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State Examiner

CITIES & TOWNS BULLETIN

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STATE BOARD OF ACCOUNTS CONTACT INFORMATION

SBOA Homepage: www.in.gov/sboa

(for information specific to Cities & Towns, select Entities We Examine and then select Cities or Towns as applicable)

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(either email address will take you to the helpdesk)

SBOA Communications: communications@sboa.in.gov

2025 Indiana General Assembly – link for Indiana Code search:

<https://iga.in.gov/laws/2025/ic/titles/1>

UPCOMING TRAINING

March 9th, the SBOA team presented at the Indiana League of Municipal Clerk-Treasurers (ILMCT) Institute and Academy. There are no other scheduled SBOA trainings for Cities and Towns scheduled during the remainder of the quarter.

DONATED FUNDS

City and Town government operate under a framework of accountability and transparency, especially when it comes to fundraising and accepting donations. These activities must align with Indiana Code and SBOA Uniform Compliance Guidelines to ensure proper stewardship of public and donated funds.

Legal Authority and Fundraising Activities

Cities and Towns may engage in fundraising activities or accept donations only when authorized by statute or local ordinance. The Indiana Code does not explicitly prohibit fundraising, but it requires cities and towns to operate within clearly defined legal boundaries:

- IC 36-1-3 grants cities and towns broad home rule powers, allowing them to adopt ordinances for fundraising if not otherwise restricted by state law.
- Fundraising must be approved by the Council, and any contracts or agreements related to fundraising must be reviewed and signed by authorized officials.

Accounting for Donations

- Donations must be receipted and deposited into an appropriate fund established by the fiscal officer.
- Cities and towns must not commingle donated funds with general operating funds unless specifically authorized.
- If donations are restricted for a specific purpose (e.g., park improvements, emergency services, K9), they must be deposited into a dedicated fund and used only for that purpose.
- Donations cannot be spent without proper appropriation, even if funds are available.

It's important that donation funds follow the legal and accounting protocols detailed within this article to ensure that both public and donated funds are safeguarded and used in alignment with the intended purposes.

REDEVELOPMENT COMMISSIONS – POLICE AND FIRE EXPENDITURES

Effective January 1, 2023, redevelopment commissions (RDCs) were granted the power to spend tax increment financing (TIF) funds on police and fire services. [IC 36-7-14-39(b)(4)(N) (“proceeds [] may be used [] to [] [e]xpend revenues that are allocated for police and fire services on both capital expenditures and operating expenses as authorized in section 12.2(a)(28)...”). If the RDC wishes to expend TIF funds on police and fire expenses, regardless of whether the expenses are capital or operational, the RDC must ensure it maintains adequate documentation to allow the SBOA to confirm during audit that the TIF funds were expended for an allowable purpose. The expenditure must be included in the annual spending plan described in section IC 36-7-14-12.7.

To avoid a critical audit finding concerning TIF expenditures on police and fire services, the RDC must expend the TIF funds in one of two ways:

- (1) Disburse the payments directly from the RDC Allocation fund by following the claims process in IC 36-7-14-8(c) and IC 36-7-14-29; or
- (2) Complete the following steps:
 - a. Pass a resolution that allows for a transfer to the city, town, or county from the TIF funds.
 - i. The resolution must identify how the restricted funds will be used in accordance with IC 36-7-14-39(b)(4)(N) and IC 36-7-14-12.2(a)(28).

- ii. The resolution must indicate that the RDC is directing the use of the funds.
- b. The appropriate governing body of the unit must adopt a resolution accepting the transfer and acknowledging the restricted uses identified in the RDC's resolution.
- c. Internal controls must be in place to ensure the TIF allocation funds paid to the unit are expended in accordance with IC 36-7-14-39(b)(4)(N) and IC 36-7-14-12.2(a)(28).
 - i. Documentation supporting the lawful expenditure of the transferred dollars must be maintained for SBOA audit or examination.
 - ii. This documentation must include a detailed listing of expenses paid from the TIF allocation funds and a current balance of the allocation funds remaining. (IC 36-7-14-8)
- d. If the RDC opts to transfer the TIF funds and the appropriate governing body of the unit accepts the transfer, the unit must also have a plan for transferring any unexpended TIF money back to the allocation fund at the end of the year.
 - i. In general, at the end of the year, any appropriated but unused and unencumbered balance reverts into the fund from which the appropriation was made. [IC 36-1-8-6(a)].
 - ii. However, IC 36-7-14-29(b) prohibits TIF funds from reverting to a unit's general fund.
 - 1. IC 36-7-14-29(b) identifies a TIF fund as "a continuing fund" and makes clear that any transferred, unexpended funds do not "revert to the general fund of the unit."