

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, 2014 to December 31, 2014



FILED
12/21/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Leslie A. Ellis	01-01-14 to 12-31-15
Mayor	Duke A. Bennett	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Robert J. Murray (Vacant)	01-01-13 to 04-13-15 04-14-15 to 11-05-15
President of the Common Council	Amy Auler John Mullican Todd Nation	01-01-14 to 12-31-14 01-01-15 to 10-16-15 10-17-15 to 12-31-15
Wastewater Utility Director	Christopher M. Thompson	01-01-14 to 12-31-15



STATE OF INDIANA
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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, 2014, and the related notes to the financial statement as listed in the Table of Contents.

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.

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, 2014.

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, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Emphasis of Matter Regarding Going Concern

The accompanying financial statement has been prepared assuming the City will continue as a going concern. As discussed in Note 9 to the financial statement, the City has suffered recurring losses, subsequent to the financial statement date, that raise substantial doubt about its ability to continue as a going concern. The City's plans in regard to these matters are also described in Note 9. The financial statement does not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

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)

Other Information

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2015, 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.


Paul D. Joyce, CPA
State Examiner

November 5, 2015



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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, 2014, and the related notes to the financial statement, and have issued our report thereon dated November 5, 2015, 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 items 2014-001 and 2014-002 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 items 2014-001 and 2014-002.

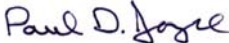
We noted certain matters that we reported to management in a separate letter dated August 14, 2015.

City of Terre Haute's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying 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.


Paul D. Joyce, CPA
State Examiner

November 5, 2015

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL	\$ (4,486,801)	\$ 36,175,446	\$ 37,135,152	\$ (5,446,507)
MOTOR VEHICLE HIGHWAY	1,030,959	3,120,532	3,513,540	637,951
LOCAL ROAD & STREET	369,340	597,525	510,050	456,815
EMS NON-REVERTING	643,577	1,408,187	1,821,531	230,233
TRANSIT	(995,898)	3,803,861	2,881,224	(73,261)
CDBG	3,516	939,767	942,028	1,255
PARKS & RECREATION	(162,218)	2,240,691	2,345,394	(266,921)
RAINY DAY FUND	2,350,655	-	-	2,350,655
CUMULATIVE CAPITAL DEVELOPMENT	539,831	1,083,285	1,012,117	610,999
CUMULATIVE CAPITAL IMPROVEMENT	68,489	169,920	155,762	82,647
POLICE PENSION	580,785	2,435,444	2,666,150	350,079
FIRE PENSION	(388,732)	2,684,715	2,573,332	(277,349)
LTCP Project CSO Phase I	28,562,277	134,389	4,929,689	23,766,977
Construction Phase II for SRF 2012	70,075,161	213,514	49,471,942	20,816,733
Bond & Interest Phase 2 Srf-2 Sera	1,491,273	2,982,540	2,982,539	1,491,274
Parks Donations	26,644	144,906	148,121	23,429
JAG 2013 DJ-BX-0625	(12,448)	15,083	2,635	-
Clerk of the Circuit Court	218,547	1,343,895	1,379,400	183,042
Jadcore TIF Allocation	367,768	108,483	179,000	297,251
SR46 BOND & INTEREST FUND	526,191	605,591	555,750	576,032
SR46 DEBT SERVICE RESERVE	659,109	262	-	659,371
Parks Project Fund	750,118	-	264,143	485,975
Debt Service Reserve	1,623,504	1,623,506	-	3,247,010
FIRE SAFER	-	98,679	433,598	(334,919)
DRUG EDUCATION AND TRAINING	-	600	-	600
JAG 2014 (BJBX1129)	-	17,739	17,739	-
New Margaret Ave East Meijer	-	333,597	33,694	299,903
Historic District	-	6,091	-	6,091
Blight Elimination Program	-	100	-	100
Cemetery Donations	-	2,023	1,438	585
CEMETERY	27,606	608,171	955,565	(319,788)
ABANDONED VEHICLE FEE NON-REVE	32,746	700	4,700	28,746
TH POLICE CONT EDUCATION	22,793	212,288	159,615	75,466
TH CLERKS RECORD PERPETUATION	22,721	14,109	13,477	23,353
THFD VEST GRANT	-	4,018	4,018	-
THFD CONTRACTUAL SERV N/R	(1,210)	155,937	109,614	45,113
TH POLICE NON-REVERTING	5,118	2,526	2,268	5,376
TH POLICE CRIME CONTROL	2,548	18,590	15,516	5,622
TH POLICE STAYING RIGHT	800	16,750	15,599	1,951
TH POLICE CEREMONIAL UNIT	156,287	420	11,345	145,362
TH POLICE OPERATION PULLOVER	(60,421)	97,391	69,921	(32,951)
ELE MAP GENERATION N/R	1,482	-	-	1,482
HULMAN LINKS NON-REVERTING	(2,761,867)	413,598	790,448	(3,138,717)
REA PARK NON-REVERTING	(637,867)	436,998	571,310	(772,179)

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, 2014
(Continued)

