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State Examiner

CITIES & TOWNS BULLETIN

ISSUED BY THE STATE BOARD OF ACCOUNTS

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STATE BOARD OF ACCOUNT CONTACT INFORMATION

SBOA Homepage: www.in.gov/sboa
(*for information specific to Cities & Towns, select Political Subdivisions and then select City or Town as applicable)*

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(either email address will take you to the helpdesk)

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2025 Indiana General Assembly – link for Indiana Code search:
https://iga.in.gov/laws/2025/ic/titles/1

UPCOMING TRAINING

On October 2nd and 3rd, we will be attending the Boyce Amplify LIVE event in Muncie. Mitch and I will have a resource table on October 2nd as well as attending some of the presentations on both days of the event.

The AIM Ideas Summit will be held on October 21st through the 23rd in French Lick, Indiana, at the French Lick Springs Resort. We will be available at our resource table on October 22nd for any questions you might have.

The ILMCT Virtual Fall District Meeting will be held from November 4th through 6th. Join us during our session as we dive into key insights tailored to support your positions.

COOPERATIVE - SOURCEWELL

Periodically, we receive questions from units of government wanting to utilize the out-of-state Purchasing Cooperative Sourcewell to make large purchases such as assets without having to advertise for bids. A municipality may only avoid standard procurement procedures and rely on another entity's purchase price if the original entity's procurement was fully compliant with the requirements of Indiana Code, in this case Indiana Code 5-22. In general, any cooperative used by an Indiana city or town must comply with Indiana purchasing statutes or public works laws, and we always recommend the local units obtain the written opinion of their city or town attorney. Sourcewell (formerly NJPA) was established under the laws of the State of Minnesota and the SBOA is not aware of any provisions in Minnesota law for a cooperative taking bids for equipment and supplies. Sourcewell's website notes that their members are able to utilize the cooperative purchasing laws "in their respective jurisdiction." [https://www.sourcewell-mn.gov/compliance-legal]

Therefore, SBOA would recommend a local unit of Indiana government obtain the written legal opinion of an attorney stating that using a cooperative such as Sourcewell would be in compliance with all Indiana laws. If purchases and/or lease agreements through Sourcewell were identified during an audit of a local governmental unit, we would take an attorney's written legal opinion into consideration. If items were purchased from an out-of-state cooperative without the support of a written legal opinion, SBOA may take audit exception in the form of a written comment/finding in our Audit Report.

Some of the statutes cited by Sourcewell to support Indiana cities and towns purchases are IC 5-22-10-5, IC 5-22-10-12, and IC 5-22-10-14, special purchasing laws. If justifying a purchase from Sourcewell or other cooperative as a special purchase, cities and towns should ensure they comply with Indiana Code, including (but not limited to) retaining documentation supporting the special purchase. IC 5-22-10 *et seq.* For instance, Sourcewell cites IC 5-22-10-5 as providing a special purchase can be made "when there exists a unique opportunity to obtain supplies or services at a substantial savings". Because some of the terms in this statute, namely "unique opportunity" and "substantial", are not defined, our position is when an Indiana governmental unit is obtaining supplies using IC 5-22-10-5 as the authority, they should obtain a written legal opinion from their attorney that the purchase complies with this statute. SBOA would take the opinion into consideration during an audit.

Regarding IC 5-22-10-12, this statute provides when the market structure is based on price, a local unit of government can make a purchase when they are able to receive a dollar or percentage discount "of the established price". In the case of a bid and price offered by Sourcewell, we are unclear as to what the discount of the "established price" would be. Is the bid price the "established price"? Is there a discount off of the bid price? Is the bid price considered the discount – if so, what would the established price be? Our audit position is when an Indiana governmental unit is obtaining supplies using IC 5-22-10-12 as the authority, they should obtain a written legal opinion from their attorney that the purchase complies with this statute. SBOA would take a written legal opinion into consideration during an audit.

Regarding IC 5-22-10-14, this statute provides the purchasing agent may make a purchase when they determine, in writing, that the supplies can be purchased at prices equal to or less than prices stipulated in current federal supply service schedules established by the federal General Services Admin and it's advantageous to the government body's interest in efficiency and economy. Because the purchasing agent at the local government has to make a written determination the prices are equal to or less than federal supply service schedules and that it's to their advantage because of "efficiency and economy", we would take the written legal opinion of any attorney that making a purchase under this statute would comply with Indiana's laws.

COST ALLOCATION

Expenses, including payroll, can be applied to both the city/town and their respective utilities. Allocating these costs to their respective utility or city/town fund involves establishing a fair and equitable system to distribute these costs.

For example, the cost allocation of an employee pay between water and wastewater utilities should be reasonable and supported by the unit. There is no one suggested approach to determining this cost allocation. However, revenue proportions could result in a situation where an employee actually spends more time on wastewater, but a bigger portion of pay comes from water because that has the higher revenue. In this case you would not be paying employees in accordance with where their time was actually spent. A determination would need to be made as to the average percentage of time spent between the two utilities and allocation in that manner.

