TOWNSHIP BULLETIN

ISSUED BY THE STATE BOARD OF ACCOUNTS

ITEMS TO REMEMBER

JULY

July	1:	Prove all ledgers for the prior month.
July	4:	Independence Day – Legal Holiday [IC 1-1-9-1]
July	15:	Deadline to upload monthly bank reconcilements, bank statements, outstanding check lists, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for May 2026 to Gateway. [Amended State Examiner Directive 2018-1]
July	20:	Last day for Early Filers to report and make payment of state and county income tax withheld during June to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
July	31:	Last day to file Employer's Quarterly Federal Tax Return, Form 941, with the Internal Revenue Service for payment of federal tax withheld.
July	31:	Last day to file report with the Indiana Department of Workforce Development for the quarter ending June 30.
July	31:	All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1(e)]

AUGUST

August	1:	Prove all ledgers for the prior month.
August	1:	At their first meeting in August, the county fiscal body shall review the estimated property tax levy limits and the estimated reductions due to circuit breakers for each Township. The county fiscal body will either prepare and distribute a written

ITEMS TO REMEMBER (Continued)

		recommendation for the taxing units or the county auditor will distribute the minutes of the meeting to all Townships after the minutes are approved by the fiscal body. [IC 6-1.1-17-3.6]
August	3:	Post a verified statement showing the indebtedness of the Township in detail and giving the number and total amount of outstanding orders, warrants, and accounts. [IC 36-6-4-10]
August	15:	Deadline to upload monthly bank reconcilements, bank statements, outstanding check lists, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for June 2026 to Gateway. [Amended State Examiner Directive 2018-1]
August	20:	Last day for Early Filers to report and make payment of state and county income tax withheld during June to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.
August	31:	All local investment officers shall reconcile at least monthly the balance of public funds as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1(e)]

SEPTEMBER

September	1:	Prove all ledgers for the prior month.
September	1:	Last day for units with appointed boards to submit proposed 2027 budgets, tax rates, and tax levies to the county fiscal body or other appropriate fiscal body for binding adoption, as applicable. [IC 6-1.1-17-20]
September	7:	Labor Day – Legal Holiday [IC 1-1-9-1]
September	15:	Deadline to upload monthly bank reconcilements, bank statements, outstanding check lists, approved board minutes, and funds ledger, summarizing total receipts, disbursements, and balances by fund for July 2026 to Gateway. [Amended State Examiner Directive 2018-1]
September	20:	Last day for Early Filers to report and make payment of state and county income tax withheld during June to the Indiana Department of Revenue. Monthly Filers have until 30 days after prior month's end. For questions on filing status contact the Indiana Department of Revenue.

ITEMS TO REMEMBER (Continued)

September 30: All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories. [IC 5-13-6-1(e)]

September 30: All townships in which the total amount of funds in a township's capital improvement funds exceeds one hundred fifty percent (150%) of the township's total annual budget estimate prepared under IC 6-1.1-17-2 for the ensuing year and exceeds two hundred thousand dollars ($200,000) must adopt a capital improvement plan not later than September 30 of each year, and they must submit a copy of the adopted capital improvement plan to the department of local government finance in the manner prescribed by the department. [IC 36-6-9-7]

EXCISE DISTRIBUTIONS [IC 6-1.1-27-10]

During the 2026 legislative session, Section 88 of House Bill 1210 made changes to the following excise tax distributions:

- Motor Vehicle Excise Tax (IC 6-6-5)
- Excise Tax on Recreational Vehicles and Truck Campers (IC 6-6-5.1)
- Aircraft License Excise Tax (IC 6-6-6.5)
- Auto Rental Excise Tax (IC 6-6-9)
- Boat Excise Tax (IC 6-6-11)
- Heavy Equipment Rental Excise Tax (IC 6-6-15)
- Vehicle Sharing Excise Tax (IC 6-6-16)

Section 88 established a new code section, IC 6-1.1-27-10. The new code section is effective January 1, 2027. In the coming months, taxing units may need to take steps to ensure that they are in compliance.

Beginning in 2027, the excise tax distributions identified above (1) may be deposited in "any fund maintained by the taxing unit" and (2) may be used for any purpose allowed by law. While this broad language benefits taxing units by allowing them to receipt distributions where they will be most effectual, if a unit does not take steps to ensure the distributions are adequately tracked, critical audit findings may result.