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
ANIMAL CARE N/R	6,901	4,330	-	11,231
ENGINEERING NON-REVERTING	734,918	803,432	1,076,934	461,416
NON FEDERAL INCOME	421,445	17,757	190,760	248,442
HOME PROGRAM	29,741	644,588	671,207	3,122
SANITARY DISTRICT GENERAL	(574,615)	1,174,468	555,684	44,169
THPD FEDERAL EQUITABLE SHARING	12,272	3,742	-	16,014
COPS HIRING RECOVERY PROGRAM	(26,493)	26,493	-	-
SANITARY DISTRICT BOND	1,357,939	6,891,910	7,626,300	623,549
ECON DEV INCOME TAX	3,081,400	5,874,927	5,897,592	3,058,735
FT HARRISON BUSINESS PK TIF#8	81,763	1,240	10,483	72,520
FT HARRISON BOND & INTEREST	438,727	125,072	78,794	485,005
JADCORE TIF #9	1	175,000	175,000	1
REDEVELOPMENT ST RD 46 TIF#10	1,403,458	1,275,619	741,735	1,937,342
CANDLEWOOD BOND P & I	1,019	170,213	170,213	1,019
ST RD 46 BAN	3,226,122	244	1,488,594	1,737,772
SANITARY DISTRICT PROJECT 19	2,219	-	-	2,219
Cherry Street Bond Series A	23,961	116,466	116,464	23,963
Cherry Street SeriesA DSR	120,534	12	-	120,546
WTHI Construction	2	-	-	2
WTHI Bond and INterst	-	35,500	35,500	-
CENTRAL BUSINESS DISTRICT TIF	2,821,553	1,564,916	531,486	3,854,983
THFD NON-REVERTING EQUIPMENT	13,094	8,800	-	21,894
HAZARDOUS MATER COST RECOVERY	13,493	13,216	9,862	16,847
FIRE TRAINING ACADEMY NON-REVE	22,049	87,828	88,638	21,239
TH POLICE DONATIONS/AUCTION	7,542	12,004	10,808	8,738
GROUP HEALTH - NON REVERTING	1,280,141	7,442,807	6,997,100	1,725,848
SPENCER BALL PARK	35,728	70	-	35,798
LEVI MUSIC TRUST	11,692	640	-	12,332
BRITTLEBANK TRUST	513	-	-	513
CEMETERY TRUST	398,808	3,374	523	401,659
BRETT LONG MEMORIAL	22,707	122	8,132	14,697
K-9 DONATIONS	22,652	2,634	16,207	9,079
Bond and Interest Phase 2 SER B	-	39,030	-	39,030
Revenue Bond 2005 Trust	3,811	1,969,080	1,969,080	3,811
WWU-CAPITAL IMPROVEMENT	93,561	48,201	3,293,368	(3,151,606)
BOND SINKING FUND- SERIES 2005	982,990	1,972,105	1,969,080	986,015
SRF BOND AND INTEREST	640,690	1,031,846	1,030,413	642,123
SRF BOND AND DSR	2,563,458	188,832	-	2,752,290
SRF CONSTRUCTION	-	87,062	87,062	-
WASTEWATER TREATMENT PLANT	2,794,094	22,576,555	23,588,077	1,782,572
WWU-CONST CSO/LTCP PHASE I	205,976	-	-	205,976
Totals	\$ 122,928,249	\$ 118,662,002	\$ 177,114,460	\$ 64,475,791

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 may 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.

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

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, 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, 911 telephone services, recycling fees, 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.

Penalties which include fees received for late payments.

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 may 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, which 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.

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 a cost-sharing 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.

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

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
One North Capitol, 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.

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.

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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
One North Capitol, 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

The financial statement contains 10 funds with deficits in cash as of December 31, 2015. This is a result of expenditures exceeding receipts in current year or past years.

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Subsequent Events

In 2015, the City refinanced its 2005 Revenue Bonds in the amount of \$22,110,000 to be paid from wastewater collections. The City also issued two series of bonds to be paid from Tax Increment Financing (TIF) District funds. TIF bonds in the amount of \$1,214,000 will be used to pay for the renovation of Deming Center urban housing; TIF bonds in the amount of \$930,000 will be used for construction of a new police station.

Note 9. Going Concern

The financial status of the City has declined in the last few years due to decreased funding from property taxes. This decrease is a result of a reduction in local assessed values and the implementation of property tax caps by the state. The City has been one of the hardest hit cities in terms of the circuit breaker loss (32 percent of Certified Levy) resulting from property tax caps. In 2015 alone, the City lost \$9.9 million of expected income from the General fund. During the last 4 years, the cumulative effect to the General fund has been over \$50 million in circuit breaker losses.

The City has utilized both revenue and expense strategies over the last eight years in order to mitigate the significant impact of property tax cuts. Some of those methods included in the plan are listed below.

1. In 2012, the City initiated a Payment in Lieu of Taxes (PILOT) fee from the Wastewater Utility and some large not-for-profit organizations. The original PILOT fee was \$2,189,000 for 2012 and has increased to \$2.7 million in 2015. The PILOT will be recalculated for 2016 to include the \$150 million plus recent wastewater utility plant upgrade.
2. The City has reduced the rate of annual appropriation growth. According to the US Inflation Calculator from 2008 through 2014, inflation rose 10 percent but the General fund appropriations only increased by 4 percent. We continue to make budget cuts and reallocate expenses to other funds which have additional budget room and are a fit in terms of purpose. There is sufficient budget room in these funds such as the Cumulative Capital Development fund and the Eco Dev Income Tax fund to absorb some of the General fund expenditures. These methods have allowed us to keep the negative fund balances to a minimum.
3. The workforce will continue to be reduced through attrition and a hiring freeze is in place except for key personnel in essential positions. New police officers and firefighters have been hired to reduce the amount of overtime being paid from the General fund.
4. A Tax Anticipation Warrant (TAW) has been issued to help cash flow needs. We will issue another TAW in 2015, but will continue to reduce the amount required each year until 2017 when our financial plan forecasts a positive balance in the General fund. The projected TAW for 2016 is \$2,000,000, which is a reduction from 2015 of \$745,000.
5. A Rainy Day Fund Transfer was approved on September 10, 2015, by the City Council to transfer \$2 million from the Rainy Day Fund to the General fund.

