec. 544.8.

<sup>54</sup><sub>11</sub> Okl. St. 1949 Sup., Sec. 544.1.

## CHAPTER IV

### FUNDS MAINTAINED PRIMARILY BY TAXATION

This group of funds is the most controversial studied for this writing. These funds rely upon taxes for a very substantial portion of the revenues with which to defray expenses of operation. Tax levies for these funds has been grounds for many court cases---due mainly to inconsistency of interpretation of the statutes.

The library and park facilities are for general public benefit. Cemetery facilities are for the provision of a burial place for those who desire such and purchase a lot in the cemetery for burial purpose.

Any city or town in the State shall have the power to establish a library or reading room or both.<sup>1</sup>

All cities in the State of Oklahoma with a population of 10,000 or more may establish and maintain a park or parks. In establishing parks these cities shall establish a board of park commissioners.<sup>2</sup> Smaller cities may avail themselves of a board of park commissioners upon a petition to the governing board of 20% of the qualified voters.<sup>3</sup>

All cities and towns in the State are authorized to own and maintain a cemetery or cemeteries.<sup>4</sup>

#### I. DEFINITIONS OF TERMS USED

"Library" is used to mean any library, branch library, or reading room of a municipality.

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<sup>1</sup>65 Okl. St. 1941, Sec. 71.

<sup>2</sup>11 Okl. St. 1941, Sec. 1211.

<sup>3</sup>11 Okl. St. 1941, Sec. 1213.

<sup>4</sup>8 Okl. St. 1941, Secs. 41,42.

"Park property" includes all parks, street parkings, squares, and areas of land within the management of the board of park commissioners. It includes all buildings, structures, improvements, seats, benches, fountains, boats, floats, walks, drives, roads, trees, plants, herbage, flowers, and other things thereon, and enclosures of the same. All shade trees on streets and thoroughfares, resting places, watering stations, playgrounds, and other like objects are also park property. Connecting parkways, roads, drives, walks, plants along such, and all tools and implements placed therein or thereon for maintenance purposes are considered to be park property. The terms of this definition shall be liberally construed. It shall, however, be noted that such property must be under management of the board of park commissioners and shall not include the property discussed in Chapter III unless such property is specifically placed in the control of the board.<sup>5</sup>

## II. ACQUISITION OF PROPERTY

Purchase. The board of directors of the library fund has the authority to purchase, with funds provided, land to be used for library purposes and erect such buildings thereon as is deemed necessary. The board also has authority to lease and obtain rooms and buildings for library purposes.<sup>6</sup> The governing bodies of cities may agree to build and maintain a public library. It may make appropriations out of the city general funds for the purchase of the site, erection and maintenance of buildings, and the purchase of books for the library.<sup>7</sup>

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<sup>5</sup>11 Okl. St. 1941, Sec. 1219.

<sup>6</sup>65 Okl. St. 1941, Sec. 75.

<sup>7</sup>65 Okl. St. 1941, Secs. 81-83.



Purchase of land for park purposes may be made by agreement or contract. If an agreement cannot be reached, the board of park commissioners may condemn the land and acquire it in accordance with the provisions for exercise of eminent domain.<sup>8</sup>

All cities and towns in the State of Oklahoma may purchase, take title to, own, pay for, and control not less than ten nor more than eighty acres of land for cemetery purposes.<sup>9</sup> Towns other than first class cities may contract for the purchase of land for cemetery purposes.<sup>10</sup> Such purchase must be voted upon by the qualified voters of the town either "For purchase of cemetery" or "Against purchase of cemetery." The outcome of the vote shall either validate or void the contract.<sup>11</sup> Rules for the acquisition of property for cemetery purposes are different for first class cities and for towns.<sup>12</sup> All abandoned lots revert to the city or town.<sup>13</sup>

Donations. The board of directors of the library fund shall, in its discretion, either accept or decline donations tendered to the library fund. These donations may be used only in accordance with the terms of the donations.<sup>14</sup>

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<sup>8</sup>11 Okl. St. 1949 Sup., Sec. 1223.

<sup>9</sup>8 Okl. St. 1941, Sec. 41.

<sup>10</sup>8 Okl. St. 1941, Sec. 41.

<sup>11</sup>8 Okl. St. 1941, Sec. 42.

<sup>12</sup>Huston et al., Trustees, v. City of Miami, 98 Okl. 35, 224 P. 316.

<sup>13</sup>8 Okl. St. 1941, Sec. 46.

<sup>14</sup>65 Okl. St. 1941, Sec. 75.

Real and personal property may be given for park purposes to build, maintain, or beautify parks. Gifts or bequests may be accepted and used in accordance with the agreements. The board need not accept these gifts if it deems decline of the gift advisable.<sup>15</sup>

Donations, bequests, and gifts may be accepted by the cemetery board of control for perpetual care purposes.<sup>16</sup>

### III. REVENUES

Revenues for the operation of these funds are provided by taxation and by income from endowments. There is no income derived from the operation of these facilities except for fees, fines, and penalties assessed because of misuse of the facilities.

