

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF WEST TERRE HAUTE
VIGO COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
02/22/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-15
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-23
Schedule of Payables and Receivables	24
Schedule of Leases and Debt	25
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	28-30
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	32
Notes to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34-40
Auditee-Prepared Document:	
Corrective Action Plan	42-44
Other Reports.....	45

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nicole Keith	01-01-16 to 12-31-18
President of the Town Council	Chuck Stranahan Shane Smith	01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WEST TERRE HAUTE, VIGO COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of West Terre Haute (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free 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 Town'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 Town'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 Town 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 Town for the year ended December 31, 2017.

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 Town for the year ended December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town'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.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 20, 2018, on our consideration of the Town'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 solely 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 effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

December 20, 2018



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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 TOWN OF WEST 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 Town of West Terre Haute (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated December 20, 2018, wherein we noted the Town 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 Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 2017-001, 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 Town'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 2017-001.

Town of West Terre Haute's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town'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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

December 20, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF WEST TERRE HAUTE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
General	\$ 171,394	\$ 676,741	\$ 590,206	\$ 257,929
Motor Vehicle Highway	85,036	108,449	122,321	71,164
Local Road and Street	40,628	22,748	6,452	56,924
Law Enforcement Continuing Education	6,262	210,071	215,817	516
CEDIT Capital Projects	192,580	82,857	780	274,657
Cumulative Capital Improvement	65,242	5,438	5,838	64,842
Riverboat	22,983	25,636	24,650	23,969
LOIT Special Distribution	28,548	-	-	28,548
Storm Water Utility - Bond and Interest	256	-	-	256
Storm Water Utility - Debt Service	66,580	-	36,803	29,777
Operation Pull-Over	6,269	35,385	12,001	29,653
LECE Canine Fund	100	1,555	1,620	35
Levee Certification Grant	3,000	-	1,729	1,271
Hometown Holiday	4,536	3,137	4,308	3,365
Cable TV Franchise Fee	6,210	3,287	9,497	-
TIF	8,084	1,227	300	9,011
Animal Control	(20)	-	-	(20)
Payroll Clearing	439	462,768	462,818	389
Payroll 941/ EFTPS	-	146,863	146,863	-
Payroll State/County	2,482	29,654	32,136	-
Payroll PERF	106	88,933	89,000	39
Payroll AFLAC	898	7,450	8,105	243
Group Health Insurance	8,843	71,028	75,526	4,345
Trash Utility	29,904	124,708	134,682	19,930
Storm Water Utility - Operating	172,774	924,358	886,562	210,570
Storm Water Utility - Construction	(131,101)	750,473	612,573	6,799
Wastewater Utility - Operating	480,482	496,911	378,355	599,038
Wastewater Utility - Bond and Interest	123,930	-	105,007	18,923
Wastewater Utility - Debt Service Reserve	114,750	-	-	114,750
Wastewater Utility - Customer Deposits	8,675	8,400	4,072	13,003
Water Utility - Operating	383,351	1,517,300	1,411,512	489,139
Water Utility - Customer Deposits	108,515	9,975	9,521	108,969
Water Utility - Depreciation	62,452	-	-	62,452
Water Utility - Construction	11,175	-	-	11,175
Totals	\$ 2,085,363	\$ 5,815,352	\$ 5,389,054	\$ 2,511,661

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

TOWN OF WEST TERRE HAUTE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council 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 Town.

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 Town.

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

TOWN OF WEST 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 Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF WEST 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 Town 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 Town. 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 Town. 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 Town 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 Town 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 Town 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

TOWN OF WEST 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 Town 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 Town 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 Town 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 Plan

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 Town 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

TOWN OF WEST 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.

Note 7. Cash Balance Deficit

The financial statement contains a fund with a deficit in cash. This is a result of expenditures exceeding revenues in the prior year.

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 Town'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 Town. It is presented as intended by the Town.

