

SPECIAL DISTRICTS BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES
ISSUED BY STATE BOARD OF ACCOUNTS

June 2021

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GAAP TRAINING OPPORTUNITY

The Central Indiana Association of Governmental Accountants (AGA) has partnered with Crowe, LLP, to provide a virtual governmental training series on Generally Accepted Accounting Principles (GAAP). This is a good opportunity for entities who report their financial statements on a GAAP basis, as well as those entities who present their financial statements on the Regulatory (cash) Basis, to better understand what GAAP is and how it can be implemented if necessary or desired.

Governmental units not currently required by statute to present GAAP financial statements are not being required to switch to GAAP reporting, but the training will provide information as to what GAAP is and how (if a non-GAAP unit wanted to convert to GAAP accounting) making such a switch could be accomplished.

These sessions are free of charge for all Indiana government employees and provide Continuing Professional Education (CPE) credits. Please see this link to the AGA's event calendar page for more information - <https://www.agacgfm.org/Chapters/Central-Indiana-Chapter/Training-Events/Event-Calendar.aspx>

Sessions:

- Governmental GAAP – What is it? June 28, 2021; 1:00 to 2:30.
- Governmental GAAP – How to Implement July 13, 2021; 1:00 to 3:00.
- Governmental GAAP – Expert Panelist Discussion July 20, 2021; 1:00 to 2:30.

2021 LAWS AFFECTING SPECIAL DISTRICTS

The following list of laws enacted by the General Assembly that could affect special districts. This is not intended to be an expression of a legal opinion nor is it intended to provide a complete summary of every addition or amendment contained in the public law. If you have any questions regarding legal interpretation, please consult your attorney.

We have listed the laws in public law order sequence. Additional information regarding the 2021 public laws may be found on the General Assembly website at www.iga.in.gov. The “Session” tab contains a Table of Citations for all Indiana Code citations affected by new legislation, a complete Digest of Enactments summarizing each new public law, an Enrolled Act Summary showing the effective dates of each public law section, and other cross references between public law number and bill number. The “Legislation” tab contains each new public law.

House Enrolled Act 1001 – Public Law 165
State Budget

Appropriates money for capital expenditures, the operation of the state, K-12 and higher education, the delivery of Medicaid and other services, and various other distributions and purposes. Specifies that the deadline for adjourning sine die for the 2021 session of the general assembly is November 15, 2021, and that the current deadline of April 29 remains in place for future long sessions. Provides that the regular technical session statute does not apply in calendar year 2021. Specifies the deadlines for signing enrolled acts and presenting them to the governor for bills passed after April 19, 2021, and before May 1, 2021. Specifies the following: (1) That the 2021 interim is the period beginning May 1, 2021 and ending November 15, 2021. (2) That for 2021, the prohibited period concerning fundraising activities is through April 29, 2021, rather than the date on which the general assembly adjourns sine die. (3) That the budget committee is required to meet at least once between April 30, 2021, and July 1, 2021. (Current law requires the budget committee to meet at least once in the two months following the general assembly adjournment sine die.) Provides that a redistricting commission is established to determine congressional districts if the general assembly adjourns sine die before November 15, 2021, without having enacted a law establishing congressional districts. (Current law refers to the adjournment of the general assembly without specifying an adjournment sine die or a particular date.)

Provides that, beginning July 1, 2021, all aviation fuel excise tax revenue is transferred to the airport development grant fund. (Under current law, 50% of the aviation fuel excise tax revenue is transferred to the general fund and 50% is transferred to the airport development grant fund.)

Makes appropriations to the Indiana public retirement system and the treasurer of state for specified cost of living adjustments. Makes conforming changes.

House Enrolled Act 1169 – Public Law 134
Cybersecurity Incidents

Requires the office of technology to maintain a repository of cybersecurity incidents. Provides that a state agency and a political subdivision shall: (1) report any cybersecurity incident to the office without unreasonable delay and not later than two business days after discovery of the cybersecurity incident in a format prescribed by the chief information officer; and (2) provide the office with the name and contact information of any individual who will act as the primary reporter of a cybersecurity incident before September 1, 2021, and before September 1 of every year thereafter. Allows the office of technology to assist a state agency with certain issues concerning information technology. Provides that if requested by a political subdivision, the office may develop a list of third-party technology providers that work with the office. Makes conforming changes.