Another example could be the purchase of software. The city/town would not apply the entire cost of the purchase solely to their utility if the city/town will be utilizing the software as well. They would need to allocate the cost of the purchase between the utility and the city/town. Determining the allocation is up to the unit, but they would want to show support as to the percentage/amount of utility funds that were used to purchase the software.

BONDS - REGISTERED

IC 5-1-15 authorizes cities and towns to issue "bonds, notes, evidences of indebtedness, or other written obligations" in fully registered or book entry form.

A question frequently comes up as to whether a depository issuing debt needs to be an approved depository. IC 5-1-15 authorizes political subdivisions to issues "bonds, notes, evidence of indebtedness, or other written obligations" in fully registered or book entry form. Then IC 5-1-15-4 states "The entity may employ any bank or trust company as paying agent or registrar, co-registrar, or depository institution. The bank or trust company need not be a depository bank under IC 5-13, and need not be located within the state of Indiana.

Regardless of any other legal provisions, registrars, registration books, and transfer records related to bonds, notes, debt instruments, or other written financial obligations of any entity are not considered public records. These documents are intended solely for use by the entity itself, as well as any trustee, fiduciary, paying agent, registrar, co-registrar, or transfer agent involved. If a bank's trust department holds such records, it must not disclose them to the bank's bond or commercial departments, nor to any of its subsidiaries or those of its parent corporation. (IC 5-1-15-5)

In an effort to facilitate accounting procedures, the State Board of Accounts has issued the following instructions:

1. If a bank, trust company, or other financial institution has been employed as a paying agent or registrar, a properly certified listing of bondholders from the paying agent or registrar shall serve as a mailing list for the fiscal officer. There is no requirement for each individual bondholder to file a claim.
2. The mailing of the funds for bonds and coupons coming due must be mailed in such a manner to ensure receipt by the bondholder by the due date specific. Personnel of financial institutions state they usually make such mailing by first class mail one to three business days in advance of

the due date. They do not mail by certified or registered mail due to costs involved. We suggest you review this with your city or town attorney.

3. Since the paying agency or the registrar shall keep a register of ownership of bonds and all bonds and coupons shall be paid when becoming due, we see no reason for the municipality to duplicate those same records maintained by the paying agent or registrar by keeping a bond register. There should be no unpaid outstanding matured bonds or coupons.
4. In all instances when employing a bank, trust company, or other financial institutions, be sure to protect the municipality from any liability arising due to any possible errors relating to names and addresses of current bondholders. This protection may be obtained by the financial institution furnishing a bond or insurance in favor of the municipality.

As stated previously, please consult your city or town attorney with questions regarding procedures for registered bonds.

CVET AND FIT DISTRIBUTIONS

Recent legislative changes allow a taxing unit to deposit distributions of Financial Institutions Tax (FIT) and Commercial Vehicle Excise Tax (CVET) in "any fund maintained by the taxing unit," and the distributions may be used for any purpose allowed by law. [IC 6-5.5-8-2(c); IC 6-6-5.5-20(h)]. While this broad language benefits taxing units by allowing them to receipt the funds where they will be most effectual, if a unit does not take steps to ensure the distribution is adequately tracked, critical audit findings may result.

During audit, it is imperative that SBOA be able to identify into which fund the distributions are receipted. Therefore, if a unit receipts FIT and CVET distributions into any fund other than the General Fund, the legislative body of the unit must identify into which fund the distributions will be receipted. The fund identification must be made prior to the distribution and may be done through ordinance, resolution, or vote (memorialized in meeting minutes). If the distributions are receipted into the General Fund, the unit need not adopt an ordinance, resolution, or vote.

ENGAGEMENT COSTS

As economic conditions fluctuate and budgets tighten, political subdivisions face growing pressure to manage costs with precision and plan audits more strategically. This article takes a closer look at how the Statement of Engagement Costs can serve as a vital tool for forecasting expenses for future audit costs.

Rates

If necessary, our rates are amended annually and submitted to the audit committee for review to ensure the cost of performing an audit does not exceed an amount equal to eighty percent (80%) of the market rate cost. Our rates are not changing for the upcoming fiscal year and can be found on our website: https://www.in.gov/sboa/about-us/our-rates/.

Statement of Engagement Costs

At the end of an audit engagement, the State Board of Accounts sends a Statement of Engagement Costs to each political subdivision, including the County. This statement details a summary of the engagement, including the number of days spent on the audit, the daily/hourly rate, and any report processing fees. This statement is not an invoice that is to be paid by the entities.

The process for the county to pay the examination fees is outlined in statute:

"The state examiner shall certify to the auditor of each county the amount chargeable to each taxing unit within the county for the expense of its examinations as provided in this chapter. Immediately upon receipt of the certified statement, the county auditor shall issue a warrant on the county treasurer payable to the treasurer of state out of the general fund of the county for the amount stated in the certificate. The county auditor shall reimburse the county general fund, except for the expense of examination and investigation of county offices, out of the money due the taxing units at the next semiannual settlement of the collection of taxes."