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	CEDIT Capital Projects	Cumulative Capital Improvement
Cash and investments - beginning	\$ 171,394	\$ 85,036	\$ 40,628	\$ 6,262	\$ 192,580	\$ 65,242
Receipts:						
Taxes	488,263	-	-	-	82,857	-
Licenses and permits	37,690	-	-	1,478	-	-
Intergovernmental receipts	84,517	108,236	22,748	200,317	-	5,438
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	692	-	-
Utility fees	-	-	-	-	-	-
Other receipts	66,271	213	-	7,584	-	-
Total receipts	676,741	108,449	22,748	210,071	82,857	5,438
Disbursements:						
Personal services	384,770	54,901	-	-	-	-
Supplies	55,657	19,186	6,452	215,198	-	-
Other services and charges	73,424	13,921	-	619	495	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	52,482	34,313	-	-	-	5,838
Utility operating expenses	-	-	-	-	-	-
Other disbursements	23,873	-	-	-	285	-
Total disbursements	590,206	122,321	6,452	215,817	780	5,838
Excess (deficiency) of receipts over disbursements	86,535	(13,872)	16,296	(5,746)	82,077	(400)
Cash and investments - ending	\$ 257,929	\$ 71,164	\$ 56,924	\$ 516	\$ 274,657	\$ 64,842

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Riverboat	LOIT Special Distribution	Storm Water Utility - Bond and Interest	Storm Water Utility - Debt Service	Operation Pull-Over	LECE Canine Fund
Cash and investments - beginning	\$ 22,983	\$ 28,548	\$ 256	\$ 66,580	\$ 6,269	\$ 100
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	25,636	-	-	-	35,385	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1,555
Total receipts	25,636	-	-	-	35,385	1,555
Disbursements:						
Personal services	-	-	-	-	12,001	-
Supplies	-	-	-	-	-	-
Other services and charges	24,650	-	-	-	-	-
Debt service - principal and interest	-	-	-	36,803	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1,620
Total disbursements	24,650	-	-	36,803	12,001	1,620
Excess (deficiency) of receipts over disbursements	986	-	-	(36,803)	23,384	(65)
Cash and investments - ending	\$ 23,969	\$ 28,548	\$ 256	\$ 29,777	\$ 29,653	\$ 35

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Levee Certification Grant	Hometown Holiday	Cable TV Franchise Fee	TIF	Animal Control	Payroll Clearing
Cash and investments - beginning	\$ 3,000	\$ 4,536	\$ 6,210	\$ 8,084	\$ (20)	\$ 439
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	3,287	-	-	-
Intergovernmental receipts	-	-	-	1,227	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	3,137	-	-	-	462,768
Total receipts	-	3,137	3,287	1,227	-	462,768
Disbursements:						
Personal services	-	-	-	-	-	427,208
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	300	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,729	4,308	9,497	-	-	35,610
Total disbursements	1,729	4,308	9,497	300	-	462,818
Excess (deficiency) of receipts over disbursements	(1,729)	(1,171)	(6,210)	927	-	(50)
Cash and investments - ending	\$ 1,271	\$ 3,365	\$ -	\$ 9,011	\$ (20)	\$ 389

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Payroll 941/ EFTPS	Payroll State/County	Payroll PERF	Payroll AFLAC	Group Health Insurance	Trash Utility
Cash and investments - beginning	\$ -	\$ 2,482	\$ 106	\$ 898	\$ 8,843	\$ 29,904
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	124,708
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	146,863	29,654	88,933	7,450	71,028	-
Total receipts	146,863	29,654	88,933	7,450	71,028	124,708
Disbursements:						
Personal services	-	-	-	-	-	17,935
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	146,863	32,136	89,000	8,105	75,526	116,747
Total disbursements	146,863	32,136	89,000	8,105	75,526	134,682
Excess (deficiency) of receipts over disbursements	-	(2,482)	(67)	(655)	(4,498)	(9,974)
Cash and investments - ending	\$ -	\$ -	\$ 39	\$ 243	\$ 4,345	\$ 19,930

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Storm Water Utility - Operating	Storm Water Utility - Construction	Wastewater Utility - Operating	Wastewater Utility - Bond and Interest	Wastewater Utility - Debt Service Reserve	Wastewater Utility - Customer Deposits
Cash and investments - beginning	\$ 172,774	\$ (131,101)	\$ 480,482	\$ 123,930	\$ 114,750	\$ 8,675
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	750,473	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	80,704	-	496,842	-	-	-
Other receipts	843,654	-	69	-	-	8,400
Total receipts	924,358	750,473	496,911	-	-	8,400
Disbursements:						
Personal services	-	-	74,376	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	105,007	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	886,562	612,381	259,991	-	-	-
Other disbursements	-	192	43,988	-	-	4,072
Total disbursements	886,562	612,573	378,355	105,007	-	4,072
Excess (deficiency) of receipts over disbursements	37,796	137,900	118,556	(105,007)	-	4,328
Cash and investments - ending	\$ 210,570	\$ 6,799	\$ 599,038	\$ 18,923	\$ 114,750	\$ 13,003