Source of funds. It is the duty of the city council or legislative body to include an item in the annual financial statements and estimate of needs an amount equal to the amount a levy of not less than one-half ( $\frac{1}{2}$ ) mill nor more than two (2) mills would have raised upon the assessed valuation of the city or town during the prior fiscal year to be used to maintain the public library.<sup>17</sup>

. . . If the aggregate amount of estimated needs of said city or town, as shown by said financial statement and estimated needs, exceeds the amount which can be raised by the number of mills the Excise Board of the county apportions to said city or town for said fiscal year, under the provisions of Section 9, Article 10 of the Constitution of the State of Oklahoma, as amended, said Board will be without power, in order to bring said aggregate within the amount which can be so raised, to reduce the amount of said item.<sup>18</sup>

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<sup>15</sup>11 Okl. St. 1941, Secs. 1221, 1222.

<sup>16</sup>8 Okl. St. 1941, Sec. 52.

<sup>17</sup>65 Okl. St. 1941, Sec. 71

<sup>18</sup>Ibid.

All cities with a population of 50,000 or more may make a levy of not to exceed one mill on assessable property in the city for park purposes.<sup>19</sup> In other cities and towns an amount shall be appropriated for park funds as is deemed necessary.<sup>20</sup>

A provision for appropriation of one-fourth ( $\frac{1}{4}$ ) mill levy for cemetery purposes<sup>21</sup> was declared unconstitutional<sup>22</sup> upon grounds that such provision attempted to raise the fifteen mill maximum levy provided in Article X, Section 9 of the Constitution of the State of Oklahoma.

Findings in a number of court cases have held that such appropriations should not cause the aggregate tax levy to exceed the six mill limit apportioned to the city or town by the excise board.<sup>23</sup> Some courts have held that current expense items cannot be included in a library fund or funds transferred from the library fund for current purposes.<sup>24</sup> A paving assessment cannot be levied against the library fund; but a special paving project for the library may be levied against the fund.<sup>25</sup>

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<sup>19</sup>11 Okl. St. 1941, Sec. 1225.

<sup>20</sup>11 Okl. St. 1941, Sec. 1217.

<sup>21</sup>8 Okl. St. 1941, Sec. 44a.

<sup>22</sup>8 Okl. St. 1949 Sup., Sec. 44a.

<sup>23</sup>C. D. Coggeshall & Co. v. Smiley, 142 Okl. 8, 285 P. 48; In re Bliss, 142 Okl. 1, 285 P. 73; Simmons v. Stuckey, 113 Okl. 200, 241 P. 124; Grubb v. Smiley, 142 Okl. 19, 285 P. 38; Aaronson v. Smiley, 142 Okl. 29, 285 P. 59; Bristow Battery Co. v. Payne, 123 Okl. 137, 252 P. 423; Missouri-Kansas-Texas R. Co. v. Bennett, 122 Okl. 102, 250 P. 1021.

<sup>24</sup>Protest of Chicago, R. I. & P. Ry. Co. 146 Okl. 100, 293 P. 539; Brooks v. State, 152 Okl. 119, 3 P. 2d 814.

<sup>25</sup>Chicago, R. I. & P. Ry. Co. v. Excise Board of Pottawatomie County, 167 Okl. 326, 29 P. 2d 586.

The county excise board is not required to apportion an amount of ad valorem tax collected to each of the school district, county, and city or town. It may apportion such taxes collected as it deems necessary.<sup>26</sup> If the tax levy is less than fifteen mills, the county excise board is required to apportion the amounts to special funds as requested.<sup>27</sup>

From the review of court cases available, it appears that a levy in excess of fifteen mills cannot be effected except as provided for school purposes.<sup>28</sup> If the excise board so desires, it may, however, apportion more than six mills to a city or town to meet the current and other than current needs of the city or town.

Although the section authorizing an excess levy for cemetery purposes has been declared unconstitutional, the like provision for library purposes remains effective. This inconsistency in the law leads to a great deal of confusion and may, if not clarified, lead to more court cases.

Besides the revenues from taxation, donations of money may be made to expendable funds. Income from investments made in accordance with donation agreements may also, if provided for in such agreement, be expended for current needs.

Custody of funds. The board of directors of the library has exclusive control of the expenditure of all moneys collected and placed to

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<sup>26</sup>State ex rel. City of Mangum v. Greer, 188 Okl. 504, 111 P. 2d 178.

<sup>27</sup>Lowden v. Washita County Excise Board, 186 Okl. 708, 100 P. 2d 459.

<sup>28</sup>Const. of the State of Okl., Art. X, Sec. 9.

the credit of the library fund. All money collected for this fund must be deposited in the city or town treasury, and may be paid out only upon properly authenticated vouchers of the library board.<sup>29</sup> The library board is to be held as special trustee for all moneys, personal property, and real property donated for the benefit of the fund. It holds, invests, or otherwise controls the moneys and property in accordance with the donation agreements.<sup>30</sup>

The board of park commissioners has exclusive management and control of all funds provided by appropriation or income from endowments or donations in its control.<sup>31</sup> All payments must be authorized by proper vouchers issued against such funds held by the city or town treasurer for park funds.<sup>32</sup>

The board of trustees of the cemetery fund makes all collections and deposits all funds with the city or town treasurer to the account of the cemetery fund.<sup>33</sup> Not less than twenty-five percent of the proceeds of all sales of lots must be set aside in "The Perpetual Care Fund"; and the proceeds for such fund must be invested for income purposes. The income from this fund is to be used for improving and caring for the cemetery.<sup>34</sup> These funds may be expended for purchase of additional land

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<sup>29</sup>65 Okl. St. 1941, Sec. 75.

