

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF CLARKSVILLE

CLARK COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
10/23/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Federal Findings:	
Finding 2013-001 - Internal Controls Over Financial Transactions and Reporting.....	6
Finding 2013-002 - Preparation of the Schedule of Expenditures of Federal Awards	7-8
Corrective Action Plan	9-14
Audit Results and Comments:	
Annual Financial Report.....	15
Collection of Amounts Due	15
Advance Payments - Pension Benefits.....	15
Accounts Receivable Reconciliation.....	16
Public Records Retention	16-17
Exit Conference	18
Parks and Recreation:	
Federal Finding:	
Finding 2013-003 - Suspension and Debarment	20
Corrective Action Plan	21
Exit Conference	22
Fire Pension:	
Audit Results and Comments:	
Collection of Amounts Due	24
Advance Payments - Pension Benefits.....	24
Exit Conference	25
Police Pension:	
Audit Results and Comments:	
Collection of Amounts Due	28
Advance Payments - Pension Benefits.....	28
Exit Conference	29
Redevelopment Commission:	
Audit Result and Comment:	
Use of Tax Increment Financing (TIF) Funds.....	32-33
Official Response.....	34-36
Exit Conference	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert P. Leuthart	01-01-12 to 12-31-15
President of the Town Council	Bob Polston	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE TOWN OF CLARKSVILLE, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Clarksville (Town), for the period from January 1, 2013 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Town, which provides our opinions on the Town's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Results and Comments contained herein describe the identified reportable instances 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 Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

June 11, 2015

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CLERK-TREASURER
TOWN OF CLARKSVILLE

CLERK-TREASURER
TOWN OF CLARKSVILLE
FEDERAL FINDINGS

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: The Town has not separated incompatible activities related to cash and investment, Town receipts, and Utility collections. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Cash and Investments

One employee in the Clerk-Treasurer's Office performs the monthly bank reconciliation for all the Town bank accounts and one employee in the Wastewater Utility Office performs the monthly bank reconciliements for all the Utility bank accounts. There are no controls in place to ensure these reconciliements are accurate.

Town Receipts

One employee in the Clerk-Treasurer's Office is responsible for issuing receipts, making deposits, and posting receipt transactions to the Town's records. There is no control in place to ensure receipts are properly issued, deposited, or recorded.

Utility Collections

The Utility collection process is primarily handled by two utility clerks. The utility clerks collect customer payments, balances their collection drawer, post utility payments to the customers' accounts, and make up the utility deposit tickets for the collections they received. There is no control in place to ensure Utility collections were properly recorded and deposited.

There is no control to ensure the Utility's "Request for Customer Adjustment" forms were correct and accurate.

2. Monitoring of Controls: An evaluation of the Town's system of internal control has not been conducted. The failure to monitor the internal control system places the Town at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the Town to monitor and assess the quality of the system of internal control.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF CLARKSVILLE
FEDERAL FINDINGS
(Continued)

FINDING 2013-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. Two federal grants totaling \$176,219 in expenditures were not reported.
2. The expenditures were reported incorrectly on multiple grants resulting in an overstatement of \$307,046.
3. Several federal awards were reported under incorrect federal program names.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

CLERK-TREASURER
TOWN OF CLARKSVILLE
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Town of Clarksville
Office of the Clerk Treasurer
2000 Broadway
Clarksville, IN 47129

CORRECTIVE ACTION PLAN

FINDING 2013-001 Internal Controls over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Sherry Lockard
Contact Phone Number: 812-283-1500

Description of Corrective Action Plan:

Cash & Investments: We have prepared a sign off sheet titled "Bank Statement Reconciliation Sign Off Sheet" (attachment A) which labels the bank, the month of reconciliation, a signature line for employee who balanced statement, a signature line for employee who reviewed statement, and a signature line for Clerk Treasurer to approve. Effective immediately, beginning January 2015.

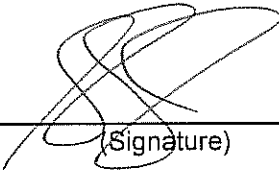
Town Receipts: We have prepared a verification of Receipts, Postings and Deposits form (attachment B), which labels who entered the receipts, who reviewed the receipts, who took the deposit, and a signature line for Clerk Treasurer to approve. Effective immediately, beginning January 2015.

