

**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, 2015 to December 31, 2015



**FILED**

08/16/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Leslie A. Ellis	01-01-15 to 12-31-17
Mayor	Duke A. Bennett	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Robert J. Murray (Vacant) Jonathon Stinson	01-01-15 to 04-13-15 04-14-15 to 12-13-15 12-14-15 to 12-31-17
President of the Common Council	John Mullican Todd Nation Karrum J. Nasser	01-01-15 to 10-16-15 10-17-15 to 12-31-16 01-01-17 to 12-31-17
Wastewater Utility Director	Christopher M. Thompson	01-01-15 to 12-31-17



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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, 2015, 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 (Indiana Code 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 from 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 to 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, 2015.

***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, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Emphasis of Matter***

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

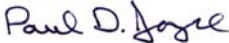
INDEPENDENT AUDITOR'S REPORT  
(Continued)

*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 June 13, 2017, 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

June 13, 2017



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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, 2015, and the related notes to the financial statement, and have issued our report thereon dated June 13, 2017, 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.

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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a material weakness.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

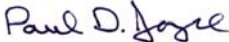
We noted certain matters that we reported to management in a separate letter dated June 13, 2017.

**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

June 13, 2017

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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, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
GENERAL	\$ (5,446,506)	\$ 31,291,905	\$ 34,832,655	\$ (8,987,256)
MOTOR VEHICLE HIGHWAY	637,951	3,209,353	3,405,980	441,324
LOCAL ROAD & STREET	456,815	490,838	510,125	437,528
EMS NON-REVERTING	230,233	1,566,844	1,798,454	(1,377)
TRANSIT	(73,261)	2,552,860	2,744,801	(265,202)
CDBG	1,256	1,610,412	1,611,544	124
PARKS & RECREATION	(266,921)	2,265,293	2,298,930	(300,558)
RAINY DAY FUND	2,350,655	-	2,000,000	350,655
CUMULATIVE CAPITAL DEVELOPMENT	610,998	574,247	753,439	431,806
CUMULATIVE CAPITAL IMPROVEMENT	82,647	157,176	136,743	103,080
POLICE PENSION	350,079	2,364,536	2,685,072	29,543
FIRE PENSION	(277,349)	2,615,766	2,557,234	(218,817)
LTCP Project CSO Phase I	23,766,976	62,290	11,292,742	12,536,524
Construction Phase II for SRF 2012	20,816,733	29,826	15,813,739	5,032,820
Bond & Interest Phase 2 Srf-2 Sera	1,491,274	2,897,982	2,982,539	1,406,717
Parks Donations	23,429	84,188	48,300	59,317
Clerk of the Circuit Court	183,042	1,306,375	1,357,820	131,597
Jadcore TIF Allocation	297,252	42,337	195,300	144,289
SR46 BOND & INTEREST FUND	576,031	575,756	859,625	292,162
SR46 DEBT SERVICE RESERVE	659,371	29	-	659,400
Parks Project Fund	485,975	-	112,206	373,769
Debt Service Reserve	3,247,010	1,623,506	-	4,870,516
FIRE SAFER	(334,919)	460,512	590,873	(465,280)
DRUG EDUCATION AND TRAINING	600	2,520	-	3,120
New Margaret Ave East Meijer	299,902	49	299,850	101
Historic District	6,091	-	8,206	(2,115)
Blight Elimination Program	100	191,634	197,732	(5,998)
Cemetery Donations	585	-	-	585
JAG 2015 (2015-DJ-BX-0776)	-	12,751	12,751	-
2005 Revenue Bond Refinanced	-	24,186,672	23,955,486	231,186
DEMING CENTER BOND & INTEREST	-	1,214,000	1,214,000	-
DEMING CENTER CONSTRUCTION	-	1,142,400	1,142,400	-
2015 Revenue Bond SER A (Police)	-	843,709	780,927	62,782
2015 Bond & Int Ser A (Police)	-	930,000	930,000	-
2015 DSR (Police)	-	72,353	-	72,353
Emergency Solutions Grant	-	107,911	106,632	1,279
CEMETERY	(319,788)	674,384	521,990	(167,394)
ABANDONED VEHICLE FEE NON-REVERTING	28,746	600	-	29,346
TH POLICE CONT EDUCATION	75,467	174,314	96,288	153,493
TH CLERKS RECORD PERPETUATION	23,354	19,186	9,439	33,101
THFD CONTRACTUAL SERV NON-REVERTING	45,113	149,413	193,802	724
TH POLICE NON-REVERTING	5,376	1,488	-	6,864
TH POLICE CRIME CONTROL	5,622	11,990	13,817	3,795
TH POLICE STAYING RIGHT	1,951	11,150	12,052	1,049
TH POLICE CEREMONIAL UNIT	145,362	326	6,737	138,951

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, 2015  
(Continued)