<sup>30</sup>65 Okl. St. 1941, Sec. 79.

<sup>31</sup>11 Okl. St. 1941, Sec. 1222.

<sup>32</sup>11 Okl. St. 1941, Sec. 1217.

<sup>33</sup>8 Okl. St. 1941, Sec. 49.

<sup>34</sup>8 Okl. St. 1941, Sec. 51.

for cemetery purposes, provided that a like amount shall be returned to the fund along with twenty-five percent of the proceeds of the sale of additional lots when lots are sold from the land so purchased.<sup>35</sup>

A separate "Perpetual Care Fund" should be established for the cemetery for donations, bequests, and gifts for this purpose.

The funds of the "Perpetual Care Fund" may be loaned on Oklahoma real estate at one-half ( $\frac{1}{2}$ ) the valuation of such real estate.<sup>36</sup> These funds may be invested in United States bonds or bonds of the State of Oklahoma.<sup>37</sup>

Any city or town owning a cemetery or twenty-five (25) lot owners may petition the district court of the county to appoint a trustee for the perpetual care funds.<sup>38</sup>

Not more than twenty-five (25%) per cent of the perpetual care funds shall be reinvested in cemetery land; and in no event shall any city or town be authorized to own an excess of eighty acres for cemetery purposes.<sup>39</sup>

#### IV. BOARD OF CONTROL

Organization of board. It is required that the mayor shall, with the approval of the city or town council, appoint a board of directors

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<sup>35</sup> 8 Okl. St. 1949 Sup., Sec. 51.

<sup>36</sup> 8 Okl. St. 1941, Sec. 55.

<sup>37</sup> 8 Okl. St. 1949 Sup., Sec. 51.1.

<sup>38</sup> 8 Okl. St. 1941, Sec. 53.

<sup>39</sup> 8 Okl. St. 1949 Sup., Sec. 51.2

for the library. This board consists of six (6) members—one-third to serve for one year, one-third to serve for two years, and one-third to serve for three years from May 1 following the appointment of the original board. Each year thereafter two members are appointed in like manner to serve for three years. The mayor may, with the consent of the city or town council, remove any director for misconduct or neglect of duty. Any vacancies on the board shall be filled in the same manner as original appointments; the new member is to serve for the unexpired term of the member so vacating. The directors meet immediately after their appointment to elect a president and other necessary officers.<sup>40</sup>

The board of park commissioners consists of three members appointed by the mayor with the consent and approval of the city or town council.<sup>41</sup> The secretary of the board receives an amount not to exceed fifty dollars (\$50.00) per year compensation as secretary. Other members may be reimbursed for actual expenditures made in connection with such duties.<sup>42</sup>

The board of trustees for the cemetery fund consists of three (3) members selected by the city council or board of town trustees. Their terms as trustees are two, four, and six years for the original board. All members selected for the board thereafter serve for a term of six years, except for those filling vacancies. These will serve for the unexpired term of the member vacating the position.<sup>43</sup>

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<sup>40</sup>65 Okl. St. 1941, Secs. 72-75.

<sup>41</sup>11 Okl. St. 1941, Sec. 1211.

<sup>42</sup>11 Okl. St. 1941, Secs. 1212, 1214.

<sup>43</sup>8 Okl. St. 1941, Sec. 48.

Duties of board. The board of directors of the library fund makes and adopts by-laws, rules, and regulations for its own guidance and for the government of the library. The board purchases or leases the necessary land and buildings for library purposes and accepts and administers any donation for the benefit of the library fund. It appoints suitable librarians and assistants, fixes compensations of these employees, and removes these appointees when such action is deemed necessary. When library property is no longer needed for library purposes, the board may dispose of it, and in so doing, is required to return the proceeds to the library fund. The board of directors has the power to maintain and increase the collection of books, periodicals, and other materials out of funds provided. It may not expend more money nor incur obligations in excess of actual funds provided during any year.<sup>44</sup>

The board of directors of the library fund sets up and enforces or has enforced any reasonable rules and regulations necessary to render the greatest benefit to the greatest number of people.<sup>45</sup> Suitable penalties and punishment for misuse, injury, or destruction of library property may be provided by the city or town council or by ordinance.<sup>46</sup>

The board of park commissioners supervises and provides for maintenance of all park property, makes the necessary rules and regulations for the use and government of park properties, and determines where wires, pipes, and other fixtures are to be installed or where they shall cross park

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<sup>44</sup>65 Okl. St. 1941, Secs. 75, 79.