CITY OF TERRE HAUTE
NOTES TO FINANCIAL STATEMENT
(Continued)

6. The administration charge for the Wastewater Utility has not changed in 8 years. We recalculated the cost and with the significant growth of the plant, the annual administration charge will be increased by \$500,000.
7. The City continues to look for additional revenue sources. One such source is the increased capacity of our wastewater utility plant. By processing sludge from other communities through the new centrifuge system, the opportunity to increase our enterprise cash flows is significant. Fees will be charged to other governmental units which have not updated their facilities to process their sludge. This procedure will be easy to implement, therefore, there is a high expectation of increased revenues.
8. A solid waste fee is actively being sponsored by a City Councilman for future implementation. The current solid waste expense is \$2.6 million and once a solid waste fee is implemented, this expense will be removed from the General fund and transferred to the Sanitary District with the accompanying revenue.
9. The City will lobby the State Legislature for a food and beverage tax. Preliminary calculations indicate that the implementation of a food and beverage tax would net the City about \$2-3 million dollars annually.
10. The Administration is currently finalizing a comprehensive financial plan with HJ Umbaugh & Associates and Public Sector Group, LLC, for all City funds. There are several other types of revenue sources and expense reductions that will be a part of this plan but are not yet finalized. This plan will include a balanced budget for the 2016 budgets, as well as continue to decrease the General fund deficit.

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OTHER INFORMATION - UNAUDITED

The City's Annual Financial 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 Financial 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 other 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, 2014

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	EMS NON-REVERTING	TRANSIT	CDBG	PARKS & RECREATION	RAINY DAY FUND
Cash and investments - beginning	\$ (4,486,801)	\$ 1,030,959	\$ 369,340	\$ 643,577	\$ (995,898)	\$ 3,516	\$ (162,218)	\$ 2,350,655
Receipts:								
Taxes	19,084,438	343,956	-	-	595,065	-	1,786,251	-
Licenses and permits	589,130	5,540	-	-	-	-	-	-
Intergovernmental	7,340,960	2,770,759	597,525	-	2,672,097	930,436	181,242	-
Charges for services	733,071	-	-	1,408,187	533,874	-	264,898	-
Fines and forfeits	323,006	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	8,104,841	277	-	-	2,825	9,331	8,300	-
Total receipts	<u>36,175,446</u>	<u>3,120,532</u>	<u>597,525</u>	<u>1,408,187</u>	<u>3,803,861</u>	<u>939,767</u>	<u>2,240,691</u>	<u>-</u>
Disbursements:								
Personal services	26,049,067	2,374,314	-	521,644	2,073,751	438,988	1,632,995	-
Supplies	671,605	382,986	180,830	253,026	334,487	4,032	187,374	-
Other services and charges	4,836,241	654,834	329,220	238,766	227,228	86,949	444,081	-
Debt service - principal and interest	5,358,755	53,816	-	576,796	115,259	-	492	-
Capital outlay	110,919	47,590	-	161,042	130,499	412,059	80,452	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	108,565	-	-	70,257	-	-	-	-
Total disbursements	<u>37,135,152</u>	<u>3,513,540</u>	<u>510,050</u>	<u>1,821,531</u>	<u>2,881,224</u>	<u>942,028</u>	<u>2,345,394</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(959,706)</u>	<u>(393,008)</u>	<u>87,475</u>	<u>(413,344)</u>	<u>922,637</u>	<u>(2,261)</u>	<u>(104,703)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (5,446,507)</u>	<u>\$ 637,951</u>	<u>\$ 456,815</u>	<u>\$ 230,233</u>	<u>\$ (73,261)</u>	<u>\$ 1,255</u>	<u>\$ (266,921)</u>	<u>\$ 2,350,655</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	CUMULATIVE CAPITAL DEVELOPMENT	CUMULATIVE CAPITAL IMPROVEMENT	POLICE PENSION	FIRE PENSION	LTCP Project CSO Phase I	Construction Phase II for SRF 2012	Bond & Interest Phase 2 Srf-2 Sera	Parks Donations
Cash and investments - beginning	\$ 539,831	\$ 68,489	\$ 580,785	\$ (388,732)	\$ 28,562,277	\$ 70,075,161	\$ 1,491,273	\$ 26,644
Receipts:								
Taxes	519,100	-	-	2,645,462	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	111,022	165,920	2,435,444	39,253	-	-	-	-
Charges for services	-	-	-	-	-	-	-	25,278
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	453,163	4,000	-	-	134,389	213,514	2,982,540	119,628
Total receipts	1,083,285	169,920	2,435,444	2,684,715	134,389	213,514	2,982,540	144,906
Disbursements:								
Personal services	-	-	2,618,150	2,524,324	-	-	-	-
Supplies	-	-	-	-	-	-	-	32,042
Other services and charges	597,487	155,762	-	1,008	20,112	79,071	-	-
Debt service - principal and interest	-	-	-	-	-	-	2,982,539	-
Capital outlay	414,630	-	-	-	4,909,577	49,392,871	-	116,079
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	48,000	48,000	-	-	-	-
Total disbursements	1,012,117	155,762	2,666,150	2,573,332	4,929,689	49,471,942	2,982,539	148,121
Excess (deficiency) of receipts over disbursements	71,168	14,158	(230,706)	111,383	(4,795,300)	(49,258,428)	1	(3,215)
Cash and investments - ending	\$ 610,999	\$ 82,647	\$ 350,079	\$ (277,349)	\$ 23,766,977	\$ 20,816,733	\$ 1,491,274	\$ 23,429