House Bill 1231 – Public Law 19
Lien Removal Process

Provides that a political subdivision is required to pay a \$25 fee to a county recorder for the recording of a release of a lien or liens held by the political subdivision on a parcel: (1) for which a certificate of sale is sold; or (2) that is disposed of by a political subdivision; regardless of the number of liens the political subdivision holds on the parcel. Provides that if a county containing a consolidated city has: (1) established a housing trust fund; and (2) adopted an ordinance authorizing a \$10 recording fee per document for deposit in the housing trust fund; the county recorder may charge the \$10 recording fee per document in addition to the \$25 fee for the recording of a release of a lien or liens held by a political subdivision. Provides how a county recorder must deposit fees collected for the recording of a release of a lien or liens held by a political subdivision.

House Enrolled Act 1271 – Public Law 38
Department of Local Government Finance

Provides under multiple remonstrance provisions that the department of local government finance (DLGF) may either hold a hearing in the affected county or through electronic means. Defines the term "nonconforming" for certain property tax purposes. Provides that consent to receive notice of a personal property tax assessment via electronic mail remains in effect unless revoked during the preceding year.

Provides that 25 taxpayers of a political subdivision must sign a written request for certain public hearings on budgets, tax rates, or tax levies. Provides that a political subdivision shall include an appropriation for bond proceeds in its budget for the ensuing year. Requires the county auditor of the county in which a political subdivision or school corporation proposes to impose property taxes to determine the: (1) estimated average percentage of property tax increase on a homestead to be paid to the political subdivision or school corporation; and (2) estimated average percentage of property tax increase on a business property to be paid to the political subdivision or school corporation. Provides a formula for making the estimated average percentage of property tax increase determinations. Provides that the DLGF may establish fair and reasonable fees for level three assessor-appraiser examinations and certifications. Provides that a parcel of land may not be included in more than one allocation area under several provisions going forward. Provides that a district that does not impose a levy under certain circumstances shall give notice of the hearing on the proposed budget and submit the adopted budget in the manner prescribed by the DLGF.

Provides that for cumulative fund tax levy procedure purposes, if a cumulative fund that has been established in a prior year is not reestablished and the tax rate is not properly certified, the political subdivision may not increase a tax rate for the cumulative fund for the ensuing year. Provides that a political subdivision that decides to establish a cumulative fund must give notice in the form required by the DLGF. Provides that the DLGF is not required to hold a cumulative fund tax levy public hearing unless the petition expressly alleges that the political subdivision failed to comply with certain procedural requirements. Provides that after a political subdivision complies with the cumulative fund tax levy procedural rules, a property tax may be levied annually at the rate adopted by the political subdivision and certified by the DLGF.

Provides that distributions from the financial institutions tax fund may be used for any legal purpose. Provides that a county's distribution of the commercial vehicle excise tax may be used for any legal purpose.

Provides that a sale of aviation fuel is exempt from the aviation fuel excise tax if the aviation fuel is dispensed into an aircraft owned by a certified aerial applicator performing agricultural operations.

Increases the amount that a political subdivision may transfer into its rainy day fund from 10% to 15% during calendar years 2021 through 2024.

House Enrolled Act 1437 – Public Law 88
Electronic Meetings and Signatures

Allows a member of a governing body of a political subdivision to participate in a meeting electronically subject to the following: (1) Requires the governing body to adopt a written policy establishing procedures for electronic participation. (2) Requires the technology to permit simultaneous communication between members and the public to attend and observe the proceedings. (3) Requires at least 50% of the members to be physically present at the meeting site. (4) Allows a member participating electronically to be counted for quorum purposes. (5) Provides that a member participating electronically may participate in a final action taken by the governing body only if the member can be seen and heard. Provides that if a statute requires a manual signature for attesting or authenticating an obligation issued by certain state and local public entities, an electronic signature has the same force and effect as a manual signature. Adds provisions applicable to state and local public agencies when a state or local disaster emergency is declared. Makes stylistic changes.

