



# STATE OF INDIANA

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## STATE EXAMINER DIRECTIVE 2016-1

Date: May 27, 2016

Subject: GAAP Annual Financial Reports Required for Issuance of Bonds

Authority: Ind. Code § 5-3-1-3; Ind. Code § 5-11-1-4; Ind. Code § 5-11-1-10; Ind. Code § 5-11-1-21

Application: This Directive applies to all counties, municipalities, and schools who issue bonds

From: Paul D. Joyce, CPA, State Examiner

### I. Counties and Municipalities

House Enrolled Act 1264, enacted in 2015, amended Ind. Code § 5-11-1-4 to require certain counties and municipalities to file annual financial reports in accordance with generally accepted accounting principles (GAAP) in order to issue bonds. The relevant code section states the following:

(c) As used in this subsection, "bonds" means any bonds, notes, or other evidences of indebtedness, whether payable from property taxes, other taxes, revenues, fees, or any other source. However, the term does not include notes, warrants, or other evidences of indebtedness that have a maturity of not more than five (5) years and that are made in anticipation of and to be paid from revenues of the political subdivision. Notwithstanding any other law, a county or municipality as provided in subsection (d) may not issue any bonds unless:

- (1) the county or municipality has filed an annual financial report with the state examiner for the preceding fiscal year; and
- (2) the annual financial report filed with the state examiner for the preceding fiscal year was prepared in accordance with all generally accepted accounting principles for financial accounting and reporting as established by the Governmental Accounting Standards Board. However, upon request of the county or municipality, the state examiner may waive the requirement under this subdivision.

The requirements under this subsection for the issuance of bonds by a county or municipality are in addition to any other requirements imposed under any other law. This subsection applies to the issuance of bonds authorized under any statute, regardless of whether that statute specifically references this subsection or the requirements under this subsection.

- (d) The requirements under subsection (c) apply only to the following:
- (1) After June 30, 2017, and before July 1, 2019, the requirements under subsection (c) apply to:
    - (A) a county with a population greater than two hundred fifty thousand (250,000); and
    - (B) a municipality with a population greater than two hundred fifty thousand (250,000).
  - (2) After June 30, 2019, and before July 1, 2020, the requirements under subsection (c) apply to:
    - (A) a county with a population greater than one hundred seventy-five thousand (175,000); and
    - (B) a municipality with a population greater than one hundred thousand (100,000).
  - (3) After June 30, 2020, the requirements under subsection (c) apply to:
    - (A) a county with a population greater than one hundred thousand (100,000); and
    - (B) a municipality with a population greater than seventy-five thousand (75,000).

Ind. Code §§ 5-11-1-4 (c), (d) (2015).

Counties and municipalities report on a calendar year. Thus, subsection (d) first applies to the period January 1, 2018 to December 31, 2018. In other words, counties and municipalities with a population greater than two hundred fifty thousand (250,000) may not issue bonds during the 2019 calendar year unless they file with the State Examiner on or before March 1, 2019,<sup>1</sup> an annual financial report prepared in accordance with GAAP for the period January 1, 2018 to December 31, 2018; or, the county or municipality requested and obtained a waiver of the requirements of Ind. Code § 5-11-1-4(c) from the State Examiner before January 1, 2018. The implementation period for counties and municipalities with a population greater than two hundred fifty thousand (250,000) is two (2) years, so the same requirements apply to the period January 1, 2019 to December 31, 2019. That is, counties and municipalities with a population greater than two hundred fifty thousand (250,000) may not issue bonds during the 2020 calendar year unless they file with the State Examiner on or before February 29, 2020, an annual financial report prepared in accordance with GAAP for the period January 1, 2019 to December 31, 2019; or, the county or municipality requested and obtained a waiver of the requirements of Ind. Code § 5-11-1-4(c) from the State Examiner before January 1, 2019. The same requirements hold true for the following calendar years.

Similarly, counties with a population greater than one hundred seventy-five thousand (175,000) and municipalities with a population greater than one hundred thousand (100,000) may not issue bonds during the 2021 calendar year unless they file with the State Examiner on or before March 1, 2021, an annual financial report prepared in accordance with GAAP for the period January 1, 2020 to December 31, 2020; or, the county or municipality requested and obtained a waiver of the requirements of Ind. Code § 5-11-1-4(c) from the State Examiner before January 1, 2020. The same requirements hold true for the following calendar years.

