

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GIBSON COUNTY, INDIANA

January 1, 2021 to December 31, 2021



FILED
08/02/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Michael A. Watkins	01-01-21 to 12-31-22
County Treasurer	Mary Ann O'Neal	01-01-21 to 12-31-22
Clerk of the Circuit Court	James R. Morrow	01-01-21 to 12-31-22
County Sheriff	Timothy Bottoms	01-01-21 to 12-31-22
County Recorder	Tonya Thompson	01-01-21 to 12-31-22
President of the Board of County Commissioners	Warren Fleetwood Kenneth Montgomery	01-01-21 to 12-31-21 01-01-22 to 12-31-22
President of the County Council	Jeremy Overton	01-01-21 to 12-31-22



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 GIBSON COUNTY, INDIANA

This report is supplemental to our audit report of Gibson County (County), for the period from January 1, 2021 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statement Audit Report of the County, which provides our opinions on the County'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.

Beth Kelley, CPA, CFE
Deputy State Examiner

July 11, 2022

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COUNTY AUDITOR
GIBSON COUNTY

COUNTY AUDITOR
GIBSON COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENT ACTIVITY FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

The same comment also appeared in prior Report B59173.

Condition and Context

All ten MVH Restricted fund disbursements selected for compliance testing were for activities not specifically related to construction, reconstruction, or preservation of the County's highways. The disbursements included payroll, bulk purchases for stone, gas, and other expenditures for nonspecified future projects.

Criteria

Indiana Code 8-14-1-4(b) states: "For funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

COUNTY AUDITOR
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2022, with Michael A. Watkins, County Auditor; Kenneth Montgomery, President of the Board of County Commissioners; Warren Fleetwood, County Commissioner; Jeremy Overton, President of the County Council; Gwendolyn Williams, Payroll Health Deputy County Auditor; Mary Ann O'Neal, County Treasurer; and Jason Spindler, County Attorney.

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COUNTY HIGHWAY DEPARTMENT
GIBSON COUNTY

COUNTY HIGHWAY DEPARTMENT
GIBSON COUNTY
AUDIT RESULT AND COMMENT

DISBURSEMENT ACTIVITY FROM MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND

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COUNTY HIGHWAY DEPARTMENT
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2022, with Michael A. Watkins, County Auditor; Kenneth Montgomery, President of the Board of County Commissioners; Warren Fleetwood, County Commissioner; Jeremy Overton, President of the County Council; Gwendolyn Williams, Payroll Health Deputy County Auditor; Mary Ann O'Neal, County Treasurer; Juli Shade, County Highway Bookkeeper; and Jason Spindler, County Attorney.

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COUNTY REDEVELOPMENT COMMISSION
GIBSON COUNTY

COUNTY REDEVELOPMENT COMMISSION
GIBSON COUNTY
AUDIT RESULT AND COMMENT

TAX INCREMENT FINANCING (TIF) ALLOCATION FUND USES

A similar comment appeared in prior Reports B47368, B50822, B53148, and B59173, entitled *TAX INCREMENT FINANCING (TIF) ALLOCATION FUND USES*.

Condition and Context

The County Redevelopment Commission authorized expenditures for the following projects during the audit period. None of the projects listed below were located within the allocation area, nor does the documentation provided show that the projects directly serve or benefit the allocation area as opposed to any other area of the County.

- Allocated \$2,600,000 in prior years to establish the I-69 Corridor Economic Development Area. During the audit period, \$664,092 was spent on the I-69 Project for professional services regarding interchanges.
- In June 2021, allocated \$57,929 to replace the HVAC system of the Council on Aging building. In September 2021, also allocated \$49,025 to blacktop the parking lot. During the audit period, \$77,990 was spent on this project.

Criteria

The power of a redevelopment commission to expend redevelopment funds, such as TIF funds, is limited to the express statutory powers as set forth in IC 36-7-14, *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). The use of TIF funds is specifically limited to those uses set forth in IC 36-7-14-39(b)(3). IC 36-9-27-39(b)(3)(J) allows the redevelopment commission to pay expenses incurred for local public improvements that are in the allocation area or serving the allocation area. Absent the expenditures being in the allocation area, Indiana Code requires the expenditures to directly benefit or serve those areas.

