

**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, 2018 to December 31, 2018



**FILED**  
07/30/2019



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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 and Safety	David D. F. Uran	01-01-18 to 12-31-19
President Pro Tempore of the Common Council	Chad Jeffries	01-01-18 to 12-31-19



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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, 2018 to December 31, 2018. 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/](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.

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

June 27, 2019

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REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT

REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT  
AUDIT RESULT AND COMMENT

**REDEVELOPMENT COMMISSION GENERAL FUND AND TIF ALLOCATION AREAS**

The same comment also appeared in four prior Reports, including the three most recent Reports B46902, B49135, and B51487.

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, did not receipt all the TIF distributions into separate allocation area funds in 2018.

The main sources of revenue for the C.P. Redevelopment Fund in 2018 were from TIF distributions for the I-65 Allocation Area of \$2,335,892, the TIF distributions for the Sportsplex Allocation Area of \$35,382, and TIF distributions for the Redevelopment Area (Mainstreet) Allocation Area of \$319,000, Indiana Department of Transportation grant reimbursements accounted for \$617,992, the sale of property proceeds of \$159,065, and the remaining receipts were from donations and refunds for \$40,900.

The Mainstreet TIF Fund included revenue from the June TIF distribution for the Mainstreet Allocation Area of \$275,122 and a transfer from the C.P. Redevelopment Fund of \$228,147 in June 2018. The City had created a Sportsplex TIF Fund; however, no transactions were posted to the fund. The City had not created a separate fund for the I-65 TIF Allocation Area activity.

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.

REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT  
AUDIT RESULT AND COMMENT  
(Continued)

(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.

(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."

REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT  
AUDIT RESULT AND COMMENT  
(Continued)

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)



## CITY OF CROWN POINT

## OFFICE OF THE MAYOR

David D.F. Uran  
Mayor

Greg Falkowski  
Chief of Staff

August 1, 2019

Dawn R. Anderson, MSA, CPA  
Director of the Office of Professional Standards  
Indiana State Board of Accounts  
302 W. Washington St., E418  
Indianapolis, Indiana 46204

Dear Ms. Anderson,

The City of Crown Point appreciates the courtesies extended by your agency in the progression of filing our CAPS and the associated materials in support thereof.

The City feels that upon review of the findings confidentially disclosed to us at our Exit Conference on June 27, 2019 that compliance has been or in the very near future will be achieved.

The issue designated by the Auditors governing the HIDTA purchasing policy in conjunction with the City has been cured through action of its Board of Public Works and Safety almost immediately and in fact was achieved on June 9, 2019 prior to the Exit Conference held June 26, 2019.

In regards to the findings disclosed concerning the TIF accounting not having a fund in existence for each particular allocation area, the City believes that it has worked out planning with the County Auditor and internally that will enable this to be achieved prior to the end of this calendar year of 2019.

We again thank you and your agency for the courtesy extended to the City of Crown Point and request that this formal response by myself on behalf of the City be posted. The supporting materials submitted including the **Corrective Action Plan** is available for review upon request at the Mayor's Office located at 101 N. East St or by calling 219-662-3240.

Sincerely,

David D. F. Uran  
Mayor

[www.crownpoint.in.gov](http://www.crownpoint.in.gov)

101 N. East Street • Crown Point, IN 46307

Office (219) 662-3240

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REDEVELOPMENT COMMISSION  
CITY OF CROWN POINT  
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2019, with Kristie L. Dressel, Clerk-Treasurer; David D. F. Uran, Mayor; Laura Sauerman, Common Council member; Aaron McDermott, Redevelopment Commission Vice President of the Redevelopment Commission; Gregory Falkowski, Chief of Staff; David H. Nicholls, City Attorney; and Juline Heidbreder, Deputy Clerk.