

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AGREED UPON PROCEDURES REPORT  
OF

CONSOLIDATED CITY OF INDIANAPOLIS  
REDEVELOPMENT (TIF) ALLOCATION FUNDS  
MARION COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
10/10/2012



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OFFICIALS

| <u>Office</u>  | <u>Official</u>    | <u>Term</u>          |
|----------------|--------------------|----------------------|
| Controller     | Jeff Spalding      | 11-20-10 to 12-31-15 |
| County Auditor | Billie J. Breaux   | 01-01-07 to 12-31-14 |
| Mayor          | Gregory A. Ballard | 01-01-08 to 12-31-15 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

TO: COUNTY AUDITOR OF MARION COUNTY, MAYOR OF CONSOLIDATED CITY OF  
INDIANAPOLIS AND CITY CONTROLLER OF CONSOLIDATED CITY OF INDIANAPOLIS

PERIOD: January 1, 2011 to December 31, 2011

RE: INDIANAPOLIS REDEVELOPMENT (TIF) ALLOCATION FUNDS

We have performed the procedures enumerated below solely to assist you with respect to compliance with certain requirements of the Indianapolis Redevelopment (TIF) Districts. Indianapolis Redevelopment (TIF) District's management is responsible for the records and compliance with these requirements. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*Verify property tax receipts were properly receipted to the appropriate allocation fund.*

*We traced tax distributions from the Marion County Auditor's Office to proper posting and reporting within the various Redevelopment (TIF) Allocation Funds accounted by the City Controller's Office.*

Results:

Results of procedures performed indicate tax increment financing (TIF) revenues were properly receipted to Redevelopment (TIF) Allocation Funds accounted for by the City Controller's Office; however, not all TIF revenues were accounted for in unique tax allocation funds for each of the individual TIF districts. For instance, eight individual TIF districts in the Downtown Indianapolis area are accounted for as if they are combined into one TIF district, which is referred to as the Consolidated TIF or Downtown TIF. In addition, six individual TIF districts located near the Indianapolis International Airport are accounted for as if they are combined into one TIF district, commonly referred to as the Airport TIF.

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
(Continued)

Indiana Code 36-7-15.1-26 states in part: "(a) As used in this section: 'Allocation area' means that part of a redevelopment project area to which an allocation provision of a resolution adopted under section 8 of this chapter refers for purposes of distribution and allocation of property taxes. . . . (b) A resolution adopted under section 8 of this chapter on or before the allocation deadline determined under subsection (i) may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section . . . (2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into a special fund for that allocation area that may be used by the redevelopment district.."

Additionally, Indiana Code 36-7-15.1.4 states: "(a) The redevelopment district referred to in IC 36-3-1-6 constitutes a special taxing district for the purpose of levying and collecting special benefit taxes for redevelopment purposes as provided in this chapter. (b) All of the taxable property within the redevelopment district is considered to be benefited by redevelopment projects carried out under this chapter to the extent of the special taxes levied under this chapter."

*Verify Cash Balances For the Indianapolis Redevelopment (TIF) Districts.*

*We traced cash balances of the various Redevelopment (TIF) Allocation Funds accounted by the City Controller's Office to the overall Cash Reconciliation of all City Funds to verify the reconciled cash balances of the Redevelopment (TIF) funds substantially agree with cash balances in the Redevelopment (TIF) Allocations funds accounted for by the City Controller as of December 31, 2011.*

**Results:**

Based on procedures performed, it was determined cash balances of the Redevelopment (TIF) Allocation Funds agree, in total, to the cash balances in the overall cash reconciliation of all City Funds. However, information is not available to verify cash balances of individual Redevelopment (TIF) Allocation Funds since not all Allocation Funds are accounted for separately.

Indiana Code 36-7-15.1-26 states in part: "(a) As used in this section: 'Allocation area' means that part of a redevelopment project area to which an allocation provision of a resolution adopted under section 8 of this chapter refers for purposes of distribution and allocation of property taxes. . . . (b) A resolution adopted under section 8 of this chapter on or before the allocation deadline determined under subsection (i) may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section . . . (2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into a special fund for that allocation area that may be used by the redevelopment district . . ."

Additionally, Indiana Code 36-7-15.1.4 states: "(a) The redevelopment district referred to in IC 36-3-1-6 constitutes a special taxing district for the purpose of levying and collecting special benefit taxes for redevelopment purposes as provided in this chapter. (b) All of the taxable property within the redevelopment district is considered to be benefited by redevelopment projects carried out under this chapter to the extent of the special taxes levied under this chapter."

