

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF TERRE HAUTE  
VIGO COUNTY, INDIANA

January 1, 2012 to December 31, 2012



**FILED**  
09/16/2013



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Leslie A. Ellis	01-01-12 to 12-31-13
Mayor	Duke A. Bennett	01-01-12 to 01-12-15
President of the Board of Public Works and Safety	Robert J. Murray	01-01-12 to 12-31-13
President of the Common Council	Don Morris Norman Loudermilk	01-01-12 to 12-31-12 01-01-13 to 12-31-13



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Terre Haute (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior year.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

*Other Information*

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.



Bruce Hartman  
State Examiner

August 15, 2013



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Terre Haute (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 15, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

***Compliance and Other Matters***

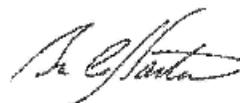
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

***City of Terre Haute's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman  
State Examiner

August 15, 2013

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## FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF TERRE HAUTE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL	\$ (4,533,957)	\$ 44,109,520	\$ 36,809,290	\$ 2,766,273
MOTOR VEHICLE HIGHWAY	1,767,497	3,347,711	4,059,833	1,055,375
LOCAL ROAD & STREET	354,944	534,803	383,773	505,974
EMS NON-REVERTING	972,789	1,414,442	1,475,378	911,853
TRANSIT	194,444	2,415,908	3,007,186	(396,834)
CDBG	4,697	2,284,682	2,288,190	1,189
PARKS & RECREATION	65,558	2,291,524	2,372,447	(15,365)
RAINY DAY FUND	3,888,381	-	3,500,000	388,381
LEVY EXCESS	24,398	-	24,398	-
CUMULATIVE CAPITAL DEVELOPMENT	1,776,445	66,289	886,730	956,004
CUMULATIVE CAPITAL IMPROVEMENT	32,374	162,002	163,437	30,939
POLICE PENSION	913,964	2,784,830	2,835,018	863,776
FIRE PENSION	246,544	2,364,558	2,588,181	22,921
LTCP Project CSO Phase I	-	32,140,384	838,086	31,302,298
LTCP Project Phase I Bond & Interest	-	44,805,108	44,801,163	3,945
Construction Phase II for SRF 2012	-	139,371,000	163,990	139,207,010
Bond & Interest Phase 2 Srf-2 Sera	-	139,371,000	139,371,000	-
Parks Donations	-	27,827	18,298	9,529
Cherry Street Series B Bond & Interesst	-	5,573,613	5,573,613	-
2012 JAG Grant	-	3,500	3,500	-
Clerk of the Circuit Court	239,105	1,524,254	1,519,941	243,418
CEMETERY	135,658	547,778	662,367	21,069
ABANDONED VEHICLE FEE NON-REVE	25,446	3,600	-	29,046
TH POLICE CONT EDUCATION	61,157	114,828	137,783	38,202
TH CLERKS RECORD PERPETUATION	16,540	15,368	12,500	19,408
SANITARY DISTRICT RAINY DAY	203,875	-	203,875	-
THFD VEST GRANT	-	2,770	2,770	-
THFD CONTRACTUAL SERV N/R	396,745	159,173	665,788	(109,870)
ARSON INVESTIGATION	581	-	581	-
TH POLICE NON-REVERTING	25,759	726	23,554	2,931
TH POLICE CRIME CONTROL	4,518	17,675	19,292	2,901
TH POLICE STAYING RIGHT	4,182	16,749	19,356	1,575
TH POLICE CEREMONIAL UNIT	173,405	886	8,747	165,544
TH POLICE OPERATION PULLOVER	(6,374)	75,674	77,904	(8,604)
ELE MAP GENERATION N/R	532	450	-	982
HULMAN LINKS NON-REVERTING	(1,933,444)	440,648	852,163	(2,344,959)
REA PARK NON-REVERTING	(606,983)	558,732	537,789	(586,040)
ANIMAL CARE N/R	3,374	2,145	700	4,819
ENGINEERING NON-REVERTING	824,843	838,328	679,492	983,679
NON FEDERAL INCOME	449,266	263,404	305,748	406,922
HOME PROGRAM	31,588	608,492	616,744	23,336
SANITARY DISTRICT GENERAL	1,360,210	585,115	1,561,335	383,990
THPD FEDERAL EQUITABLE SHARING	9,191	31,293	13,713	26,771
COPS GRANT (2008CKWX0777)	100	-	100	-

The notes to the financial statement are an integral part of this statement.