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	JAG 2013 DJ-BX-0625	Clerk of the Circuit Court	Jadcore TIF Allocation	SR46 BOND & INTEREST FUND	SR46 DEBT SERVICE RESERVE	Parks Project Fund	Debt Service Reserve
Cash and investments - beginning	\$ (12,448)	\$ 218,547	\$ 367,768	\$ 526,191	\$ 659,109	\$ 750,118	\$ 1,623,504
Receipts:							
Taxes	-	-	108,449	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	15,083	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	1,343,895	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	34	605,591	262	-	1,623,506
Total receipts	<u>15,083</u>	<u>1,343,895</u>	<u>108,483</u>	<u>605,591</u>	<u>262</u>	<u>-</u>	<u>1,623,506</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	4,000	-	-	87,485	-
Debt service - principal and interest	-	-	-	555,750	-	51,000	-
Capital outlay	-	-	-	-	-	125,658	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,635	1,379,400	175,000	-	-	-	-
Total disbursements	<u>2,635</u>	<u>1,379,400</u>	<u>179,000</u>	<u>555,750</u>	<u>-</u>	<u>264,143</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>12,448</u>	<u>(35,505)</u>	<u>(70,517)</u>	<u>49,841</u>	<u>262</u>	<u>(264,143)</u>	<u>1,623,506</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 183,042</u>	<u>\$ 297,251</u>	<u>\$ 576,032</u>	<u>\$ 659,371</u>	<u>\$ 485,975</u>	<u>\$ 3,247,010</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	FIRE SAFER	DRUG EDUCATION AND TRAINING	JAG 2014 (BJBX1129)	New Margaret Ave East Meijer	Historic District	Blight Elimination Program	Cemetery Donations
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	98,679	-	17,739	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	600	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	333,597	6,091	100	2,023
Total receipts	<u>98,679</u>	<u>600</u>	<u>17,739</u>	<u>333,597</u>	<u>6,091</u>	<u>100</u>	<u>2,023</u>
Disbursements:							
Personal services	433,598	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	1,438
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	14,238	33,694	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	3,501	-	-	-	-
Total disbursements	<u>433,598</u>	<u>-</u>	<u>17,739</u>	<u>33,694</u>	<u>-</u>	<u>-</u>	<u>1,438</u>
Excess (deficiency) of receipts over disbursements	<u>(334,919)</u>	<u>600</u>	<u>-</u>	<u>299,903</u>	<u>6,091</u>	<u>100</u>	<u>585</u>
Cash and investments - ending	<u>\$ (334,919)</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ 299,903</u>	<u>\$ 6,091</u>	<u>\$ 100</u>	<u>\$ 585</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	CEMETERY	ABANDONED VEHICLE FEE NON-REVE	TH POLICE CONT EDUCATION	TH CLERKS RECORD PERPETUATION	THFD VEST GRANT	THFD CONTRACTUAL SERV N/R	TH POLICE NON-REVERTING
Cash and investments - beginning	\$ 27,606	\$ 32,746	\$ 22,793	\$ 22,721	\$ -	\$ (1,210)	\$ 5,118
Receipts:							
Taxes	429,418	-	-	-	-	-	-
Licenses and permits	-	-	20,710	-	-	-	-
Intergovernmental	42,489	-	-	-	4,018	-	-
Charges for services	135,701	-	144,124	14,109	-	154,391	-
Fines and forfeits	-	700	47,454	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	563	-	-	-	-	1,546	2,526
Total receipts	<u>608,171</u>	<u>700</u>	<u>212,288</u>	<u>14,109</u>	<u>4,018</u>	<u>155,937</u>	<u>2,526</u>
Disbursements:							
Personal services	440,088	-	-	-	-	42,820	-
Supplies	26,929	-	43,530	-	-	-	-
Other services and charges	52,909	4,700	10,436	-	-	585	-
Debt service - principal and interest	5,639	-	-	-	-	-	-
Capital outlay	-	-	86,834	-	4,018	66,209	2,268
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	430,000	-	18,815	13,477	-	-	-
Total disbursements	<u>955,565</u>	<u>4,700</u>	<u>159,615</u>	<u>13,477</u>	<u>4,018</u>	<u>109,614</u>	<u>2,268</u>
Excess (deficiency) of receipts over disbursements	<u>(347,394)</u>	<u>(4,000)</u>	<u>52,673</u>	<u>632</u>	<u>-</u>	<u>46,323</u>	<u>258</u>
Cash and investments - ending	<u>\$ (319,788)</u>	<u>\$ 28,746</u>	<u>\$ 75,466</u>	<u>\$ 23,353</u>	<u>\$ -</u>	<u>\$ 45,113</u>	<u>\$ 5,376</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	TH POLICE CRIME CONTROL	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
Cash and investments - beginning	\$ 2,548	\$ 800	\$ 156,287	\$ (60,421)	\$ 1,482	\$ (2,761,867)	\$ (637,867)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	18,590	-	-	97,391	-	-	-
Charges for services	-	-	-	-	-	413,598	436,998
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	16,750	420	-	-	-	-
Total receipts	<u>18,590</u>	<u>16,750</u>	<u>420</u>	<u>97,391</u>	<u>-</u>	<u>413,598</u>	<u>436,998</u>
Disbursements:							
Personal services	-	-	-	69,921	-	438,751	334,535
Supplies	4,405	-	-	-	-	176,774	93,404