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
(Continued)

*Determine cash balances of the Allocation Funds for the Indianapolis Redevelop (TIF) Districts at December 31, 2011 were accounted for in the appropriate Allocation Fund.*

*We examined cash balances of the various Redevelopment (TIF) Allocation Funds at December 31, 2011, to verify, to the extent practical, that balances were within limits and guidelines established by State Statutes, and when applicable, Ordinances and Resolutions of the City-County Council and Metropolitan Development Commission, acting as the Redevelopment Commission for Indianapolis TIF funds and requirements of the various Bond Indenture Agreements related to the Redevelopment (TIF) Allocation Funds.*

Results:

Based on procedures performed, tax increment financing (TIF) revenues were not always accounted for in unique tax allocation funds for each of the individual TIF districts. For instance, eight individual TIF districts in the Downtown Indianapolis area are accounted for as if they are combined into one TIF district, which is referred to as the Consolidated TIF or Downtown TIF. In addition, six individual TIF districts located near the Indianapolis International Airport are accounted for as if they are combined into one TIF district, commonly referred to as the Airport TIF.

Indiana Code 36-7-15.1-26 states in part: "(a) As used in this section: 'Allocation area' means that part of a redevelopment project area to which an allocation provision of a resolution adopted under section 8 of this chapter refers for purposes of distribution and allocation of property taxes. . . . (b) A resolution adopted under section 8 of this chapter on or before the allocation deadline determined under subsection (i) may include a provision with respect to the allocation and distribution of property taxes for the purposes and in the manner provided in this section . . . (2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into a special fund for that allocation area that may be used by the redevelopment district . . ."

Additionally, Indiana Code 36-7-15.1.4 states: "(a) The redevelopment district referred to in IC 36-3-1-6 constitutes a special taxing district for the purpose of levying and collecting special benefit taxes for redevelopment purposes as provided in this chapter. (b) All of the taxable property within the redevelopment district is considered to be benefited by redevelopment projects carried out under this chapter to the extent of the special taxes levied under this chapter."

*Verify Indianapolis Redevelopment (TIF) Districts Were Expended for Purposes Allowable by State Statutes, and when applicable, Ordinances and Resolutions of the City-County Council and Metropolitan Development Commission, acting as the Redevelopment Commission for Indianapolis TIF funds.*

*We examined transactions of the various Redevelopment (TIF) Allocation Funds to verify, to the extent practical, that disbursements of the Allocations Funds were in compliance with State Statutes, and when applicable, Ordinances and Resolutions of the City-County Council and Metropolitan Development Commission, acting as the Redevelopment Commission for Indianapolis TIF funds.*

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
(Continued)

Results:

Based on procedures performed, expenditures from TIF Allocation funds were for purposes benefiting the TIF district(s) during the period January 1, 2011 to December 31, 2011; however, the Redevelopment District Allocation Funds transferred \$323,425 to the Redevelopment Operating Fund which did not appear to directly benefit any Redevelopment District.

Indiana Code 36-7-15.1-4(b) states in part: "All of the taxable property within the redevelopment district is considered to be benefited by redevelopment projects carried out under this chapter to the extent of the special taxes levied under this chapter."

In addition, Indiana Code 36-7-15.1-26(b)(2) states in part: "The special [allocation] fund may not be used for operating expenses of the commission."

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

STATE BOARD OF ACCOUNTS

July 25, 2012

CONSOLIDATED CITY OF INDIANAPOLIS  
REDEVELOPMENT (TIF) ALLOCATION FUNDS  
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2012, with Billie J. Breaux, County Auditor.

The contents of this report were discussed on July 26, 2012, in a separate meeting, with Jeff Spalding, Controller. The official response has been made a part of this report and may be found on page 7.



After consultation with our attorneys, Barnes & Thornburg LLP, they stated that the downtown consolidated TIF is legally one single allocation area with one single allocation fund. The only reason that the component areas are even still identified is that each component has a different base assessment date.

The TIF's that are associated with the debt for United Airlines and for the Ameriplex project, to the best of our knowledge, were not consolidated. However, since the revenues from these TIF districts are all pledged for these debt issuances and since there is not a direct relationship between the specific project and a particular district, it does not appear to be reasonable to maintain balances by TIF district. If the City did create separate funds to post each district to, then at tax distribution time, we would deposit it to the fund and immediately have to sweep it to the debt service funds. There would be no methodology to allocate the debt service to a specific TIF. It is our position that the MDC authorized the deposit of these TIF districts in to the debt service funds when they authorized the use of the TIF revenues for repayment of the bonds that they authorized.

Subsequent to the review of the auditor's report, we have provided the documentation that the transfer of \$323,425 was properly authorized and paid for costs associated with the Downtown canal.

Charles H. White  
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City of Indianapolis

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