CITY OF TERRE HAUTE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2012  
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
COPS HIRING RECOVERY PROGRAM	(83,956)	331,402	241,672	5,774
SANITARY DISTRICT BOND	1,374,177	20,590,840	12,299,800	9,665,217
Engineering Energy Grant	590,650	-	403,798	186,852
ECON DEV INCOME TAX	3,049,397	5,371,848	3,535,580	4,885,665
FT HARRISON BUSINESS PK TIF#8	119,218	1,185	15,404	104,999
FT HARRISON BOND & INTEREST	247,668	204,893	83,044	369,517
JADCORE TIF #9	423,270	47,810	153,100	317,980
REDEVELOPMENT ST RD 46 TIF#10	981,478	359,439	364,278	976,639
CANDLEWOOD BOND P & I	1,018	160,844	160,844	1,018
ST RD 46 BAN	4,192,340	370	779,761	3,412,949
ST RD 46 BAN P&I	-	523,395	269,290	254,105
SANITARY DISTRICT PROJECT 19	3,181	-	962	2,219
SANITARY DISTRICT PROJECT #22	4,680	25	4,706	(1)
Cherry Street Bond Series A	23,955	110,051	110,048	23,958
Cherry Street SeriesA DSR	120,510	12	-	120,522
Cherry Street SeriesB DSR	609,713	20	609,733	-
WTHI Construction	-	500,002	500,000	2
WTHI Bond and INterst	-	500,500	500,500	-
CENTRAL BUSINESS DISTRICT TIF	1,803,896	7,169,968	6,939,931	2,033,933
N CENTRAL TH TAX ALLO TIF #5	78,022	26	78,049	(1)
THFD NON-REVERTING EQUIPMENT	8,154	4,535	-	12,689
THFD NON-REVERTING PROPERTY	667	-	667	-
HAZARDOUS MATER COST RECOVERY	19,895	6,550	9,948	16,497
Railroad Grant	(24,674)	60,368	76,658	(40,964)
ROADWAY TRANSFER NON REVERTING	1,240,649	-	1,240,649	-
FIRE TRAINING ACADEMY NON-REVE	43,905	171,311	214,782	434
TH POLICE DONATIONS/AUCTION	6,642	42,487	42,537	6,592
GROUP HEALTH - NON REVERTING	1,100,427	6,753,689	6,700,738	1,153,378
SPENCER BALL PARK	35,498	161	-	35,659
LEVI MUSIC TRUST	8,445	1,791	-	10,236
BRITTLEBANK TRUST	513	-	-	513
CEMETERY TRUST	394,321	3,827	1,314	396,834
TELECOMMUNICATIONS NON-REVERTI	25,700	-	25,700	-
BRETT LONG MEMORIAL	38,184	5,850	25,500	18,534
K-9 DONATIONS	19,539	15,611	28,187	6,963
WWU-CAPITAL IMPROVEMENT	913,495	1	2,067,022	(1,153,526)
BOND SINKING FUND- SERIES 2005	981,103	1,968,167	1,964,418	984,852
SRF BOND AND INTEREST	107,247	673,524	155,493	625,278
SRF BOND AND DSR	2,185,793	188,832	-	2,374,625
SRF CONSTRUCTION	-	5,221,200	5,221,200	-
WASTEWATER TREATMENT PLANT	3,997,748	18,634,481	14,218,568	8,413,661
WWU-CONST CSO/LTCP PHASE I	-	205,976	-	205,976
Totals	<u>\$ 31,769,820</u>	<u>\$ 498,707,780</u>	<u>\$ 318,129,634</u>	<u>\$ 212,347,966</u>

The notes to the financial statement are an integral part of this statement.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

*On Behalf Payments*

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

*D. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

**Note 7. Cash Balance Deficits**

At December 31, 2012, the following funds reported deficits in cash balance.

Transit	\$ (396,834)
Parks & Recreation	(15,365)
Hulman Links Non-Reverting	(2,344,959)
Rea Park Non-Reverting	(586,040)
THFD Contractual Serv N/R	(109,870)
TH Police Operation Pull-over	(8,604)
Railroad Grant	(40,964)
WWU-Capital Improvement	(1,153,526)

There are several factors contributing to the negative cash position in these funds. Transit, TH Police Operation Pull-over, and the Railroad Grant are reimbursement nonreverting funds. Funds are expended and are submitted for reimbursement by a government or private source of funds and, therefore, the negative cash position in these funds is strictly based on timing. The THFD Contractual Serv N/R Fund deficit reflects a misallocation of labor during the 2012 fiscal year. The misallocation of labor has been corrected in 2013 and the fund has a positive fund balance. The Parks & Recreation Fund is funded via property tax and services income. The administration has made significant cuts to live within the property tax reductions based on property tax cap discounts. The fund has a positive cash balance as of June 30 in the subsequent year. The Golf courses have been running at a deficit for years. However, the overall deficit for the combined courses was reduced in 2012 and there are strategic initiatives for 2013 in place that should continue that reduction. The WWU-Capital Improvement Fund is part of the enterprise set of utility funds that include a significant amount of cash. In previous years that cash was reported in aggregate. The total amount of enterprise cash at December 31, 2012, was in excess of \$181,000,000, of this amount, \$170,715,284 is restricted for construction.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. Other Postemployment Benefits**

The City provides to eligible retirees and their spouses the following benefits: Group Health Benefits. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	EMS NON-REVERTING	TRANSIT	CDBG	PARKS & RECREATION	RAINY DAY FUND
Cash and investments - beginning	\$ (4,533,957)	\$ 1,767,497	\$ 354,944	\$ 972,789	\$ 194,444	\$ 4,697	\$ 65,558	\$ 3,888,381
Receipts:								
Taxes	19,346,407	1,015,980	-	-	-	-	1,842,133	-
Licenses and permits	175,047	7,020	-	-	-	11,172	-	-
Intergovernmental	7,295,843	2,227,289	534,803	-	1,815,811	2,256,149	153,451	-
Charges for services	733,177	-	-	1,414,442	531,972	-	252,855	-
Fines and forfeits	337,297	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	16,221,749	97,422	-	-	68,125	17,361	43,085	-
Total receipts	44,109,520	3,347,711	534,803	1,414,442	2,415,908	2,284,682	2,291,524	-
Disbursements:								
Personal services	24,928,906	1,958,078	-	382,739	2,162,902	559,313	1,551,088	-
Supplies	728,785	419,948	128,858	201,202	371,409	5,137	167,781	-
Other services and charges	5,763,879	864,481	254,915	268,685	369,613	1,049,161	448,709	-
Debt service - principal and interest	5,209,411	54,269	-	521,389	-	-	114,349	-
Capital outlay	178,309	763,057	-	54,629	103,262	674,579	90,520	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	46,734	-	-	-	3,500,000
Total disbursements	36,809,290	4,059,833	383,773	1,475,378	3,007,186	2,288,190	2,372,447	3,500,000
Excess (deficiency) of receipts over disbursements	7,300,230	(712,122)	151,030	(60,936)	(591,278)	(3,508)	(80,923)	(3,500,000)
Cash and investments - ending	\$ 2,766,273	\$ 1,055,375	\$ 505,974	\$ 911,853	\$ (396,834)	\$ 1,189	\$ (15,365)	\$ 388,381