Utility Collections: We created a Wastewater Daily Deposit Sign Off Sheet for the WWBO showing the date of the deposit, the total deposit amount, who prepared the deposit, who verified the deposit, who made the deposit, and who posted the deposit and who verified the posting amount. This sheet will be attached to each batch and put in the daily book of records along with the bank deposit recon sheet from the computer.(attachment C)

Customer Adjustments: All adjustments must be filled out on a green Customer Adjustment Form and signed off by either Deputy Clerk Sherry Lockard or Deputy Clerk Natalie McLochlin. Effective immediately.

Monitoring of Controls: Deputy Clerk Natalie McLochlin has been placed into the WWBO to oversee the daily running of the WWBO. Natalie will monitor all operations on a daily basis. Effective immediately.

Anticipated Completion Date: All corrective actions are currently in place.



(Signature)

Deputy Clerk

(Title)

4.22.15

(Date)

Town of Clarksville
Office of the Clerk Treasurer
2000 Broadway
Clarksville, IN 47129

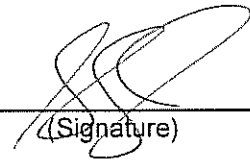
CORRECTIVE ACTION PLAN

FINDING 2013-002 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Sherry Lockard
Contact Phone Number: 812-283-1500

Description of Corrective Action Plan: For future preparations of the Schedule of Expenditures of Federal Awards, prior to submitting the annual report, the completed Grant Schedule will be sent to all department heads for approval and to sign off stating that there are no other existing grants where monies were expended or received by their department.

Anticipated Completion Date: This will be effective immediately, but our next annual report is not due until March of 2016.



(Signature)

Deputy Clerk

(Title)

4.22.15

(Date)

BANK STATEMENT RECONCILIATION SIGN OFF SHEET

BANK: _____

MONTH: _____

BALANCED BY: _____

REVIEWED BY: _____

APPROVEDBY: _____

VERIFICATION OF RECEIPTS, POSTINGS AND DEPOSITS

RECEIPTS ENTERED BY: _____

RECEIPTS REVIEWED BY: _____

DEPOSIT TAKEN TO BANK BY: _____

APPROVED BY: _____

* WE ALSO USE A REPORT OF COLLECTIONS
FOR EACH DEPARTMENT (SAMPLE INCLUDED)

REPORT OF COLLECTIONS

To: Clerk-Treasurer From: Clarksville Police Department
Civil Town of Clarksville, Indiana

Clark County, Indiana
 (County)

Collections for Period From _____, 20____ to _____, 20____

Description		Fund to be Credited	Collections This Period	Prior Collections	Year to Date Collections
ACCIDENTS	CASH	220354.010			
	CHECK				
VINS	CASH	220354.030			
	CHECK				
FIREARMS	CASH	220354.020			
	CHECK				
POLICE RECORDS	CASH	101364.050			
	CHECK				
VEHICLE TOW INS	CASH	278355.780			
	CHECK				
Receipt # _____ - _____		Total Amount Collected			

I hereby certify that the foregoing is a true and correct report of collections due the above-named governmental unit for the period shown.

Dated this _____ day of _____, 20____

NOTE
 This form is not to be used as a receipt for collections. The Town representative accepting funds on behalf of the Department, Committee, or Board of the Town must issue an official receipt to the payee or donee and deposit the funds within twenty-four hours of receipt, and the official to whom the report of collections is made must issue an official receipt for the collections remitted.

 (Signature)

 (Title of Officer)

WASTEWATER DAILY DEPOSIT SIGN OFF SHEET

DATE:

TOTAL DEPOSIT AMOUNT:

DEPOSIT PREPARED BY:

DEPOSIT VERIFIED/DELIVERED TO BANK:

DEPOSIT INFO ENTERED INTO COMPUTER BY:

AMOUNT ENTERED INTO COMPUTER VERIFIED BY:

CLERK-TREASURER
TOWN OF CLARKSVILLE
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Stormwater and Wastewater Utility receipts and disbursements were improperly classified as "other" on the 2013 Annual Financial Report's Combining Schedule or Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

COLLECTION OF AMOUNTS DUE

During the period January 2012 through February 2015, six pensioners of the 1937 Firefighters' Pension Plan were overpaid a total of \$8,185.

During the period January 2013 through February 2015, four pensioners of the 1925 Police Officers' Pension Plan were overpaid a total of \$1,834.