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
TH POLICE OPERATION PULLOVER	(32,951)	83,964	102,035	(51,022)
ELE MAP GENERATION NON-REVERTING	1,482	-	-	1,482
HULMAN LINKS NON-REVERTING	(3,138,717)	435,972	793,730	(3,496,475)
REA PARK NON-REVERTING	(772,178)	456,954	578,256	(893,480)
ANIMAL CARE NON-REVERTING	11,231	31,245	28,032	14,444
ENGINEERING NON-REVERTING	461,416	855,274	1,025,699	290,991
NON FEDERAL INCOME	248,441	386,075	436,476	198,040
HOME PROGRAM	3,122	70,156	43,656	29,622
SANITARY DISTRICT GENERAL	44,169	1,000,000	207,887	836,282
THPD FEDERAL EQUITABLE SHARING	16,014	79,461	82,956	12,519
SANITARY DISTRICT BOND	623,550	6,700,397	7,627,540	(303,593)
ECON DEV INCOME TAX	3,058,736	5,881,248	7,017,227	1,922,757
FT HARRISON BUSINESS PK TIF#8	72,520	469	72,977	12
FT HARRISON BOND & INTEREST	485,005	191,624	676,628	1
JADCORE TIF #9	1	189,800	189,800	1
REDEVELOPMENT ST RD 46 TIF#10	1,937,343	1,314,945	893,815	2,358,473
CANDLEWOOD BOND P & I	1,019	168,463	168,463	1,019
ST RD 46 BAN	1,737,772	211,205	1,622,443	326,534
SANITARY DISTRICT PROJECT 19	2,219	-	-	2,219
Cherry Street Bond Series A	23,963	114,715	114,712	23,966
Cherry Street SeriesA DSR	120,546	13	-	120,559
WTHI Construction	2	-	-	2
WTHI Bond and Interest	-	75,000	75,000	-
CENTRAL BUSINESS DISTRICT TIF	3,854,983	1,590,567	1,045,485	4,400,065
THFD NON-REVERTING EQUIPMENT	21,894	45,000	53,800	13,094
HAZARDOUS MATER COST RECOVERY	16,847	5,484	1,482	20,849
FIRE TRAINING ACADEMY NON-REVERTING	21,239	81,636	89,485	13,390
TH POLICE DONATIONS/AUCTION	8,738	22,295	14,160	16,873
GROUP HEALTH - NON REVERTING	1,725,848	7,357,448	8,040,075	1,043,221
SPENCER BALL PARK	35,797	191	-	35,988
LEVI MUSIC TRUST	12,332	1,622	-	13,954
BRITTLEBANK TRUST	513	-	-	513
CEMETERY TRUST	401,660	3,495	1,445	403,710
BRETT LONG MEMORIAL	14,697	-	-	14,697
K-9 DONATIONS	9,079	2,491	7,733	3,837
Bond and Interest Phase 2 SER B	39,030	71,555	78,055	32,530
Revenue Bond 2005 Trust	3,811	22,713,903	22,713,902	3,812
WWU-CAPITAL IMPROVEMENT	(3,151,606)	-	1,079,061	(4,230,667)
BOND SINKING FUND- SERIES 2005	986,015	1,151,975	2,137,991	(1)
SRF BOND AND INTEREST	642,123	865,603	944,599	563,127
SRF BOND AND DSR	2,752,291	188,832	-	2,941,123
WASTEWATER TREATMENT PLANT	1,782,570	27,629,352	21,894,107	7,517,815
WWU-CONST CSO/LTCP PHASE I	205,976	-	-	205,976
<b>Totals</b>	<b>\$ 64,475,794</b>	<b>\$ 165,507,310</b>	<b>\$ 197,948,942</b>	<b>\$ 32,034,162</b>

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 include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.* Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.* Amounts received 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.* Amounts received from charges for current services.

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

**E. Disbursements**

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

*Personal services.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for 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.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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, the following: 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.

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

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*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.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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 14 funds with deficits in cash totaling \$19,389,234 at December 31, 2015. Of this total, 4 funds totaling \$787,502 are reimbursable-type grant funds for which reimbursement of expenditures made by the City was not received by December 31, 2015. The remaining 10 funds are a result of expenditures exceeding receipts in the current year or past years.

**Note 8. Subsequent Events**

*A. Redevelopment Cash Accounts*

Historically, the Redevelopment bank accounts of the City have been part of the General Cash Pool. The General Assembly enacted House Bill 1290, which effectively forces the segregation of all Redevelopment Cash in the cash pool. The City has segregated the cash beginning in 2017. Since the Redevelopment funds were a significant part of the cash pool, the City Council approved a temporary loan from Redevelopment funds in February 2017 in the amount of \$5,000,000 to cover short falls in the general cash pool. The temporary loan is to be repaid in August 2017 after the first property tax distribution in June 2017. The status of that loan will be reviewed at that time.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*B. Vigo County Bond Anticipation Note (BAN)*

In February 2016, Vigo County issued a TAW Bond Anticipation Note (BAN) to the City in the amount of \$6,000,000. The BAN was used to pay off capital equipment in the wastewater utility and make up the circuit breaker deficit in the General Obligation bond fund for the Sanitary District. Interest is being paid annually and the City expects to pay off the BAN in five years.

*C. ICON Project - Taxable Economic Development Bonds, Series 2017*

In March 2017, the City issued \$8,115,000 of Taxable Economic Development Revenue Bonds, Series 2017. The purpose of the issuance was to induce Renaissance LLC to finance construction of road and street infrastructure, the rehabilitation of the ICON Building into residential apartments, and on-site parking facilities for residents. The City created a TIF District (ICON TIF) from which Tax Increment will be captured to be used to pay debt service on the bonds. Renaissance LLC is the purchaser of the bonds at a 1.0 percent rate. Beginning January 1, 2017, assessment for taxes payable 2018 were initiated. To the extent that the TIF Revenues plus any balance in the Bond Fund created under the Trust Indenture is less than the debt service due on the bonds; Renaissance LLC will pay the Bond Trustee the difference between the debt service and available funds. The City's only obligation is to remit the amount of the TIF Collections received from the ICON TIF each June and December to the Bond Trustee.

**Note 9. Going Concern**

The financial status of the City has declined in the last few years due to the continued decrease in 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 \$8 million of expected income from the GENERAL fund. The cumulative effect to the GENERAL fund has been over \$39 million in circuit breaker losses since 2012. Subsequently, in 2016, there were circuit breaker losses in the GENERAL fund of \$8.9 million. The DLGF estimate for 2017 is a projected circuit breaker loss of \$9.8 million. From 2015 to 2017, the circuit breaker loss for the GENERAL fund has increased by \$1.8 million.