TOWN OF WEST TERRE HAUTE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	Water Utility - Operating	Water Utility - Customer Deposits	Water Utility - Depreciation	Water Utility - Construction	Totals
Cash and investments - beginning	\$ 383,351	\$ 108,515	\$ 62,452	\$ 11,175	\$ 2,085,363
Receipts:					
Taxes	-	-	-	-	571,120
Licenses and permits	-	-	-	-	42,455
Intergovernmental receipts	-	-	-	-	1,233,977
Charges for services	-	-	-	-	124,708
Fines and forfeits	-	-	-	-	692
Utility fees	1,516,867	-	-	-	2,094,413
Other receipts	433	9,975	-	-	1,747,987
Total receipts	<u>1,517,300</u>	<u>9,975</u>	<u>-</u>	<u>-</u>	<u>5,815,352</u>
Disbursements:					
Personal services	185,023	-	-	-	1,156,214
Supplies	-	-	-	-	296,493
Other services and charges	20,538	-	-	-	133,947
Debt service - principal and interest	-	-	-	-	141,810
Capital outlay	-	-	-	-	92,633
Utility operating expenses	317,357	-	-	-	2,076,291
Other disbursements	888,594	9,521	-	-	1,491,666
Total disbursements	<u>1,411,512</u>	<u>9,521</u>	<u>-</u>	<u>-</u>	<u>5,389,054</u>
Excess (deficiency) of receipts over disbursements	<u>105,788</u>	<u>454</u>	<u>-</u>	<u>-</u>	<u>426,298</u>
Cash and investments - ending	<u>\$ 489,139</u>	<u>\$ 108,969</u>	<u>\$ 62,452</u>	<u>\$ 11,175</u>	<u>\$ 2,511,661</u>

TOWN OF WEST TERRE HAUTE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2017

Government or Enterprise	Accounts Payable	Accounts Receivable
Trash	\$ 21,094	\$ 10,582
Storm Water	6,945	6,753
Wastewater	42,828	40,431
Water	10,537	51,431
Governmental activities	<u>22,252</u>	<u>-</u>
Totals	<u>\$ 103,656</u>	<u>\$ 109,197</u>

TOWN OF WEST TERRE HAUTE
SCHEDULE OF LEASES AND DEBT
December 31, 2017

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Rick Lasure Development	Building used for dry storage	\$ 2,000	8/1/2016	8/1/2018
Wastewater: Rick Lasure Development	Building used for dry storage	400	8/1/2016	8/1/2018
Water: James Little	Pump House	5,000	11/13/2017	11/13/2116
Rick Lasure Development	Building used for dry storage	2,400	8/1/2016	8/1/2018
Total Water		7,400		
Total of annual lease payments		\$ 9,800		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Storm Water: Revenue bonds	Storm Water	\$ 629,000	\$ 36,409
Wastewater: Revenue bonds	Waste Water Bond	584,000	104,643
Totals		\$ 1,213,000	\$ 141,052

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF WEST TERRE HAUTE, VIGO COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of West Terre Haute's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the Town 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 Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 Town'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003, that we consider to be material weaknesses.

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

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

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

December 20, 2018

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 Town. The schedule and notes are presented as intended by the Town.

TOWN OF WEST TERRE HAUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

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	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Storm Water Construction	Indiana Office of Rural and Community Affairs	14.228	EDS# A192-16-DR2-09-274	\$ -	\$ 837,154
Total - Department of Housing and Urban Development				-	837,154
<u>Department of Transportation</u>					
Highway Safety Cluster State and Community Highway Safety Operation Pullover	Vigo County, Indiana	20.600	Grant 5765	-	5,238
Total - State and Community Highway Safety				-	5,238
Alcohol Impaired Driving Countermeasures Incentive Grants I DUI & DUID Taskforce Grant	Vigo County, Indiana	20.601	Grant 5833	-	6,461
Total - Alcohol Impaired Driving Countermeasures Incentive Grants I				-	6,461
Total - Highway Safety Cluster				-	11,699
Total - Department of Transportation				-	11,699
Total federal awards expended				\$ -	\$ 848,853

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

TOWN OF WEST 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 Town under programs of the federal government for the year ended December 31, 2017. 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 Town, it is not intended to and does not present the financial position of the Town.

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 the 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 Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF WEST 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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Unmodified

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition

The Town 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 Clerk-Treasurer entered and submitted federal award information into the Indiana Gateway for Government Units financial reporting system, which was the source for the Town's SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the Town to ensure federal award information entered and submitted was correct.