<sup>45</sup>65 Okl. St. 1941, Sec. 76.

<sup>46</sup>65 Okl. St. 1941, Sec. 78.



property. It also decides upon the establishment of boulevards, parkways, and other park properties.<sup>47</sup>

The board of park commissioners accepts or declines donations of real and personal property offered for park purposes as it sees fit. Upon acceptance of such properties, the board must see that the properties are used as stated in the donation agreements. It holds this property in trust, collects rents and incomes and spends these in accordance with the agreements.<sup>48</sup> All plans for landscaping are approved by the city or town landscape architect.<sup>49</sup>

The board of trustees of the cemetery or city or town council arranges for surveying, platting, grading, fencing, ornamenting, and improving cemetery property and provides for the payment of the cost thereof.<sup>50</sup> The board selects a suitable superintendent to care for the cemetery and arranges his compensation. It also collects and deposits all funds with the city or town treasurer.<sup>51</sup>

Unless a special trustee is appointed to administer the perpetual care funds of the cemetery, the board of trustees administers and accounts for these funds.<sup>52</sup>

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<sup>47</sup> 11 Okl. St. 1941, Secs. 1212-1218.

<sup>48</sup> 11 Okl. St. 1941, Secs. 1221, 1222.

<sup>49</sup> 11 Okl. St. 1941, Sec. 1224.

<sup>50</sup> 8 Okl. St. 1941, Secs. 41, 42.

<sup>51</sup> 8 Okl. St. 1941, Sec. 49.

<sup>52</sup> 8 Okl. St. 1941, Secs. 51-56; 8 Okl. St. 1949 Sup., Secs. 51-51.2.

Reports in connection with the funds. The governing board of each city or town having a public library is required to include in its annual financial statements and estimate of needs an item for the following year to maintain the library.<sup>53</sup>

The said board of directors shall make, on or before the first day of April in each year, an annual report to the city council, stating the condition of their trust on the first day of March of that year; the various sums of money received from the library fund, and other sources, and how such moneys have been expended and for what purposes; the number of books and periodicals on hand; the number added by purchase, gift or otherwise during the year; the number lost or missing; the number of persons attending; the number of books loaned out; and the general character and kind of such books, with such other statistics, information and suggestions as they deem of general interest.<sup>54</sup>

It is required that an amount be entered by the governing board in the annual financial statements and estimate of needs of the city or town for the park fund.<sup>55</sup>

The board of trustees of the cemetery fund is required to make any reports which are required of it by terms of donations or by the governing board.

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<sup>53</sup>65 Okl. St. 1949, Sec. 71.

<sup>54</sup>65 Okl. St. 1941, Sec. 77.

<sup>55</sup>11 Okl. St. 1941, Sec. 1225.

## CHAPTER V

### ACCOUNTING PROCEDURES FOR SPECIAL FUNDS

The two pension funds are trust funds. The parking facilities funds, the recreational facilities funds, and any funds of airports created or maintained by income indenture bonds are special revenue funds. However, hospital funds, airport funds not created and maintained by income indenture bonds, library funds, park funds, and cemetery funds contain both trust and special revenue features. All of these might be classified as trust funds and accounted for as such, as all of the moneys for each fund is under the management and control of a board of control or trustees and are held in trust for these funds. Such procedure, however, is not recommended by textbooks on municipal accounting.

No attempt was made to outline budgetary procedure in this thesis because such procedure was explained by Nolan Williams.<sup>1</sup> An outline of accounts and balance sheets was presented to illustrate how accounting for these funds may be effected.

#### I. PENSION FUNDS

The following is a suggested accounting procedure for the pension funds. These are expendable type funds, having no endowment features. All figures are fictitious.

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<sup>1</sup>Nolan Eugene Williams, "An Inquiry into The Legal Aspects of the Preparation of Budgets for Political Subdivisions of Oklahoma," (unpublished Master's thesis, Oklahoma Agricultural and Mechanical College, Stillwater, Oklahoma, 1948).

Journal entries.

- |   |            |            |
|---|------------|------------|
| (1) Cash  | \$1,000.00 |            |
| Pension Fund Balance  |            | \$1,000.00 |
| To record funds provided by contributions of members of the department.   |            |            |
| (2) Cash  | \$1,000.00 |            |
| Pension Fund Balance  |            | \$1,000.00 |
| To record funds received from the governing board by appropriation of the general fund.   |            |            |
| (3) Cash  | \$1,250.00 |            |
| Pension Fund Balance  |            | \$1,250.00 |
| To record funds received from the State Treasurer on account of insurance premiums tax provided by law. (This would be derived from court costs if the fund were the Police Pension and Retirement System). |            |            |
| (4) Benefits Paid   | \$1,200.00 |            |
| Warrants Payable  |            | \$1,200.00 |
| To record payment of benefits from the fund. (Benefits paid should be listed as to person receiving benefit, amount of benefit, and for what paid).   |            |            |
| (5) Expenses  | \$ 100.00  |            |
| Warrants Payable  |            | \$ 100.00  |
| To record expenses paid in connection with the operation of the fund. (Expenses should be listed).  |            |            |
| (6) Investments   | \$1,000.00 |            |
| Warrants Payable  |            | \$1,000.00 |
| To record the purchase of bonds as an investment for the fund.  |            |            |
| (7) Pension Fund Balance  | \$1,000.00 |            |
| Reserve Account   |            | \$1,000.00 |
| To record provision for the reserve for use in future years. (For the firemen's pension fund only).   |            |            |

At this point an interim balance sheet was taken to determine the condition of the fund. This balance sheet is shown immediately after the ledger. Such a balance sheet could be taken at any time during the

fiscal year. It would correctly reflect the condition of the fund at that date, provided that posting was completed to that date.

