

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

**AUDIT REPORT
OF**

**CARMEL REDEVELOPMENT COMMISSION
CITY OF CARMEL
HAMILTON COUNTY, INDIANA**

January 1, 2012 to December 31, 2012



FILED
09/19/2013

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James Higgins Diana Cordray	01-01-12 to 12-31-12 01-01-13 to 12-31-15
Mayor	James Brainard	01-01-12 to 12-31-15
President of the Redevelopment Commission	William Hammer	01-01-12 to 12-31-13
President of the City Council	Richard Sharp	01-01-12 to 12-31-13



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CARMEL REDEVELOPMENT COMMISSION

We have audited the records of the Carmel Redevelopment Commission for the period from January 1, 2012 to December 31, 2012, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of City of Carmel for the year 2012.

A handwritten signature in black ink, appearing to read "Bruce Hartman", is written in a cursive style.

Bruce Hartman
State Examiner

July 8, 2013

CARMEL REDEVELOPMENT COMMISSION
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS

The Carmel Redevelopment Commission (CRC) is not using the prescribed Form 208 for their ledger of receipts, disbursements, and balances. Instead, an Excel spreadsheet is in use. Some of the risks of using Excel are that the unit is not able to maintain an audit trail of transactions and an entry could be removed permanently from the records, without anyone having knowledge of the activity. The CRC is also not always using the prescribed Form 203A to document receipts collected.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COLLECTION OF AMOUNTS DUE

The following amounts were due to the CRC as of December 31, 2012:

1. The CRC has a Parking and Grant Agreement with the Carmel City Center Community Development Corporation (4CDC) to receive a \$2.50 surcharge for each ticket sold for all events at the Palladium. A total of 81,330 tickets were sold for 2012. The CRC should have collected \$203,325; however, actual collections for the ticket surcharges were \$173,860.62. The CRC had collections due in the amount of \$29,464.38 from the Center for Performing Arts.
2. The CRC has Energy Consumption Agreements to provide energy from the Energy Center with each of the following: City Hall, Police Department, Fire Department, Palladium, Office Building, and Tarkington. Per the agreements, the amounts due for the applicable months of 2011 and all of 2012 totaled \$1,343,697.60. The actual collections received totaled \$555,822.90. The CRC had collections due in the amount of \$787,874.70 from the various entities listed above.
3. The CRC has a lease rental agreement with BJS, LLC (D.B.A. Shapiro's) for \$1,000 per month plus the lesser of: 4 percent of Gross Sales or 50 percent of Net Sales. For 2011 and 2012, the total amount due for rent was \$24,000. Actual collections relating to 2011 and 2012 rent totaled \$6,000. The CRC had rent collections due in the amount of \$18,000 from BJS, LLC. Financial records showing the calculations of the sales amounts due per the Lease Rental agreement between the CRC and BJS, LLC (D.B.A. Shapiro's) were not presented for audit. The amount due to the CRC for the sales portion of the lease is unknown.

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)

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)

CARMEL REDEVELOPMENT COMMISSION
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE

During our review to verify that receipts were properly issued by the CRC, we found that no receipt was written for 73 percent of the revenues received.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

USES OF TAX INCREMENT FINANCING (TIF) FUNDS

The CRC receives TIF tax collections for 27 individual allocation areas on a semiannual basis. These collections are receipted into a cash account, controlled by the CRC, and are accounted for separately in subsidiary funds. Some of these TIF revenues are being loaned from these subsidiary funds to the general operating fund for operational uses. Also, the CRC is granting TIF revenues to the 4CDC, a nongovernmental entity, for uses that cannot be verified.

Indiana Code 36-7-14-39 states in part:

"(a) As used in this section: 'Allocation area' means that part of a redevelopment project area to which an allocation provision of a declaratory resolution adopted under section 15 of this chapter refers for purposes of distribution and allocation of property taxes . . .

(b) . . . (1) Except as otherwise provided in this section, the proceeds of the taxes attributable to the lesser of:

(A) the assessed value of the property for the assessment date with respect to which the allocation and distribution is made; or

(B) the base assessed value; shall be allocated to and, when collected, paid into the funds of the respective taxing units.

(2) The excess of the proceeds of the property taxes imposed for the assessment date with respect to which the allocation and distribution is made that are attributable to taxes imposed after being approved by the voters in a referendum or local public question conducted after April 30, 2010, not otherwise included in subdivision (1) shall be allocated to and, when collected, paid into the funds of the taxing unit for which the referendum or local public question was conducted.

(3) 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.

CARMEL REDEVELOPMENT COMMISSION
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

(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 . . .

(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.

However, the total amount of money spent for this purpose in any year may not exceed the total amount of money in the allocation fund that is attributable to property taxes paid by the industrial facilities described in this clause. The reimbursements under this clause must be made within three (3) years after the date on which the investments that are the basis for the increment financing are made.

(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:

CARMEL REDEVELOPMENT COMMISSION
CITY OF CARMEL
AUDIT RESULTS AND COMMENTS
(Continued)

- (i) Make, when due, any payments required under clauses (A) through (K), including any payments of principal and interest on bonds and other obligations payable under this subdivision, any payments of premiums under this subdivision on the redemption before maturity of bonds, and any payments on leases payable under this subdivision.
- (ii) Make any reimbursements required under this subdivision.
- (iii) Pay any expenses required under this subdivision.
- (iv) Establish, augment, or restore any debt service reserve under this subdivision.

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

CARMEL REDEVELOPMENT COMMISSION
CITY OF CARMEL
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2013, with Diana Cordray, Treasurer; James Higgins, former Treasurer; and William Hammer, President of the Redevelopment Commission.

The contents of this report were discussed on August 7, 2013, with James Brainard, Mayor.