[IC 5-11-4-3(b)].

The statute does not specifically restrict the use of any of the funds taken from settlement and a distribution is not viewed the same as a disbursement from the fund so we will not take exception to taking a distribution from a fund other than general. We do however recommend avoiding taking from the debt funds without discussing with the unit first as these funds are levied for the exact amount needed to cover a political subdivisions debt.

If the county knows or reasonably believes that it does not have on hand or will not have collected enough taxes by the next distribution date for a taxing unit included on the examination of records billing, the county auditor will send the certified statement to the taxing unit for payment of costs. The taxing unit should contact the State Board of Accounts to arrange for payment of examination costs directly to the State Board of Accounts. The cost must be paid prior to the next audit. If the audit costs due to the State Board of Accounts are not paid prior to the next audit, the independence of the State Board of Accounts is impaired and future audits are delayed.

When the taxing unit is required to pay audit costs directly, these costs may be allowed to be paid from funds other than General fund. For example, Rainy Day funds could be used if your Rainy Day Ordinance allows for the payment of audit costs. Payment of audit costs does not require an appropriation per IC 5-11-4-4, which states:

"All disbursing officers be and they are hereby authorized to make all disbursements or payments required to be made under the provisions of this chapter without any appropriation being made therefor."

Planning for Future Audits

For political subdivisions, planning for audit costs is a strategic exercise that ensures transparency, compliance, and fiscal responsibility. Whether preparing for a routine financial audit or a more complex single audit of federal programs, understanding the drivers of audit costs can help entities plan effectively and avoid surprises.

There are a number of key factors to consider when planning for audit costs:

- **Amount of federal assistance disbursed during the audit period** - If you have expended $1,000,000 or more of federal awards (whether the award is direct or passed through another entity) in a year, the taxing unit is required to have a single audit conducted in accordance with the Federal Office of Management and Budget's Uniform Guidance. Single audits require an annual audit. If your unit does not need a Single Audit, there may be a longer time between your examinations.

  - **Tip** – Review your Schedule of Expenditures of Federal Awards (SEFA) to identify the amount of federal assistance disbursed over the threshold.
  - **Tip**– If you will not need a single audit, the anticipated audit costs will be less than audit costs for a year that needs a single audit.
  - **Tip** – Review the grant agreement for any large federal grant to determine whether grant funds may be used to pay a portion of the audit costs.
- **Number of years in the audit period** - Multi-year audits or audits covering extended periods require an increased number of audit days and staff hours needed for the engagement.
  - **Tip** – During the entrance conference, confirm the number of years the audit period covers.
- **Prior period audit costs** – Past audit costs offer a benchmark for estimating future costs. The prior Statements of Engagement Costs outline the number of years included in the audit, hourly rates, number of days, and fees which calculate the total cost.
  - **Tip** - Review prior statements of engagement costs to form a baseline for future engagement costs. Current rates and fees are included on our website: https://www.in.gov/sboa/about-us/our-rates/.
- **Entrance and exit conference documentation** – Field examiners are required to provide estimates of audit costs at the entrance and exit conference of each engagement. These forms give insight into the estimated time spent on the audit.
  - **Tip** - Use entrance and exit forms to calculate an estimated total cost of the audit. Multiply the number of hours spent by the current daily rate to estimate future costs, plus fees for processing and technology costs. If a federal audit is performed, you will also have to add the number of federal programs audited: multiply the number of hours for each federal program by the full direct cost rate.
- **Complexity and Readiness of Financial Records** – Well-organized records reduce audit time; disorganized or incomplete records increase it. The more issues and difficulty encountered during the audit increase the length of the engagement.
  - **Tip** - Invest in pre-audit preparation. Clean books and reconciled accounts can reduce audit hours and overall cost.
- **Prior period comments and follow-up** - Prior period audit comments can significantly impact future audit costs, especially if issues remain unresolved. These comments often lead to follow-up, the possibility of expanded testing, and increased documentation requirements, all of which increase audit time and costs. Addressing them proactively not only demonstrates a commitment to financial integrity but also reduces the risk profile of the engagement.
  - **Tip** – Prior period comments should be reviewed prior to the next audit and corrected. Clear documentation of corrective actions can streamline the audit process and help control costs.

Planning for audit costs isn't just about numbers—it's about understanding your entity's financial landscape and anticipating changes. By analyzing federal assistance, audit history, and examiner documentation, a political subdivision can plan ahead for realistic audit costs. Please reach out to the Directors if you want additional guidance on planning for audit costs.

OFFICIAL BONDS AND COVERAGE

Title 5, Article 4 of the Indiana Code provides information regarding official bonds and oaths. Occasionally we like to point out certain sections of this Indiana Code as refresher for municipalities.