During audit, it is imperative that SBOA be able to identify which fund the distributions are receipted into. Therefore, if a township receipts excise distributions identified above into any fund other than the Township Fund (General), the legislative body of the township must identify which fund the distributions will be receipted into. The funds must be identified prior to the distribution, and the funds must be selected by resolution or vote (memorialized in meeting minutes). If the distributions are receipted into the Township Fund (General), the township need not adopt a resolution or vote.

CEMETERIES - OFFICIAL OPINION 91-5

The Indiana Attorney General, in response to a request for an opinion whether a cemetery may legally deny families the right to use United States government veteran markers, provided the following conclusion:

> It is, therefore, my Official Opinion that although the owner of every cemetery may make, adopt, and enforce rules and regulations specifying the size and type of markers or monuments under Indiana Code Section 23-14-1-11, no owner of a cemetery may adopt and enforce rules and regulations in violation of Indiana Code Chapter 23-14-11, which prohibits the board of trustees, or other governing body or custodian, controlling any cemetery in the state from refusing to allow the setting up of markers for the graves of deceased soldiers in its grounds provided that such markers shall conform to the standard markers furnished by the United States government for marking the graves of deceased soldiers of the United States army.

Indiana Code 23-14-11 was repealed in 1997. That same year, Indiana Code 23-14-73-2 became law, and it mirrors the language of the repealed statute. It reads: “A board of trustees or other governing body or custodian that controls a cemetery shall not refuse to allow the setting up of markers for the graves of deceased members of the armed forces in its grounds if the markers conform to the standard markers furnished by the United States government for marking the graves of deceased members of the armed forces.”

SALES TAX - EXEMPTIONS - AUDIT POSITIONS

Following are some general comments about the State Board of Accounts’ audit position regarding local governmental units’ exemption from sales tax:

1. Items should be purchased through the issuance of purchase orders and paid for by township checks to avoid reimbursing employees for sales tax paid on materials purchased for the township when the township is exempt from sales tax.

2. Sales tax paid on lodging and meals by officials and employees while in travel status on township business may be reimbursed in accordance with an official travel expense reimbursement policy adopted by resolution of the township.

3. We have often noted that out-of-state vendors are not assessing sales tax on materials purchased out-of-state by a governmental unit for delivery in Indiana.

4. The Indiana Department of Revenue has consistently taken a position that the furnishing of food, fuel, drugs, etc., by the township to needy persons (township assistance laws) are exempt from sales tax because the commodities are predominantly for use in the performance of governmental functions. The township would not be exempt, however, from paying sales tax on utility bills because the utility bills of Township

SALES TAX – EXEMPTIONS – AUDIT POSITIONS (Continued)

> Assistance recipients are billed in the name of each individual and not in the name of the township and individuals are not exempt from the payment of sales tax. Therefore, all purchase orders issued directly to a vendor, except for utility bills, are normally exempt from sales tax.

Should you desire additional information concerning state taxation matters, contact the Indiana Department of Revenue at 100 North Senate Avenue, Room N105, Indianapolis, IN 46204, (317) 232-2240.

DONATIONS

Following is the audit position of the State Board of Accounts concerning townships receiving donations.

1. Restricted donations are defined as those to which the donor has attached terms, conditions, and/or purposes.

2. Unrestricted donations are defined as those to which the donor has not attached terms, conditions, and/or purposes.

3. The township may accept or reject restricted and unrestricted donations. Approval shall be obtained prior to accepting a donation.

4. Restricted donations must be receipted into a separate fund and properly titled. Such funds should not be commingled with other funds within the accounting system. An exception is for statutory requirements; i.e., expenditures related to fire protection are required to be from the firefighting fund, etc.

5. Expenditures may be made for the restricted purpose(s) without appropriation.

GUARANTEED ENERGY SAVINGS CONTRACTS

Undocumented Claims

There are situations where a township may not have provided information which indicates that a contract complies with the Indiana Code provisions referenced below. Examples include "stipulated savings" that are not documented by "industry engineering standards," items which were "causally connected work" but not documented by "industry engineering standards" in accordance with IC 36-1-12.5-11, improvements that are not "causally connected" to a conservation measure but are greater than fifteen percent (15%) of the total value of the guaranteed energy savings contract, or lack of compliance with IC 36-1-12.5-10.

IC 36-1-12-1(e) of the Public Work Project Law states in part: "As an alternative to this chapter, the governing body . . . may . . . enter into a guaranteed savings contract as permitted under IC 36-1-12.5."