Senate Enrolled Act 188 – Public Law 141
Revised Uniform Unclaimed Property Act

Repeals the unclaimed property act and replaces it with the revised unclaimed property act.

Senate Enrolled Act 332 – Public Law 152
Publication of notice by political subdivision

Allows a political subdivision, when required by statute to publish a notice two or more times, to make the first publication of notice in a newspaper and any subsequent publications of the notice on the official web site of the political subdivision. Requires the political subdivision or contractor that maintains the political subdivision's official web site to provide proof of publication of the notice on the official web site. Provides that if, with regard to a sheriff's sale of real property to execute a judgment, the sheriff is not able to procure publication of the notice in a newspaper of general circulation within the county, the sheriff may publish the notice on the Internet web site of each county where the real estate is located (instead of dispensing with the publication of notice entirely).

Senate Enrolled Act 349 – Public Law 120
Financing, Transfer, and Improvement of Utility Assets

Requires that the priority ranking system used by the Indiana finance authority in making loans or other financial assistance from: (1) the drinking water revolving loan fund; or (2) the wastewater revolving loan fund; must prioritize loans securing longer term benefits over shorter term projects, all other factors being equal.

Provides that not later than 60 days after the effective date of a change in the applicable federal or state income tax rate as a result of new legislation, a water or wastewater utility shall petition the utility regulatory commission (IURC) for a water or wastewater utility surcharge that adjusts the water or wastewater utility's rates and charges to provide recovery for the change in the federal or state income tax rate. Provides that a water or wastewater utility that serves fewer than 8,000 customers may, but is not required to, file a petition for such a surcharge. Provides that a surcharge shall be calculated to reflect the difference between: (1) the amount of federal or state income taxes that each existing rate or charge of the water or wastewater utility was designed to recover based on the income tax rate in effect at the time the rate or charge was approved; and (2) the amount of federal or state income taxes that would have been embedded in the given rate or charge had the new tax rate been in effect at the time of approval. Provides that a surcharge shall not include normalization of a water or wastewater utility's accumulated deferred income taxes.

Senate Enrolled Act 349 – Public Law 120
Financing, Transfer, and Improvement of Utility Assets (continued)

Provides that the IURC shall approve a proposed surcharge if the IURC finds that: (1) the surcharge has been calculated correctly; and (2) the water or wastewater utility's proposal is just and reasonable. Provides that an approved surcharge shall operate on a prospective basis.

Amends the applicability language of the statute governing the transfer, acquisition, and improvement of utilities by municipalities to specify that the statute applies to a municipally owned electric, water, wastewater, or combined water and wastewater utility.

Senate Enrolled Act 383 – Public Law 159
Various Tax Matters

Provides a sales tax exemption for public safety equipment and materials.

Removes duplicate provisions regarding electronic filing requirements for sales tax and withholding tax remittance. Removes certain unnecessary information currently required for employer withholding tax reporting forms. Specifies that the penalty provisions in current law for failure to make a payment by electronic funds transfer also apply to a failure to make a payment by any other electronic means.

Clarifies the penalty calculation for failure to make estimated tax payments, including estimated utility receipts tax and financial institutions tax payments.

Sets a floor on the periodic change in the gasoline tax and the special fuel tax rates each year of not less than the rates in the preceding year.

Senate Enrolled Act 398 – Public Law 109
Various Elections Matters

Provides that a political subdivision that conducts or administers an election may not receive or expend funds received from a person (other than from the state or from the federal government) for preparing, administering, or conducting elections, including registering voters. Makes other provisions.

RANSOMWARE

Ransomware is a type of malicious software designed to block access to a computer system until a sum of money is paid. The principle of ransomware is that the malware encrypts files on a system's hard drive using an unbreakable key, and this is decrypted by the attacker once a ransom is paid.

There have been increased instances of ransomware recently, both locally and nationally. Beware of unexpected or suspicious emails, especially those containing a link or requesting a reply. Most ransomware is delivered via email and the typical overall themes are shipping notices from delivery companies. Also, many attacks are delivered by mass random emails because the intention is to infect as many as possible to maximize the chances of getting a result.