Agreements have been entered into between the Town and each pensioner to either repay the overpayments in a lump sum or through monthly payroll deductions. As of June 3, 2015, the Town has received repayments of \$1,175 from the pensioners of the 1925 Officers' Pension Plan and \$3,263 from the pensioners of the 1937 Firefighters' Pension Plan.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS - PENSION BENEFITS

The Town pays monthly police and fire pension benefits to its pensioners at the time of the Town's first payroll each month instead of at the end of the month. This payment method results in pension benefits being paid in advance.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER
TOWN OF CLARKSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

ACCOUNTS RECEIVABLE RECONCILEMENT

The Stormwater and Wastewater Utilities did not perform periodic reconciliements between the accounts receivable control account reported in the general ledger to the detail customers' balance accounts reported in the aged trial balance subsidiary record. A comparison of the records showed the following variances between the control account balance (General Ledger) and the subsidiary account balance (Aged Trial Balance); for both current accounts receivable and delinquent accounts receivable at December 31, 2013:

Reported in General Ledger	\$ 1,394,295
Reported in Aged Trial Balance	<u>1,057,612</u>
Variance	<u>\$ 336,683</u>

Note to Schedule:

The amount in the above schedule is net of monies received at year end from the County for collections on certified accounts that were recorded to the control account in 2013, but were not recorded to the customer accounts in the subsidiary record until January 2014. The amount above is also net of monies that were recorded to the customer accounts in the subsidiary record in 2013, but were not recorded in the control account until January 2014.

The Utilities contracted with a private Certified Public Accounting firm to perform an analysis and review of the Utilities' account receivable through December 31, 2014. The firm has presented the Utilities with proposed adjustments to correct identified posting errors from 2012 to 2014, and adjustments to balance the control account balances to the subsidiary account balances at December 31, 2014.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

A utility payment stub is remitted at the time a payment is made on a customer's account. Upon receipt of the payment, the utility payment stub is marked with the amount paid, date, and the form of the payment received (cash, check, MO). These payment stubs are used as the source document when entering payments on customer accounts into the Utility's computerized billing system. After all payments are entered into the system, the stubs are totaled, compared to the daily cash update posting report and to the bank deposit for the day to ensure they all agree. The utility payment stubs were not presented for audit; therefore, we could not verify that all collections received were posted to the customer accounts and deposited.

CLERK-TREASURER
TOWN OF CLARKSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CLERK-TREASURER
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 11, 2015, with Robert P. Leuthart, Clerk-Treasurer; Sherry Lockard, Deputy Clerk-Treasurer; Bob Polston, President of the Town Council; Chris Sturgeon, Attorney; and Anita Neeld, Administrative Assistant.

PARKS AND RECREATION
TOWN OF CLARKSVILLE

PARKS AND RECREATION
TOWN OF CLARKSVILLE
FEDERAL FINDING

FINDING 2013-003 - SUSPENSION AND DEBARMENT

Federal Agency: U.S. Department of Transportation
Federal Program: National Infrastructure Investments
CFDA Number: 20.933
Federal Award Number and Year (or Other Identifying Number): Des. No. 0200120
Pass-Through Entity: Indiana Department of Transportation

The Town does not have policies or standard procedures in place to verify whether or not a vendor has been suspended or excluded from doing business with the federal government.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

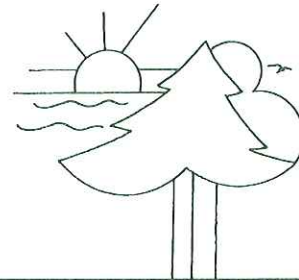
OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish and implement controls, including segregation of duties, related to the grant agreement and all compliance requirements pertaining to Suspension and Debarment.

Clarksville Parks and Recreation



2000 Broadway, Suite 221 • Clarksville, Indiana 47129 • (812) 283-5313 • FAX (812) 288-1380 • clarksvilleparks.com

CORRECTIVE ACTION PLAN

FINDING 2013-003 Suspension and Debarment

Contact Person Responsible for Corrective Action: Robert R. Kaluzny
Contact Phone Number: 812-283-5313

Robert R. Kaluzny 4/24/15

Description of Corrective Action Plan: The parks and recreation superintendent will check to make sure vendors under consideration for a contract or grant agreement are in good standing and have not been suspended or excluded from doing business with the federal government. The superintendent will check the website: www.sam.gov and document the results before recommending approval and execution of the contact or agreement to the Clarksville Parks and Recreation Board.

Anticipated Completion Date: Immediately. Account was set up with sam.gov on April 21, 2015.

Bill Wilson

(Signature)

President

(Title)

5/5/15

(Date)

PARKS AND RECREATION
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 8, 2015, with Robert R. Kaluzny, Superintendent, and Bill Wilson, President of the Parks and Recreation Board.

The contents of this report were discussed on June 11, 2015, with Bob Polston, President of the Town Council.