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 was increased to \$2.7 million in 2015. In 2016, the City Council approved a \$5 million PILOT. The 2017 approved budget includes a \$4 million PILOT.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

2. The City has reduced the rate of annual appropriation growth. According to the US Inflation Calculator from 2008 through 2016, inflation rose approximately 15 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 ECON DEV INCOME TAX (EDIT) fund to absorb some of the GENERAL fund expenditures. These methods have allowed us to keep the negative fund balances to a minimum. In 2016, actual operating expenditures were \$1.2 million less than the budget of 2008. In 2017, the projection is to be 2 percent over the 2008 GENERAL fund appropriation.

Subject to the Common Council's approval, part of the Administration's General Fund deficit reduction plan for FY 2017 includes reductions via transfers to the GENERAL fund and expense allocations to other funds including CCD, EMS, Rainy Day and EDIT. The total amount of the GENERAL fund debt reduction is planned to be around \$2.2 million.

3. The work force 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. Since 2014, the work force has been reduced by 34. In 2014, the City's 100-R reported 965 employees. The report in 2016 listed 931 employees.
4. A Tax Anticipation Warrant (TAW) has been issued to help cash flow needs. Tax Anticipation notes for 2015, 2016, and 2017 were approved by the City Council in the amounts of \$2.7 million, \$3.6 million and \$4 million respectively.
5. The administration charge for the waste water utility had not changed since 2007, when it was \$500,000. The charge as of the end of 2015 was \$732,000. We recalculated the cost and with the significant growth of the plant, the cost was adjusted to reflect the current environment.
  - i. In 2016, the fee was \$1.232 million.
  - ii. For the 2017 appropriation, it was reduced to \$1.15 million.
6. A solid waste fee was enacted by the City Council in June of 2016 and the first collections were received in July of 2016. The FY 2017 projection based on the first quarter 2017 collections is for the solid waste fee to generate \$2.2 million in revenues.

The Solid Waste Contract has been paid out of the Board of Public Works and Safety which is part of the GENERAL fund.
7. The City has lobbied 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 million dollars annually. The tax was included in a 2017 legislative bill but was removed at the last minute before passage. The City will submit the request again as part of 2018 legislation. If enacted this will reduce EDIT fund obligations in future years and free up funds to allocate for general expenditure purposes.

CITY OF TERRE HAUTE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

8. There was a proposal in front of the State General Assembly to create a gaming destination in the City of Terre Haute under the Rising Star Casino in Rising Sun Indiana. The legislation died in the Senate during the 2017 session and is expected to be reintroduced in during the 2018 Revenues are projected to generate around \$5 million annually. If enacted, the expectation is that revenues would be received sometime in 2019.
9. In the 2017 legislative session, the General Assembly enacted an increased Motor Vehicle tax. The distributions from that tax are expected to be 40 percent of the current MOTOR VEHICLE HIGHWAY (MVH) distribution and 40 percent of the Local Roads and Streets distribution. The revenue is scheduled to begin in August of 2017. The revenue is specific to the purpose of building and maintaining roads; however, the MVH fund currently receives property tax. It is our intention to reallocate a percentage of that distribution to the general fund once all of the details have been discovered.
10. Vigo County Council is currently in discussions about enacting a Public Safety LOIT in order to fund a new jail. If enacted, estimated revenue to the City would be a minimum of \$2 million annually. Additionally, Vigo County is looking to enact a Public Safety Access Point (PSAP) tax to fund the dispatch center. If enacted, the City will gain \$400,000 for 2017 in decreased payments to the county from the GENERAL fund.
11. The golf course funds, Rea Park and Hulman Links, have consistently run deficit balances. The Parks Board has made the decision to procure the services of a professional management company to run the courses. Under that scenario, they would lease the courses and gain all revenues and bear all of the expenses. Request for proposals were distributed with the due date of June 1, 2017. The successful bidder will begin operations in January of 2018.
12. The Emergency Medical Services (EMS) fund is receiving additional revenues from delinquent Medicaid collection. The fund should receive approximately \$1.5 million in 2017 and in subsequent years, around \$600K annually. This will allow, the City to allocate additional EMS expenditures from the GENERAL fund Fire Department to the EMS fund in 2017, thereby reducing the deficit balance.
13. 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 2018, as well as plans to decrease the GENERAL fund deficit. The plan is to be completed by July of 2017.

The measures that we have implemented since 2015 have allowed the City to realize a balanced GENERAL fund budget and reduce the deficit by around \$900K in 2016. The expectation is that we will be able to exceed the 2016 results in 2017.

#### 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 City's Annual Financial Report 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, 2015

