

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GIBSON COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**  
09/10/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Michael A. Watkins	01-01-23 to 12-31-24
County Treasurer	Mary Ann O'Neal	01-01-23 to 12-31-24
Clerk of the Circuit Court	Sherri Smith	01-01-23 to 12-31-24
County Sheriff	Bruce Vanoven	01-01-23 to 12-31-24
County Recorder	Tim Schurmeier	01-01-23 to 12-31-24
President of the Redevelopment Commission	Phil Young	01-01-23 to 12-31-24
President of the Board of County Commissioners	Kenneth Montgomery Warren Fleetwood	01-01-23 to 12-31-23 01-01-24 to 12-31-24
President of the County Council	Jeremy Overton	01-01-23 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF GIBSON COUNTY, INDIANA

This report is supplemental to the audit report of Gibson County (County), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

August 21, 2024

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COUNTY REDEVELOPMENT COMMISSION  
GIBSON COUNTY

COUNTY REDEVELOPMENT COMMISSION  
GIBSON COUNTY  
AUDIT RESULT AND COMMENT

**TAX INCREMENT FINANCING (TIF) ALLOCATION FUND USES**

A similar comment appeared in prior Reports B47368, B50822, B53148, B59172, B59173, B59550, and 000000285S, entitled *TAX INCREMENT FINANCING (TIF) ALLOCATION FUND USES*.

*Condition and Context*

Internal controls were not in place to ensure the Redevelopment Commission complied with laws and regulations related to tax increment financing (TIF). The Redevelopment Commission authorized expenditures for the following projects during the audit period. None of the projects listed below were located within the allocation area, nor did the documentation provided show that the projects directly serve or benefit the allocation area as opposed to any other area of the County.

- Allocated \$2,600,000 in prior years to establish the I-69 Corridor Economic Development Area. During the audit period, \$17,150 was spent on the I-69 Project for professional services regarding interchanges.
- In August 2021, allocated an amount not to exceed \$13,200,000 to renovate the YMCA. During the audit period, \$4,527,394 was spent on this project.
- In March 2022, allocated \$3,700,000 for the construction of a new building for the Fort Branch Library. In December 2022, allocated an additional \$1,000,000 for a total project cost not to exceed \$4,700,000. During the audit period, \$3,824,322 was spent on this project.
- In March 2021, allocated \$3,400,000 for the City of Princeton waterworks project. During the audit period, \$2,047,936 was spent on the Princeton Water Project on Seminary Street, and the project was completed.
- In November 2021, allocated \$4,030,000 for the South Gibson Community and Teen Center. During the audit period, \$155,000 was spent on this project.
- In August 2022, allocated \$2,000,000 for the construction of a new ambulance base. During the audit period, \$78,103 was spent on this project.
- In December 2022, allocated \$2,000,000 for the construction of a connecting road between Second Avenue and Richland Creek Drive. During the audit period, \$84,625 was spent on this project.
- In August 2022, allocated \$3,400,000 for the repair of county roads. During the audit period, \$680,723 was spent on this project for professional services.

COUNTY REDEVELOPMENT COMMISSION  
GIBSON COUNTY  
AUDIT RESULT AND COMMENT  
(Continued)

*Criteria*

The uses of TIF funds are restricted to those set forth in the Indiana Code. The power of a redevelopment commission to expend such funds is limited to the express statutory powers as set forth in Indiana Code 36-7-14. The use of TIF funds for ongoing maintenance of redeveloped property is not an expressly or impliedly permitted use, except as provided in Indiana Code 36-7-1-18(7) for repairing and maintaining buildings acquired before redevelopment is complete. (Redevelopment Commission of the Town of Munster, Indiana, v. Indiana State Board of Accounts and Paul D. Joyce, State Examiner of State Board of Accounts, 28 N.E.3d 272 (Ind. App., 2015) trans. denied, 34 N.E.3d 251)

Indiana Code 36-7-25-3(a) states in part:

"Projects, improvements, or purposes that may be financed by a commission . . . may be financed if the projects, improvements, or purposes are not located in those areas or the redevelopment district as long as [emphasis added] the projects, improvements, or purposes directly serve or benefit those areas [emphasis added]."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."



## **OFFICIAL RESPONSE OF THE REDEVELOPMENT COMMISSION (RDC) OF GIBSON COUNTY TO 2023 AUDIT RESULT AND COMMENT**

Date: August 28, 2024

Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765  
[officialresponse@sboa.in.gov](mailto:officialresponse@sboa.in.gov)

### **RE: GIBSON COUNTY RDC RESPONSE TO 2023 AUDIT RESULT AND COMMENT**

The 2023 Audit Result and Comment (Comment) of the State Board of Accounts (SBoA) identifies eight (8) instances of expenditures of allocated tax proceeds (TIF) for certain projects and asserts that:

Internal controls were not in place to ensure the Redevelopment Commission complied with laws and regulations related to tax increment financing (TIF). The Redevelopment Commission authorized expenditures for the following projects during the audit period. None of the projects listed below were located within the allocation area, nor did the documentation provided show that the projects directly serve or benefit the allocation area as opposed to any other area of the County.

The first instance includes:

- I-69 Corridor Economic Development Area professional services regarding interchanges.