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	LEVY EXCESS	CUMULATIVE CAPITAL DEVELOPMENT	CUMULATIVE CAPITAL IMPROVEMENT	POLICE PENSION	FIRE PENSION	LTCP Project CSO Phase I	LTCP Project Phase I Bond & Interest	Construction Phase II for SRF 2012
Cash and investments - beginning	\$ 24,398	\$ 1,776,445	\$ 32,374	\$ 913,964	\$ 246,544	\$ -	\$ -	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	15,900	161,217	2,784,830	2,364,558	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	50,389	785	-	-	32,140,384	44,805,108	139,371,000
Total receipts	-	66,289	162,002	2,784,830	2,364,558	32,140,384	44,805,108	139,371,000
Disbursements:								
Personal services	-	-	-	2,781,378	2,563,352	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	163,437	5,640	829	-	46,189	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	471,730	-	-	-	652,491	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	24,398	415,000	-	48,000	24,000	185,595	44,754,974	163,990
Total disbursements	24,398	886,730	163,437	2,835,018	2,588,181	838,086	44,801,163	163,990
Excess (deficiency) of receipts over disbursements	(24,398)	(820,441)	(1,435)	(50,188)	(223,623)	31,302,298	3,945	139,207,010
Cash and investments - ending	\$ -	\$ 956,004	\$ 30,939	\$ 863,776	\$ 22,921	\$ 31,302,298	\$ 3,945	\$ 139,207,010

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Bond & Interest Phase 2 Srf-2 Sera	Parks Donations	Cherry Street Series B Bond & Interest	2012 JAG Grant	Clerk of the Circuit Court	CEMETERY	ABANDONED VEHICLE FEE NON-REVE	TH POLICE CONT EDUCATION
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 239,105	\$ 135,658	\$ 25,446	\$ 61,157
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	33,543
Intergovernmental	-	-	-	3,500	-	2,448	-	-
Charges for services	-	24,538	-	-	-	125,833	-	30,602
Fines and forfeits	-	-	-	-	1,524,254	-	-	44,967
Utility fees	-	-	-	-	-	-	-	-
Other receipts	139,371,000	3,289	5,573,613	-	-	419,497	3,600	5,716
Total receipts	139,371,000	27,827	5,573,613	3,500	1,524,254	547,778	3,600	114,828
Disbursements:								
Personal services	-	-	-	-	-	546,605	-	-
Supplies	-	11,808	-	-	-	27,227	-	61,449
Other services and charges	-	1,000	53,400	-	-	82,230	-	23,155
Debt service - principal and interest	-	-	5,520,213	-	-	5,639	-	-
Capital outlay	-	5,490	-	-	-	666	-	53,179
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	139,371,000	-	-	3,500	1,519,941	-	-	-
Total disbursements	139,371,000	18,298	5,573,613	3,500	1,519,941	662,367	-	137,783
Excess (deficiency) of receipts over disbursements	-	9,529	-	-	4,313	(114,589)	3,600	(22,955)
Cash and investments - ending	\$ -	\$ 9,529	\$ -	\$ -	\$ 243,418	\$ 21,069	\$ 29,046	\$ 38,202

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	TH CLERKS RECORD PERPETUATION	SANITARY DISTRICT RAINY DAY	THFD VEST GRANT	THFD CONTRACTUAL SERV N/R	ARSON INVESTIGATION	TH POLICE NON-REVERTING	TH POLICE CRIME CONTROL
Cash and investments - beginning	\$ 16,540	\$ 203,875	\$ -	\$ 396,745	\$ 581	\$ 25,759	\$ 4,518
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	2,770	-	-	-	17,675
Charges for services	15,368	-	-	143,691	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	15,482	-	726	-
Total receipts	<u>15,368</u>	<u>-</u>	<u>2,770</u>	<u>159,173</u>	<u>-</u>	<u>726</u>	<u>17,675</u>
Disbursements:							
Personal services	-	-	-	27,339	-	-	-
Supplies	-	-	-	5,598	-	-	3,793
Other services and charges	-	-	-	622,973	-	-	8,549
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	2,770	9,878	-	23,554	6,950
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	12,500	203,875	-	-	581	-	-
Total disbursements	<u>12,500</u>	<u>203,875</u>	<u>2,770</u>	<u>665,788</u>	<u>581</u>	<u>23,554</u>	<u>19,292</u>
Excess (deficiency) of receipts over disbursements	<u>2,868</u>	<u>(203,875)</u>	<u>-</u>	<u>(506,615)</u>	<u>(581)</u>	<u>(22,828)</u>	<u>(1,617)</u>
Cash and investments - ending	<u>\$ 19,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (109,870)</u>	<u>\$ -</u>	<u>\$ 2,931</u>	<u>\$ 2,901</u>