Consider your district's policies related to the protection of computer information. The most common advice to recover from an attack by ransomware relies largely on whether a good backup policy is employed. Backup expectations are discussed in the *Accounting and Uniform Compliance Guidelines for Special Districts* and *Accounting and Uniform Compliance Guidelines for Indiana Political Subdivisions – Information Technology*. Governmental entities also should keep their anti-virus software up-to-date and apply security patches in a timely manner.

RANSOMWARE (continued)

If you become a victim of ransomware or any cybersecurity incidents, effective July 1, 2021, IC 4-13.1-2-9 will require you to report cybersecurity incidents to the Indiana Office of Technology (IOT) within 2 business days after discovery. The IOT will be developing a format by which such notifications will be made. We would also recommend contacting local law enforcement agencies, your software vendor, and the State Board of Accounts.



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STATE EXAMINER DIRECTIVE 2021-2

Date: May 6, 2021

Subject: GAAP AND ACFR Audits

Authority: IC 5-11-1; IC 5-11-1-30

Application: This Directive applies to all political subdivisions that choose to prepare a Comprehensive Annual Financial Report (ACFR) or GAAP financial statements for audit by the Indiana State Board of Accounts (SBOA)

From: Paul D. Joyce, CPA, State Examiner

This Directive supersedes Amended State Examiner Directive 2017-1, which was rescinded on May 6, 2021.

In support of the Government Finance Officers Association (GFOA) campaign to End the Acronym, the Indiana State Board of Accounts (SBOA) will refer to comprehensive annual financial reports by their full name or by annual comprehensive financial reports (ACFR). These reports are full GAAP financial statements with additional disclosures that are to be submitted to GFOA for consideration of their Certificate of Achievement for Excellence in Financial Reporting (COA). This policy also covers other auditees that provide us with GAAP financial statements for audit whether that is due to Indiana Code requirements or other reasons.

The purpose of this Directive is to establish procedures and a timeline for: the receipt of GAAP financial statements and supporting documentation; the GAAP pre-audit process; and the assignment of audit teams for ACFR and GAAP engagements, excluding the state audit.

To perform the audit and required reviews in sufficient time for an on time GFOA submission (6 months after fiscal year end), draft financial statements, including note disclosures, management's discussion and analysis (MD&A), required supplementary information (RSI), and supporting documentation must be submitted to the SBOA office on or before 90 days after fiscal year end. The GAAP financial statements and other information must be complete and reconciled. Submissions should contain the final complete financial statements and schedules that are ready for audit, not a draft. Exceptions may be made for discretely presented component unit information that will be available during the audit fieldwork. Supporting documentation needs to support the calculations made for each amount within the financial statements and other information and should agree to the entity's records. This documentation needs to be submitted via the Monthly and Annual Engagement Uploads application in Gateway.

Auditees seeking an audit of GAAP financial statements, which will not be submitted to GFOA for COA consideration, whether it is to meet a statutory requirement or voluntarily, should use the same process in Gateway for upload of all required elements of the GAAP financial statements and supporting documentation as described above. Submission should be within 5 months after fiscal year end.

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On-time submission does not guarantee the independent auditor's report by any particular date. It does mean that the SBOA will work with the auditee to plan and perform the audit in a manner that will result in timely completion barring unforeseen issues and circumstances outside of our control. There are circumstances, such as computer conversion or change in key personnel, that occasionally arise that prevent an on-time submission. The entity's management may discuss a later date for providing the draft financial statements, note disclosures, MD&A, RSI, and supporting documentation referenced above with Tammy White, Deputy State Examiner, in these cases. See contact information below.

Regardless of the planned submission date of the entity, a team will not be assigned to begin fieldwork until the required financial statements, schedules, and supporting documentation have gone through a pre-audit process and determination has been made that the entity's submission appears complete and reconciled.

Please contact Tammy White, Deputy State Examiner, at (317) 232-2514 or twhite@sboa.IN.gov with any questions or concerns you have regarding GAAP or ACFR audits.


Paul D. Joyce, CPA
State Examiner