Other services and charges	9,600	15,599	11,345	-	-	72,825	48,675
Debt service - principal and interest	-	-	-	-	-	87,187	80,090
Capital outlay	1,511	-	-	-	-	14,911	14,606
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>15,516</u>	<u>15,599</u>	<u>11,345</u>	<u>69,921</u>	<u>-</u>	<u>790,448</u>	<u>571,310</u>
Excess (deficiency) of receipts over disbursements	<u>3,074</u>	<u>1,151</u>	<u>(10,925)</u>	<u>27,470</u>	<u>-</u>	<u>(376,850)</u>	<u>(134,312)</u>
Cash and investments - ending	<u>\$ 5,622</u>	<u>\$ 1,951</u>	<u>\$ 145,362</u>	<u>\$ (32,951)</u>	<u>\$ 1,482</u>	<u>\$ (3,138,717)</u>	<u>\$ (772,179)</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	ANIMAL CARE N/R	ENGINEERING NON-REVERTING	NON FEDERAL INCOME	HOME PROGRAM	SANITARY DISTRICT GENERAL	THPD FEDERAL EQUITABLE SHARING	COPS HIRING RECOVERY PROGRAM
Cash and investments - beginning	\$ 6,901	\$ 734,918	\$ 421,445	\$ 29,741	\$ (574,615)	\$ 12,272	\$ (26,493)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	3,330	22,287	-	-	-	-	-
Intergovernmental	-	-	-	644,588	74,468	3,418	-
Charges for services	-	781,145	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,000	-	17,757	-	1,100,000	324	26,493
Total receipts	<u>4,330</u>	<u>803,432</u>	<u>17,757</u>	<u>644,588</u>	<u>1,174,468</u>	<u>3,742</u>	<u>26,493</u>
Disbursements:							
Personal services	-	1,047,957	10,503	32,343	25,815	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	2,447	174,066	638,864	28,599	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	26,530	-	-	501,270	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	6,191	-	-	-	-
Total disbursements	<u>-</u>	<u>1,076,934</u>	<u>190,760</u>	<u>671,207</u>	<u>555,684</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>4,330</u>	<u>(273,502)</u>	<u>(173,003)</u>	<u>(26,619)</u>	<u>618,784</u>	<u>3,742</u>	<u>26,493</u>
Cash and investments - ending	<u>\$ 11,231</u>	<u>\$ 461,416</u>	<u>\$ 248,442</u>	<u>\$ 3,122</u>	<u>\$ 44,169</u>	<u>\$ 16,014</u>	<u>\$ -</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	SANITARY DISTRICT BOND	ECON DEV INCOME TAX	FT HARRISON BUSINESS PK TIF#8	FT HARRISON BOND & INTEREST	JADCORE TIF #9	REDEVELOPMENT ST RD 46 TIF#10	CANDLEWOOD BOND P & I
Cash and investments - beginning	\$ 1,357,939	\$ 3,081,400	\$ 81,763	\$ 438,727	\$ 1	\$ 1,403,458	\$ 1,019
Receipts:							
Taxes	6,092,864	-	-	125,072	-	1,274,687	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	797,364	5,783,577	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,682	91,350	1,240	-	175,000	932	170,213
Total receipts	<u>6,891,910</u>	<u>5,874,927</u>	<u>1,240</u>	<u>125,072</u>	<u>175,000</u>	<u>1,275,619</u>	<u>170,213</u>
Disbursements:							
Personal services	-	-	6,251	-	-	81,681	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	4,370,513	4,232	-	-	24,743	1,500
Debt service - principal and interest	7,626,300	-	-	78,794	175,000	-	168,713
Capital outlay	-	1,527,079	-	-	-	30,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	605,311	-
Total disbursements	<u>7,626,300</u>	<u>5,897,592</u>	<u>10,483</u>	<u>78,794</u>	<u>175,000</u>	<u>741,735</u>	<u>170,213</u>
Excess (deficiency) of receipts over disbursements	<u>(734,390)</u>	<u>(22,665)</u>	<u>(9,243)</u>	<u>46,278</u>	<u>-</u>	<u>533,884</u>	<u>-</u>
Cash and investments - ending	<u>\$ 623,549</u>	<u>\$ 3,058,735</u>	<u>\$ 72,520</u>	<u>\$ 485,005</u>	<u>\$ 1</u>	<u>\$ 1,937,342</u>	<u>\$ 1,019</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	ST RD 46 BAN	SANITARY DISTRICT PROJECT 19	Cherry Street Bond Series A	Cherry Street SeriesA DSR	WTHI Construction	WTHI Bond and INterst	CENTRAL BUSINESS DISTRICT TIF
Cash and investments - beginning	\$ 3,226,122	\$ 2,219	\$ 23,961	\$ 120,534	\$ 2	\$ -	\$ 2,821,553
Receipts:							
Taxes	-	-	-	-	-	-	1,563,874
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	244	-	116,466	12	-	35,500	1,042
Total receipts	<u>244</u>	<u>-</u>	<u>116,466</u>	<u>12</u>	<u>-</u>	<u>35,500</u>	<u>1,564,916</u>
Disbursements:							
Personal services	-	-	-	-	-	-	88,611
Supplies	-	-	-	-	-	-	-
Other services and charges	4,779	-	500	-	-	500	121,502
Debt service - principal and interest	-	-	115,964	-	-	35,000	-
Capital outlay	1,483,815	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	321,373
Total disbursements	<u>1,488,594</u>	<u>-</u>	<u>116,464</u>	<u>-</u>	<u>-</u>	<u>35,500</u>	<u>531,486</u>
Excess (deficiency) of receipts over disbursements	<u>(1,488,350)</u>	<u>-</u>	<u>2</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>1,033,430</u>
Cash and investments - ending	<u>\$ 1,737,772</u>	<u>\$ 2,219</u>	<u>\$ 23,963</u>	<u>\$ 120,546</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 3,854,983</u>