(3) Warrants Payable	\$2,300.00	
Cash		\$2,300.00
To record payment of vouchers issued on behalf of the fund.		

(9) Pension Fund Balance	\$1,300.00	
Expenses		\$ 100.00
Benefits Paid		1,200.00
To close expense and benefits accounts to the fund balance account.		

The end of the year balance sheet is the second balance sheet following the ledger accounts. Warrants payable may be outstanding at the end of the fiscal year. Whether or not warrants are outstanding depends upon the policy of the city or town treasurer of redeeming these warrants at the bank.

Ledger accounts.

Cash			
(1) Contributions	1,000.00	(8) Warrants paid	2,300.00
(2) General Fund	1,000.00		
(3) Insurance tax	1,250.00		

Investments	
(6) Warrants payable	1,000.00

Expenses			
(5) Warrants payable	100.00	(9) Fund balance	100.00

## Benefits Paid

(4) Warrants Payable	1,200.00	(9) Fund balance	1,200.00
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## Warrants Payable

(8) Paid	2,300.00	(4) Benefits paid	1,200.00
		(5) Expenses	100.00
		(6) Investments	1,000.00

## Pension Fund Balance

(7) To reserve	1,000.00	(1) Contributions	1,000.00
(9) Expenses and benefits		(2) General fund	1,000.00
	1,300.00	(3) Insurance tax	1,250.00

## Reserve

(7) Fund balance	1,000.00
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Financial statements.

City, Oklahoma  
Pension Fund Balance Sheet  
Interim Date

Cash	\$3,250.00	Warrants Payable	\$2,300.00
Investments	1,000.00	Pension Fund Balance	2,250.00
Expenses	100.00	Reserve	1,000.00
Benefits Paid	1,200.00		
	<u>\$5,550.00</u>		<u>\$5,550.00</u>

City, Oklahoma  
Pension Fund Balance Sheet  
June 30, 1950

Cash	\$ 950.00	Pension Fund Balance	\$ 950.00
Investments	1,000.00	Reserve	1,000.00
	<u>\$1,950.00</u>		<u>\$1,950.00</u>

Review of City of Stillwater pension funds. The pension funds are incorporated in the general fund of the City of Stillwater. The funds are accounted for separately in three column ledgers on which are given the explanation—usually left blank—and date of the transactions, a paid out column, a receipts column, and a balance column as follows:

Explanation	Date	Paid Out	Receipts	Balance

The journal entries are incorporated in the general fund journal. It is very difficult to prepare a summary of transactions from these records.

In the 1950 insurance tax distribution, the Stillwater Fire Department received \$16,702.85. Three firemen are on pension, being paid a total of \$507.50 per month.

Since the law which permits sale of confiscated liquor has been effective, the Stillwater Police Department has received approximately \$300.00 from such sales for its pension fund. No policemen are on pension.

The members of both departments contribute two (2%) per cent of their pay to the funds. The city matches these contributions, dollar for dollar, from the general fund revenues. The only report made is an annual audit of the Firemen's Pension and Retirement Fund by the State Auditor. Both funds are included in the annual financial statements of the general fund of the city.

## II. ENDOWMENT FUNDS

These funds include the endowments of the hospital, airport, library, park, and cemetery. Each fund must be accounted for separately, but all would be recorded in the same way with similar or the same accounts. Some accounts may have to be added or deleted for specific funds, but the principles would be the same. These funds have both expendable and non-expendable features. The endowment principal in each of these funds is non-expendable. The income from these endowments is expendable.

The following is a suggested accounting procedure for these endowment funds:

### Journal entries.

- |      |   |             |             |
|------|---|-------------|-------------|
| (1)  | Non-Expendable Fund Cash  | \$ 5,000.00 |             |
|      | Securities  | 5,000.00    |             |
|      | Real Property   | 10,000.00   |             |
|      | Non-Expendable Fund Balance   |             | \$20,000.00 |
|      | To record cash, securities, and real property donated to be used as an endowment for the benefit of the special (endowment) fund. |             |             |
| <br> |   |             |             |
| (2)  | Securities  | \$ 3,000.00 |             |
|      | Non-Expendable Fund Warrants Payable  |             | \$ 3,000.00 |
|      | To record the purchase of securities for the endowment fund.  |             |             |
| <br> |   |             |             |
| (3)  | Expendable Fund Cash  | \$ 500.00   |             |
|      | Expendable Fund Balance   |             | \$ 500.00   |
|      | To record rents and interest received from real property and securities of endowment fund.  |             |             |
| <br> |   |             |             |
| (4)  | Expendable Fund Balance   | \$ 400.00   |             |
|      | Expendable Fund Warrants Payable  |             | \$ 400.00   |
|      | To record expenditures of funds for benefits in accordance with the terms of endowments.  |             |             |

At this point an interim balance sheet was taken. It appears as the first of these financial statements.