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Context

The SEFA contained the following errors:

1. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were understated by \$224,581.
2. The State and Community Highway Safety grant was overstated by \$30,147.
3. The Alcohol Impaired Driving Countermeasures Incentive Grants I program was omitted, which resulted in an understatement of \$6,461.
4. There were numerous errors in and omissions of CFDA numbers, program names, clusters, federal agencies, and identifying numbers.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the Town's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2017-002

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Procurement and Suspension and Debarment

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): EDS# A192-16-DR2-09-274

Pass-Through Entity: Indiana Office of Rural and Community Affairs

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The Town relied on the grant administrator for compliance with requirements pertaining to Procurement and Suspension and Debarment.

A local procurement policy was not implemented by the Town for the audit period.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The Town did not have a formal written policy outlining their procurement policies.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. . . ."

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

Cause

The Town had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Town.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii - Reporting

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's
program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): EDS# A192-16-DR2-09-274

Pass-Through Entity: Indiana Office of Rural and Community Affairs

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with the Reporting compliance requirement. The Town relied on the grant administrator for compliance with requirements pertaining to Reporting. The grant administrator prepared and submitted the financial reports without an oversight, review, or approval process.

Information contained in the financial reports was not accurate. The Town reported the estimated cost of the project instead of the actual contract amount.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The Town had not developed a system of internal controls that would have ensured the accuracy of the financial reports.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Town.

Questioned Costs

There were no questioned costs identified.

TOWN OF WEST TERRE HAUTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

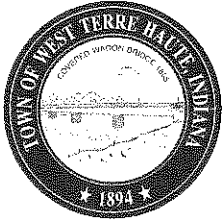
We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENT

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



Town of West Terre Haute, Indiana

500 National Avenue
West Terre Haute, Indiana
47885

CORRECTIVE ACTION PLAN

FINDING 2017-001

Material Weakness

Contact Person Responsible for Corrective Action: Nikki Keith, Clerk-Treasurer
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

To ensure proper reporting, prevent, detect or correct errors, any reporting of financial records done in the future will be reviewed by the Deputy Clerk-Treasurer before the reports are finalized and reported. If the reports are submitted by the Deputy Clerk-Treasurer, the Clerk-Treasurer will review those reports before submission. Any reports submitted by and outside source, such as the grant administrator, will be submitted to the council and the Clerk-Treasurer for reviewing before submission.

Anticipated Completion Date: January 2019

Nikki Keith

(Signature)

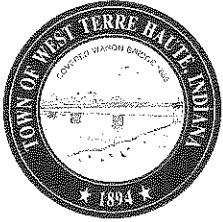
Clerk-Treasurer

(Title)

12/12/2018

(Date)

Contact the West Terre Haute Town Council:
Phone: 812-533-1053 • Fax: 812-533-0503



Town of West Terre Haute, Indiana

500 National Avenue
West Terre Haute, Indiana
47885

CORRECTIVE ACTION PLAN

FINDING 2017-002

Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Nicole Keith, Clerk-Treasurer
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

For corrective and compliance measures, the Town will, in the very near future, establish a policy regarding procurement. This policy will be compliant with local, State and Federal regulations. This policy will also establish effective internal controls for future project bidding.

Anticipated Completion Date: February 2019

N Keith

(Signature)

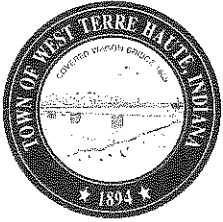
Clerk-Treasurer

(Title)

12/12/2018

(Date)

Contact the West Terre Haute Town Council:
Phone: 812-533-1053 • Fax: 812-533-0503



Town of West Terre Haute, Indiana

500 National Avenue
West Terre Haute, Indiana
47885

CORRECTIVE ACTION PLAN

FINDING 2017-003

Reporting

Contact Person Responsible for Corrective Action: Nikki Keith, Clerk-Treasurer
Contact Phone Number: 812-533-1053

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

To ensure compliance with the requirements related to the Reporting Compliance requirement, in the future, the Clerk-Treasurer and the Deputy Clerk-Treasurer will review the reports submitted by the grant administrator before the reports are submitted. By having these reports reviewed by others, this will help to ensure accurate, current and complete reporting of the financial records, as well as compliance with the reporting requirements.

Anticipated Completion Date: January 2019

Nikki Keith

(Signature)

Clerk-Treasurer

(Title)

12/12/2018

(Date)

Contact the West Terre Haute Town Council:
Phone: 812-533-1053 • Fax: 812-533-0503

OTHER REPORTS

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