

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, 2020 to December 31, 2020



FILED
02/11/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David Benson	01-01-20 to 12-31-22
Mayor	David D. F. Uran	01-01-20 to 12-31-22
President of the Board of Public Works and Safety	David D. F. Uran	01-01-20 to 12-31-22
President Pro Tempore of the Common Council	Scott Evorik Zack Bryan	01-01-20 to 12-31-21 01-01-22 to 12-31-22



STATE OF INDIANA
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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, 2020 to December 31, 2020. 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 Audit Report of the City, which provides our opinions on the City's financial statement. 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

January 26, 2022

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CLERK-TREASURER
CITY OF CROWN POINT

CLERK-TREASURER
CITY OF CROWN POINT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Condition and Context

The City relied on a consultant for the preparation and entry of the Annual Financial Report (AFR) data into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement. The consultant did not provide the City with documentation as to how the information entered for the AFR was determined.

The AFR was submitted by the City without evidence of a review or oversight process to ensure the accuracy and completeness of the financial information submitted. The failure to identify risks or establish internal controls could have enabled material misstatements to be undetected.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

Condition and Context

The City created a Motor Vehicle Highway (MVH) - Restricted sub-fund within the Motor Vehicle fund and posted 50 percent of the state motor vehicle highway distributions to the sub-fund as required. However, the City disbursed \$17,423 for cold patch materials, paint for parking lots and municipal speed bumps, and water repellent and application equipment for intersection maintenance expenses from the MVH Restricted fund. These disbursements were not for the construction, reconstruction, and preservation of the City's highways.

Criteria

Indiana Code 8-14-1-5(c) states: "For funds distributed to a city or town from the motor vehicle highway account, the city or town shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the city's or town's highways."

CLERK-TREASURER
CITY OF CROWN POINT
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2022, with David Benson, Clerk-Treasurer; David D. F. Uran, Mayor; Zack Bryan, President of the Common Council; Dawn Stokes, Common Council member; Aaron McDermott, Vice President of the Redevelopment Commission; David H. Nicholls, City Attorney; Gregory Falkowski, Chief of Staff; Bette J. Babjak, Chief Deputy; Sheri L. Herma, Deputy Clerk.

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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

A similar comment also appeared in six prior Reports, including the three most recent Reports B51487, B53093, and B55588.

Condition and Context

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 receipted the TIF Crown Point Sportsplex distributions and TIF Redevelopment Area distributions into a separate allocation area fund. However, the TIF I-65 distributions were receipted into the Redevelopment General fund (C.P. Redevelopment Fund), instead of a separate allocation area fund.

The main sources of revenue for the C.P. Redevelopment Fund in 2020 were from TIF distributions for the I-65 Allocation area of \$2,412,750, and Indiana Department of Transportation grant reimbursements of \$405,234

The expenses noted below from the C.P. Redevelopment Fund, which were funded by TIF distributions, were not within the restricted uses authorized in Indiana Code 36-7-14-39(b)(3):

1. Newspaper advertisements for public hearings not related to a TIF and for promotion of the City, totaling \$3,140.
2. Financial consulting services for the Redevelopment Commission for annual presentation to all governing bodies within an allocation area in the amount of \$2,500.
3. Minute books in the amount of \$371.
4. Legal services invoices tested noted that the legal expenses paid were for the Redevelopment Commission. However, the descriptions did not always document how the expenses related to the I-65 allocation area. These disbursements, totaling \$5,180, included activities such as Freedom of Information Act Requests, attending Redevelopment Commission meetings, services related to the Sportsplex TIF allocation area and fund, and meetings with other professional service providers and consultants.

Criteria

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:

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

- (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.
- (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. . . .
- (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)

REDEVELOPMENT COMMISSION
CITY OF CROWN POINT
EXIT CONFERENCE

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