



Terre Haute Civil City 2024 Financial and Related Process Evaluation

May 2, 2024





Summary of Observations

1. Unappropriated spending / Inconsistent categorization of expense lines
2. Cash balances in EDIT are masking large negative fund balances (on cumulative basis)
3. Budgeting deficiencies in properly assigning expenses
4. Lack of appropriate policies
 - Internal controls
 - Spending without appropriation
 - Operating Reserve policy (including elimination of negative fund balances policy)
 - Grant and grant reporting
 - Investment policy

Financial Summary



2023 Fund Summary

In reviewing expenditures, inconsistencies were recognized within the chart of accounts among funds being utilized. Additionally, there were inconsistencies in how expenses were categorized among departments.

The General Fund, and other funds with personnel line-items, have historically under appropriated health expenses resulting in a negative balance in the Group Health Fund.

The healthy fund balance within the EDIT is offsetting some negative fund balances that need to be addressed.

Fund #	Fund Name	2023 Summary (1)					
		2023 Beginning Balance (2)	2023 Revenues	2023 Expenses	2023 Ending Balance	2023 Surplus (Deficit)	2023 Operating Balance
0101	General	\$ 3,075,794	\$ 40,477,756	\$ 39,471,697	\$ 4,081,853	\$ 1,006,059	10%
0180	Casino/Riverboat (3)	-	-	-	-	-	N/A
0201	MVH	479,704	3,359,297	2,865,399	973,602	493,898	34%
0202	LRS	461,458	936,501	1,008,049	389,910	(71,548)	39%
0203	MVH Restricted	3,401	1,257,315	1,260,000	716	(2,685)	0%
0204	Parks	1,064,632	3,382,361	3,139,127	1,307,866	243,234	42%
0205	Cemetery	611,513	590,120	585,179	616,454	4,941	105%
0270	EMS	148,878	3,510,397	2,801,991	857,284	708,406	31%
0288	Golf - Hulman	(5,245,035)	639,313	696,572	(5,302,294)	(57,259)	-761%
0290	Golf - Rea	(1,385,176)	598,504	373,180	(1,159,852)	225,324	-311%
0292	Engineering	490,565	459,632	546,915	403,282	(87,283)	74%
0330	Sanitary Bond	(1,799,572)	2,423,411	4,237,021	(3,613,182)	(1,813,610)	-85%
0401	CCI	177,620	105,988	149,505	134,103	(43,517)	90%
0402	CCD	274,741	658,388	690,222	242,907	(31,834)	35%
0404	EDIT	6,336,826	7,284,001	5,634,174	7,986,653	1,649,827	142%
0621	Transit	1,594,571	2,271,436	2,693,334	1,172,673	(421,898)	44%
0702	Fire Pension	380,048	2,145,173	2,060,562	464,659	84,611	23%
0703	Police Pension	478,919	2,175,448	1,965,700	688,667	209,748	35%
0718	Group Health	(1,139,713)	7,687,982	7,957,581	(1,409,312)	(269,599)	-18%
0751	PS LIT	<u>638,134</u>	<u>2,873,504</u>	<u>2,734,256</u>	<u>777,382</u>	<u>139,248</u>	28%
Total		<u>\$ 6,647,308</u>	<u>\$ 82,836,527</u>	<u>\$ 80,870,464</u>	<u>\$ 8,613,371</u>	<u>\$ 1,966,063</u>	11%

(1) Unless otherwise noted, 2023 data was provided by City of Terre Haute Controller's Office and represents actual amounts.

(2) 2023 Beginning Balance equal to 2022 Ending Balance as reported in 2022 Annual Financial Report.

(3) Casino/Riverboat Fund activity began in 2024.