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	THFD NON-REVERTING EQUIPMENT	HAZARDOUS MATER COST RECOVERY	FIRE TRAINING ACADEMY NON-REVE	TH POLICE DONATIONS/AUCTION	GROUP HEALTH - NON REVERTING	SPENCER BALL PARK	LEVI MUSIC TRUST
Cash and investments - beginning	\$ 13,094	\$ 13,493	\$ 22,049	\$ 7,542	\$ 1,280,141	\$ 35,728	\$ 11,692
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,800	13,216	87,828	12,004	7,442,807	70	640
Total receipts	8,800	13,216	87,828	12,004	7,442,807	70	640
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	2,785	5,499	-	-	-	-
Other services and charges	-	3,973	25,562	6,935	288,241	-	-
Debt service - principal and interest	-	-	57,558	-	-	-	-
Capital outlay	-	3,104	19	158	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	3,715	6,708,859	-	-
Total disbursements	-	9,862	88,638	10,808	6,997,100	-	-
Excess (deficiency) of receipts over disbursements	8,800	3,354	(810)	1,196	445,707	70	640
Cash and investments - ending	\$ 21,894	\$ 16,847	\$ 21,239	\$ 8,738	\$ 1,725,848	\$ 35,798	\$ 12,332

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	BRITTLEBANK TRUST	CEMETERY TRUST	BRETT LONG MEMORIAL	K-9 DONATIONS	Bond and Interest Phase 2 SER B	Revenue Bond 2005 Trust	WWU-CAPITAL IMPROVEMENT
Cash and investments - beginning	\$ 513	\$ 398,808	\$ 22,707	\$ 22,652	\$ -	\$ 3,811	\$ 93,561
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	3,374	122	2,634	39,030	1,969,080	48,201
Total receipts	-	3,374	122	2,634	39,030	1,969,080	48,201
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	8,132	4,224	-	-	-
Debt service - principal and interest	-	-	-	-	-	1,969,080	-
Capital outlay	-	-	-	11,983	-	-	3,293,368
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	523	-	-	-	-	-
Total disbursements	-	523	8,132	16,207	-	1,969,080	3,293,368
Excess (deficiency) of receipts over disbursements	-	2,851	(8,010)	(13,573)	39,030	-	(3,245,167)
Cash and investments - ending	\$ 513	\$ 401,659	\$ 14,697	\$ 9,079	\$ 39,030	\$ 3,811	\$ (3,151,606)

CITY OF TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (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	\$ 982,990	\$ 640,690	\$ 2,563,458	\$ -	\$ 2,794,094	\$ 205,976	\$ 122,928,249
Receipts:							
Taxes	-	-	-	-	-	-	34,568,636
Licenses and permits	-	-	-	-	-	-	640,997
Intergovernmental	-	-	-	-	-	-	24,842,062
Charges for services	-	-	-	-	-	-	5,045,374
Fines and forfeits	-	-	-	-	-	-	1,715,655
Utility fees	-	-	-	-	22,576,555	-	22,576,555
Other receipts	1,972,105	1,031,846	188,832	87,062	-	-	29,272,723
Total receipts	1,972,105	1,031,846	188,832	87,062	22,576,555	-	118,662,002
Disbursements:							
Personal services	-	-	-	-	3,007,916	-	44,294,023
Supplies	-	-	-	-	-	-	2,399,708
Other services and charges	-	-	-	-	384,886	-	14,084,554
Debt service - principal and interest	-	943,351	-	-	-	-	21,037,083
Capital outlay	-	-	-	87,062	310,099	-	63,414,152
Utility operating expenses	-	-	-	-	8,534,381	-	8,534,381
Other disbursements	1,969,080	87,062	-	-	11,350,795	-	23,350,559
Total disbursements	1,969,080	1,030,413	-	87,062	23,588,077	-	177,114,460
Excess (deficiency) of receipts over disbursements	3,025	1,433	188,832	-	(1,011,522)	-	(58,452,458)
Cash and investments - ending	\$ 986,015	\$ 642,123	\$ 2,752,290	\$ -	\$ 1,782,572	\$ 205,976	\$ 64,475,791

CITY OF TERRE HAUTE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 37,100	\$ 3,354,329
Governmental activities	550,000	679,876
Totals	\$ 587,100	\$ 4,034,205

CITY OF TERRE HAUTE
SCHEDULE OF LEASES AND DEBT
December 31, 2014

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Community First National Bank	Lease #38 21 Police Cars	\$ 131,630	6/1/2012	1/1/2016
First Financial Bank	Lease #25 Backhoe	5,639	7/1/2009	7/1/2019
First Financial Bank	Lease #32 Fire Training Academy	57,558	12/6/2010	12/6/2032
John Deere Financial	Lease #42 Mowers	51,492	4/8/2014	4/8/2016
Old National Bank	Lease #34 Three Amulances	140,589	9/12/2011	9/12/2016
PNC Equipment Finance LLC	Lease #36 Hulman Links 60 Golf Carts	44,200	12/5/2011	1/5/2016
PNC Equipment Finance LLC	Lease #37 Rea Park 54 Golf Carts	39,798	12/5/2011	1/5/2016
PNC Equipment Finance LLC	Lease #40 Hulman Links Turf Equipment	42,967	4/12/2013	6/30/2017
PNC Equipment Finance LLC	Lease #41 Rea Park Turf Equipment	40,292	4/12/2013	6/1/2017
Riddell National Bank	Lease #44 Six Buses	115,259	8/25/2014	1/1/2019
Wells Fargo Equipment Finance Inc	Lease #39 2 Smeal Pumper Trucks	<u>169,913</u>	9/11/2012	8/11/2017
Total governmental activities		<u>839,337</u>		
Total of annual lease payments		<u>\$ 839,337</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Sanitary District Bond of 2012	\$ 31,120,000	\$ 7,701,000
Revenue bonds	Taxable Increment Revenue Bond of 2013	8,310,000	575,750
Revenue bonds	Taxable Economic Development Bonds of 2003	595,000	189,800
Revenue bonds	Redevelopment Tax Increment and Economic Development bonds of 2004	640,000	86,563
Revenue bonds	Taxable Economic Development Bonds of 2007	940,000	166,961
Revenue bonds	Taxable Increment Revenue Bonds of 2011 Series A	1,190,000	114,713
Revenue bonds	Taxable Economic Development Revenue Bonds of 2011	565,000	75,000
Notes and loans payable	EMS Pumper 2013 28-3611	319,617	84,963
Notes and loans payable	EMS Ladder Truck 2013 28-3882	<u>634,825</u>	<u>114,835</u>
Total governmental activities		<u>44,314,442</u>	<u>9,109,585</u>
Wastewater:			
Revenue bonds	Sanitary District Revenue Bond 2005	22,100,000	1,973,530
Notes and loans payable	2011 SRF	12,917,001	944,599
Notes and loans payable	2012 SRF Series A	139,371,000	2,982,539
Notes and loans payable	2012 SRF Series B	<u>1,444,000</u>	<u>78,055</u>
Total Wastewater		<u>175,832,001</u>	<u>5,978,723</u>
Totals		<u>\$ 220,146,443</u>	<u>\$ 15,088,308</u>

