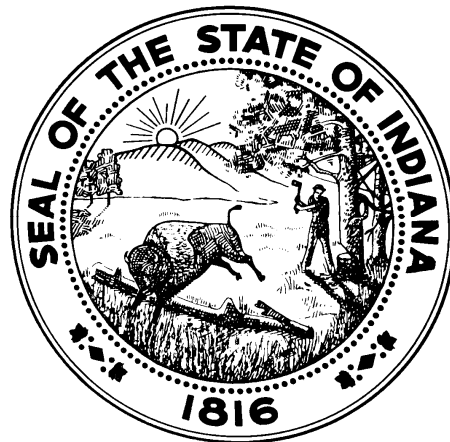


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

TIPTON COUNTY ECONOMIC
DEVELOPMENT CORPORATION
TIPTON COUNTY, INDIANA

January 1, 2006 to September 30, 2009



FILED
06/14/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	William Keir (Vacant)	01-01-06 to 08-31-08 09-01-08 to 12-31-09
Treasurer	Amy Gray	01-01-06 to 12-31-09
Chairman of the Board of Directors	Vance Voorhis	01-01-06 to 12-31-09



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TO: THE OFFICIALS OF TIPTON COUNTY ECONOMIC DEVELOPMENT
CORPORATION, TIPTON COUNTY, INDIANA

We have examined the records of the Tipton County Economic Development Corporation for the period from January 1, 2006 to September 30, 2009, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Result and Comment.

STATE BOARD OF ACCOUNTS

October 20, 2009

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION
TIPTON COUNTY
EXAMINATION RESULT AND COMMENT

PROJECT ADMINISTRATION FEES

The Tipton County Economic Development Corporation (TCEDC) established a project administration fee of 15% on businesses which had taxes abated by the County Council. The agreement entered into between the TCEDC and the individual companies referenced IC 6-1.1-12.1-14 as the authority to establish these fees. There was no evidence noted in a review of the minutes of the Tipton County Council and Tipton City Council of approval of these fees by these designating bodies. These fees were collected and retained by the Corporation for the purpose of subsidizing operating costs. During the years 2006, 2007, and 2008, the TCEDC collected \$23,003.90 from the affected businesses.

IC 6-1.1-12.1-1(7) states in part:

"Designating body' means the following:

(A) For a county that does not contain a consolidated city, the fiscal body of the county, city, or town. . . ."

IC 6-1.1-12.1-14(b) states:

"A property owner that receives a deduction under section 3, 4.5, or 4.8 of this chapter is subject to this section only if the designating body, with the consent of the property owner, incorporates this section, including the percentage to be applied by the county auditor for purposes of STEP TWO of subsection (c), into its initial approval of the property owner's statement of benefits and deduction at the time of that approval."

IC 6-1.1-12.1-14(c) states:

"During each year in which a property owner's property tax liability is reduced by a deduction applied under this chapter, the property owner shall pay to the county treasurer a fee in an amount determined by the county auditor. The county auditor shall determine the amount of the fee to be paid by the property owner according to the following formula:

STEP ONE: Determine the additional amount of property taxes that would have been paid by the property owner during the year if the deduction had not been in effect.

STEP TWO: Multiply the amount determined under STEP ONE by the percentage determined by the designating body under subsection (b), which may not exceed fifteen percent (15%). The percentage determined by the designating body remains in effect throughout the term of the deduction and may not be changed.

STEP THREE: Determine the lesser of the STEP TWO product or one hundred thousand dollars (\$100,000)."

The Tipton County Economic Development Corporation was instructed to refund \$23,003.90 in project administration fees collected during the examination period to businesses assessed the fee. (See Summary, page 9)

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION
TIPTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 10, 2009, with Vance Voorhis, Chairman of the Board of Directors; Debra Gillam, Executive Assistant; Ron Warren, Board Secretary; Janice Smith, Board 1st Chair; Don McElfresh, Board 2nd Chair; Don Havens, Joe VanBibber, Board members; and Thomas Mason, volunteer. The official response has been made a part of this report and may be found on pages 6 through 8.