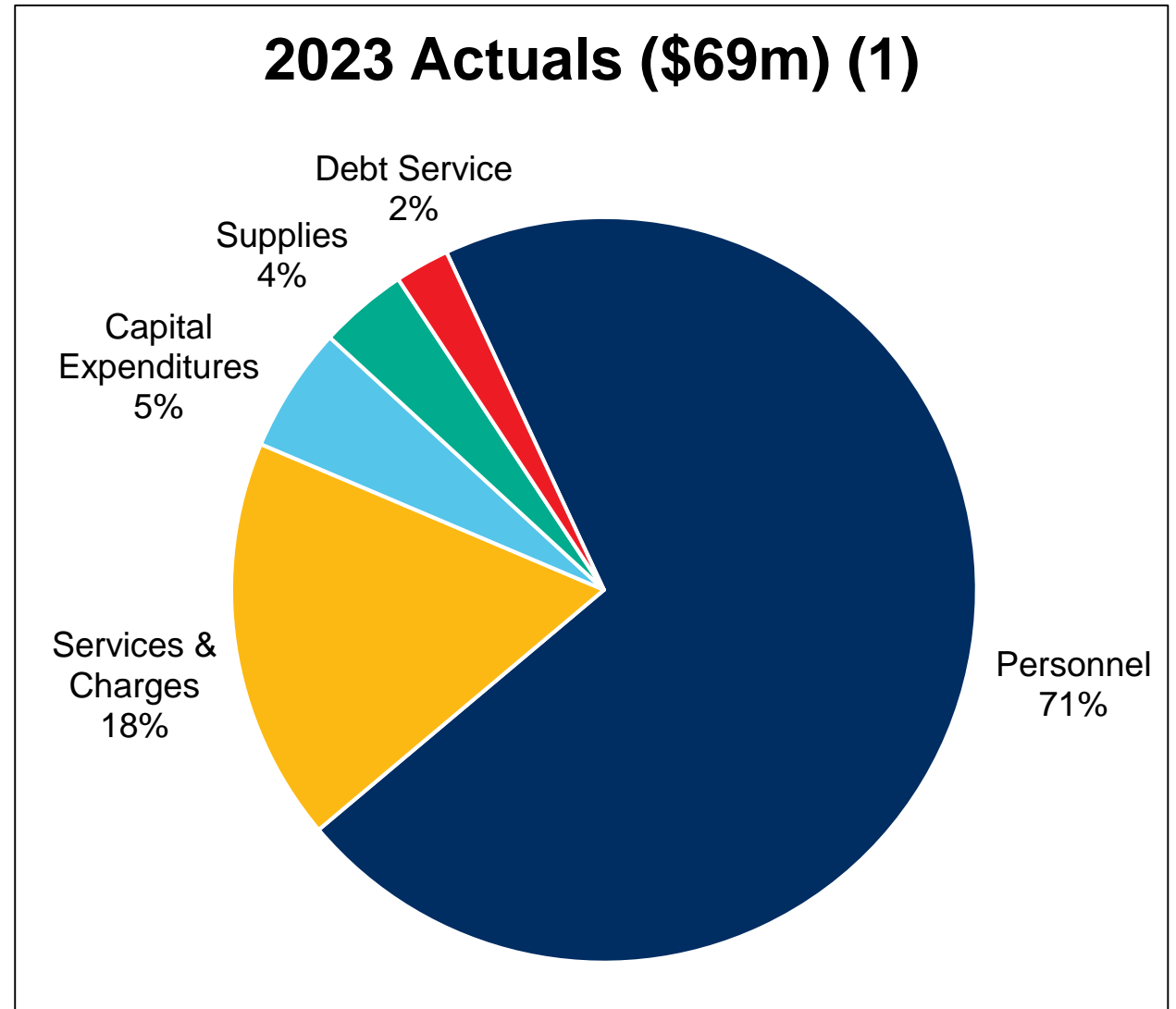
Financial Overview: Spending by Expense Category

Personnel is by far the largest expense category across Included Funds (1), accounting for over 71% of 2023 spending.

Approximately \$1.9 million in debt related expenses are currently categorized as 'Services & Charges'. For future budget clarity, may be better represented within 'Debt Service' category.