CITY OF TERRE HAUTE
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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	\$ 11,854,529
Buildings	7,956,144
Improvements other than buildings	78,195,449
Machinery, equipment, and vehicles	19,648,936
Construction in progress	23,013,485
 Total governmental activities	 140,668,543
Wastewater:	
Land	2,388,741
Buildings	2,645,107
Improvements other than buildings	100,921,811
Machinery, equipment, and vehicles	6,172,768
Construction in progress	87,148,925
 Total Wastewater	 199,277,352
 Total capital assets	 \$ 339,945,895

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the 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 its major federal program for the year ended December 31, 2014. The City's major federal program is 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 the City's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2014.

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

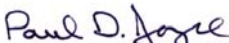
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.


Paul D. Joyce, CPA
State Examiner

November 5, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

CITY OF TERRE HAUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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
Department of Agriculture				
Cooperative Forestry Assistance Trees in our Town	Indiana Department of Natural Resources	10.664	12-DG-11420004-090	\$ 12,955
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants CDBG DEVELOPMENT BLOCK GRANT 2013 2014 Grant	Direct grant	14.218	B-13-MC-18-0012 B-14-MC-18-0012	860,341 <u>70,095</u>
Total - CDBG - Entitlement Grants Cluster				<u>930,436</u>
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii 2014 Grant	Indiana Office of Community and Rural Affairs	14.228	B-08-DF-18-000114.228	<u>49,600</u>
HOME Investment Partnerships Program 2012 Grant 2013 Grant 2014 Grant	Direct grant	14.239	M-12-MC-18-0211 M-13-MC-18-0211 M-14-MC-18-2011	111,846 296,433 <u>200,768</u>
Total - HOME Investment Partnerships Program				<u>609,047</u>
Total - Department of Housing and Urban Development				<u>1,589,083</u>
Department of the Interior				
Partners for Fish and Wildlife Dobbs Nature Park Wetland Enhancement	Direct grant	15.631	F12AC01395	<u>4,500</u>
Department of Justice				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant Program FY 2013 FY 2014	Direct grant	16.738	2013-DJ-BX-0625 2014-BJ-BX-1129	15,083 <u>17,739</u>
Total - JAG Program Cluster				<u>32,822</u>
Crime Victim Compensation FY 2014	Indiana Criminal Justice Institute	16.576	FY 2014	<u>1,124</u>
Bulletproof Vest Partnership Program THPD Vest Program THPD Vest Program	Direct grant	16.607	FY 2013 FY 2014	2,268 <u>1,750</u>
Total - Bulletproof Vest Partnership Program				<u>4,018</u>
Total - Department of Justice				<u>37,964</u>
Department of Transportation				
Federal Transit Cluster				
Federal Transit-Capital Investment Grants Terre Haute Transit Capital Grant Terre Haute Transit Capital Grant	Direct grant	20.500	IN-90-0659-00 IN-90-0661-00	31,319 35,055
Federal Transit-Formula Grants Terre Haute Transit-Operating Grant Terre Haute Transit-Operating Grant Sidewalk Rehab/ADA South 7th Street Route	Direct grant	20.507	IN-90-4659-00 IN-90-4661-00 IN-95-X041-00	574,758 973,995 <u>384,323</u>
Total - Federal Transit Cluster				<u>1,999,450</u>

The accompanying note is 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, 2014
(Continued)

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 (continued)</u>				
Highway Planning and Construction Cluster				
Highway Planning and Construction	Indiana Department of Transportation	20.205		
Margaret Avenue 7th Street to 14th Street			DES 0810340	432,727
3rd Street and 8th Avenue Intersection Improvements			DES 1006019	32,151
Terre Haute Signals Improvements Project			DES 1297567	50,670
Margaret Avenue 14th Street to 25th Street			DES 1298689	555,270
ARRA - Highway Planning and Construction		20.205	DES 0500965	<u>5,515</u>
Total - Highway Planning and Construction Cluster				<u>1,076,333</u>
Highway Safety Cluster				
State and Community Highway Safety	Vigo County	20.600	D3-14-8200	<u>55,284</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I FY 2014	Vigo County	20.601	D3-14-8147	<u>24,496</u>
Total - Highway Safety Cluster				<u>79,780</u>
Total - Department of Transportation				<u>3,155,563</u>
<u>Environmental Protection Agency</u>				
Clean Water State Revolving Fund Cluster				
Capitolazation Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458		
2012 SRF Sanitary Bond			WW11058402	17,486,651
2011 SRF Sanitary Bond			WW11058401	<u>30,503</u>
Total - Clean Water State Revolving Fund Cluster				<u>17,517,154</u>
Brownfields Assessment and Cleanup Cooperative Agreements FY 2014	Direct grant	66.818	BF00E00390-0	32,040
FY 2014			BF00E00391-1	<u>5,439</u>
Total - Brownfields Assessment and Cleanup Cooperative Agreements				<u>37,479</u>
Total - Environmental Protection Agency				<u>17,554,633</u>
<u>Department of Homeland Security</u>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) FY 2014	Indiana Department of Homeland Security	97.036	Disaster 4173	<u>60,320</u>
Staffing for Adeqate Fire and Emergency Response (SAFER) Fire Safer Grant	Direct grant	97.083	EMW-2013-FH-00736	<u>98,679</u>
Total - Department of Homeland Security				<u>158,999</u>
Total federal awards expended				<u>\$ 22,513,697</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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.

