

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CARMEL

HAMILTON COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
03/22/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Mayor	James Brainard	01-01-12 to 12-31-19
Clerk-Treasurer	Diana L. Cordray Christine Pauley	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President Pro Tempore of the Common Council	W. Eric Seidensticker Rick Sharp Ron Carter	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16
Utilities Director	John Duffy	01-01-14 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE CITY OF CARMEL, HAMILTON COUNTY, INDIANA

This report is supplemental to our examination report of the City of Carmel (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Examination Report of the City, which provides our opinion on the City'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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

January 13, 2016

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CLERK-TREASURER  
CITY OF CARMEL

CLERK-TREASURER  
CITY OF CARMEL  
EXAMINATION RESULTS AND COMMENTS

**ACCOUNTING FOR THE FINANCIAL TRANSACTIONS OF  
THE CARMEL REDEVELOPMENT COMMISSION FUNDS**

The City of Carmel Clerk-Treasurer is the Fiscal Officer for the Carmel Redevelopment Commission (CRC). Prior to January 1, 2013, the CRC funds were not accounted for as part of the City's financial records. In 2014, the CRC funds were accounted for as one fund within the City's financial records. The City receipts Tax Increment Financing (TIF) tax collections for 28 individual allocation areas on a semiannual basis into the Redevelopment Commission fund. Additionally, other revenue sources are receipted to this fund. Other revenue sources primarily include: rents, energy consumption payments, Carmel City Center Community Development Corporation (4CDC) grants, and interest. Because all funds are not spent each year, residual cash balances accumulate. TIF tax collections must be spent in accordance with Indiana statutes, various debt covenants, or other agreements. Other revenue sources have different restrictions or provisions guiding their use; some other revenue sources have no restrictions.

By not establishing a subsidiary ledger accounting for each CRC fund that would be part of the City's financial records, the Clerk-Treasurer as Fiscal Officer for the Carmel Redevelopment Commission did not properly maintain a record of financial activity by TIF District. A separate accounting of amounts derived from other revenue sources was also not maintained. Because all receipts and disbursements were recorded in the Redevelopment Commission fund and thus comingled into this single fund with no subsidiary ledger to separate the activity and accumulated balances, it was not possible to determine the portion of the total balance that is attributable to each allocation area and the balance derived from other sources.

The CRC maintained ledgers for the Redevelopment Commission fund, including a subsidiary ledger for the individual allocation areas. Besides recording receipts for the TIF tax collections, other revenue sources were also receipted to the allocation area; therefore, the resulting balances contain comingled revenue sources. These ledgers maintained by the CRC are not part of the City's financial records maintained by the Clerk-Treasurer as the City's Fiscal Officer.

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

"Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivisions (1) and (2) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area . . . "

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)

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 Cities and Towns, Chapter 7)

At all times, the manual and/or 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)

CLERK-TREASURER  
CITY OF CARMEL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**ENERGY CENTER - UNPAID BALANCES**

The City is responsible for charges related to its Energy Consumption Agreements (Agreements) for the City Hall, Police Station, Fire Station, and Palladium. The Agreements were entered into on November 1, 2010. Except for the Palladium, the billings and payments have not been made in accordance with the Agreements. It was reported that certain capital costs included in the Agreements were disputed by City officials and the Carmel Redevelopment Commission reduced the billings to remove the portion attributed to these capital costs. However, the initial Agreements have not been formally amended or revised. For 2014, the City was billed for the three buildings (City Hall, Police Station, and Fire Station) excluding the capital costs charges; the amounts were paid as billed in 2014.

A similar comment appeared in prior Report B45148.

For 2012, 2013, and 2014, the City has not paid the amounts due from these Agreements. The following schedule indicates the unpaid obligation due to the reduced billings and payments:

<u>2014</u>	Energy Consumption Agreement Annual Amount	Reduced Billed/Paid Amount	Under Billed/Paid
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
Totals - 2014	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>
<u>Prior Year (2013)</u>			
City Hall	\$ 429,690	\$ 71,203	\$ (358,487)
Police Station	197,955	32,803	(165,152)
Fire Station	<u>157,211</u>	<u>26,051</u>	<u>(131,160)</u>
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Totals - 2012	<u>\$ 784,856</u>	<u>\$ 130,057</u>	<u>\$ (654,799)</u>
Three Year Totals	<u>\$ 1,569,712</u>	<u>\$ 260,114</u>	<u>\$ (1,964,397)</u>

CLERK-TREASURER  
CITY OF CARMEL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**COMPENSATION AND BENEFITS - SALARY OVERPAYMENT TO JUDGE**

The City paid compensation to the City Judge in excess of the adopted Salary Ordinance D-2149-13. The Salary Ordinance stated the City Judge was to receive \$4,428 for each biweekly pay period. The City Judge was paid \$4,478 for each biweekly pay period. This resulted in the City Judge being overpaid in 2014 by \$1,300. The overpayment was brought to the City Judge's attention and he agreed to make repayment.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-4-7-2 states:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected city officer for performing duties as a city officer, regardless of the source of funds from which the money is paid.

(b) The city legislative body shall, by ordinance, fix the annual compensation of all elected city officers.

(c) The compensation of an elected city officer may not be changed in the year for which it is fixed nor may it be reduced below the amount fixed for the previous year."

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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**OVERDRAWN CASH BALANCES**

The financial statement presented for examination included funds with overdrawn cash balances at December 31, 2014. The Water Operating and Water Availability funds were overdrawn by \$1,365,985 and \$1,347,943, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
CITY OF CARMEL  
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2016, with Diana L. Cordray, former Clerk-Treasurer; Christine Pauley, Clerk-Treasurer; and James Brainard, Mayor.

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REDEVELOPMENT COMMISSION  
CITY OF CARMEL

REDEVELOPMENT COMMISSION  
CITY OF CARMEL  
EXAMINATION RESULT AND COMMENT

**ENERGY CENTER - UNPAID BALANCES**

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Three Year Totals	<u>\$ 1,569,712</u>	<u>\$ 260,114</u>	<u>\$ (1,964,397)</u>

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)

REDEVELOPMENT COMMISSION  
CITY OF CARMEL  
EXIT CONFERENCE

The contents of this report were discussed on January 13, 2016, with Diana L. Cordray, former Clerk-Treasurer; Christine Pauley, Clerk-Treasurer; James Brainard, Mayor; Corrie Meyer, Director of Redevelopment; Michael Lee, Office Manager; and William Hammer, Redevelopment Commission Board President.