May 24, 2010

To: Indiana State Board of Accounts

From: Tipton County Economic Development Corp.

Subject: Response to State Board of Accounts findings re: TCEDC audit

The finding posted by the Indiana State Board of Accounts (SBOA) is acknowledged by the Tipton County Economic Development Corporation (EDC) with the following observations and comments.

Elected officials serving on our board during the period examined strongly encouraged, were aware of, and fully supportive, of our efforts to offset taxpayer (EDIT) funding of EDC operations with private support. Of the \$23,000 at risk of being refunded: \$5,900 involves payments made without benefit of a written agreement; \$10,200 involves companies that no longer exist or have moved from Tipton County and the State of Indiana; \$6,800 involves existing county companies that have signed a waiver or acknowledge verbally that they do not wish the return of any fees.

When, through the political process, allegations of procedural errors came to light the TCEDC determined it would immediately cease receiving any project administration fees.

After determining that the allegations appeared to be technically correct and that political support, though existent, would not come to the fore, we publically acknowledged the procedural error.

The EDC volunteers then undertook an effort to contact the 7 parties who paid fees. We offered those parties a full refund of any fees paid, if requested, or they could opt to waive a refund of the fees. One signed a waiver, four verbally acknowledge our offer but declined a fee refund, one did not respond either way and one was never successfully contacted.

We further reviewed our state required private audits (\$15,000 cost) and the SBOA reviews of our organization to determine if our directors or officers would have had any notice of this procedural error. We could find no evidence that routine audits were helpful or effective in this matter.

The TCEDC finally concluded that the error was inadvertent, no fraud was even hinted and (most importantly to us) the intent of the statute to provide LEDOs with a non-taxpayer resource for administrative costs was followed. We further concluded: economic development in rural counties has its perils, no matter how honorable the intent, because foes of economic development (i.e. growth) and its community organizations will, and do, inflict harm using whatever tools are at their disposal including actions through state agencies.

The Tipton County Economic Development Corporation (EDC) was formed by a group of civic minded citizens in 1987 as a 501 C not for profit.

Until that time to this it has been served by over 100 community directors – some elected from within the EDC board and some chosen by their representative body.

The EDC bylaws provide for a board structure that includes 4 sitting members of the city and county councils (2 each), a county commissioner and the mayor. In addition both school superintendents, the hospital administration, the local phone company and city utility managers, members from the financial, general business, agriculture communities and an attorney and a CPA. This model has been in place since inception. All positions on the board are non-paid and considered volunteer.

An estimated 30,000 hours have been donated to the goals of the EDC by its directors.

In addition the EDC has been served by a paid Executive Director and a single additional staff person since its beginning in 1987 to 2008. It has been a requirement of the EDC that the executive director, other than an interim, be experienced and credentialed in community economic development.

Since the inception no executive director has been hired over the objection of an elected official serving as a board member. And no formal interview of a prospective candidate has been conducted without an elected mayor or commissioner present.

Funding has been by community donation and agreements with city, county and towns that have been paid from EDIT revenues. The city and county of Tipton have provided the bulk of the funding through these agreements. However, an estimated \$350,000 has been received from the private sector over the 21 years to 2008.

Our community-based model has been cited as an example that other communities might follow.

The SBOA finding will result in a punitive action against an important non-profit institution in the Tipton community without a proportionate or requested benefit to the cited companies.

The EDC will now engage its volunteers and supporters in the work of compliance with the SBOA finding. They will collaborate with government and industry, using knowledge, experience, integrity and good faith to achieve the task placed before them. This has been the work of the Tipton County EDC since its founding.



Vance Voorhis, Chairman
Tipton County Economic Development Corp.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION
 TIPTON COUNTY
 SUMMARY

	<u>Project Administration Fees Collected</u>	<u>Refunds Made</u>	<u>Balance</u>
Project Administration Fees, page 4	\$ 23,003.90	\$ -	\$ 23,003.90