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	TH POLICE STAYING RIGHT	TH POLICE CEREMONIAL UNIT	TH POLICE OPERATION PULLOVER	ELE MAP GENERATION N/R	HULMAN LINKS NON-REVERTING	REA PARK NON-REVERTING	ANIMAL CARE N/R
Cash and investments - beginning	\$ 4,182	\$ 173,405	\$ (6,374)	\$ 532	\$ (1,933,444)	\$ (606,983)	\$ 3,374
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	2,145
Intergovernmental	-	-	75,674	-	-	-	-
Charges for services	-	-	-	-	440,648	558,732	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	16,749	886	-	450	-	-	-
Total receipts	16,749	886	75,674	450	440,648	558,732	2,145
Disbursements:							
Personal services	-	-	76,515	-	456,828	363,413	-
Supplies	-	-	-	-	217,223	112,827	-
Other services and charges	19,356	8,647	-	-	139,920	60,985	700
Debt service - principal and interest	-	-	-	-	4,707	-	-
Capital outlay	-	-	-	-	33,485	564	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	100	1,389	-	-	-	-
Total disbursements	19,356	8,747	77,904	-	852,163	537,789	700
Excess (deficiency) of receipts over disbursements	(2,607)	(7,861)	(2,230)	450	(411,515)	20,943	1,445
Cash and investments - ending	\$ 1,575	\$ 165,544	\$ (8,604)	\$ 982	\$ (2,344,959)	\$ (586,040)	\$ 4,819

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	ENGINEERING NON-REVERTING	NON FEDERAL INCOME	HOME PROGRAM	SANITARY DISTRICT GENERAL	THPD FEDERAL EQUITABLE SHARING	COPS GRANT (2008CKWX0777)	COPS HIRING RECOVERY PROGRAM
Cash and investments - beginning	\$ 824,843	\$ 449,266	\$ 31,588	\$ 1,360,210	\$ 9,191	\$ 100	\$ (83,956)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	16,996	-	-	-	-	-	-
Intergovernmental	-	-	572,950	533,237	-	-	331,402
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	821,332	263,404	35,542	51,878	31,293	-	-
Total receipts	838,328	263,404	608,492	585,115	31,293	-	331,402
Disbursements:							
Personal services	674,123	55,734	28,576	25,901	-	-	241,672
Supplies	4,697	-	-	-	-	-	-
Other services and charges	-	238,716	588,168	765,866	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	672	11,298	-	769,568	13,713	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	100	-
Total disbursements	679,492	305,748	616,744	1,561,335	13,713	100	241,672
Excess (deficiency) of receipts over disbursements	158,836	(42,344)	(8,252)	(976,220)	17,580	(100)	89,730
Cash and investments - ending	\$ 983,679	\$ 406,922	\$ 23,336	\$ 383,990	\$ 26,771	\$ -	\$ 5,774

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	SANITARY DISTRICT BOND	Engineering Energy Grant	ECON DEV INCOME TAX	FT HARRISON BUSINESS PK TIF#8	FT HARRISON BOND & INTEREST	JADCORE TIF #9	REDEVELOPMENT ST RD 46 TIF#10
Cash and investments - beginning	\$ 1,374,177	\$ 590,650	\$ 3,049,397	\$ 119,218	\$ 247,668	\$ 423,270	\$ 981,478
Receipts:							
Taxes	7,079,392	-	-	-	204,893	47,769	358,519
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	682,766	-	4,968,529	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	12,828,682	-	403,319	1,185	-	41	920
Total receipts	20,590,840	-	5,371,848	1,185	204,893	47,810	359,439
Disbursements:							
Personal services	-	-	-	11,204	-	-	85,503
Supplies	-	-	-	-	-	-	-
Other services and charges	4,569	403,798	2,651,901	4,200	-	13,500	8,723
Debt service - principal and interest	12,295,231	-	-	-	83,044	139,600	-
Capital outlay	-	-	731,214	-	-	-	762
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	152,465	-	-	-	269,290
Total disbursements	12,299,800	403,798	3,535,580	15,404	83,044	153,100	364,278
Excess (deficiency) of receipts over disbursements	8,291,040	(403,798)	1,836,268	(14,219)	121,849	(105,290)	(4,839)
Cash and investments - ending	\$ 9,665,217	\$ 186,852	\$ 4,885,665	\$ 104,999	\$ 369,517	\$ 317,980	\$ 976,639

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	CANDLEWOOD BOND P & I	ST RD 46 BAN	ST RD 46 BAN P&I	SANITARY DISTRICT PROJECT 19	SANITARY DISTRICT PROJECT #22	Cherry Street Bond Series A	Cherry Street SeriesA DSR
Cash and investments - beginning	\$ 1,018	\$ 4,192,340	\$ -	\$ 3,181	\$ 4,680	\$ 23,955	\$ 120,510
Receipts:							
Taxes	-	-	254,105	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	160,844	370	269,290	-	25	110,051	12
Total receipts	160,844	370	523,395	-	25	110,051	12
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,500	5,956	-	-	-	500	-
Debt service - principal and interest	159,344	-	269,290	-	-	109,548	-
Capital outlay	-	773,805	-	962	4,705	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	1	-	-
Total disbursements	160,844	779,761	269,290	962	4,706	110,048	-
Excess (deficiency) of receipts over disbursements	-	(779,391)	254,105	(962)	(4,681)	3	12
Cash and investments - ending	\$ 1,018	\$ 3,412,949	\$ 254,105	\$ 2,219	\$ (1)	\$ 23,958	\$ 120,522