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	EMS NON-REVERTING	TRANSIT	CDBG	PARKS & RECREATION
Cash and investments - beginning	\$ (5,446,506)	\$ 637,951	\$ 456,815	\$ 230,233	\$ (73,261)	\$ 1,256	\$ (266,921)
Receipts:							
Taxes	17,062,225	358,252	-	-	669,538	-	1,846,964
Licenses and permits	542,795	5,240	-	-	-	-	-
Intergovernmental receipts	10,221,478	2,838,509	487,238	-	1,372,489	1,595,945	171,851
Charges for services	732,007	-	-	1,566,844	510,833	-	246,478
Fines and forfeits	204,866	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,528,534	7,352	3,600	-	-	14,467	-
Total receipts	<u>31,291,905</u>	<u>3,209,353</u>	<u>490,838</u>	<u>1,566,844</u>	<u>2,552,860</u>	<u>1,610,412</u>	<u>2,265,293</u>
Disbursements:							
Personal services	26,723,341	2,345,100	-	502,384	2,105,709	518,028	1,683,368
Supplies	515,609	312,764	152,586	253,045	251,224	3,164	142,144
Other services and charges	4,250,125	624,503	357,539	284,117	168,954	934,722	386,384
Debt service - principal and interest	2,938,475	-	-	680,461	116,038	-	51,492
Capital outlay	355,041	123,613	-	1,185	102,876	155,630	35,542
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	50,064	-	-	77,262	-	-	-
Total disbursements	<u>34,832,655</u>	<u>3,405,980</u>	<u>510,125</u>	<u>1,798,454</u>	<u>2,744,801</u>	<u>1,611,544</u>	<u>2,298,930</u>
Excess (deficiency) of receipts over disbursements	<u>(3,540,750)</u>	<u>(196,627)</u>	<u>(19,287)</u>	<u>(231,610)</u>	<u>(191,941)</u>	<u>(1,132)</u>	<u>(33,637)</u>
Cash and investments - ending	<u>\$ (8,987,256)</u>	<u>\$ 441,324</u>	<u>\$ 437,528</u>	<u>\$ (1,377)</u>	<u>\$ (265,202)</u>	<u>\$ 124</u>	<u>\$ (300,558)</u>

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	RAINY DAY FUND	CUMULATIVE CAPITAL DEVELOPMENT	CUMULATIVE CAPITAL IMPROVEMENT	POLICE PENSION	FIRE PENSION	LTCP Project CSO Phase I	Construction Phase II for SRF 2012
Cash and investments - beginning	\$ 2,350,655	\$ 610,998	\$ 82,647	\$ 350,079	\$ (277,349)	\$ 23,766,976	\$ 20,816,733
Receipts:							
Taxes	-	525,364	-	2,364,536	2,578,367	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	48,883	152,676	-	37,399	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	4,500	-	-	62,290	29,826
Total receipts	-	574,247	157,176	2,364,536	2,615,766	62,290	29,826
Disbursements:							
Personal services	-	-	-	2,637,228	2,520,273	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	600,000	136,743	11,844	961	12,811	6,754
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	153,439	-	-	-	11,279,931	15,806,985
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,000,000	-	-	36,000	36,000	-	-
Total disbursements	2,000,000	753,439	136,743	2,685,072	2,557,234	11,292,742	15,813,739
Excess (deficiency) of receipts over disbursements	(2,000,000)	(179,192)	20,433	(320,536)	58,532	(11,230,452)	(15,783,913)
Cash and investments - ending	\$ 350,655	\$ 431,806	\$ 103,080	\$ 29,543	\$ (218,817)	\$ 12,536,524	\$ 5,032,820

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	Bond & Interest Phase 2 Srf-2 Sera	Parks Donations	Clerk of the Circuit Court	Jadcore TIF Allocation	SR46 BOND & INTEREST FUND	SR46 DEBT SERVICE RESERVE	Parks Project Fund
Cash and investments - beginning	\$ 1,491,274	\$ 23,429	\$ 183,042	\$ 297,252	\$ 576,031	\$ 659,371	\$ 485,975
Receipts:							
Taxes	-	-	-	42,313	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	82,991	-	-	-	-	-
Fines and forfeits	-	-	1,306,375	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,897,982	1,197	-	24	575,756	29	-
Total receipts	2,897,982	84,188	1,306,375	42,337	575,756	29	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	48,300	-	5,500	350	-	77,706
Debt service - principal and interest	2,982,539	-	-	-	575,750	-	-
Capital outlay	-	-	-	-	-	-	34,500
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,357,820	189,800	283,525	-	-
Total disbursements	2,982,539	48,300	1,357,820	195,300	859,625	-	112,206
Excess (deficiency) of receipts over disbursements	(84,557)	35,888	(51,445)	(152,963)	(283,869)	29	(112,206)
Cash and investments - ending	\$ 1,406,717	\$ 59,317	\$ 131,597	\$ 144,289	\$ 292,162	\$ 659,400	\$ 373,769

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	Debt Service Reserve	FIRE SAFER	DRUG EDUCATION AND TRAINING	New Margaret Ave East Meijer	Historic District	Blight Elimination Program	Cemetery Donations
Cash and investments - beginning	\$ 3,247,010	\$ (334,919)	\$ 600	\$ 299,902	\$ 6,091	\$ 100	\$ 585
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	460,512	-	-	-	164,911	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	2,520	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,623,506	-	-	49	-	26,723	-
Total receipts	1,623,506	460,512	2,520	49	-	191,634	-
Disbursements:							
Personal services	-	590,873	-	-	-	6,099	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	30	6,091	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	299,820	2,115	191,633	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	590,873	-	299,850	8,206	197,732	-
Excess (deficiency) of receipts over disbursements	1,623,506	(130,361)	2,520	(299,801)	(8,206)	(6,098)	-
Cash and investments - ending	\$ 4,870,516	\$ (465,280)	\$ 3,120	\$ 101	\$ (2,115)	\$ (5,998)	\$ 585