(1) Values based on a subset of City funds (the "Included Funds") funds including: 0101 General Fund; 0180 Casino/Riverboat; 0201 Motor Vehicle Highway; 0202 Local Road & Street; 0203 MVH Restricted; 0204 Parks & Recreation; 0205 Cemetery; 0270 EMS N/R; 0288 Hulman Links N/R; 0290 Rea Park N/R; 0292 Engineering N/R; 0401 Cumulative Capital Improvement; 0402 Cumulative Capital Development; 0404 Economic Development Income Tax; 0621 Transit; 0702 Fire Pension; 0703 Police Pension; 0751 Public Safety Local Income Tax.

Source: City of Terre Haute Controller's Office.



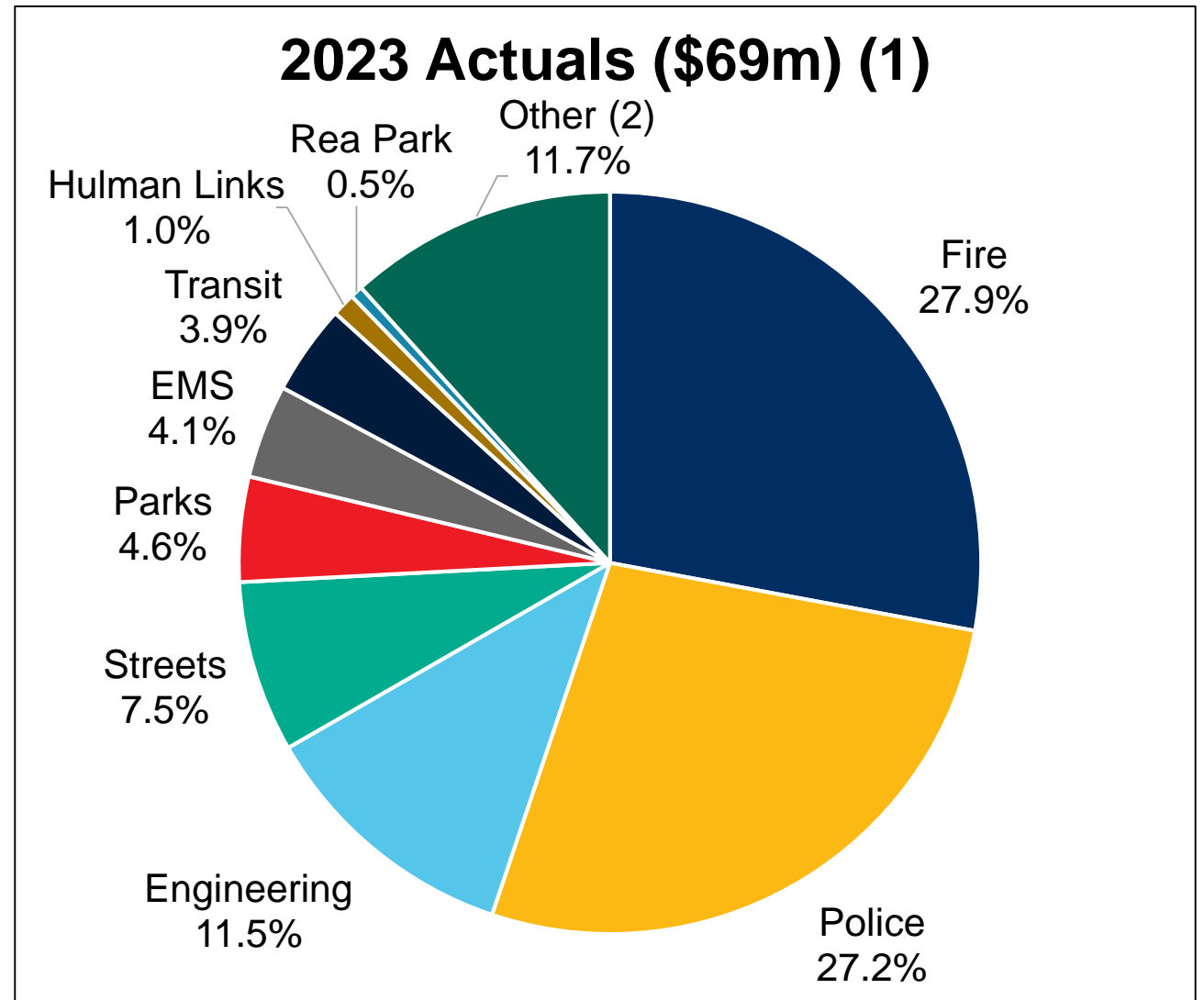
Financial Overview: Spending by Department

