

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

SUPPLEMENTAL COMPLIANCE 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
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the City of Terre Haute (City), for the period from January 1, 2014 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the City, which provides our opinions on the City's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 5, 2015

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CONTROLLER
CITY OF TERRE HAUTE

CONTROLLER
CITY OF TERRE HAUTE
FEDERAL FINDINGS

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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:

- Expenditures for ten federal programs were not included on the SEFA, resulting in an understatement of \$18,858,630.
- 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."

CONTROLLER
CITY OF TERRE HAUTE
FEDERAL FINDINGS
(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."

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.

CONTROLLER
CITY OF TERRE HAUTE
FEDERAL FINDINGS
(Continued)

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)

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."

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

CONTROLLER
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
Cemetery	2014	\$ 106,272
Cumulative Capital Improvement	2014	762
Transit	2014	592,310

The Common Council passed an additional appropriation in the amount of \$5,570 for the Cumulative Capital Improvement fund, but it was not approved by the Department of Local Government Finance.

While expenditures of the General fund did not exceed appropriations for the fund as a whole, the Council also passed three additional appropriations for line items that were not approved by the Department of Local Government Finance.

A similar comment appeared in prior Report B44483.

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."

OVERDRAWN CASH BALANCES

The financial statement presented for audit included the following funds with overdrawn cash balances at December 31, 2014:

Fund	Amount Overdrawn
General	\$ 5,446,507
Transit	73,261
Parks & Recreation	266,921
Fire Pension	277,349
Cemetery	319,788
Hulman Links Non-Reverting	3,138,717
Rea Park Non-Reverting	772,179
WWU-Capital Improvement	3,151,606

A similar comment appeared in prior Report B44483.

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)

CONTROLLER
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS
(Continued)

COMPENSATION

Our audit of the compensation paid the City employees revealed that 26 employees of the Street Department were compensated for all or part of 2014 at an hourly rate that did not agree with the Salary Ordinance. The hourly rates paid differed from the hourly rates in the Salary Ordinance by a range of \$0.01 per hour to \$0.42 per hour.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSETS

A complete, up-to-date inventory of capital assets owned was not presented for review during the 2014 audit.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROL OVER REPORTING OF SUPPLEMENTARY INFORMATION

Internal controls over the preparation of the Annual Financial Report (AFR) were not adequate to prevent or detect material errors on the supplementary schedules.

There were differences between the supporting documentation presented for review and the information entered into the Gateway AFR for the Schedule of Leases and Debt, and Schedule of Capital Assets. Testing of the supplementary information also revealed that the categorization of receipts and disbursements on the combining statements did not agree to the City's chart of accounts in 33 percent of the items tested.

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)

CONTROLLER
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2015, with Todd Nation, President of the Common Council, and Leslie A. Ellis, Controller.

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COMMON COUNCIL
CITY OF TERRE HAUTE

COMMON COUNCIL
CITY OF TERRE HAUTE
AUDIT RESULT AND COMMENT

CREDIT CARDS

The City used credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMMON COUNCIL
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2015, with Todd Nation, President of the Common Council, and Leslie A. Ellis, Controller.

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EMERGENCY MEDICAL SERVICES DEPARTMENT
CITY OF TERRE HAUTE

EMERGENCY MEDICAL SERVICES DEPARTMENT
CITY OF TERRE HAUTE
AUDIT RESULT AND COMMENT

ORDINANCES AND RESOLUTIONS - AMBULANCE FEES

The City had an ordinance concerning Ambulance/EMS User Fees (Ambulance and EMS medical services). The ordinance did not specify that any remaining balances after insurance may be written off for City employees of any classification. However, we noted accounts for certain classifications of City employees with balances remaining after insurance payments were written off.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EMERGENCY MEDICAL SERVICES DEPARTMENT
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2015, with Glen Hall, Deputy Fire Chief, and Jeffery W. Fisher, Fire Chief.