- Bond filing IC 5-4-1-5.1 - https://iga.in.gov/laws/2025/ic/titles/5#5-4-1-5.1
- Approval of bonds IC 5-4-1-8 - https://iga.in.gov/laws/2025/ic/titles/5#5-4-1-8
- Time limitation for bond; failure to comply IC 5-4-1-9 - https://iga.in.gov/laws/2025/ic/titles/5#5-4-1-9
- Bonds payable to state IC 5-4-1-10 - https://iga.in.gov/laws/2025/ic/titles/5#5-4-1-10
- Deputies or employees; bonds and insurance policies IC 5-4-1-15.1 - https://iga.in.gov/laws/2025/ic/titles/5#5-4-1-15.1
- Local officer, employee, and contractor surety bonds and crime policies; amount, form term requirements IC 5-4-1-18 - https://iga.in.gov/laws/2025/ic/titles/5#5-4-1-18

DEDICATED FUND TRANSFERS TO RAINY DAY FUND

The term "dedicated fund" has been used throughout the state, and the officials have asked for a meaning of that term as it relates to Rainy Day transfers. Our audit position is as follows:

Dedicated funds are a generic term not defined in statute but is generally construed to mean a fund set aside for a specific purpose. For purposes of transferring to the Rainy Day fund, we are limiting our position to those dedicated funds that result from statutory authority but do not include home rule funds or clearing accounts. Debt service funds are already specifically prohibited from transfer in the Rainy Day statute and so are not considered here either.

In order to determine whether or not monies in a fund may be transferred to the Rainy Day fund, an analysis would need to be made of the authority creating the fund in light of IC 36-1-8-5.1. It would be up to the political subdivision to show SBOA how money transferred to the Rainy Day fund met the criteria for transfer. However, we can provide general guidance based on our position.

Tax levy and LOIT funds have different criteria than other statutorily created funds in regard to transferring to the Rainy Day fund. The key words to tax levy and LOIT funds are <u>whenever the purposes of a tax levy have been fulfilled and unencumbered balance remains in the fund</u> and <u>unless a statute provides that it be transferred otherwise</u>. In general, it will be up to the unit of government to define when the purposes have been fulfilled. There are certain funds that are raised by levy that have very specific language that the balance may not be transferred, such as the assessment fund. For those funds, we would take exception if there were a transfer to Rainy Day fund. Also, for some cumulative funds such as those found under IC 6-1.1-41-1, balances in these funds may only be transferred to the General fund per IC 6-1.1-41-15 and again we would take exception if they were transferred to the Rainy Day fund.

For other funds, the statute allows for the transfer to Rainy Day fund if the funding source is specified in the ordinance or resolution and the transfer is not otherwise prohibited by law. It is our general position that if the statute provides definitive restrictive language on the use of the funds or that the balance is not to be transferred, whether Rainy Day fund is specifically included or not, that the monies are not to be transferred to Rainy Day fund. For example, MVH funds [IC 8-14-1-3(1)] provide that for cities or towns, no part of such sum shall be used for any other purpose than for the purposes defined in this chapter. IC 8-14-1-4 provides similar restrictions for counties. For LRS funds, IC 8-14-2-5 defines the exclusive uses of the funds, and IC 8-14-2-7 further restricts transfers of certain towns'

LRS to General fund after these monies have not been spent for 24 months. Transfers from MVH and LRS (or any other fund with similar statutory restrictions) to Rainy Day would be prohibited and we would take exception if monies were so transferred. Where there is not such restrictive language or prohibition of transfer, we will consider the unit attorney's written opinion as to why the other fund would not fall under the category of prohibited and so be transferred.

REVENUE BOND ORDINANCES – UTILITY BANK ACCOUNTS – REPORTS TO BONDHOLDERS

When drafting a revenue bond ordinance for a city or town utility bond issue, we recommend such ordinance not require the establishment of separate bank accounts for each utility fund. The interests of bondholders are adequately protected, and the handling of the funds would be less complicated if the revenue bond ordinance would provide that funds of each municipal utility be deposited in only one depository account separate from all other city or town funds.

Some revenue bond ordinances provide that the Construction Fund is to be deposited in a separate depository account, and all other funds of the utility are to be deposited in another depository account separate from all other funds of the city or town. We would not object to such an arrangement since the Construction Fund is usually cleared out within a few months.

One of the covenants often found in contracts between a city or town and the holders of the bonds require that the officials prepare and furnish the original purchasers of the bonds and to any subsequent holder of the bonds, upon written request, complete financial statements of the utility for the preceding fiscal year. These statements must be certified by the Clerk-Treasurer or Controller. Copies of such statements and reports should be kept on file in the office of the Clerk-Treasurer or Controller.

BUILDING PERMITS

Since there is no statutory requirement that building permit fees be placed in a separate fund, we believe that such fees should be receipted to the General Fund and disbursements for compensation of building inspectors, the cost of building permit forms, and other such expenses should be paid from the General Fund and charged against appropriations properly made, therefore.