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	JAG 2015 (2015-DJ-BX-0776)	2005 Revenue Bond Refinanced	DEMING CENTER BOND & INTEREST	DEMING CENTER CONSTRUCTION	2015 Revenue Bond SER A (Police)	2015 Bond & Int Ser A (Police)	2015 DSR (Police)
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	12,751	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	24,186,672	1,214,000	1,142,400	843,709	930,000	72,353
<b>Total receipts</b>	<b>12,751</b>	<b>24,186,672</b>	<b>1,214,000</b>	<b>1,142,400</b>	<b>843,709</b>	<b>930,000</b>	<b>72,353</b>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	377,850	71,600	1,142,400	1,660	13,950	-
Debt service - principal and interest	-	1,850,499	-	-	-	-	-
Capital outlay	12,751	-	-	-	779,267	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	21,727,137	1,142,400	-	-	916,050	-
<b>Total disbursements</b>	<b>12,751</b>	<b>23,955,486</b>	<b>1,214,000</b>	<b>1,142,400</b>	<b>780,927</b>	<b>930,000</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	-	231,186	-	-	62,782	-	72,353
Cash and investments - ending	\$ -	\$ 231,186	\$ -	\$ -	\$ 62,782	\$ -	\$ 72,353

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	Emergency Solutions Grant	CEMETERY	ABANDONED VEHICLE FEE NON-REVERTING	TH POLICE CONT EDUCATION	TH CLERKS RECORD PERPETUATION	THFD CONTRACTUAL SERV NON-REVERTING	TH POLICE NON-REVERTING
Cash and investments - beginning	\$ -	\$ (319,788)	\$ 28,746	\$ 75,467	\$ 23,354	\$ 45,113	\$ 5,376
Receipts:							
Taxes	-	502,427	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	107,911	46,748	-	-	-	-	-
Charges for services	-	123,393	-	-	19,186	120,647	-
Fines and forfeits	-	-	600	174,314	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	1,816	-	-	-	28,766	1,488
<b>Total receipts</b>	<b>107,911</b>	<b>674,384</b>	<b>600</b>	<b>174,314</b>	<b>19,186</b>	<b>149,413</b>	<b>1,488</b>
Disbursements:							
Personal services	6,249	454,793	-	-	-	48,803	-
Supplies	-	23,282	-	23,950	-	77	-
Other services and charges	100,383	38,276	-	8,566	9,439	552	-
Debt service - principal and interest	-	5,639	-	-	-	-	-
Capital outlay	-	-	-	46,450	-	25,970	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	17,322	-	118,400	-
<b>Total disbursements</b>	<b>106,632</b>	<b>521,990</b>	<b>-</b>	<b>96,288</b>	<b>9,439</b>	<b>193,802</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	1,279	152,394	600	78,026	9,747	(44,389)	1,488
Cash and investments - ending	\$ 1,279	\$ (167,394)	\$ 29,346	\$ 153,493	\$ 33,101	\$ 724	\$ 6,864

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	TH POLICE CRIME CONTROL	TH POLICE STAYING RIGHT	TH POLICE CEREMONIAL UNIT	TH POLICE OPERATION PULLOVER	ELE MAP GENERATION NON-REVERTING	HULMAN LINKS NON-REVERTING	REA PARK NON-REVERTING
Cash and investments - beginning	\$ 5,622	\$ 1,951	\$ 145,362	\$ (32,951)	\$ 1,482	\$ (3,138,717)	\$ (772,178)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	83,964	-	-	-
Charges for services	-	-	-	-	-	435,972	456,954
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	11,990	11,150	326	-	-	-	-
Total receipts	11,990	11,150	326	83,964	-	435,972	456,954
Disbursements:							
Personal services	-	-	-	102,035	-	431,916	348,062
Supplies	5,638	-	-	-	-	194,661	96,900
Other services and charges	8,179	12,052	6,737	-	-	72,877	49,684
Debt service - principal and interest	-	-	-	-	-	87,187	80,090
Capital outlay	-	-	-	-	-	7,089	3,520
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	13,817	12,052	6,737	102,035	-	793,730	578,256
Excess (deficiency) of receipts over disbursements	(1,827)	(902)	(6,411)	(18,071)	-	(357,758)	(121,302)
Cash and investments - ending	\$ 3,795	\$ 1,049	\$ 138,951	\$ (51,022)	\$ 1,482	\$ (3,496,475)	\$ (893,480)

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	ANIMAL CARE NON-REVERTING	ENGINEERING NON-REVERTING	NON FEDERAL INCOME	HOME PROGRAM	SANITARY DISTRICT GENERAL	THPD FEDERAL EQUITABLE SHARING	SANITARY DISTRICT BOND
Cash and investments - beginning	\$ 11,231	\$ 461,416	\$ 248,441	\$ 3,122	\$ 44,169	\$ 16,014	\$ 623,550
Receipts:							
Taxes	-	-	-	-	-	-	6,099,806
Licenses and permits	2,745	14,557	-	-	-	-	-
Intergovernmental receipts	-	-	-	70,156	-	-	600,591
Charges for services	-	840,717	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	79,422	-
Utility fees	-	-	-	-	-	-	-
Other receipts	28,500	-	386,075	-	1,000,000	39	-
<b>Total receipts</b>	<b>31,245</b>	<b>855,274</b>	<b>386,075</b>	<b>70,156</b>	<b>1,000,000</b>	<b>79,461</b>	<b>6,700,397</b>
Disbursements:							
Personal services	-	1,023,611	2,572	4,475	25,761	-	-
Supplies	-	-	-	-	-	7,035	-
Other services and charges	205	409	233,394	39,181	182,126	2,850	1,540
Debt service - principal and interest	-	-	-	-	-	-	7,626,000
Capital outlay	-	1,679	-	-	-	73,071	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	27,827	-	200,510	-	-	-	-
<b>Total disbursements</b>	<b>28,032</b>	<b>1,025,699</b>	<b>436,476</b>	<b>43,656</b>	<b>207,887</b>	<b>82,956</b>	<b>7,627,540</b>
Excess (deficiency) of receipts over disbursements	3,213	(170,425)	(50,401)	26,500	792,113	(3,495)	(927,143)
Cash and investments - ending	\$ 14,444	\$ 290,991	\$ 198,040	\$ 29,622	\$ 836,282	\$ 12,519	\$ (303,593)