Across the Included Funds (1), the Fire & Police Departments each account for over 27% of total departmental operating expenses.

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(2) Other includes: Board of Works, Non-Departmental, IT, EPD, Controller, Cemetery, Clerk, Legal, Judge, Council, Mayor, Maintenance, Human Relations, and Zoning Departments.

Source: City of Terre Haute Controller’s Office.



Financial Overview: Spending by Service Type

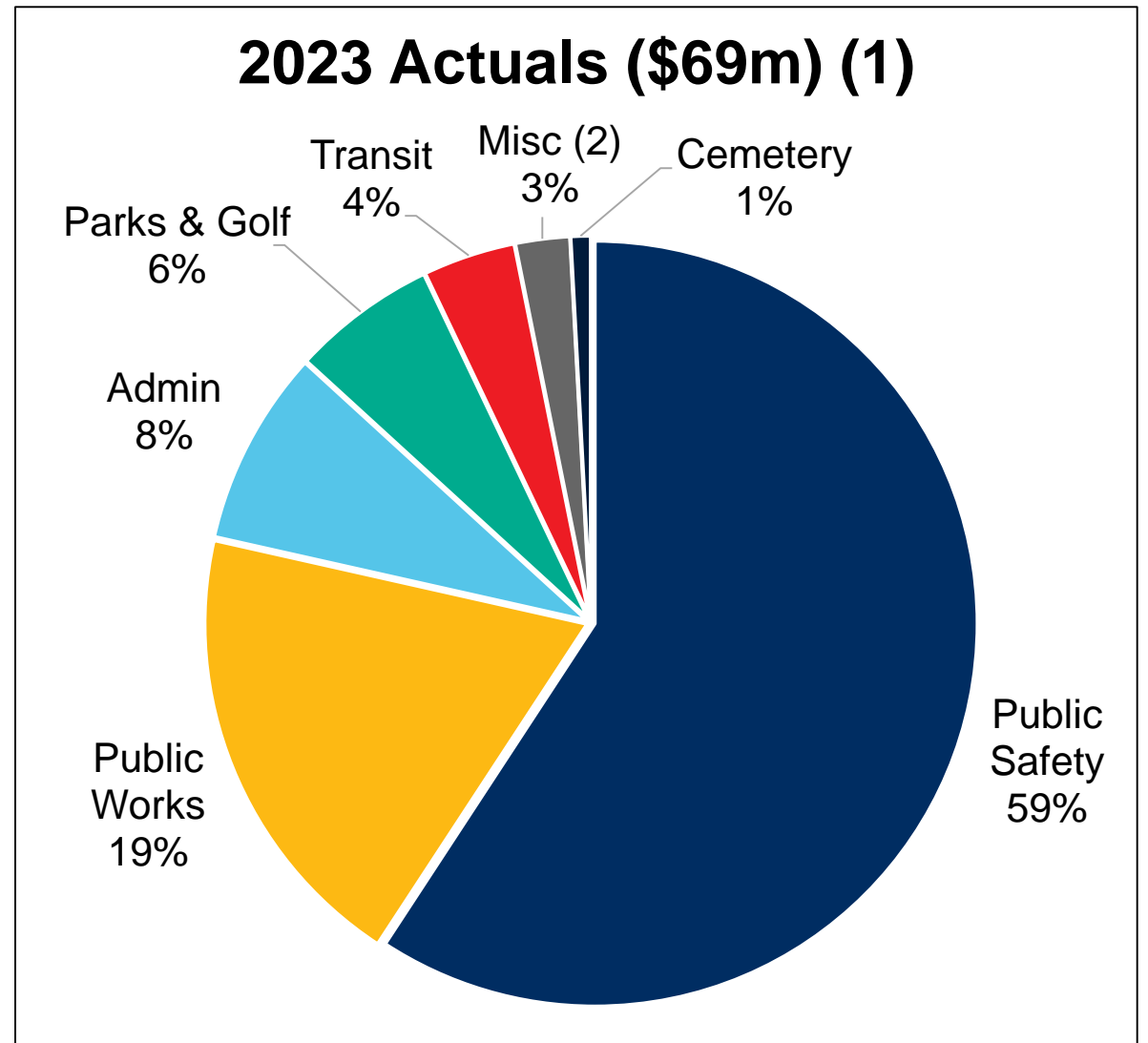
Public Safety accounted for nearly 60% of 2023 spending in the Included Funds (1), followed by Public Works at just under 20%.