MOTOR VEHICLE HIGHWAY FUNDS

Official Opinion No. 27-1965, issued by the Office of the Attorney General, held that cities and towns may construct, purchase and lease buildings with funds distributed to them from the Motor Vehicle Highway account, to be used exclusively for purposes which are incidental to the purposes expressly stated in IC 8-14-1-5.

DEFERRED COMPENSATION PLANS – PUBLIC EMPLOYEES RETIREMENT FUND

IC 5-10-1.1-1 allows cities and towns to contribute amounts before January 1, 1995, and continue or begin to contribute amounts after January 1, 1995, to a nonqualified deferred compensation plan on behalf of eligible employees, subject to any limits and provisions under section 457 of the Internal Revenue Code. IC 5-10-1.1-7 allows cities and towns to offer to their employees both the state deferred compensation plan and another deferred compensation plan that uses private vendors.

IC 5-10.2-2-1 further provides that it does not prohibit a city or town from establishing and providing before January 1, 1995 and continuing to provide after January 1, 1995, retirement, disability, and survivor benefits to the employees of the city or town if the city or town took action before January 1, 1995, and was not a member of the Public Employees' Retirement Fund (PERF) on January 1, 1995.

A city or town has no authority to establish a local pension plan by ordinance, resolution, or contract after January 1, 1995, without specific statutory authority. PERF, deferred compensation plans, police and fire pension plans, and utility employee pension plans are all authorized by statute.

PAYMENT OF CLAIMS PRIOR TO BOARD ALLOWANCE

IC 36-4-8 and IC 36-5-4 list various conditions which must be met prior to issuing warrants in cities and towns. IC 36-4-8-14 and IC 36-5-4-12 permit a city or town council to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance.

The types of claims which could be paid before board allowance include:

1. property or services purchased from the U.S. Government,
2. license or permit fees,
3. insurance premiums,
4. utility payments or connect charges,
5. general grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced,
6. grants of State funds,
7. maintenance or service agreements,
8. leases or rental agreements,
9. bond or coupon payments,
10. payroll,
11. state, federal, or county taxes,
12. expenses that must be paid because of emergency circumstances, and
13. expenses described in an ordinance.

Each payment of expenses must be supported by a fully itemized claim and certified by the fiscal officer and must be reviewed by the proper board at its next regular or special meeting.

OFFICE SPACE – CITY CLERKS – CITY CLERK-TREASURERS AND TOWN CLERK-TREASURERS

IC 36-4-10-2.5 and IC 36-5-6-5.1 provide that if a building is owned or leased by a city or town and contains available office space, the city executive and legislative body—or the town legislative body—must ensure that office space is allocated for:

1. The clerk or Clerk-Treasurer; and
2. The staff and official records associated with the clerk or Clerk-Treasurer.

ATTORNEYS AND LEGAL RESEARCH ASSISTANTS – CITY CLERKS AND CITY AND TOWN CLERK-TREASURERS

IC 36-4-10-5.5 and IC 36-5-6-8 state that a Clerk or Clerk-Treasurer may hire or contract with competent attorneys or legal research assistants on terms the Clerk or Clerk-Treasurer considers appropriate. Appropriations for salaries of attorneys and legal on research assistants employed shall be approved in the annual budget and must be allocated to the Clerk or Clerk-Treasurer for payment of attorneys and legal research assistant's salaries.

Furthermore, IC 36-4-10-5.5 states that employment of an attorney by a City Clerk or City Clerk-Treasurer does not affect a city department of law established under IC 36-4-4.

ECONOMIC DEVELOPMENT INCOME TAX (EDIT) – USES

IC 6-3.6-10-2 (link: https://iga.in.gov/laws/2025/ic/titles/6#6-3.6-10-2) allows such tax revenues to be used for any lawful purpose. If economic development income tax revenues have been pledged to pay off economic development debt, then it must be used to pay off the debt.

PUBLIC WORK PROJECTS LAW – OVERVIEW

Whenever the cost of a public work project is estimated to be:

1. Less than $50,000 then IC 36-1-12-5 applies (link: https://iga.in.gov/laws/2025/ic/titles/36#36-1-12-5)
2. At least $50,000 and less than $300,000 then IC 36-1-12-4.7 applies (link: https://iga.in.gov/laws/2025/ic/titles/36#36-1-12-4.7)
3. At least $300,000 then IC 36-1-12-4 applies (link: https://iga.in.gov/laws/2025/ic/titles/36#36-1-12-4).

A bond or certified check *shall* be filed with each bid by a bidder in amount determined and specified by the board if the cost of the public work is estimated to be more than $200,000. A bond or certified check *may* be filed with each bid by a bidder in an amount determined and specified by the board if the cost of the public work is not more than $200,000.