FIRE PENSION
TOWN OF CLARKSVILLE

FIRE PENSION
TOWN OF CLARKSVILLE
AUDIT RESULTS AND COMMENTS

COLLECTION OF AMOUNTS DUE

During the period January 2012 through February 2015, six pensioners of the 1937 Firefighters' Pension Plan were overpaid a total of \$8,185.

Agreements have been entered into between the Town and each pensioner to either repay the overpayments in a lump sum or through monthly payroll deductions. As of June 3, 2015, the Town has received repayments of \$3,263 from the pensioners of the 1937 Firefighters' Pension Plan.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS - PENSION BENEFITS

The Town pays monthly fire pension benefits to its pensioners at the time of the Town's first payroll each month instead of at the end of the month. This payment method results in pension benefits being paid in advance.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FIRE PENSION
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2015, with Kyle E. Johnson, Fire Pension Secretary, and Sherry Lockard, Deputy Clerk-Treasurer.

The contents of this report were discussed on June 11, 2015, with Bob Polston, President of the Town Council.

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POLICE PENSION
TOWN OF CLARKSVILLE

POLICE PENSION
TOWN OF CLARKSVILLE
AUDIT RESULTS AND COMMENTS

COLLECTION OF AMOUNTS DUE

During the period January 2013 through February 2015, four pensioners of the 1925 Police Officer's Pension Plan were overpaid a total of \$1,834.

Agreements have been entered into between the Town and each pensioner to either repay the overpayments in a lump sum or through monthly payroll deductions. As of June 3, 2015, the Town has received repayments of \$1,175 from the pensioners of the 1925 Officers' Pension Plan.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADVANCE PAYMENTS - PENSION BENEFITS

The Town pays monthly police pension benefits to its pensioners at the time of the Town's first payroll each month instead of at the end of the month. This payment method results in pension benefits being paid in advance.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE PENSION
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 4, 2015, with Jason Tackett, Police Pension Secretary, and Sherry Lockard, Deputy Clerk-Treasurer.

The contents of this report were discussed on June 11, 2015, with Bob Polston, President of the Town Council.

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REDEVELOPMENT COMMISSION
TOWN OF CLARKSVILLE

REDEVELOPMENT COMMISSION
TOWN OF CLARKSVILLE
AUDIT RESULT AND COMMENT

USE OF TAX INCREMENT FINANCING (TIF) FUNDS

The Town has established a TIF allocation fund as authorized by Indiana Code 36-7-4-39. A review of expenditures paid from the TIF allocation fund during 2013 noted disbursements that were considered unallowable, such as improvements to facilities constructed with TIF funds and repairs and/or maintenance of facilities and equipment. The following is a schedule of those unallowable disbursements from the fund:

<u>Description of Expenditures</u>	<u>2013</u>
Police Station addition and renovations	\$ 949,299
HVAC for Town Hall and Police Station	167,449
Donations to Falls of the Ohio Foundation to fund new exhibits	250,000
Park and Golf Course Equipment	<u>132,057</u>
 Total	 <u><u>\$ 1,498,805</u></u>

Indiana Code 36-7-14-39(b)(3) states in part:

". . . property tax proceeds . . . shall be allocated to the redevelopment district and when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:

- (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.
- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.

REDEVELOPMENT COMMISSION
TOWN OF CLARKSVILLE
AUDIT RESULT AND COMMENT
(Continued)

(F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.

(G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.

(H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.

(I) For property taxes first due and payable before January 1, 2009, . . .

(J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

(K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located: (i) in the allocation area; and (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance. . . .

(L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. . . .

The allocation fund may not be used for operating expenses of the commission."

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

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).

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June 22, 2015

M. Scott Shireman
Audit Manager
State Board of Accounts
302 West Washington Street, Suite E418
Indianapolis, Indiana 46204

RE: Reports on Town of Clarksville, 2012 and 2013

Dear Mr. Shireman:

I have had the opportunity to review and investigate the State Board of Account's report of the Town of Clarksville for the years 2012 and 2013 and respond as follows to the comments regarding use of tax increment financing ("TIF") by the Redevelopment Commission:

Indiana Code 36-7-14-39(b)(J) authorizes the use of TIF to "pay expenses incurred by the Commission for local public improvements that are in the allocation area or serving the allocation area." The law does not define what a "local public improvement" is, leaving it to local officials to decide what a "local public improvement" is. Under this law, the Clarksville Redevelopment Commission used its tax increment financing fund according to the law.