Parks & Golf made up just 6% of 2023 spending.

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(2) Includes Non-Departmental.

Source: City of Terre Haute Controller's Office.



Negative Fund Balance Concerns





Negative Balances are Non-Compliant with SBOA Standards and Cost General Fund Interest Income

- The State Board of Accounts Accounting and Uniform Compliance Guidelines Manual for Cities and Towns specifically states that fund balances may not be reduced below zero.
- As positive fund balances are appropriated, negative balances will impact cash flow.
- The cost to the General Fund of lost investment income by not addressing the negative balances equates to \$627,419 over the past year alone. (According to Trust Indiana, as of April 28, 2024).

Fund Number	Fund Name	Fund Balance	
288	Hulman Links	(\$5,297,710.00)	
290	Rea Park	(\$1,155,477.00)	
330	Sanitary District Bond 2018	(\$3,612,682.00)	
718	Group Health	(\$1,408,615.00)	
	Total Negative Balances	(\$11,474,484.00)	
			Foregone Interest Income on negative balance
		(\$627,419.00)	

Golf Funds

The City needs to develop policy to appropriate funds to eliminate the deficit and look to options for operating the course(s) while still maintaining their intended public use according to their deed requirements.

Fund 0288 - Hulman Links N/R					
Year	Beginning Balance	Receipts	Disbursements	Ending Balance	Surplus / (Deficit)
2014	\$(2,761,867)	\$ 413,598	\$ 790,449	\$(3,138,717)	\$ (376,851)
2015	(3,138,717)	435,972	793,730	(3,496,475)	(357,758)
2016	(3,496,475)	497,381	842,784	(3,841,877)	(345,403)
2017	(3,841,877)	493,491	784,254	(4,132,640)	(290,763)
2018	(4,132,640)	430,250	696,174	(4,398,565)	(265,924)
2019	(4,398,565)	361,727	633,905	(4,670,743)	(272,178)
2020	(4,670,743)	427,577	610,502	(4,853,668)	(182,925)
2021	(4,853,668)	453,040	670,801	(5,071,429)	(217,761)
2022	(5,071,426)	473,679	647,289	(5,245,035)	(173,610)
2023	(5,245,035)	641,396	694,070	(5,297,710)	(52,674)