The amount may not be more than 10% of the contract price. The bond or certified check shall be made payable to the political subdivision. All checks of unsuccessful bidders shall be returned to them by the board upon selection of successful bidders. Checks of successful bidders shall be held until delivery of the performance bond. (IC 36-1-12-4.5 - https://iga.in.gov/laws/2025/ic/titles/36#36-1-12-4.5)

In all projects which are under the threshold mentioned in 1. And 2. above, the board shall invite quotes from at least three persons known to deal in the class of work proposed to be done by mailing a notice that plans are specifications are on file in a specified office. The notice must be mailed not less than seven days before the time fixed for receiving quotes. (IC 36-1-12-4.7 (b)(1)- https://iga.in.gov/laws/2025/ic/titles/36#36-1-12-4.7 and IC 36-1-12-5 (b)(1) - https://iga.in.gov/laws/2025/ic/titles/36#36-1-12-5)

For all statutory provisions related to Public Works, please see IC 36-1-12 (link: https://iga.in.gov/laws/2025/ic/titles/36#36-1-12).

LAW ENFORCEMENT TRAINING COSTS

During the 2025 legislative session, Senate Enrolled Act 95 was passed, which focuses on law enforcement training costs. This new law creates IC 5-2-1.5 (link: https://iga.in.gov/laws/2025/ic/titles/5#5-2-1.5) and IC 5-2-1.6 (link: https://iga.in.gov/laws/2025/ic/titles/5#5-2-1.6), which allow a municipality to recoup costs incurred for a police officer to be trained and certified if the officer resigns following their certification and training and is subsequently employed by a public or nonpublic employer.

For this statute to apply, the employee you would be seeking reimbursement from must have been provided with a written statement outlining the allowability of this recoupment of costs prior to their hire. This statement must be signed by the employee and the first employer prior to their hire.

The next qualification for reimbursement is that the officer must have completed tier 1 basic training and their certification after June 30, 2025. Tier 1 basic training is referenced in IC 5-2-1-9(d) which requires their training to be completed in three potential places:

- A board-certified law enforcement academy
- A board-certified training center
- The Southwest Indiana Law Enforcement Training Academy

If the preceding circumstances have occurred, then the following steps should be taken:

- If the subsequent employer is a public employer, the subsequent employer must notify the preceding employer in writing within 10 days of hire.
- The preceding employer must submit a claim for reimbursement within 30 days after receiving notice.
    - SBOA claim form – https://www.in.gov/sboa/files/Law-Enforcement-Training-Costs-Reimbursement-1.pdf
- Reimbursement Schedule:
    - 100% of costs if the subsequent public employer hires an officer not more than one (1) year after the individual's certification date;
    - 66% of costs if the subsequent public employer hires an individual more than one (1) year and less than two (2) years after the individual's certification date;
    - 33% of costs if the subsequent public employer hires an individual at least two (2) years and less than three (3) years after the individual's certification date
- A subsequent public employer must reimburse a claim within 120 days after receiving the claim.

QUESTION AND ANSWERS FROM ILMCT ANNUAL CONFERENCE AND SBOA SCHOOL

Question 1: If you have more than one TIF District, do you have to keep each TIF District in a separate fund or can it be kept in one fund with sub-accounts for each TIF District?

Answer 1: For transparency purposes, a separate fund should be created for each TIF in order to allow for the proper accounting of revenues and expenditures related to each specific TIF area.

Question 2: Have Keystone program determine where late fees are receipted. Auditor stated that the unit calculated it incorrectly. How should the unit handle the matter?

Answer 2: How the late fee is allocated should be stated in rate ordinance. You would want to work with Keystone to ensure that this is coded correctly in their system.

Question 3: For Exchange Traded Funds (ETF) investments units wanted to know how to determine the timeframe for those investments as for investments over two years it must be noted and approved per investment policy.

Answer 3: When looking at ETFs you would want to ensure that each individual investment within the ETF is an allowable investment included in the ETF per IC 5-13-9. For more specific information reach out to the Treasurer of State.

Question 4: How do they collect LIT taxes from citizens that have a mailing address that is different from a legal address?

Answer 4: Advised discussion with DLGF and potentially the State Budget Agency

Question 5: Is it acceptable for a town board member to also be an employee of the town (paid through payroll)?

Answer 5: According to IC 3-5-9-5, a Town Board member cannot also be an employee of the Town. (link: https://iga.in.gov/laws/2025/ic/titles/3#3-5-9-5)

Question 6: The Town has a credit card in the name of a former C-T (who is currently under investigation), who has the authority to change the credit cards to remove the former C-T from the card? The Council or the C-T?

Answer 6: The March 2025 Cities and Towns Bulletin addresses credit cards as follows: The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
3. Issuance and use should be handled by an official or employee designated by the board...."

So, we would recommend you going to the bank and changing the name on the credit card to the "Town of Example" that would avoid this having to be changed every time there is a change in Clerk-Treasurer.

Question 7: The C-T indicated that one of their TIF areas is no longer generating money and their financial advisors indicated it was from the TIF Neutralization form. They weren't sure what to do.

Answer 7: Advised they get specifics from the financial advisors on what they think is incorrect on the TIF Neutralization form and then talk to DLGF about this issue.