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	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	ST RD 46 BAN
Cash and investments - beginning	\$ 3,058,736	\$ 72,520	\$ 485,005	\$ 1	\$ 1,937,343	\$ 1,019	\$ 1,737,772
Receipts:							
Taxes	-	-	112,674	-	968,437	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	5,881,248	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	469	78,950	189,800	346,508	168,463	211,205
Total receipts	5,881,248	469	191,624	189,800	1,314,945	168,463	211,205
Disbursements:							
Personal services	-	642	-	-	63,801	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	3,256,993	12,173	-	-	154,264	1,500	15,011
Debt service - principal and interest	-	-	676,628	189,800	-	166,963	-
Capital outlay	3,760,234	-	-	-	100,000	-	1,396,432
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	60,162	-	-	575,750	-	211,000
Total disbursements	7,017,227	72,977	676,628	189,800	893,815	168,463	1,622,443
Excess (deficiency) of receipts over disbursements	(1,135,979)	(72,508)	(485,004)	-	421,130	-	(1,411,238)
Cash and investments - ending	\$ 1,922,757	\$ 12	\$ 1	\$ 1	\$ 2,358,473	\$ 1,019	\$ 326,534

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	SANITARY DISTRICT PROJECT 19	Cherry Street Bond Series A	Cherry Street SeriesA DSR	WTHI Construction	WTHI Bond and Interest	CENTRAL BUSINESS DISTRICT TIF	THFD NON-REVERTING EQUIPMENT
Cash and investments - beginning	\$ 2,219	\$ 23,963	\$ 120,546	\$ 2	\$ -	\$ 3,854,983	\$ 21,894
Receipts:							
Taxes	-	-	-	-	-	1,560,216	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	114,715	13	-	75,000	30,351	45,000
Total receipts	-	114,715	13	-	75,000	1,590,567	45,000
Disbursements:							
Personal services	-	-	-	-	-	76,919	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	616,194	-
Debt service - principal and interest	-	114,712	-	-	75,000	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	352,372	53,800
Total disbursements	-	114,712	-	-	75,000	1,045,485	53,800
Excess (deficiency) of receipts over disbursements	-	3	13	-	-	545,082	(8,800)
Cash and investments - ending	\$ 2,219	\$ 23,966	\$ 120,559	\$ 2	\$ -	\$ 4,400,065	\$ 13,094

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	HAZARDOUS MATER COST RECOVERY	FIRE TRAINING ACADEMY NON-REVERTING	TH POLICE DONATIONS/AUCTION	GROUP HEALTH - NON REVERTING	SPENCER BALL PARK	LEVI MUSIC TRUST	BRITTLEBANK TRUST
Cash and investments - beginning	\$ 16,847	\$ 21,239	\$ 8,738	\$ 1,725,848	\$ 35,797	\$ 12,332	\$ 513
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	4,374	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,484	77,262	22,295	7,357,448	191	1,622	-
Total receipts	5,484	81,636	22,295	7,357,448	191	1,622	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	399	3,853	-	-	-	-	-
Other services and charges	1,083	25,096	10,773	-	-	-	-
Debt service - principal and interest	-	57,558	-	-	-	-	-
Capital outlay	-	2,978	3,387	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	8,040,075	-	-	-
Total disbursements	1,482	89,485	14,160	8,040,075	-	-	-
Excess (deficiency) of receipts over disbursements	4,002	(7,849)	8,135	(682,627)	191	1,622	-
Cash and investments - ending	\$ 20,849	\$ 13,390	\$ 16,873	\$ 1,043,221	\$ 35,988	\$ 13,954	\$ 513

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	CEMETERY TRUST	BRETT LONG MEMORIAL	K-9 DONATIONS	Bond and Interest Phase 2 SER B	Revenue Bond 2005 Trust	WWJ-CAPITAL IMPROVEMENT
Cash and investments - beginning	\$ 401,660	\$ 14,697	\$ 9,079	\$ 39,030	\$ 3,811	\$ (3,151,606)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,495	-	2,491	71,555	22,713,903	-
Total receipts	3,495	-	2,491	71,555	22,713,903	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,000	-	6,663	-	-	-
Debt service - principal and interest	-	-	-	78,055	22,713,902	-
Capital outlay	-	-	1,070	-	-	1,079,061
Utility operating expenses	-	-	-	-	-	-
Other disbursements	445	-	-	-	-	-
Total disbursements	1,445	-	7,733	78,055	22,713,902	1,079,061
Excess (deficiency) of receipts over disbursements	2,050	-	(5,242)	(6,500)	1	(1,079,061)
Cash and investments - ending	\$ 403,710	\$ 14,697	\$ 3,837	\$ 32,530	\$ 3,812	\$ (4,230,667)

CITY OF TERRE HAUTE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015  
 (Continued)