Fund 0290 - Rea Park N/R					
Year	Beginning Balance	Receipts	Disbursements	Ending Balance	Surplus / (Deficit)
2014	\$ (637,867)	\$ 436,998	\$ 571,310	\$ (772,178)	\$ (134,312)
2015	(772,178)	456,954	578,256	(893,481)	(121,302)
2016	(893,481)	413,806	605,042	(1,084,716)	(191,236)
2017	(1,084,716)	418,899	581,970	(1,247,788)	(163,071)
2018	(1,247,788)	362,448	490,981	(1,376,321)	(128,533)
2019	(1,376,321)	377,691	549,457	(1,548,087)	(171,766)
2020	(1,548,087)	483,492	475,958	(1,540,553)	7,534
2021	(1,540,553)	519,160	548,496	(1,569,889)	(29,336)
2022	(1,569,889)	539,380	354,667	(1,385,176)	184,713
2023	(1,385,176)	602,163	372,464	(1,155,477)	229,699

Source: City of Terre Haute Annual Financial Reports for respective years.

Group Health Fund

The Group Health Fund should operate as a zero-balance fund. Deposits into the fund should be made from payroll expenses from both employee and department contributions in amounts equal to the required group health premiums. This fund has never been properly budgeted or managed on an annual basis by the city. Based upon information provided by the Controller's Office further deficits are expected this year. Corrective appropriations and transfers are required to correct this, now and moving forward.

Fund 0718 - Group Health N/R					
Year	Beginning Balance	Receipts	Disbursements	Ending Balance	Surplus / (Deficit)
2014	\$ 1,280,141	\$ 7,442,807	\$ 6,997,100	\$ 1,725,848	\$ 445,707
2015	1,725,848	7,357,448	8,040,075	1,043,221	(682,627)
2016	1,043,221	8,278,460	10,023,532	(701,852)	(1,745,072)
2017	(701,852)	9,573,991	9,008,148	(136,009)	565,843
2018	(136,009)	8,437,572	10,090,560	(1,788,996)	(1,652,988)
2019	(1,788,996)	7,913,807	8,608,114	(2,483,303)	(694,307)
2020	(2,483,303)	8,098,660	7,291,937	(1,676,579)	806,723
2021	(1,676,579)	8,327,803	8,286,260	(1,635,036)	41,543
2022	(1,635,036)	7,742,570	7,247,247	(1,139,713)	495,323
2023	(1,139,713)	7,687,982	7,956,884	(1,408,615)	(268,902)

Source: City of Terre Haute Annual Financial Reports for respective years.

Sanitary District Bond Fund – 5-Year History

Based on an analysis of the 2018 Bonds amortization schedule and budgets, it appears that the 2018 Bonds were initially budgeted on a calendar year basis rather than a property tax year basis. Using the calendar year basis can result in negative balances in debt service funds. This occurs when you do not fully fund the property tax levy with the annual July and January bond payments in the property tax levy. While part of this deficit will be taken care of during this year’s property tax billing, there is expected to still be a small deficit leading into 2025 which can be corrected for during the 2025 budget process.

Fund 0330 - Sanitary District Bond					
Year	Beginning Balance	Receipts	Disbursements	Ending Balance	Surplus / (Deficit)
2019	\$ 3,837,722	\$ 7,903,754	\$ 10,169,099	\$ 1,572,378	\$ (2,265,345)
2020	1,572,378	4,566,336	4,236,499	1,902,214	329,837
2021	1,902,214	3,148,583	6,354,980	(1,304,182)	(3,206,397)
2022	(1,304,182)	3,741,410	4,236,800	(1,799,572)	(495,390)
2023	(1,799,572)	2,423,912	4,237,021	(3,612,682)	(1,813,109)
2024 Est. (1)	(3,612,682)	7,619,713	4,237,533	(230,502)	3,382,180

(1) Estimates based on 2023 AFR and 2024 Form 1782.

Source: City of Terre Haute Annual Financial Reports for respective years.

Future Considerations





Items to Consider

- Continue to review all fees, most have not been adjusted for many years.
- Consider PILOT agreements with large property tax exempt organizations to cover cost of public safety services provided to them.
- Review your current financial system and the chart of accounts.
- Review options for management of golf courses.
- Develop appropriate policies and controls.



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