(5) Non-Expendable Fund Warrants Payable	\$ 3,000.00	
Expendable Fund Warrants Payable	400.00	
Non-Expendable Fund Cash		\$ 3,000.00
Expendable Fund Cash		400.00
To record payment of warrants issued to date on behalf of the endowment fund.		

An end of the year balance sheet is presented at this point.

Warrants may be outstanding at the end of the fiscal year. Receivables of rents or other incomes or accrued income may be outstanding at the end of the year. These receivables and accruals may be recorded if the board of control wishes them to appear on the financial statements.

Ledger accounts.

Non-Expendable Cash			
(1) Endowment	5,000.00	(5) Warrants paid	3,000.00

Expendable Cash			
(3) Endowment income	500.00	(5) Warrants paid	400.00

Securities			
(1) Endowment	5,000.00		
(2) Investment	3,000.00		

Real Property			
(1) Endowment	10,000.00		

Non-Expendable Fund Warrants Payable			
(5) Warrants paid	3,000.00	(2) Investment of cash	3,000.00

## Expendable Fund Warrants Payable

(5) Warrants paid	400.00	(4) Expenditures	400.00
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## Non-Expendable Fund Balance

(1) Endowments	20,000.00
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## Expendable Fund Balance

(4) Expenditures	400.00	(3) Endowment Income	500.00
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The endowment funds ledgers may appear as follows:<sup>2</sup>

## Title of Fund

Date	Reference	Cash			Investments			Balance
		Debit	Credit	Balance	Debit	Credit	Balance	
	Journal 1	5,000.		5,000.	15,000.		15,000.	20,000.
	Journal 2		3,000.	2,000.	3,000.		18,000.	20,000.

Financial statements.

City, Oklahoma  
Endowment Fund Balance Sheet  
Interim Date

Non-Expendable Fund:		Non-Expendable Fund:	
Cash	\$ 5,000.00	Warrants Payable	\$ 3,000.00
Securities	8,000.00	Balance	20,000.00
Real Property	10,000.00		
	<u>\$23,000.00</u>		<u>\$23,000.00</u>
Expendable Fund:		Expendable Fund:	
Cash	\$ 500.00	Warrants Payable	\$ 400.00
		Balance	100.00
	<u>\$ 500.00</u>		<u>\$ 500.00</u>
	<u>\$23,500.00</u>		<u>\$23,500.00</u>

<sup>2</sup>Lloyd Morey and Robert Phillip Hackett, Fundamentals of Governmental Accounting (New York: John Wiley & Sons, Inc., 1942), p. 234.

City, Oklahoma  
Endowment Fund Balance Sheet  
June 30, 1950

<b>Non-Expendable Fund:</b> Cash                   \$ 2,000.00 Securities             3,000.00 Real Property <u>10,000.00</u> \$20,000.00  <b>Expendable Fund:</b> Cash                   \$    100.00 <u>\$20,100.00</u>	<b>Non-Expendable Fund:</b> Balance               \$20,000.00   <b>Expendable Fund:</b> Balance               \$    100.00 <u>\$20,100.00</u>
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Gains or losses on liquidation of investments or sale of real property for a price in excess of or less than the book value of the property may be either an increase or decrease of the endowment principal or of the expendable funds, depending upon the terms of the endowment agreement.

Any other statements or reports required for these funds may be made in a suitable form.

### III. SPECIAL REVENUE FUNDS

Special revenue funds are accounted for in the same manner as is the general fund. These funds also have budgetary accounts.

Journal entries.

(1)	Estimated Revenues	\$20,000.00	
	Unappropriated Surplus		\$20,000.00
	To record estimated revenues for the year.		
(2)	Unappropriated Surplus	\$20,000.00	
	Appropriations		\$20,000.00
	To record the appropriations for the year.		
(3)	Cash	\$10,000.00	
	Revenues		\$10,000.00
	To record income from the operation of the facilities of the special revenue fund.		

