

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF CROWN POINT

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED

12/06/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Approval of Accounts Payable Vouchers	6
State Revolving Fund Loan Proceeds	6
Official Response.....	7
Exit Conference	8
Redevelopment Commission:	
Audit Result and Comment:	
Redevelopment Commission General Fund and TIF Allocation Areas	10-11
Exit Conference	12

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kristie L. Dressel	01-01-16 to 12-31-19
Mayor	David D. F. Uran	01-01-16 to 12-31-19
President of the Board of Public Works	David D. F. Uran	01-01-17 to 12-31-18
President Pro Tempore of the Common Council	Laura Sauerman Chad Jeffries	01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CITY OF CROWN POINT, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the City of Crown Point (City), for the period from January 1, 2017 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at 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 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 24, 2018

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CLERK-TREASURER
CITY OF CROWN POINT

CLERK-TREASURER
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS

APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

In 2017, debt payments totaling \$56,491 and fund to fund transfers totaling \$3,663,215 were not approved by the fiscal officer or legislative body. In addition, the State Revolving Fund Loan drawdown requests of \$4,966,744 to disburse funds from the loan proceeds were not approved by the appropriate governing body.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-10-2(e) states:

"Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law."

STATE REVOLVING FUND LOAN PROCEEDS

The State Revolving Fund (SRF) loan monthly trust activity was not timely or accurately posted and reported. In December, the City posted the annual drawdown activity in two journal entries. The journal entries posted did not include Request #33 for \$24,422 for the 2015 SRF loan or Request #23 to #25 totaling \$669,494 for the 2017 SRF loan.

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Prescribed Forms, Taxes, General Information, Local Policies, and Deposits and Investments, Chapter 1)



CITY OF CROWN POINT

CLERK-TREASURER

Kristie L. Dressel
Clerk-Treasurer

Official Response

Audit Results and Comments

City of Crown Point

Clerk-Treasurer Office

October 31, 2018

State Board of Accounts:

302 West Washington Street

Room E418

Indianapolis, Indiana 46204-2769

Attention: Paul D. Joyce, State Examiner

Approval of Accounts Payable Vouchers:

Due to our software, some of these fund to fund transfers did not get transferred over. We are putting in some new controls to make sure all of the debt payments and fund to fund transfers will be approved by the governing legislative body each month as they are processed. Also we will make sure signatures of the legislative body going forward will be on the State Revolving fund loan drawdowns to be approved by the governing legislative body and we will have a docket signed by the governing legislative body.

State Revolving Fund Loan Proceeds:

We are putting in timely and accurately posting and will be monitored on a monthly basis. This will make sure all is accounted for in a timely manner and corrected.

Thank you!

Kristie Dressel

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CLERK-TREASURER
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2018, with Kristie L. Dressel, Clerk-Treasurer; David D. F. Uran, Mayor; Robert Clemons, Common Council member; Greg Falkowski, Chief of Staff; David H. Nicholls, City Attorney; and Juline Heidbreder, Deputy Clerk.

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
AUDIT RESULT AND COMMENT

REDEVELOPMENT COMMISSION GENERAL FUND AND TIF ALLOCATION AREAS

A same comment also appeared in prior Reports B46900, B46902, and B49135.

The establishment of a Redevelopment General Fund is authorized by Indiana Code 36-7-14-28(c).

A Redevelopment Commission has the duties set forth in Indiana Code 36-7-14-11, which provides for the investigation, selection, acquisition, development, and disposal of property in "areas needing redevelopment." The powers granted to a Redevelopment Commission in Indiana Code 36-7-14-12.2 allow the commission to develop property in the areas needing redevelopment and to carry out other activities "for redevelopment purposes." "Redevelopment" includes activities contained in Indiana Code 36-7-1-18.

Tax Increment Financing (TIF) distributions received for each TIF allocation area were to be receipted into an allocation fund for that specific allocation area per Indiana Code 36-7-14-39(b)(3). The City, however, receipted all TIF distributions into the C.P. Redevelopment Fund in 2017.

The main sources of revenue for the C. P. Redevelopment Fund in 2017 were from TIF distributions for the I-65 Allocation Area of \$2,387,181, the TIF distributions for the Sportsplex Allocation Area of \$34,616, TIF distributions for the Redevelopment Area of \$298,408, Indiana Department of Transportation grant reimbursements accounted for \$519,638, the sale of property proceeds of \$298,446 and the remaining receipts were from donations, and adjustments and refunds accounting for \$703,358.

Because the City had not created and posted TIF distributions received into separate allocation area funds as required by the Indiana Code, compliance with the restricted uses authorized in Indiana Code 36-7-14-39(b)(3) could not be verified.

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 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
CITY OF CROWN POINT
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, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission. This credit equals the amount determined under the following STEPS for each taxpayer in a taxing district (as defined in [IC 6-1.1-1-20](#)) that contains all or part of the allocation area: . . .
- (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. However, property tax proceeds may be used under this clause to pay the costs of carrying out an eligible efficiency project only if those property tax proceeds exceed the amount necessary to do the following: . . .
- (M) Expend money and provide financial assistance as authorized in section 12.2(a)(27) of this chapter.

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

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)

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2018, with Kristie L. Dressel, Clerk-Treasurer; David D. F. Uran, Mayor; Robert Clemons, Common Council member; Greg Falkowski, Chief of Staff; David H. Nicholls, City Attorney; and Juline Heidbreder, Deputy Clerk.