Question 8: When they receive interest from ARPA funds, instead of receipting it into General can they create a new fund for that interest?

Answer 8: Yes, they can via ordinance

Question 9: What units does LTAPs presentation apply to?

Answer 9: Municipalities with a population over 5,000 or those units that utilize a PASER rating for their roads.

Question 10: Use MVH Restricted for street striping and engineering?

Answer 10: Lane striping is allowable.

Question 11: For elected officials can they give themselves stipends or bonuses.

Answer 11: Stipends are allowable

Question 12: A town is having a lot of discussion about obtaining a wastewater bond and they wanted to know when to report that on Gateway?

Answer 12: Noted that when it hits their ledger that is where they would report it on their AFR. Noted we would look at council minutes during an audit.

Question 13: Town of 800 and their audit cost was $60,000 and wanted to discuss audit costs.

Answer 13: Discussed how they were a federal audit due to a large grant they received and how traditionally they would not have that federal component that will significantly reduce costs.

Question 14: What can CCD money be used for? Baker Tilly told them any governmental purpose, and they wanted to be sure that was correct.

Answer 14: Yes, it can be used for any legal purpose as long as the ordinance creating the CCD fund lists 36-9-16-3 as a permitted use. (link: https://iga.in.gov/laws/2025/ic/titles/36#36-9-16-3)

Question 15: Follow-up question from #14: IC 38-9-15.5 is what they set it up under. Wants to know where it says they can use it for "any governmental purpose".

Answer 15: IC 36-9-15.5-2 notes the allowable uses of the Cumulative Capital Development fund. Thus, our position is that CCD can be used for any legal purpose as long as the ordinance creating the CCD fund includes IC 36-9-16-3 as permitted use. The reason is IC 6-7-1-31.1 is the initial statute for CCI to which one of the uses lists "for any other governmental purpose for which money is appropriated by the fiscal body of the city or town." Thus, with the CCD allowable uses listing IC 36-9-16-3 it is our interpretation that IC 6-7-1-31.1 would apply as well.

Question 16: Does the local match portion for Community Crossings Grant have to be transferred into the Community Crossings Grant or can the match be calculated and paid out of the LRS or MVH Restricted when each claim is paid?

Answer 16: Yes IC 36-1-8-12 requires the local match to be deposited into the Community Crossing Fund. (link: https://iga.in.gov/laws/2025/ic/titles/36#36-1-8-12)

Question 17: The Town Council told the CT that if she paid late penalties on vendor claims that she would be put in jail by State Board of Accounts. Is this true?

Answer 17: This is not the case. We suggest that you figure out the reason that the late penalty happened and work to get that corrected. If there are excessive late fees paid, we will normally comment on the first audit that we notice and if not corrected, it could be written up as a charge in future audits.

Question 18: If the City adopts the new wheel tax and surtax to help increase revenue, will there be separate funds set up for these revenues to go into?

Answer 18: IC 6-3.5-10-10(a) Municipal Vehicle Excise will go into Fund #2249 and IC 6-3.5-11-14(a) Municipal Wheel Tax will go into Fund #2250 These 2 funds are mandated by law so an ordinance to establish the funds is not necessary. (link IC 6-3.5-10-10 - https://iga.in.gov/laws/2025/ic/titles/6#6-3.5-10-10 and IC 6-3.5-11-14 - https://iga.in.gov/laws/2025/ic/titles/6#6-3.5-11-14)

Question 19: They have 1 bank that holds general, water, and wastewater funds. When they receive interest how should they receipt that and what should they do for prior months?

Answer 19: Noted that they can break that down by percentages based on the fund report. Then for prior months they could use the 7/31 fund report to get those percentages and retroactively make any necessary transfers.

Question 20: If the Town has a bank in the Town, should they be receiving FIT?

Answer 20: Jamie from DLGF told them that if the bank is located in their taxing district, they most likely should receive FIT and if they are not, they should contact the comptroller.

Question 21: Having trouble UIE (unique identification number). Who can help him?

Answer 21: To get help obtaining a Unique Entity Identifier (UEI), visit the official government website for this purpose, **SAM.gov**, as the UEI is issued by the U.S. government at no cost. You can find the UEI by registering your entity on SAM.gov, or you can find customer support at the SAM.gov helpdesk for assistance with entity registration issues.

Question 22: Town of Example doesn't have a website. What problem does this cause them with noncompliance?

Answer 22: No there is no requirement we are aware of that requires a website.

Question 23: Should SRF Loan and READI Grant be included on SEFA?

Answer 23: READI is not federal, so it should not be included on the SEFA, and for SRF they would want to contact awarding agency as sometimes a portion of that can be classified as federal.

Question 24: Unit filed a fraud report and then their audit started. They want to know if those two were connected.

Answer 24: Discussed how we data filed the matter, and it would be addressed during an audit though they were scheduled for an audit this year. A data file doesn't necessarily trigger an audit.