(4)	Cash	\$ 5,000.00	
	Revenues		\$ 5,000.00
	To record cash received from the general fund to be used by the special revenue fund.		
(5)	Appropriation Encumbrances	\$10,000.00	
	Reserve for Encumbrances		\$10,000.00
	To record placement of contracts and orders for the operation of the facilities of the special revenues fund.		
(6)	Reserve for Encumbrances	\$ 8,000.00	
	Appropriation Encumbrances		\$ 8,000.00
	To record reversal for amount of encumbrances vouched for payment.		
(7)	Expenditures	\$ 8,000.00	
	Warrants Payable		\$ 8,000.00
	To record warrants issued in payment of contracts and orders vouched.		
An interim balance sheet was taken at this point. Entries 6 and 7 are companion entries.			
(8)	Warrants Payable	\$ 8,000.00	
	Cash		\$ 8,000.00
	To record payment of warrants issued.		
(9)	Cash	\$ 5,200.00	
	Revenues		\$ 5,200.00
	To record income from operations.		
(10)	Appropriation Encumbrances	\$10,000.00	
	Reserve for Encumbrances		\$10,000.00
	To record contracts and orders placed.		
(11)	Reserve for Encumbrances	\$12,000.00	
	Appropriation Encumbrances		\$12,000.00
	To record contracts and orders vouched for payment		
(12)	Expenditures	\$12,000.00	
	Warrants Payable		\$12,000.00
	To record issuance of warrants in payment of contracts and orders		
(13)	Warrants Payable	\$10,000.00	
	Cash		\$10,000.00
	To record payment of warrants.		

Entries 11 and 12 are companion entries. Entries 6 and 11 reverse the entries establishing reserves for encumbrances. Closing entries appear below.

(14) Revenues	\$20,200.00	
Estimated Revenues		\$20,000.00
Unappropriated Surplus		200.00
To close the revenues and estimated revenues accounts.		
(15) Appropriations	\$20,000.00	
Expenditures		\$20,000.00
To close the expenditures account to the appropriations account. (If any balance, either debit or credit, appears in the appropriations account, it is closed to the unappropriated surplus account).		

Ledger accounts.

Cash			
(3) Operating income	10,000.00	(8) Warrants paid	8,000.00
(4) From general fund	5,000.00	(13) Warrants paid	10,000.00
(9) Operating income	5,200.00		

Estimated Revenues			
(1) Estimates for the year	20,000.00	(14) Closing	20,000.00

Revenues			
(14) Closing	20,200.00	(3) Operating	10,000.00
		(4) From general fund	5,000.00
		(9) Operating income	5,200.00

Expenditures			
(7) Warrants issued	8,000.00	(15) Closed to	
(12) Warrants issued	12,000.00	appropriations	20,000.00

## Warrants Payable

(8) Cash	8,000.00	(7) Warrants issued	8,000.00
(13) Cash	10,000.00	(12) Warrants issued	12,000.00

## Appropriations

(15) Expenditures	20,000.00	(2) Appropriations for year	20,000.00
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## Appropriation Encumbrances

(5) Contracts and orders	10,000.00	(6) Encumbrances vouched	8,000.00
(10) Contracts and orders	10,000.00	(11) Encumbrances vouched	12,000.00

## Reserve for Encumbrances

(6) Encumbrances vouched	8,000.00	(5) Contracts and orders	10,000.00
(11) Encumbrances vouched	12,000.00	(10) Contracts and orders	10,000.00

## Unappropriated Surplus

(2) Appropriations	20,000.00	(1) Estimated revenues	20,000.00
		(14) Revenues exceeding estimates	200.00

A taxes receivable or a due from the general fund account may be used if it is desired to show the appropriation from the general fund as a receivable. The receipt of this appropriation from the general fund is usually not directly dependent upon total collection of taxes levied nor is it a direct lien on taxes levied, and therefore, should not be shown as taxes receivable for these special revenue funds.

Financial statements.

City, Oklahoma  
Special Revenue Fund  
Interim Date

Cash	\$15,000.	Warrants Payable	\$ 3,000.
Estimated Revenues	\$20,000.	Appropriations	\$20,000.
Less Revenues	<u>15,000.</u> 5,000.	Less:	
		Expenditures	\$ 3,000.
		Appropriation	
		Encumbrances	<u>2,000.</u>
			<u>\$10,000.</u> 10,000.
		Reserve for Encumbrances	<u>2,000.</u>
	<u>\$20,000.</u>		<u>\$20,000.</u>

City, Oklahoma  
Special Revenue Fund  
June 30, 1950

Cash	\$ 2,200.	Warrants Payable	\$ 2,000.
		Unappropriated Surplus	<u>200.</u>
	<u>\$ 2,200.</u>		<u>\$ 2,200.</u>

Other statements such as revenue and requirements statements may be made if they are desired by the governing board of the city or town. A statement of surplus may be required for these funds. However, as revenues from operations is very uncertain for these funds—depending upon the weather, the business cycle, general business conditions, epidemics, and other factors—it is very difficult to determine what appropriations should be made for these funds. Surplus in the special revenue funds would be considered in making appropriations from the general fund, but the changes in the surplus would be of little value as a guide. These appropriations are made from the general fund in a sum or in installments rather than depending upon total collections of taxes for receipt of the entire appropriation.

The City of Stillwater has no endowment funds nor special revenue funds. It does, however, make appropriations to the hospital and library. It accounts for these through the general fund.

An accounts payable or vouchers payable account may be desired. However, warrants are issued as soon as the encumbrances are approved. A check is written to the bank or banks to retire the warrants at regular intervals—weekly, twice a month, or by whatever arrangements are made for the retirement of these warrants. This practice will usually result in a number of outstanding warrants at the end of the fiscal year.