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BOARD OF PUBLIC WORKS AND SAFETY
CITY OF TERRE HAUTE

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF TERRE HAUTE
AUDIT RESULT AND COMMENT

CONTRACTS - COLLECTION OF AMOUNTS DUE

The City did not collect the total amount due from the Town of Riley for contractual services provided. On April 15, 2010, the Board of Public Works and Safety entered into a contract with the Town of Riley to manage the Town's wastewater treatment plant. The contract term was for three years commencing on the date signed. An extension clause was not included in the contract; however, the City has continued to provide the services. The contract included a provision to raise the City's compensation \$5,000 in the second year (2011-2012), and another \$5,000 in the third year (2012-2013). The City did not raise the compensation in the third year or the subsequent years. This resulted in the City not billing and collecting the additional \$5,000 in 2014.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD OF PUBLIC WORKS AND SAFETY
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2015, with James Trimble, Board of Public Works and Safety member, and Leslie A. Ellis, Controller.

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DEPARTMENT OF REDEVELOPMENT
CITY OF TERRE HAUTE

DEPARTMENT OF REDEVELOPMENT
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS

BUDGET APPROVAL

As also noted in prior Report B44689, which covered the period January 1, 2013 to June 30, 2014, the Redevelopment Department had funds with expenses, other than debt, that were not included in a budget approved by the Redevelopment Commission and/or the Common Council for 2014. To date in 2015, the Redevelopment Commission and/or the Common Council had not approved a budget for 2015 for the Redevelopment Department.

The law requires the annual enactment of a balanced budget. Appropriation accounts used in such budget shall be the framework of subsequent accounting for receipts and disbursements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 2)

Indiana Code 36-7-14-13(e) states: "A redevelopment commission and a department of redevelopment are subject to the same laws, rules, and ordinances of a general nature that apply to all other commissions or departments of the unit."

Indiana Code 36-7-14-28(b) states:

"Each year the redevelopment commission shall formulate and file a budget for the tax levy, in the same manner as executive departments of the unit are required to formulate and file budgets. This budget is subject to review and modification in the same manner as the budgets and tax levies formulated by executive departments of the unit."

OPERATING EXPENSES

As also noted in prior Report B44689, which covered the period January 1, 2013 to June 30, 2014, the Redevelopment Department had funds that had received Tax Increment Financing (TIF) revenue. These funds were used for nonsupervisory expenses, such as salaries and benefits that are considered operating costs of the Redevelopment Department. These operating expenses were paid out of the Fort Harrison Business Park TIF#8, Redevelopment State Road 46 Tax Allocation TIF #10, and Central Business District TIF #1 funds.

REDEVELOPMENT DEPARTMENT
CITY OF TERRE HAUTE
AUDIT RESULTS AND COMMENTS
(Continued)

The Indiana Code does not allow for redevelopment operating costs to be paid out of TIF allocation funds.

Indiana Code 36-7-14-39(b)(3) states in part: "The allocation fund may not be used for operating expenses of the commission."

SALARY ORDINANCE

As also noted in prior Report B44689, which covered the period January 1, 2013 to June 30, 2014, compensation and benefits were paid to Redevelopment Department employees not included in the 2014 salary ordinance or resolution approved by the Common Council. A salary ordinance for 2014 was not adopted for redevelopment employees after the issue date of the above referenced report. To date in 2015, Redevelopment Department employees have not been included in a salary ordinance or resolution approved by the Common Council for 2015.

Indiana Code 36-4-7-5 states: "Salaries of city officers and employees shall be scheduled as provided in the budget classification prescribed by the state board of accounts."

Indiana Code 36-7-14-13(e) states:

"A redevelopment commission and a department of redevelopment are subject to the same laws, rules, and ordinances of a general nature that apply to all other commissions or departments of the unit."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

This response to the findings of the SBOA regarding the City of Terre Haute 2014 audit re: the department of redevelopment is made based on personal recollection of the written findings since written findings were not provided by the SBOA for use outside the exit interview.

1.

Response to SBA audit finding Re: ability to pay professional services and department staff “supervisory” expenses from TIF bonds/ tax allocation revenues for capital projects by the RDC

The ability to use TIF tax allocation funds including bond revenues for the purpose of professional services and supervisory expenses of capital projects is clearly established by Indiana law pursuant to IC 36-7-14-25.1 and I.C 36-7-14-39.