Question 25: For their CAPs they have four of them and still have one they need to complete. However, they received an email from our CAP team asking for documentation that CAPs have been implemented. Unit is unsure how to respond?

Answer 25: Advised emailing the CAP team what she has and letting them know she is working on the final one.

Question 26: For a CCMG should they set up a separate fund?

Answer 26: Advised that for all grant funds they would want to set up a separate fund.

Question 27: What computer systems do we recommend? They are struggling with Keystone customer service and are thinking of switching systems.

Answer 27: Suggested they reach out to cities and towns that are near them.

Question 28: Town is currently under an audit and had a question regarding the policies and procedures pertaining to one of their grants. What are the specifics of what is required of that policy?

Answer 28: Advised they provide their current procedures to the federal specialist currently performing the audit to ensure those are appropriate for that specific grant.

Question 29: New CT asked what can be done to stop the town board from acting on things that they shouldn't do?

Answer 29: Really can't stop the board from approving things or not follow through on their adopted actions. She can provide her reports at the meetings and explain the financial situation as well as their remaining budgets just so that it is on record that you expressed your concern.

Question 30: During recent board meeting the recording stopped so it was only 40 seconds long. What do they do about this? Also, have citizens cussing on the meeting recordings. What should she do about that when placing it on their public site?

Answer 30: Refer to PAC for board meeting issues.

Question 31: Inquiry about what revenues can be receipted into LECE and the allowable uses of LECE?

Answer 31: Described that law enforcement continuing education fees, inspection of motor vehicles, accident report fees, proceeds from the sale of confiscated weapons, and ICJI distributions for gun permit fees can all be receipted into this fund. Then provided IC 5-2-8-6 regarding the allowable uses. (link: https://iga.in.gov/laws/2025/ic/titles/5#5-2-8-6)

Question 32: Unit asked how they should handle a conflict-of-interest matter?

Answer 32: Discussed the conflict-of-interest portal located on Gateway.

Question 33: My utility clerk is retiring at end of December. Can I go ahead and hire her replacement now? The Council doesn't want the new person to start until November, but I think she needs more time to train. What can I do?

Answer 33: While IC 36-5-6-7 (link: https://iga.in.gov/laws/2025/ic/titles/36#36-5-6-7) addresses this matter, we recommend presenting the hiring rationale to the council for discussion and consulting with your legal counsel to ensure proper guidance.

Question 34: Have a County RDC that the town sends invoices to the County RDC and the RDC agrees to pay for say the water tower to be redone. There is no money given to the town. County RDC pays the invoice. There is nothing that the Town enters. The CT maintains copies of the invoices that she sends to the County RDC. No interlocal agreement. Is she handling this properly?

Answer 34: We would not take exception to this during an engagement.

Question 35: The CT asked if she could upload multiple COI forms onto Gateway at once.

Answer 35: Explained that it is best to upload these COI forms separately.

Question 36: Had a situation where a customer deposit receipt for $160 was issued but could not find where it was deposited. They have done everything they can think of to find it but can't. What should they do?

Answer 36: If it is above the materiality threshold established in their policy (or if they don't have a materiality threshold policy), then you need to report the potential fraud on the SBOA website. As the fiscal officer, the C-T would be responsible for any cash short at the end of her term.

Question 37: They use a handwritten ledger and Keyston/Boyce ledger to which they documented something in the handwritten ledger in 2024 but did not record it in the Keystone/Boyce ledger. Wanted to know how they should record that in Keystone?

Answer 37: Noted that they would want to record an adjustment for that transaction in Keystone.

Question 38: Unit’s cash change fund is short how should they handle this situation?

Answer 38: should replenish the cash change fund and expense that amount from operating or bad debt.

Question 39: Utility is under a utility service board, and they have their own bank account. Can the utility receipt all the bank interest into their utility fund from the utility bank account?

Answer 39: Noted that the utility bank account interest can be receipted entirely into the utility operating fund.

Question 40: If a citizen asks to be added to the agenda for the next Town Council meeting, can the Council deny or delay that request to a future meeting?

Answer 40: Contact PAC

Question 41: A unit has a police chief that likes to spend his donation/gift fund (unrestricted) on food purchases for training (6hr training). Is this ok?

Answer 41: Unrestricted donation or gift funds may be applied for any legal purpose. Provided the police chief is utilizing these funds for legitimate police department needs—such as purchasing food for officer training in this instance—we would not object to their use.

Question 42: Have bond that closed in July (SRF wastewater treatment plant). Will engagements be annually or biannually? Are they on the Schedule?

Answer 42: This will be dependent on the SRF documents as to when an audit is required. Our office works with IFA to ensure that those necessary audits are completed.

Question 43: We have a credit card, and the town marshal used the card and did not turn in all receipts even after being told he must. I paid the credit card bill to avoid late fee, what can I do?

Answer 43: Look at your credit card policy. Does it state that if detailed receipts are not provided, that the individual that did the charge is responsible. If so, that person would be responsible for reimbursing the Town. If your policy does not state that, you might want to amend your credit card policy.