GUARANTEED ENERGY SAVINGS CONTRACTS (Continued)

IC 36-1-12.5-1 (a) states in part: "As used in this chapter, 'conservation measure': (1) means: (A) a facility alteration; (B) an alteration of a structure (as defined in IC 36-1-10-2); (C) a technology upgrade; or (D) with respect to an installation described in subdivision (2)(G) or (2)(H), an alteration of a structure or system; designed to . . . reduce energy . . . or other operating costs. . .."

IC 36-1-12.5-5 states in part: "(a) The governing body may enter into . . . a guaranteed savings contract with a qualified provider to . . . reduce the [township's] . . . energy . . . or operating costs if, after review of the report described in section 6 of this chapter, the governing body finds: (1) in the case of conservation measures . . . that the amount the governing body would spend on the conservation measures under the contract and that are recommended in the report is not likely to exceed the amount to be saved in energy consumption costs and other operating costs over twenty (20) years from the date of installation if the recommendations in the report were followed; and . . . (3) in the case of a guaranteed savings contract, the qualified provider provides a written guarantee as described in subsection (d)(3)."

Repayment of Costs in Excess of Savings

IC 36-1-12.5-5 states in part: "(d) An agreement to participate in a . . . guaranteed savings contract under this section must provide that: . . . (3) in the case of the guaranteed savings contract: (A) the: (i) savings in energy . . . and other operating costs; . . . due to the conservation measures are guaranteed to cover the costs of the payments for the measures; and (B) the qualified provider will reimburse the [township] . . . for the difference between the guaranteed savings and the actual savings . . . ."

Stipulated Savings and Industry Engineering Standards

IC 36-1-12.5-0.5 states: "As used in this chapter, 'actual savings' includes stipulated savings."

IC 36-1-12.5-3.7 states in part: "As used in this chapter, 'stipulated savings' are assumed savings that are documented by industry engineering standards."

IC 36-1-12.5-11 states in part: "(a) A guaranteed savings contract that includes stipulated savings must specify the methodology used to calculate the savings using industry engineering standards. (b) Stipulated savings may be used for conservation measures including . . . (11) Any work that is causally connected to the energy conservation measures listed in subdivisions (1) through (10). (c) The guaranteed savings contract shall: (1) describe stipulated savings for: (A) conservation measures; and (B) work causally connected to the energy conservation measures; and (2) document assumptions by industry engineering standards."

Non "Causally Connected Work"

IC 36-1-12.5-0.7 states: "As used in this chapter, 'causally connected work' means work that is required to properly implement a conservation measure."

IC 36-1-12.5-12 states in part: "(a) An improvement that is not causally connected to a conservation measure may be included in a guaranteed savings contract if: (1) the total value of the improvement does not exceed fifteen percent (15%) of the total value of the guaranteed savings contract . . . ."

GUARANTEED ENERGY SAVINGS CONTRACTS (Continued)

Reports

Prior to July 1, 2026, IC 36-1-12.5-10 stated in part: "The governing body shall: (1) provide to the director of the department of local government finance not more than sixty (60) days after the date of execution of the guaranteed savings contract: (A) a copy of the executed guaranteed savings contract; (B) the: (i) energy . . . costs; . . . before the date of execution of the guaranteed savings contract; and (C) the documentation using industry engineering standards for: (i) stipulated savings; and (ii) related capital expenditures; and (2) annually report to the director of the department of local government finance, in accordance with procedures established by the department, the savings resulting in the previous year from the guaranteed savings contract . . . ."

Effective July 1, 2026, IC 36-1-12.5-10 now reads: "The governing body shall submit the following to the department of local government finance's computer gateway not more than sixty (60) days after the date of execution of the guaranteed savings contract: (1) A copy of the executed guaranteed savings contract. (2) The: (A) energy or water consumption costs; (B) wastewater usage costs; and (C) billable revenues, if any; before the date of execution of the guaranteed savings contract. (3) The documentation using industry engineering standards for: (A) stipulated savings; and (B) related capital expenditures."

House Enrolled Act 1210 of 2026 amended IC 36-1-12.5-10 to state that the information outlined above shall be submitted to Gateway instead of the DLGF director and removed the annual reporting requirement.

Audit Exceptions

The State Board of Accounts will take audit exception to payments not in accordance with IC 36-1-12.5. The township should request repayment for payments not authorized by IC 36-1-12.5. The State Board of Accounts will request repayment of unauthorized payments which have not been reimbursed to the township by the end of the contract period.