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Cherry Street SeriesB DSR	WTHI Construction	WTHI Bond and INterst	CENTRAL BUSINESS DISTRICT TIF	N CENTRAL TH TAX ALLO TIF #5	THFD NON-REVERTING EQUIPMENT	THFD NON-REVERTING PROPERTY
Cash and investments - beginning	\$ 609,713	\$ -	\$ -	\$ 1,803,896	\$ 78,022	\$ 8,154	\$ 667
Receipts:							
Taxes	-	-	-	1,682,293	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	12	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	20	500,002	500,500	5,487,663	26	4,535	-
Total receipts	20	500,002	500,500	7,169,968	26	4,535	-
Disbursements:							
Personal services	-	-	-	85,555	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	500	457,332	78,049	-	-
Debt service - principal and interest	-	-	500,000	-	-	-	-
Capital outlay	-	-	-	52,039	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	609,733	500,000	-	6,345,005	-	-	667
Total disbursements	609,733	500,000	500,500	6,939,931	78,049	-	667
Excess (deficiency) of receipts over disbursements	(609,713)	2	-	230,037	(78,023)	4,535	(667)
Cash and investments - ending	\$ -	\$ 2	\$ -	\$ 2,033,933	\$ (1)	\$ 12,689	\$ -

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	HAZARDOUS MATER COST RECOVERY	Railroad Grant	ROADWAY TRANSFER NON REVERTING	FIRE TRAINING ACADEMY NON-REVE	TH POLICE DONATIONS/AUCTION	GROUP HEALTH - NON REVERTING	SPENCER BALL PARK
Cash and investments - beginning	\$ 19,895	\$ (24,674)	\$ 1,240,649	\$ 43,905	\$ 6,642	\$ 1,100,427	\$ 35,498
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	60,368	-	-	-	-	-
Charges for services	-	-	-	12,842	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,550	-	-	158,469	42,487	6,753,689	161
Total receipts	6,550	60,368	-	171,311	42,487	6,753,689	161
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	1,401	-	-	11,788	-	-	-
Other services and charges	5,493	76,658	1,240,649	36,699	42,537	781,760	-
Debt service - principal and interest	-	-	-	57,558	-	-	-
Capital outlay	3,054	-	-	108,737	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	5,918,978	-
Total disbursements	9,948	76,658	1,240,649	214,782	42,537	6,700,738	-
Excess (deficiency) of receipts over disbursements	(3,398)	(16,290)	(1,240,649)	(43,471)	(50)	52,951	161
Cash and investments - ending	\$ 16,497	\$ (40,964)	\$ -	\$ 434	\$ 6,592	\$ 1,153,378	\$ 35,659

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	LEVI MUSIC TRUST	BRITTLEBANK TRUST	CEMETERY TRUST	TELECOMMUNICATIONS NON-REVERTI	BRETT LONG MEMORIAL	K-9 DONATIONS	WWU-CAPITAL IMPROVEMENT
Cash and investments - beginning	\$ 8,445	\$ 513	\$ 394,321	\$ 25,700	\$ 38,184	\$ 19,539	\$ 913,495
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	1,788	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,791	-	2,039	-	5,850	15,611	1
Total receipts	1,791	-	3,827	-	5,850	15,611	1
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	675	-	25,500	7,734	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	20,453	2,067,022
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	639	25,700	-	-	-
Total disbursements	-	-	1,314	25,700	25,500	28,187	2,067,022
Excess (deficiency) of receipts over disbursements	1,791	-	2,513	(25,700)	(19,650)	(12,576)	(2,067,021)
Cash and investments - ending	\$ 10,236	\$ 513	\$ 396,834	\$ -	\$ 18,534	\$ 6,963	\$ (1,153,526)

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	BOND SINKING FUND- SERIES 2005	SRF BOND AND INTEREST	SRF BOND AND DSR	SRF CONSTRUCTION	WASTEWATER TREATMENT PLANT	WWU-CONST CSO/LTCP PHASE I	Totals
Cash and investments - beginning	\$ 981,103	\$ 107,247	\$ 2,185,793	\$ -	\$ 3,997,748	\$ -	\$ 31,769,820
Receipts:							
Taxes	-	-	-	-	-	-	31,831,491
Licenses and permits	-	-	-	-	-	-	245,923
Intergovernmental	-	-	-	-	8,980	-	26,870,150
Charges for services	-	-	-	-	-	-	4,286,500
Fines and forfeits	-	-	-	-	-	-	1,906,518
Utility fees	-	-	-	-	18,625,501	-	18,625,501
Other receipts	1,968,167	673,524	188,832	5,221,200	-	205,976	414,941,697
Total receipts	1,968,167	673,524	188,832	5,221,200	18,634,481	205,976	498,707,780
Disbursements:							
Personal services	-	-	-	-	-	-	39,566,724
Supplies	-	-	-	-	-	-	2,480,931
Other services and charges	-	-	-	-	-	-	17,697,436
Debt service - principal and interest	-	-	-	-	-	-	25,043,592
Capital outlay	-	-	-	5,221,200	351,727	-	13,256,044
Utility operating expenses	500	-	-	-	8,847,318	-	8,847,818
Other disbursements	1,963,918	155,493	-	-	5,019,523	-	211,237,089
Total disbursements	1,964,418	155,493	-	5,221,200	14,218,568	-	318,129,634
Excess (deficiency) of receipts over disbursements	3,749	518,031	188,832	-	4,415,913	205,976	180,578,146
Cash and investments - ending	\$ 984,852	\$ 625,278	\$ 2,374,625	\$ -	\$ 8,413,661	\$ 205,976	\$ 212,347,966