	BOND SINKING FUND- SERIES 2005	SRF BOND AND INTEREST	SRF BOND AND DSR	WASTEWATER TREATMENT PLANT	WWU-CONST CSO/LTCP PHASE I	Totals
Cash and investments - beginning	\$ 986,015	\$ 642,123	\$ 2,752,291	\$ 1,782,570	\$ 205,976	\$ 64,475,794
Receipts:						
Taxes	-	-	-	-	-	34,691,119
Licenses and permits	-	-	-	-	-	565,337
Intergovernmental receipts	-	-	-	-	-	24,355,260
Charges for services	-	-	-	-	-	5,136,022
Fines and forfeits	-	-	-	-	-	1,772,471
Utility fees	-	-	-	27,629,352	-	27,629,352
Other receipts	1,151,975	865,603	188,832	-	-	71,357,749
Total receipts	1,151,975	865,603	188,832	27,629,352	-	165,507,310
Disbursements:						
Personal services	-	-	-	2,993,451	-	45,215,493
Supplies	-	-	-	-	-	1,986,331
Other services and charges	-	-	-	519,032	-	14,907,126
Debt service - principal and interest	-	944,599	-	-	-	42,011,387
Capital outlay	-	-	-	386,328	-	36,221,597
Utility operating expenses	500	-	-	6,569,899	-	6,570,399
Other disbursements	2,137,491	-	-	11,425,397	-	51,036,609
Total disbursements	2,137,991	944,599	-	21,894,107	-	197,948,942
Excess (deficiency) of receipts over disbursements	(986,016)	(78,996)	188,832	5,735,245	-	(32,441,632)
Cash and investments - ending	\$ (1)	\$ 563,127	\$ 2,941,123	\$ 7,517,815	\$ 205,976	\$ 32,034,162

CITY OF TERRE HAUTE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ 769,611	\$ 3,116,959
Governmental activities	<u>1,230,937</u>	<u>809,625</u>
Totals	<u>\$ 2,000,548</u>	<u>\$ 3,926,584</u>

CITY OF TERRE HAUTE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Community First National Bank	Lease #43 Two Smeal Pumper Trucks	\$ 170,162	01/15/14	01/15/19
First Financial Bank	Lease #32 Fire Training Academy	57,558	12/06/10	12/06/32
First Financial Bank	Lease #25 Backhoe	5,639	07/01/09	07/01/19
John Deere Financial	Lease #42 Mowers	51,364	04/08/14	04/08/16
Old National Bank	Lease #34 Three Amulances	140,589	09/12/11	09/12/16
PNC Equipment Finance LLC	Lease #36 Hulman Links 60 Golf Carts	44,200	12/05/11	01/05/16
PNC Equipment Finance LLC	Lease #37 Rea Park 54 Golf Carts	39,798	12/05/11	01/05/16
PNC Equipment Finance LLC	Lease #40 Hulman Links Turf Equipment	42,967	04/12/13	06/30/17
PNC Equipment Finance LLC	Lease #41 Rea Park Turf Equipment	40,292	04/12/13	06/01/17
Wells Fargo Equipment Finance Inc	Lease #39 2 Smeal Pumper Trucks	<u>169,913</u>	09/11/12	08/11/17
Total governmental activities		<u>762,482</u>		
Total of annual lease payments		<u>\$ 762,482</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	\$ 24,675,000	\$ 7,625,600
Revenue bonds	Taxable Economic Development Bonds of 2003	450,000	197,800
Revenue bonds	Taxable Economic Development Bonds of 2007	845,000	169,650
Revenue bonds	Taxable Increment Revenue Bonds of 2011, Series A	1,120,000	113,234
Revenue bonds	Taxable Economic Development Revenue Bonds of 2011	490,000	75,000
Revenue bonds	Taxable Increment Revenue Bond of 2013	8,040,000	595,250
Revenue bonds	Tax Increment Revenue Bonds of 2015, Series A	930,000	77,491
Revenue bonds	Taxable Economic Development Revenue Bonds, Series 2015	1,214,000	-
Notes and loans payable	Six Buses	434,742	115,259
Notes and loans payable	EMS Pumper 2013 28-3611	242,644	84,963
Notes and loans payable	EMS Ladder Truck 2013 28-3882	<u>535,163</u>	<u>114,835</u>
Total governmental activities		<u>38,976,549</u>	<u>9,169,082</u>
Wastewater:			
Revenue bonds	Sanitary District Refunding Revenue Bond, Series 2015	20,895,000	926,783
Notes and loans payable	2011 SRF	12,339,000	943,896
Notes and loans payable	2012 SRF Series A	139,371,000	5,395,539
Notes and loans payable	2012 SRF Series B	<u>1,365,945</u>	<u>78,054</u>
Total Wastewater		<u>173,970,945</u>	<u>7,344,272</u>
Totals		<u>\$ 212,947,494</u>	<u>\$ 16,513,354</u>

CITY OF TERRE HAUTE  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2015

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	\$ 13,832,184
Buildings	7,956,144
Improvements other than buildings	78,229,463
Machinery, equipment, and vehicles	20,451,854
Construction in progress	28,019,573
Total governmental activities	148,489,218
Wastewater:	
Land	2,388,741
Buildings	2,645,107
Improvements other than buildings	100,921,811
Machinery, equipment, and vehicles	6,559,096
Construction in progress	115,332,634
Total Wastewater	227,847,389
Total capital assets	\$ 376,336,607

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the City of Terre Haute's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 13, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