Counties with a population greater than one hundred thousand (100,000) and municipalities with a population greater than seventy-five thousand (75,000) may not issue bonds during the 2022 calendar

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<sup>1</sup> Financial reports are required to be “filed with the state examiner not later than sixty (60) days after the close of each fiscal year. . . .” Ind. Code § 5-11-1-4(a).

year unless they file with the State Examiner on or before March 1, 2022, an annual financial report prepared in accordance with GAAP for the period January 1, 2021 to December 31, 2021; or, the county or municipality requested and obtained a waiver of the requirements of Ind. Code § 5-11-1-4(c) from the State Examiner before January 1, 2021. The same requirements hold true for the following calendar years.

## II. Schools

House Enrolled Act 1264 (2015) also amended Ind. Code § 5-3-1-3 to require certain school corporations to file annual financial reports in accordance with GAAP in order to issue bonds. The relevant code section states the following:

(h) As used in this subsection, "bonds" means any bonds, notes, or other evidences of indebtedness, whether payable from property taxes, other taxes, revenues, fees, or any other source. However, the term does not include notes, warrants, or other evidences of indebtedness that have a maturity of not more than five (5) years and that are made in anticipation of and to be paid from revenues of the school corporation.

Notwithstanding any other law, a school corporation as provided in subsection (i) may not issue any bonds unless:

(1) the school corporation has filed the annual financial report required under subsection (b) with the department of education; and

(2) in addition to any information required under subsection (c), the annual financial report filed with the department of education was prepared in accordance with all generally accepted accounting principles for financial accounting and reporting as established by the Governmental Accounting Standards Board. However, upon request of the school corporation to the state examiner, the state examiner may waive the requirement under this subdivision.

The requirements under this subsection for the issuance of bonds by a school corporation are in addition to any other requirements imposed under any other law. This subsection applies to the issuance of bonds authorized under any statute, regardless of requirements under this subsection.

(i) The requirements under subsection (h) apply only to the following:

(1) After August 15, 2019, and before August 16, 2020, the requirements under subsection (h) apply to a school corporation that has an ADM (as defined in IC 20-18-2-2) of greater than twenty-five thousand (25,000).

(2) After August 15, 2020, the requirements under subsection (h) apply to a school corporation that has an ADM (as defined in IC 20-18-2-2) of greater than fifteen thousand (15,000).

Ind. Code §§ 5-3-1-3(h), (i) (2015).

School corporations report on a fiscal year. Thus, subsection (h) first applies to the period July 1, 2020 to June 31, 2021. In other words, school corporations with an average daily membership greater than twenty-five thousand (25,000) may not issue bonds unless they file with the department of education an annual financial report prepared in accordance with GAAP for the period July 1, 2020 to June 30, 2021;

or, the school corporation requested and obtained a waiver of the requirements of Ind. Code § 5-3-1-3(h) from the State Examiner before July 1, 2020. The same requirements remain in place for the following fiscal years.

Similarly, school corporations with an average daily membership greater than fifteen thousand (15,000) may not issue bonds unless they file with the department of education an annual financial report prepared in accordance with GAAP for the period July 1, 2021 to June 30, 2022; or, the school corporation requested and obtained a waiver of the requirements of Ind. Code § 5-3-1-3(h) from the State Examiner before July 1, 2021. The same requirements remain in place for the following fiscal years.

### III. Waiver Requests


All waiver requests must be in writing and provide a detailed explanation why a waiver is requested, including what steps, if any, have been taken by the county, municipality, or school corporation to comply with generally accepted accounting principles for financial accounting and reporting. The waiver request must be submitted at least sixty (60) days prior to the end of the calendar year, or November 1, for counties and municipalities; or at least sixty (60) days prior to the end of the fiscal year, or May 1, for school corporations. Waiver requests may be sent via e-mail to [waiverrequest@sboa.in.gov](mailto:waiverrequest@sboa.in.gov), or by U.S. Mail to the following address:

State Board of Accounts  
Attn: GAAP Waiver Request  
302 West Washington Street, Room E418  
Indianapolis, IN 46204

All waiver requests will be approved or denied by the State Examiner in writing within thirty (30) days of receipt of the request.

Counties, municipalities, and school corporations that meet the population or average daily membership thresholds set forth in Ind. Code § 5-11-1-4(d) or Ind. Code § 5-3-1-3(i) must attempt to comply with GAAP for financial accounting and reporting as established by the Governmental Accounting Standards Board, and should not assume that a waiver request will be granted. If a waiver request is granted, it will be effective for one (1) year only.

This Directive may be amended from time to time and may be rescinded at any time in writing by the State Examiner or a Deputy State Examiner.

  
Paul D. Joyce, CPA  
State Examiner