CITY OF TERRE HAUTE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 987,322	\$ 1,736,992
Wastewater	834,704	888,413
Totals	\$ 1,822,026	\$ 2,625,405

CITY OF TERRE HAUTE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Community First National Bank	Lease #38 21 Police Cars	\$ 131,630	06-01-12	01-01-16
First Financial Bank	Lease #32 Fire Training Academy	57,558	12-06-10	12-06-32
First Financial Bank	Lease #25 Backhoe	5,639	07-01-09	07-01-19
First Financial Bank	Lease #29 Ferrara Support Truck	66,517	07-01-09	07-01-14
First Financial Bank	Lease #31 Maintenance Building	54,269	04-15-10	04-15-14
Old National Bank	Lease #30 Protective Fire Clothing	71,960	05-15-09	05-15-13
Old National Bank	Lease #23 Ladder Truck	149,354	05-10-06	05-10-13
Old National Bank	Lease #34 Three Ambulances	140,589	09-12-11	09-12-16
PNC Equipment Finance LLC	Lease #36 Hulman Links 60 Golf Carts	44,200	12-05-11	01-05-16
PNC Equipment Finance LLC	Lease #37 Rea Park 54 Golf Carts	39,798	12-05-11	01-05-16
Region Equipment Finance	Lease #24 Pumper Fire Truck	46,485	07-15-08	07-15-13
Wells Fargo Equipment Finance Inc	Lease #39 2 Smeal Pumper Trucks	<u>169,913</u>	09-11-12	08-11-17
Total governmental activities		<u>977,912</u>		
Total of annual lease payments		<u>\$ 977,912</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Sanitary District GOB 2006	\$ 7,855,000	\$ 2,135,000
General obligation bonds	Sanitary District GOB 1996	395,000	395,000
General obligation bonds	Sanitary District GOB 1997	485,000	485,000
General obligation bonds	Sanitary District GOB 2002	-	-
Revenue bonds	Sanitary District GOB 2005	-	-
Revenue bonds	Taxable Economic Development Bonds of 2003	815,000	151,800
Revenue bonds	Redevelopment Tax Increment and Economic Development bonds of 2004	740,000	81,981
Revenue bonds	Taxable Economic Development Bonds of 2007	1,110,000	161,981
Revenue bonds	Taxable Increment Revenue Bonds of 2011 Series A	1,330,000	117,224
Revenue bonds	Taxable Increment Revenue Bonds of 2011 Series B	-	-
Revenue bonds	Taxable Economic Development Revenue Bonds of 2011	600,000	-
Notes and loans payable	Skate Park Loan	-	-
Notes and loans payable	S.R. 46 Bond Anticipation Note (BAN)	<u>8,150,000</u>	<u>-</u>
Total governmental activities		<u>21,480,000</u>	<u>3,527,986</u>
Wastewater:			
Revenue bonds	Sanitary District Bonds 2012	41,990,000	1,670,000
Revenue bonds	Sanitary District SRF Bonds 2012 Series A	139,371,000	-
Revenue bonds	Sanitary District SRF Bonds 2012 Series B	1,444,000	-
Revenue bonds	Sanitary District Revenue Bond 2005	24,005,000	935,000
Revenue bonds	Sanitary District Revenue Bond 2011	<u>14,025,000</u>	<u>271,000</u>
Total Wastewater		<u>220,835,000</u>	<u>2,876,000</u>
Totals		<u>\$ 242,315,000</u>	<u>\$ 6,403,986</u>

CITY OF TERRE HAUTE  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 10,498,322
Buildings	7,897,781
Improvements other than buildings	76,726,233
Machinery, equipment, and vehicles	17,950,122
Construction in progress	16,373,667
Total governmental activities	129,446,125
Wastewater:	
Land	392,998
Buildings	2,645,107
Improvements other than buildings	98,351,042
Machinery, equipment, and vehicles	5,816,602
Construction in progress	33,158,129
Total Wastewater	140,363,878
Total capital assets	\$ 269,810,003

CITY OF TERRE HAUTE  
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office listed below:

City Clerk

CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the City related to reporting.

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

During the audit of the financial statement we noted the following errors: several funds' beginning balances were incorrect and the receipts and disbursements for those funds were adjusted to achieve the correct ending balances; the proceeds and repayment of the May 2012 Tax Anticipation Warrant was not reported; one fund's investment balance was overstated; and the City Clerk's financial information was not reported.

The total net effect on the financial statement of the errors noted resulted in the reported beginning cash and investment balance being overstated \$6,752,778; receipts being understated \$6,656,524; disbursements being overstated \$339,667; and the ending cash and investment balance being understated \$233,413. Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in this report. These adjustments resulted in a presentation of the financial statement that is materially correct. The financial statement is prepared using information entered by the City into the Gateway Annual Report System.