Section 25.1 “In addition to other methods of raising money for property acquisition or redevelopment in a redevelopment project area, and in anticipation of the special tax to be levied under section 27 of this chapter, the taxes allocated under section 39 of this chapter, or other revenues of the district, or any combination of these sources, the redevelopment commission may, by resolution and subject to subsection (p), issue the bonds of the special taxing district in the name of the unit. The amount of the bonds may not exceed the total, as estimated by the commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment of the property, including:

- (1) the total cost of all land, rights-of-way, and other property to be acquired and redeveloped;
- (2) **all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance bonds...**”

Under I.C. 36-7-14-39 the tax allocation received by the Department may be used to pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.

The redevelopment department has seven employees, four of whom have significant supervisory responsibilities with capital projects in and or supporting TIF areas including architectural, engineering, legal, financing and accounting activities associated with these capital projects. Therefore a portion of their compensation proportionate to their TIF capital project duties is paid from these fund sources.

2.

**Response to SBA Audit finding re Budgets of Redevelopment
Dept/RDC**

I provided to the SBA Audit team three documents which serve as our Redevelopment Commission/department "budgets". The 1st is our annual HUD Consolidated Plan which the city council approves by resolution (usually it's their 1st resolution of the calendar year) in early January of each year. The 2nd is our Annual TIF Report which shows our obligations, projects in process, etc & 3rd is our expected projects for an 18 month time period. The RDC shares this plan with the city council in June of each year. These items constitute our Redevelopment Commission's "annual budgets" & as non-tax levy entity do not have an obligation to bring a department budget to the city council for action.

SEA 118 (specifically Section 3 which amends IC 36-7-14-3 to add a new Section 3(b) therein) states:

"A redevelopment commission and a department of redevelopment are subject to oversight by the legislative body of the unit, including a **review** by the legislative body of the commission's and department's annual budget."

Historically, only those units/depts. that have a property tax levy have been subject to the traditional budgeting process as this is the process required to determine the levy and tax rate. A redevelopment department may levy a property tax for operating expenses (inside the "freeze" and subject to circuit breaker) and a handful of redevelopment departments around the state do have an operating levy. Those redevelopment departments are required to submit a budget for the operating levy. Please NOTE the State Board of Accounts Manual has **excluded** "special revenue funds" such as utility revenues and **tax increment revenues** from the budgeting process.

Based on this language and interpretation of same by legal counsel it is the redevelopment department's position that since it does not rely or utilize an operating tax levy, **it is NOT required to prepare a budget.**

In the absence of language in the legislation stating that the redevelopment department "shall" prepare a budget and submit the budget to the legislative body for review, we believe that it is reasonable to interpret the current language as requiring the budget be submitted to the legislative body only to the extent the redevelopment department has been required to prepare a budget in the past. The State Board of Accounts or a revisit of the law by the legislature (quite likely) may resolve this language in the future by adopting certain policies and procedures in their manual.

Further, Michael Duffy, attorney for the department of Local Government Finance stated in an e mail of July 24, 2014 to Leslie Ellis, the controller for the City of Terre Haute the following:

“As it pertains to the expenditure of TIF funds for capital projects, these expenditures would be subject to annual review of the council. However, since statute only allows for a review, this would not necessarily result in an official budget adoption Therefore, it is not necessary to take the capital expenditure of TIF funds through our normal budgeting processes at this time.”

3.

Response to SBA Audit finding re Setting of annual compensation for department of redevelopment employees by the RDC

Indiana statute as it relates to the authority of the redevelopment commission IC 36-7 -14-12.2 Powers of commission clearly indicates the Redevelopment Commission has the power to **“Prescribe the duties and regulate the compensation of employees of the department of redevelopment.”**

In December or January of each year the RDC takes action by resolution on the annual compensation for the department staff. No other action is required.

DEPARTMENT OF REDEVELOPMENT
CITY OF TERRE HAUTE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2015, with Cliff Lambert, Executive Director of the Department of Redevelopment.