Additionally, the State Board of Accounts will take audit exception if the township has not properly filed reports as required by IC 36-1-12.5-10.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Indiana Attorney General, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action.

DESIGNATION OF TRUSTEE

IC 36-6-4-18 requires the township trustee within thirty (30) days after taking office to designate a person who shall perform the trustee's duties whenever the trustee is incapable of performing the trustee's duties because the trustee: (1) is absent from the township; or (2) becomes incapacitated. The trustee shall give notice of the designation to the chair of the township board, the county sheriff, and any other persons that the trustee chooses. The trustee is responsible for all acts of the designee. The designee shall have all the powers of the trustee. The trustee may change the designee at any time. The designee shall perform the trustee's duties until: (1) the trustee is no longer absent from the township; or (2) an acting trustee is appointed by the county commissioners under IC 36-6-4-16.

CONFLICT OF INTEREST STATEMENT REQUIREMENT WHEN TRUSTEE IS ALSO VENDOR TO RECIPIENT RECEIVING TOWNSHIP ASSISTANCE

Instances may arise in which a township trustee may be eligible under IC 12-20 to be the direct payee as a vendor of a township resident requesting township assistance through the trustee's office. Our audit position is that a conflict of interest disclosure must be filed when the trustee is the direct payee as a vendor of township assistance under IC 12-20. A township trustee that benefits from township assistance received by a township assistance applicant may be requested to repay the township the amount of the benefits received if there has not been proper disclosure of the conflict of interest. We recommend maintaining a separate file with a copy of the conflict of interest disclosure and the supporting documentation for the township assistance payments.

Per IC 35-44.1-1-4(b), "A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony." A "pecuniary interest" means an interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (A) the public servant; or (B) a dependent of the public servant who: (i) is under the direct or indirect administrative control of the public servant; or (ii) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant.

Per IC 35-44.1-1-4(c), "It is not an offense under this section if: ...(6) A public servant makes a disclosure that meets the requirements of subsection (d) or (e) and is: (A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase; (B) appointed by an elected public servant; (C) employed by the governing body of a school corporation and the contract or purchase involves the employment of a dependent or the payment of fees to a dependent; (D) elected; or (E) a member of, or a person appointed by, the board of trustees of a state supported college or university.

The conflict of interest disclosure must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) if the governmental entity is a governmental entity other than the state or a state supported college or university, the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; and (7) contain, if the public servant is appointed, the written approval of the elected public servant (if any) or the board of trustees of a state supported college or university (if any) that appointed the public servant.

Persons required to file the Conflict of Interest Disclosure with the State Board of Accounts can use the form available at https://forms.in.gov/Download.aspx?id=8264 . Once the form has been completed, scan it as a PDF and upload at https://gateway.ifionline.org/sboa_coi/ .

SPECIAL PURCHASES

We often receive inquiries concerning our audit position regarding public purchases for unusual situations.

The State Board of Accounts encourages the bidding and quote procedures whenever applicable to ensure receiving competitive pricing for governmental units. However, IC 5-22-10-1 provides: "Notwithstanding any other provision of this article, a purchasing agent may make a purchase under this chapter without soliciting bids or proposals."

Supply purchases are a possibility for consideration of the special purchase provisions of IC 5-22-10. However, townships should obtain the written position of the township attorney as to which section of IC 5-22-10 might be applicable to a situation.

The written position of the township attorney should be attached to the completed Special Purchase Contract File List Form (sample on page 56 of the Appendix of the Accounting and Uniform Compliance Guidelines Manual For Townships) and retained for audit as a public record.

DISPOSITION OF OLD OUTSTANDING CHECKS

Pursuant to IC 5-11-10.5-2, all checks outstanding and unpaid for a period of at least two years as of December 31 of each year are void.

Not later than March 1 of each year, the trustee shall prepare or cause to be prepared a list in duplicate of all checks outstanding for two or more years as of December 31 of the last preceding year. The original copy shall be filed with the board of finance of the township and the duplicate copy maintained by the trustee. The trustee shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and remove the checks from the list of outstanding checks. If the fund on which the checks were originally drawn is not in existence, or cannot be ascertained, the amount of such checks shall be receipted to the township fund.

Each list prepared must show:

(1) the date of issue of each check;

(2) the fund upon which the check was originally drawn;

(3) the name of the payee;

(4) the amount of each check issued; and

(5) the total amount represented by the checks listed for each fund.

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