Indiana Code 36-7-25-3(a) states in part:

"Projects, improvements, or purposes that may be financed by a commission . . . may be financed if the projects, improvements, or purposes are not located in those areas or the redevelopment district as long as [emphasis added] the projects, improvements, or purposes directly serve or benefit those areas [emphasis added]."

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 Counties of Indiana, Chapter 1)

**GIBSON COUNTY REDEVELOPMENT COMMISSION
GIBSON COUNTY
RESPONSE TO 2021 AUDIT RESULT AND COMMENT**

The 2021 Audit Result and Comment (Comment) of the State Board of Accounts (SBoA) identifies two (2) instances of expenditures of allocated tax proceeds (TIF) for certain projects and asserts that:

None of the projects listed below were located within the allocation area nor does the documentation provided show that a determination was made by the County Redevelopment Commission that the projects will directly serve or benefit the allocation area as opposed to any other area of the county.

A portion of the identified projects include:

- I-69 Corridor Economic Development Area engineering services, survey, design and right-of-ways/professional services regarding interchanges.

The Gibson County Redevelopment Commission adopted a resolution on December 3, 2018, finding and determining that the above-mentioned projects serve or directly benefit the allocation area. The Board of Commissioners of Gibson County adopted a resolution on December 4, 2018, approving the December 3, 2018, resolution of the Gibson County Redevelopment Commission. Executed copies of these resolutions were previously submitted to the SBoA. Additionally, draft versions of these resolutions were provided to the SBoA on October 25, 2018. We attempted to discuss these matters with SBoA on multiple occasions and have been awaiting a response for quite some time. We would be happy to provide the relevant documentation again as a matter of courtesy; however, we were advised that our response should be limited to a few pages.

The aforementioned documentation specifically states: “The Commission find and determines that the Projects (i) serve the Area and the Original Allocation Area. . . and (ii) directly serve or benefit the Original Allocation Area, the Area and the Gibson County Redevelopment Area. . .” Exhibit B to the 12/3/18 resolution provides a specific explanation of **how the project does indeed directly serve or benefit the allocation area**. While these benefits may also benefit the rest of the County, the Commission made a finding explaining how the project serves and benefits the area.

In addition to the projects listed above, the 2021 Comment identified an additional project which was included in the finding noted above:

- In June 2021, allocated \$57,929 to replace the HVAC system of the Council on Aging building. In September 2021, also allocated \$49,025 to blacktop the parking lot. During the audit period \$77,990 was spent on this project.

The Gibson County Redevelopment Commission believes that these projects were already covered by the general language describing projects in the existing economic development plan as originally adopted and amended over numerous times since adoption and intends to adopt a resolution ratifying these expenditures.

We reiterate that expenses described under IC 36-7-14-25.1 that may be properly paid for with TIF include, but are not limited to:

- the total, as estimated by the Redevelopment Commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment or economic development of the of the property, including:
 - the total cost of all land, rights-of-way, and other property to be acquired and redeveloped; and
 - all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds.

The determination as to whether an expense is reasonably incurred in connection with the redevelopment or economic development of the property **is a factual determination to be made the Gibson County Redevelopment Commission, in its discretion.** In each instance noted by the SBOA, the Gibson County Redevelopment Commission made a finding that each project directly served or benefitted the allocation area in question.

After adoption of each declaratory and confirmatory resolution making the necessary findings discussed herein local counsel submitted the resolutions and minutes to the Gibson County Board of Commissioners and to the SBOA.

We will be happy to provide any further documentation and/or discuss this with you further.

COUNTY REDEVELOPMENT COMMISSION
GIBSON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2022, with Michael A. Watkins, County Auditor; Kenneth Montgomery, President of the Board of County Commissioners; Warren Fleetwood, County Commissioner; Jeremy Overton, President of the County Council; Gwendolyn Williams, Payroll Health Deputy County Auditor; Mary Ann O'Neal, County Treasurer; Phil Young, President of the Redevelopment Commission; James G. McDonald III, County Redevelopment Commission Attorney; and Jason Spindler, County Attorney.