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

- Expenditures for two programs were reported incorrectly, resulting in an understatement of \$604,032.
- Several programs were reported with incorrect CFDA numbers, Federal program names, or pass-through agency names.
- One grant was reported with no activity. It should not have been reported as it was completed in the prior year.
- One program funded with ARRA funds was not separately identified as being an ARRA grant.

The errors resulted in an understatement of the SEFA of \$19,462,662. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report.

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)

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.

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

- (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."

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the City related to financial transactions and reporting. Internal controls over the preparation of the Annual Financial Report (AFR) were not adequate to prevent or detect errors on the financial statements which, in the aggregate, are considered qualitatively material. The City prepares and submits its financial information online through the Gateway system. The financial statement is compiled from the AFR information provided on the Gateway system. The City did not have adequate controls in place to ensure the financial information reported was accurate.

The receipts and disbursements reported on the City's Statement of Receipts, Disbursements, and Cash and Investment Balances did not agree to the City's records in 12 instances resulting in the receipts being understated by \$1,334,753, the disbursements being understated by \$1,290,423, and the ending balances being understated by \$37,930. Audit adjustments were proposed, accepted by the City, and made to the financial statement presented in this report.

The City contracts for the billing of wastewater services with TPi Billing Solutions. TPi sends the City an email listing the total receipts for the TPi lockbox, credit card, e-check, auto check, and government payments. The Controller's Office uses this email to post the wastewater billing receipt collections to the General Ledger. There was no evidence presented that the amounts reported by TPi via email are reconciled to the detail from the utility computer system.

Internal controls over payroll were not sufficient to prevent or detect errors in the hourly rate paid to Motor Vehicle Highway Department employees. Several employees were paid an hourly rate that did not agree with the salary ordinance.

The failure to establish controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial recording and reporting.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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."

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

City of Terre Haute
December 31, 2014
Federal Awards Audit
Corrective Action Plan

Contact Person Responsible for Corrective Action: Leslie Ellis
Contact Phone Number: 812-244-2363

FINDING 2014 - 001

The SEFA is a difficult report to compile. There are construction projects which have a portion of funding sourced by the federal government even though it comes through the state. It is not always clear what percentage of construction projects funded by the state has federal funding attached and this amount changes annually. Reimbursement documentation by the state is unclear regarding the percentages funded by the federal government. Any discrepancy in reporting is due to a misunderstanding by personnel on what was federally funded and what was state funded.

The city will centralize all state funded construction contracts and have a specific person assigned to determine all of the federal monies that have been disbursed by invoice on a monthly basis.

The incorrect CFDA number is also a difficult issue. CFDA numbers sometimes change from year to year. Both the state and the federal government rarely include the CFDA number on any of their reimbursement documents. Therefore, it is a very difficult process to identify programs and sub programs within the federal system.

The city will centralize all federal funded contracts prior to reimbursement and catalog the reimbursements based on CFDA numbers.

Anticipated Completion Date: 06-30-16

FINDING 2014 - 002

- 1) The difference in receipts **(.7%)** and disbursements **(.7%)** are immaterial in our opinion, and the total net difference in the financial system is immaterial **(.1%)**. Over the years, there has been difficulty in entering and retaining data in the CTAR electronic system. We have found some edits that were made in the system and not retained. Without hitting the keys in a specific process in the same way every time there are no assurances of accuracy. Our books of record on site are accurate and reflect accurately the financial condition of the city. Public record requests are filled from our books of record not from the CTAR.

We have added a check list of items listed last year to ensure they are included in the current year. This will assist us in the assurance that all information has been included. We also found that we could not make adjustments to the system after February 28; which created some issues because we had additional information after that date for updates to the system.

The remedy is to re-verify activity after March 1 with any adjustments that may come in and ask for the SBOA to re-open the system so that we can make any appropriate changes.

- 2) TPI sends us remittance advices on a daily basis. That advice is entered into the general ledger system and checked against lock-box deposits on a daily basis. On a monthly basis, the bank is reconciled against the general ledger and if there are anomalies, there is a reconciliation process. The totals in the general ledger are checked monthly to see if the receipts for the month are reasonable based on the volume and rates charged. So, the remittance advice is checked against the general ledger and the cash that is automatically sent from lock box payments into our bank and there is a reasonability check. The final check is constituent billing. When a customer is over 60 days they are subject to water company shut-offs. If payments are not received through TPI from constituents there is an investigation.

The remedy will be to ask for a detail statement with each daily remittance from TPI listing all payments made.

- 3) The sum over paid to employees amounted to pennies over the salary ordinance. This was an error on the departmental level and is significantly immaterial.

The remedy will be to verify hourly amounts with each department per the salary ordinance at the beginning of the year and perform subsequent quarterly checks on the monthly financial reports. The review will include analyzing the salary line item for over spend and comparing the hourly rates used on the payroll forms with the salary ordinance.

Anticipated Completion Date: 03-31-16

OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.