## CHAPTER VI

### SUMMARY AND CONCLUSIONS

Summary. A study of the statutes and court cases in the State of Oklahoma as related to special revenue funds was made and the findings summarized. In order to aid in the study and presentation of the various funds, the funds were divided into three groups.

The first group discussed consists of the Firemen's Relief and Pension Fund and the Policemen's Pension and Retirement System. These funds are trust funds and should be accounted for as such. They are established to provide relief for the members and families of the members of the fire department and the police department. Provisions are made by law for establishment and maintenance of these funds and for the custody and disbursement of revenues provided for the funds. Members of both departments contribute a portion of their salaries to the fund and the city or town contributes money to the fund. The City of Stillwater matches the contributions of the members of these departments, dollar for dollar. Fire insurance companies contribute to the firemen's fund, and court costs are assessed in criminal cases for the benefit of the policemen's fund. Boards of trustees are responsible for accounting for all funds and for the equitable payment of benefits from the funds.

The second group includes the facilities which are expected to be self-financing. This group includes Parking Station Funds and Recreational Facilities Funds, which are special revenue funds, and Airport Funds and Hospital Funds, which are special revenue funds with trust fund features added by endowments. Property may be acquired by these funds either by agreement and purchase or by eminent domain proceedings. Property may

also be donated to airports and hospitals. All these funds receive operating income. For parking stations and recreational facilities this is the only source of income. Airports and hospitals may also have income from endowments and from appropriations of tax revenues from the governing board. Custody is vested in a board of control for each fund. This board must keep accurate accounts for the fund. It also is responsible for the operation, supervision, and management of its facilities.

The third group consists of the Library Fund, Park Fund, and Cemetery Fund. These are all special revenue funds with endowment features. They are expected to be maintained by taxation. Property may be acquired for these funds either by purchase or by donation. One of the great issues of these funds is tax levies which have been made in accordance with sections of the law which are not in agreement with the Constitution of the State. Besides revenues from taxation, these funds may receive income from endowments. A board of control is vested with the custody of the funds and the accounting for such. The boards of control manage the affairs of these funds and provide for the maintenance of the facilities.

Accounting for these funds should present a complete history of the operations of the funds. The accounting was divided into three groups--pension funds, endowment funds, and special revenue funds. Some of the funds have accounts in both the endowment and special revenue sections. Pension funds are established in the City of Stillwater, but the accounting for them is merely a debit, credit, balance method of accounting in a three column ledger. Original entries for these two funds are made in the general fund journal and cash books. The accounting for all classes of these funds was shown in a very simple form--journal entries,

ledger accounts, and balance sheets. More elaborate accounting might be done in practice. Cash books and other special journals might be used; various ledgers and subsidiary ledgers might be employed; and more financial statements might be required. If more elaborate accounting were to be required, the accounting of each city or town would have its own peculiarities and special forms. The system would have to be studied for any variations from ordinary presentation.

Conclusions. It seems inconsistent with the purpose for establishing pension funds to make payment of benefits contingent upon availability of funds. If a person of the age required to retire or one disabled in line of duty is either not paid or is paid only part of the sum due on his pension, the resulting insecurity defeats the purpose of the establishment of the fund. Therefore great care should be exercised to avoid a deficiency of funds to pay these benefits.

Parking stations and recreational facilities established under the provisions of these statutes are available for such a limited number of cities in the state that more study of the statutes would be necessary by a city before establishing such facilities. Establishment of airports requires a great deal of study of State and Federal laws governing such facilities. If an airport were to be coordinated with or operated by the Oklahoma Aviation Commission, arrangements would have to be made and terms met to get the commission to take over the airport. The cost could outweigh the benefits. The study of any proposed establishment of any of the facilities of the second group discussed would require a greater study of legal technicalities than was possible in this study. In establishing airports and hospitals, possibilities of raising funds for their support through taxation would be a factor that would have to be

considered very carefully. Authority for establishment of these facilities are new. They appear in the 1949 Cumulative Supplement of the Oklahoma Statutes as new items of law. As a result of the recent authority for these facilities, insufficient time has elapsed to establish their constitutionality—either in whole or in part.

In establishing a library or public parks, due care should be given to the availability of tax money at present and the possibilities of tax moneys in the future being made available for these purposes before final decision is made. Cemeteries must be maintained. In all three of these the law should be clarified and the contradictory parts corrected. Their status as either special funds or funds for current expense purposes should be established uniformly.

It may, as in the case of the City of Stillwater and the City of Wynoka, be advisable to carry on some of these provisions under the general fund without separate accounting for each of these facilities.

Accounting should be thorough but as simple as possible. The more elaborate a set of books is made, the greater is the chance for mistakes and the greater is the time required for training someone to keep the accounts. All legal requirements should be carefully observed and followed. Any statements or reports required should be made in the easiest and most enlightening manner when no prescribed method is outlined.

This was a collection and compilation of general information, not a legal guide to the conduct of these funds. For technicalities for a given fund, reference should be made to the statutes or to an attorney. No attempt was made to cover all possible contingencies in the accounting for these funds — only a general outline is given to serve as a pattern for accounting for the different types of funds.

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