Police Station addition and renovations, HVAC for Town Hall and Police Station

These comments by the Board of Accounts are being addressed together. In 1994, the Clarksville Police Station and Town Hall were built on the Town Hall campus by the Commission with tax increment financing funds. Both the police station and the Town Hall are in the allocation area.

The addition to the police station made in 2012 and 2013 was a physical expansion of the original building, adding approximately 7000 square feet, new rooms, and updates, improving the existing facility. At the same time, the HVAC systems for the police station and the Town Hall were replacements of the old systems. Simple maintenance of the HVAC was not feasible because of changes made by the Environmental Protection Agency, and replacements were necessary.

The position of the Board of Accounts appears to be that, once a project is completed, the Commission cannot return to the project and make further improvements. This interpretation leads to stagnation of facilities and would prevent such things as widening a road that was originally built with TIF or installing a warranted traffic light. Preventing improvements and updates to facilities and projects originally built with TIF would be an absurd result. The law

does not limit the Commission in such a way, and the use of these funds for the improvements made here is lawful.

Donations to Falls of the Ohio Foundation

The Falls of the Ohio Interpretive Center is a major public attraction owned by the Indiana Department of Natural Resources that has been closed since November, 2014 while undergoing renovations. The interpretive center provides an economic development benefit to the TIF area by drawing tourists to the area and increasing property values in the area

The Falls of the Ohio Foundation is a charitable organization that supports the interpretive center. The Commission made payments to the Falls of the Ohio Foundation to purchase new exhibits for the renovated Falls of the Ohio Interpretive Center, which is undergoing a major redesign of its entire facility. These payments were toward "local public improvements" as determined by the Commission and were lawful.

Park and Golf Course Equipment

The Redevelopment Commission has appropriated this money to the Clarksville Parks Department for several years before 2012 and 2013. The Board of Accounts has reviewed this use of TIF funds in those prior years and permitted them because these expenditures for equipment is not prohibited by the statute. Further, the Commission has determined that these expenditures are within the law under Indiana Code 36-7-14-39(b)(J) as a "local public improvement."

Parks Restroom Renovations

These restrooms are located in Lapping Park within the TIF allocation area. The project completely rebuilt the old restrooms from the ground up, with new buildings, toilets, urinals, and sinks. The project was not simply maintenance on the existing restrooms. The Commission determined that these expenditures are within the law under Indiana Code 36-7-14-39(b)(J) as a "local public improvement."

Fire Station Appliances, Furnishings and Fitness Equipment

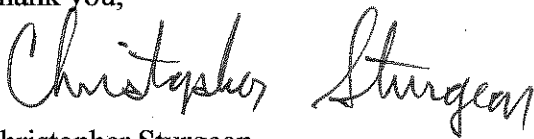
In 2011, the Commission used TIF funds to pay for a completely new fire station headquarters to be constructed on the Town Hall campus in 2012. The purchases of the furnishings for the new fire station in 2012 were part of the project, made to complete the project. The contractor could have included these items as part of the construction project, with a possible mark-up on the prices, and there likely would be no questions or comments for these expenditures. The Commission determined to pay for these furnishings separately to avoid having to pay a possible

mark-up, thus saving money and giving the Commission control over the expenses. This was a lawful use of TIF funds.

Conclusion

Indiana Code 36-7-14-39(J) authorizes the Commission to “pay expenses incurred by the Commission for local public improvements that are in the allocation area or serving the allocation area.” There are no specific definitions of “public improvements” or “expenses incurred” in IC 36-7-14, leaving such determinations to be made by the local officials of the Commission. These uses of Tax Increment Financing funds were for a local public improvement in the allocation area and were lawful and proper.¹

Thank you,



Christopher Sturgeon
Clarksville Town Attorney

¹ Although Indiana Code 36-7-14-39 states that, “the allocation fund may not be used for operating expenses of the commission,” the language restricts use of TIF funds for *operating expenses of the Commission*. The expenditures identified here were not for salaries, supplies, or similar operating expenses of the Commission. They were used for public improvement projects.

REDEVELOPMENT COMMISSION
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 10, 2015, with Nick Lawrence, Director; Robert Popp, President of the Redevelopment Commission; Chris Sturgeon, Attorney; and Anita Neeld, Administrative Assistant.

The contents of this report were discussed on June 11, 2015, with Bob Polston, President of the Town Council.

The contents of this report were also discussed on August 26, 2015, with Nick Lawrence, Director; Robert Popp, President of the Redevelopment Commission; Bob Polston, President of the Town Council; Chris Sturgeon, Attorney; Sherry Locard, Deputy Clerk-Treasurer; and Anita Neeld, Administrative Assistant.