2. The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the SEFA included four federal programs that were not reported as American Recovery and Reinvestment Act (ARRA) funded grants when they should have been; and had one federal program reported as an ARRA funded grant that should not have been. In addition, one program's expenditures were reported using the accrual basis of accounting and not the cash basis resulting in the reported expenditures being understated \$19,397. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

CITY OF TERRE HAUTE  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

2 CFR 176.210 states in part:

"(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by

CITY OF TERRE HAUTE  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

OMB Circular A-133. . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

**OVERDRAWN CASH BALANCES**

The financial statement presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

Fund	Amount Overdrawn
THFD Contractual Serv N/R	\$ 109,868
Hulman Links Non-Reverting	2,344,959
Rea Park Non-Reverting	586,040
WWU-Capital Improvement	1,153,526
Park & Recreation	15,365

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations for the year 2012:

Fund	Excess Amount Expended
EMS Non-Reverting	\$ 1,338
Hulman Links Non-Reverting	55,464
Wastewater Treatment Plant	281,386
Police Pension	5,950

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF TERRE HAUTE, VIGO COUNTY, INDIANA

***Report on Compliance for Each Major Federal Program***

We have audited the City of Terre Haute's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2. Our opinion on each major federal program is not modified with respect to these matters.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The City's response to the noncompliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman  
State Examiner

August 15, 2013

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF TERRE HAUTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	Direct grant			
CDBG DEVELOPMENT BLOCK GRANTS 2011				
CARRY FORWARD BLOCK GRANTS		14.218	B-11-MC-18-0012	\$ 1,144,923
2012		14.218	B-12-MC-18-0012	<u>892,885</u>
Total - Community Development Block Grants/Entitlement Grants				<u>2,037,808</u>
Total - CDBG - Entitlement Grants Cluster				<u>2,037,808</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's program and	Indiana Housing and Community Development Authority			
Non-Entitlement Grants in Hawaii				
2009 Housing and Economic Recovery Act		14.228	NSP-1-009-013	<u>137,312</u>
Total - CDBG - State-Administered CDBG Cluster				<u>137,312</u>
Home Investment Partnerships Program				
2009 GRANT CARRY FORWARD	Direct grant			
2010 GRANT CARRY FORWARD		14.239	M-09-MC-18-0012	52,492
2011 GRANT CARRY FORWARD		14.239	M-10-MC-18-0012	145,112
2012 GRANT		14.239	M-11-MC-18-0012	275,164
Total - Home Investment Partnerships Program		14.239	M-12-MC-18-0012	<u>100,183</u>
Total - Home Investment Partnerships Program				<u>572,951</u>
ARRA - Homelessness Prevention and Rapid Re-Housing Program	Direct grant			
2009		14.257	S09-MY-18-0012	<u>81,029</u>
Total - Department of Housing and Urban Development				<u>2,829,100</u>
<u>Department of Justice</u>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	Direct grant			
(JAG) 2012		16.738		<u>3,500</u>
Total - JAG Program Cluster				<u>3,500</u>
Bulletproof Vest Partnership Program				
THPD VEST PROGRAM	Direct grant			
		16.607		<u>2,770</u>
ARRA-Public Safety Partnership and Community Policing Grant				
COPS HIRING RECOVERY PROGRAM	Direct grant			
		16.710	2009RKWX0355	<u>241,672</u>
Total - Department of Justice				<u>247,942</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF TERRE HAUTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Transportation</u>				
Federal Transit Cluster				
Federal Transit - Capital Investment Grants TRANSIT	Direct grant	20.500		<u>602,383</u>
Federal Transit - Formula Grants TRANSIT	Direct grant	20.507		<u>766,811</u>
Total - Federal Transit Cluster				<u>1,369,194</u>
Highway Safety Cluster				
State and Community Highway Safety OPERATION PULLOVER	Indiana Criminal Justice Institute	20.600	PT-12-04-04-049	<u>75,674</u>
Total - Highway Safety Cluster				<u>75,674</u>
Rail Line Relocation and Improvement FY 2008	Direct grant	20.320	FR-LRI-005-10-01-00	<u>60,368</u>
Total - Department of Transportation				<u>1,505,236</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds 2011 SRF SANITARY BOND SRF SANITARY BOND	Indiana Finance Authority	66.458 66.458		1,982,490 <u>62,627</u>
Total - Capitalization Grants for Clean Water State Revolving Funds				<u>2,045,117</u>
Total - Environmental Protection Agency				<u>2,045,117</u>
<u>Department of Energy</u>				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) TRAFFIC SIGNAL MODERNIZATION	Direct grant	81.128	SC0003342	<u>403,798</u>
Total - Department of Energy				<u>403,798</u>
Total federal awards expended				<u>\$ 7,031,193</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF TERRE HAUTE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Terre Haute (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	<u>\$ 3,500</u>

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
	Federal Transit Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the City related to reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed. The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

During the audit of the financial statement we noted the following errors: several funds' beginning balances were incorrect and either the receipts or disbursements for those funds were adjusted to achieve the correct ending balances; the proceeds and repayment of the May 2012 Tax Anticipation Warrant was not reported; one fund's investment balance was overstated; and the City Clerk's financial information was not reported.