The Gibson County Redevelopment Commission adopted a resolution on December 3, 2018, finding and determining that the above-mentioned projects serve or directly benefit the allocation

area. The Board of Commissioners of Gibson County adopted a resolution on December 4, 2018, approving the December 3, 2018, resolution of the Gibson County Redevelopment Commission. Executed copies of these resolutions were previously submitted to the SBoA. Additionally, draft versions of these resolutions were provided to the SBoA on October 25, 2018. We would be happy to provide the relevant documentation again as a matter of courtesy.

The aforementioned documentation specifically states: “The Commission find and determines that the Projects (i) serve the Area and the Original Allocation Area. . . and (ii) directly serve or benefit the Original Allocation Area, the Area and the Gibson County Redevelopment Area. . .” Exhibit B to the 12/3/18 resolution provides a specific explanation of how the project does indeed directly serve or benefit the allocation area. While these benefits may also benefit the rest of the County, the Commission made a finding explaining how the project serves and benefits the area, specifically.

In addition to the project listed above, the 2023 Comment identified a second instance which was included in the finding noted above:

- In August 2021, allocated funds to renovate the YMCA.

The Gibson County Redevelopment Commission adopted a resolution on April 12, 2021 finding and determining that these projects are in, serving or benefitting the allocation area as opposed to any other area of the county and an executed copy of the resolution was previously submitted to the SBOA by Jim McDonald.

In addition to the projects listed above, the 2023 Comment identified a third instance which was included in the finding noted above:

- In March 2022, allocated funds for the construction of a new building for the Fort Branch Library.

The Gibson County Redevelopment Commission adopted a resolution on September 13, 2021 finding and determining that these projects are in, serving or benefitting the allocation area as opposed to any other area of the county and an executed copy of the resolution was previously submitted to the SBOA by Jim McDonald.

In addition to the projects listed above, the 2023 Comment identified a fourth instance which was included in the finding noted above:

- In March 2021, allocated funds for the City of Princeton waterworks project.

The Gibson County Redevelopment Commission adopted resolutions on December 3, 2018, December 2, 2019 and July 13, 2020 finding and determining that these projects are in, serving or benefitting the allocation area as opposed to any other area of the county and executed copies of those resolutions were previously submitted to the SBOA by Jim McDonald.

In addition to the projects listed above, the 2023 Comment identified a fifth instance which was included in the finding noted above:

- In November 2021 allocated funds for the South Gibson Community and Teen Center, Inc.

The Gibson County Redevelopment Commission adopted a resolution on April 12, 2021 finding and determining that these projects are in, serving or benefitting the allocation area as opposed to any other area of the county and an executed copy of the resolution was previously submitted to the SBOA by Jim McDonald.

In addition to the projects listed above, the 2023 Comment identified a sixth instance which was included in the finding noted above:

- In August 2022 allocated funds for the construction of a new ambulance base.

The Gibson County Redevelopment Commission adopted a resolution on July 11, 2022 finding and determining that these projects are in, serving or benefitting the allocation area as opposed to any other area of the county and an executed copy of the resolution was previously submitted to the SBOA by Jim McDonald.

In addition to the projects listed above, the 2023 Comment identified seventh and eighth instances which was included in the finding noted above:

- In December 2022, allocated funds for the construction of a connecting road between Second Avenue and Richland Creek Drive and in August 2022, allocated funds for the repair of county roads.

The Gibson County Redevelopment Commission adopted a resolution on August 8, 2022 finding and determining that these projects are in, serving or benefitting the allocation area as opposed to any other area of the county and an executed copy of the resolution was previously submitted to the SBOA by Jim McDonald.

We reiterate that expenses described under IC 36-7-14-25.1 that may be properly paid for with TIF include, but are not limited to:

- the total, as estimated by the Redevelopment Commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment or economic development of the of the property, including:
  - the total cost of all land, rights-of-way, and other property to be acquired and redeveloped; and
  - all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds.

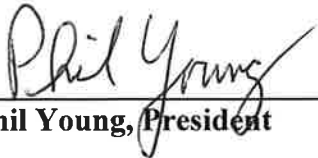
The determination as to whether an expense is reasonably incurred in connection with the redevelopment or economic development of the property is a factual determination to be made the Gibson County Redevelopment Commission, in its discretion. In each instance noted by the

SBOA, the Gibson County Redevelopment Commission made a finding that each project directly served or benefitted the allocation area in question.

After adoption of each declaratory and confirmatory resolution making the necessary findings discussed herein local counsel submitted the resolutions and minutes to both the Gibson County Board of Commissioners and to the SBOA.

We would be happy to provide any further documentation and/or discuss this with you further.

**GIBSON COUNTY REDEVELOPMENT COMMISSION**

  
\_\_\_\_\_  
**Phil Young, President**

COUNTY REDEVELOPMENT COMMISSION  
GIBSON COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2024, with Michael A. Watkins, County Auditor; Kenneth Montgomery, County Commissioner; Derek McGraw, County Council member; Phil Young, President of the Redevelopment Commission; George Ballard, Redevelopment Commission member; Jason Spindler, County Attorney; Logan Vickers, Deputy County Auditor; and Kristy York, Chief Deputy County Auditor.