CITY OF TERRE HAUTE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2015

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Cooperative Forestry Assistance Trees in our Town FY 2012	Indiana Department of Natural Resources	10.664	300FR100CUF2014	\$ -	\$ 11,764
Total - Department of Agriculture				-	11,764
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/Entitlement Grants 2014 Grant	Direct grant	14.218	B-14-MC-18-0012	-	1,427,130
2015 Grant			B-15-MC-18-0012	-	168,815
Total - Community Development Block Grant/Entitlement Grants				-	1,595,945
Emergency Solutions Grant Program Department of Redevelopment 2013	Direct grant	14.231	E-13-MC-18-0012	-	107,911
Home Investment Partnerships Program 2014 Grant	Direct grant	14.239	M-14-MC-18-2011	-	34,614
Total - Department of Housing and Urban Development				-	1,738,470
<u>Department of Justice</u>					
Crime Victim Compensation FY 2015	Indiana Criminal Justice Institute	16.576	03214VCGX005403	-	53
Edward Byrne Memorial Justice Assistance Grant Program FY 2015	Direct grant	16.738	2015-DJ-BX-0776	-	12,751
Total - Department of Justice				-	12,804
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Margaret Avenue 7th Street to 14th Street Margaret Avenue 14th Street to 25th Street	Indiana Department of Transportation	20.205	DES 0810340 DES 1298689	-	123,504 1,148,283
Total - Highway Planning and Construction Cluster				-	1,271,787
Federal Transit Cluster Federal Transit_Formula Grants	Direct grant	20.507			
Terre Haute Transit Capital Grant			IN-90-0661-00	-	130,297
Terre Haute Transit Capital Grant			IN-90-0678-00	-	38,797
Terre Haute Transit Operating Grant			IN-90-4661-00	-	161,639
Terre Haute Transit Operating Grant			IN-90-4678-00	-	586,304
Total - Federal Transit Cluster				-	917,037
Rail Line Relocation and Improvement Railroad ITS Grant	Direct Grant	20.320	FR-LRI-0063-14-01-00	-	195,736
Total - Department of Transportation				-	2,384,560
<u>Department of Education</u>					
Rehabilitation Services_Vocational Rehabilitation Grants to States FY 2015	Indiana Department of Education	84.126	497FDVRB100F15	-	585
Total - Department of Education				-	585
<u>Department of Homeland Security</u>					
Staffing for Adequate Fire and Emergency Response (SAFER) Fire Safer Grant	Direct Grant	97.083	EMW-2013-FH-00736	-	460,512
Total - Department of Homeland Security				-	460,512
Total federal awards expended				\$ -	\$ 4,608,695

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

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

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF TERRE HAUTE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Programs and type of auditor's report issued on compliance for each:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.218	Community Development Block Grants/Entitlement Grants	Unmodified
	Highway Planning and Construction Cluster	Unmodified
	Federal Transit Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

**FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were 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 statement, which, in the aggregate, are considered qualitatively material. The City prepared and submitted its financial information online through the Gateway system. The financial statement was 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.

Internal controls over payroll were not sufficient to prevent or detect errors in the salary paid to Park and Recreation department employees. Several employees were paid a salary that did not agree with the salary ordinance.

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

Payroll entry errors occurred in the current and previous audit periods. The errors are the result of inaccurate entry of the salary ordinance into the payroll accounting system. While the errors detected during this audit were not quantitatively material, there is no process to detect errors made in the entry of salaries into the payroll system. The magnitude of these errors could potentially affect all City employees, resulting in a material misstatement.

A similar finding appeared in prior Report B45624, as Finding 2014-002.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

*Cause*

Management of the City had not established a proper system of internal control over accurate reporting and the entry of salaries into the payroll system.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The established internal controls were ineffective and did not prevent and detect errors in the financial statement or in the entry of approved salaries into the payroll accounting system.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

No matters are reportable.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2014-001**

Fiscal Year 2014

Contact Person - Leslie Ellis

Contact Phone Number – 812-244-2359

Status of Audit Finding:

In 2016, personnel were assigned to the task of gathering all of the state funded contracts on a monthly basis. The Engineering Support Staff and Controller's Office personnel are responsible to review the federally supported construction projects and determine the amount that is funded by federal grant.

Furthermore, the Controller's Office personnel have contacted departments to get copies of any federal and state grants as they are initiated so that they all reside in a central office.

### **FINDING 2014-002**

Fiscal Year 2014

Contact Person - Leslie Ellis

Contact Phone Number – 812-244-2359

Item #1: We are making adjustments after March 1<sup>st</sup> in the CTAR if new information is received. Also, there is a three way check with reconciled bank statements, internal cash balances and the CTAR as part of our end of year reporting check list.

Item #2: Wastewater Utility payments are sent to a lock-box and receipted by our third party billing company TPI. A daily deposit sheet is presented to the City by the TPI billing company which details the Wastewater collections for the previous day's business. The deposit amounts are recorded in our in-house system daily. At the end of the month, the bank that accepts the deposit is reconciled to the in-house accounting system. Monthly, the payment summary from the Aging Report is reconciled against the totals from the in-house system. The Utility Bills are sent on the 16<sup>th</sup> of the month for the previous month's usage. If there are payment discrepancies, the third party billing company, TPI makes the adjustments.

Item #3: MVH salaries are part of the salary ordinance review. The Payroll clerk will enter the salary ordinance into the Payroll System. She will compare the Salary Ordinance to the internal payroll records. The Office Manager will also review the Salary Ordinance and internal payroll records.

City of Terre Haute  
December 31, 2015  
Corrective Action Plan  
Internal Controls over Payroll

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

***FINDING 2015-001***

We have added an additional step to the Annual Financial Report compilation. We have instituted an additional review by the City Controller. For FY 2016, the cash balances from the internal Accounting System and the Gateway system balanced to the penny. Receipts and disbursements between the two systems will always have differences because of the difference in accounting basis. The Internal Accounting System utilizes a modified accrual basis system and the Gateway records transactions utilizing the Cash Basis of Accounting. Reconciliations using Uses and Sources of Cash worksheets have been compiled.

The Park & Recreation Department employees have been identified. Their pay was adjusted and corrected in June of 2016 to match the 2016 Salary Ordinance. This was a clerical error resulting in two numbers being switched when entering the salary ordinance into the pay system. Going forward, the salary ordinance will be compared to the new year internal pay schedule by the Payroll Clerk and verified by the Office Manager.

Anticipated Completion Date: 06-30-2017

#### 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/>.