The total net effect on the financial statement of the errors noted resulted in the reported beginning cash and investment balance being overstated \$6,752,778; receipts being understated \$6,656,524; disbursements being overstated \$339,667; and the ending cash and investment balance being understated \$233,413. Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in this report. These adjustments resulted in a presentation of the financial statement that is materially correct. The financial statement is prepared using information entered by the City into the Gateway Annual Report System.

2. The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the SEFA included four federal programs that were not reported as Recovery Act funded grants when they should have been; and had one federal program reported as a Recovery Act funded grant that should not have been. In addition, one program's expenditures were reported using the accrual basis of accounting and not the cash basis resulting in the reported expenditures being understated \$19,397. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

2 CFR 176.210 states in part:

"(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2012-2 - INTERNAL CONTROLS AND COMPLIANCE  
OVER SPECIAL TESTS AND PROVISIONS**

Federal Agency: Department Of Energy  
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)  
CFDA Number: 81.128  
Federal Award Number and Year: SC0003342; 2012  
Pass-Through Entity: n/a

Internal controls were not in place to ensure that grants awarded through the American Recovery and Reinvestment Act of 2009 (ARRA - Recovery Act) were properly identified as such on the Schedule of Expenditures of Federal Awards (SEFA).

The Energy Efficiency and Conservation Block Grant (EECBG) is a Federal award made under the Recovery Act. The City did not identify the EECBG on the SEFA as a Recovery Act funded grant. Management of the City did subsequently approve an adjustment to the SEFA to properly report the EECBG as a Recovery Act funded grant.

2 CFR 176.210 states in part:

"(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. . . . This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

OMB Circular A-133, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the City.

We recommended that the City's management establish controls to ensure that requirements related to reporting of Recovery Act funding are complied with.

**CITY OF TERRE HAUTE, INDIANA – 2012 AUDIT CORRECTIVE ACTION PLAN**

**FINDING 2012 - 1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

1. The first finding refers to the differences in cash in and cash out. The ending cash balances were correct but there were discrepancies in the electronic published report and the system of record at the local government unit in terms of activity.

**CITY OF  
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**LESLIE ELLIS**  
City Controller

**Corrective Action Plan:**

The city originally intended on producing Generally Accepted Accounting Principles (GAAP) statements. The decision was made to go to regulatory statements at the end of the process. At that time we reconciled the balances of the government unit with the state run electronic system. The activity was not reconciled. During the audit, the suggested corrections in activity were made. We will continue to monitor activity and make sure that the electronic state system is reconciled after any changes are made.

2. The second finding refers to the specific wording of grant titles on the state electronic version of the SEFA. Specifically on four federal grants, the letters "ARRA" were not included in the title.

**Corrective Action Plan:**

The city is requiring department heads to submit original grant letters to a centralized depository so that the specific titles and CFDA numbers can be verified against the state electronic version of the SEFA.

**FINDING 2012-2 - INTERNAL CONTROLS AND COMPLIANCE OVER SPECIAL TESTS AND PROVISIONS**

Federal Agency: Department Of Energy  
Federal Program: ARRA - Energy Efficiency and Conservation Block Grant  
CFDA Number: 81.128  
Federal Award Number and Year: SC0003342; 2012  
Pass-Through Entity: n/a

**On this Department of Energy grant, the letters "ARRA" were left off of the title in the state based electronic version of the SEFA.**

**Corrective Action Plan:**

The city is requiring department heads to submit original grant letters to a centralized depository so that the specific titles and CFDA numbers can be verified against the state electronic version of the SEFA.

Sincerely,

*Leslie A. Ellis*

CITY OF TERRE HAUTE  
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2013, with Duke A. Bennett, Mayor; Norman Loudermilk, President of the Common Council; and Robert J. Murray, President of the Board of Public Works and Safety. The officials indicated that they would be responding to the report, but an official response was not received.

The contents of this report were discussed on August 19, 2013, with Leslie A. Ellis, Controller. The Official Response has been made a part of this report and may be found on page 53.



August 30, 2013

Indiana State Board of Accounts  
302 West Washington St.  
Room E 418  
Indianapolis, IN 46204-2765

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RE: Official Response to the Audit Results and Comments December 31, 2012

**OVERDRAWN FUND BALANCES:**

There are several factors contributing to the negative cash position in these funds. Transit, Operation Pull-over and the Rail Road Grant funds are reimbursement non-reverting funds. Funds are expended and are submitted for reimbursement by a government or private source of funds and therefore the negative cash position in these funds is strictly based on timing. As of December 31, 2012 there were outstanding reimbursements that had not yet been received for these funds.

The Terre Haute Fire Department Contractual Services fund deficit reflects a miscoding of some expenditures during the 2012 fiscal year. The miscoding of these expenditures has been corrected in 2013 and the fund has a positive fund balance.

The Parks General Fund is funded via property tax and services income. The administration has made significant cuts to live within the property tax reductions based on property tax cap discounts. The fund has a positive cash balance as of June 30 in the subsequent year. The Golf courses have been running at a deficit for years. However, the overall deficit for the combined courses was reduced in 2012 and there are strategic initiatives for 2013 in place that should continue that reduction.

The Waste Water Utility Capital Improvement fund is part of the enterprise set of utility funds that include a significant amount of cash. In previous years that cash was reported in aggregate. The total amount of enterprise cash at December 31, 2012 was in excess of \$ 181,000,000. The enterprise cash fund includes \$139,371,000 of cash that is restricted for construction.

Sincerely,

Leslie A Ellis  
City Controller  
City of Terre Haute