

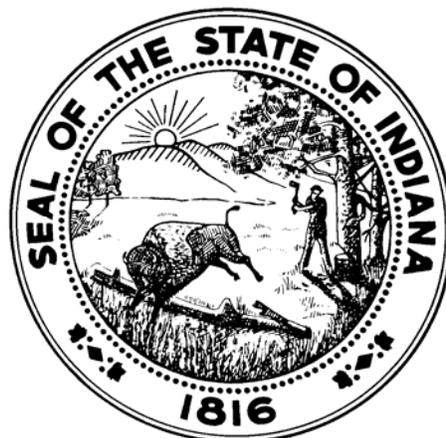
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

CITY OF HUNTINGBURG

DUBOIS COUNTY, INDIANA



**FILED**  
11/07/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Thomas A. Dippel	01-01-04 to 12-31-07
Mayor	Gail Kemp	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Gail Kemp	01-01-04 to 12-31-07
President of the Common Council	Ken Sparrow	01-01-06 to 12-31-07
Water, Gas, and Electric Operations Superintendent	Ron McDonald	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Ron Hall	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF HUNTINGBURG, DUBOIS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Huntingburg (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 13, 2007



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REPORT COMMUNICATING INTERNAL CONTROL  
RELATED MATTERS IDENTIFIED IN AN AUDIT

TO: THE OFFICIALS OF THE CITY OF HUNTINGBURG, DUBOIS COUNTY, INDIANA

In planning and performing our audit of the financial statements of the City of Huntingburg (City) as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following Audit Results and Comments significant deficiencies in internal control:

Personal Use of City Owned Property, (See page 35)  
Police Department Receipts and Fees, (See page 35)

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following Audit Results and Comments constitute material weaknesses:

Expenditure of Utility Funds, (See page 36)  
Record of Hours Worked, (See page 35)

This communication is intended solely for the information and use of management, the Common Council and the Board of Public Works and Safety, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

STATE BOARD OF ACCOUNTS

September 13, 2007

CITY OF HUNTINGBURG  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,339,830	\$ 704,035	\$ 516,014	\$ -	\$ (119,781)	\$ -	\$ (119,781)
Public safety	1,169,025	30,301	21,565	8,014	(1,109,145)	-	(1,109,145)
Highways and streets	1,206,146	36,735	350,752	19,999	(798,660)	-	(798,660)
Economic development	107,638	-	49,530	341,505	283,397	-	283,397
Culture and recreation	441,618	56,734	53,158	-	(331,726)	-	(331,726)
Principal on long-term debt	16,000	-	-	-	(16,000)	-	(16,000)
Interest on long-term debt	8,650	-	2,805	-	(5,845)	-	(5,845)
<b>Total governmental activities</b>	<b>4,288,907</b>	<b>827,805</b>	<b>993,824</b>	<b>369,518</b>	<b>(2,097,760)</b>	<b>-</b>	<b>(2,097,760)</b>
<b>Business-type activities:</b>							
Water	2,140,829	2,083,727	-	-	-	(57,102)	(57,102)
Wastewater	1,458,128	1,389,096	-	30,000	-	(39,032)	(39,032)
Electric	6,507,662	5,731,322	-	-	-	(776,340)	(776,340)
Gas	5,634,328	5,162,358	-	-	-	(471,970)	(471,970)
<b>Total business-type activities</b>	<b>15,740,947</b>	<b>14,366,503</b>	<b>-</b>	<b>30,000</b>	<b>-</b>	<b>(1,344,444)</b>	<b>(1,344,444)</b>
<b>Total primary government</b>	<b>\$ 20,029,854</b>	<b>\$ 15,194,308</b>	<b>\$ 993,824</b>	<b>\$ 399,518</b>	<b>(2,097,760)</b>	<b>(1,344,444)</b>	<b>(3,442,204)</b>
<b>General receipts:</b>							
Property taxes					1,909,977	-	1,909,977
Other local sources					170,226	1,213,117	1,383,343
Unrestricted investment earnings					253,634	280,194	533,828
Transfers					519,337	(519,337)	-
<b>Total general receipts and transfers</b>					<b>2,853,174</b>	<b>973,974</b>	<b>3,827,148</b>
<b>Change in net assets</b>					<b>755,414</b>	<b>(370,470)</b>	<b>384,944</b>
<b>Net assets - beginning</b>					<b>4,542,047</b>	<b>5,928,859</b>	<b>10,470,906</b>
<b>Net assets - ending</b>					<b>\$ 5,297,461</b>	<b>\$ 5,558,389</b>	<b>\$ 10,855,850</b>
<b>Assets</b>							
Cash and investments					\$ 827,232	\$ 4,006,115	\$ 4,833,347
Restricted assets:							
Cash and investments					4,470,229	1,552,274	6,022,503
<b>Total assets</b>					<b>\$ 5,297,461</b>	<b>\$ 5,558,389</b>	<b>\$ 10,855,850</b>
<b>Net Assets</b>							
Restricted for:							
Public safety					\$ 109,083	\$ -	\$ 109,083
Highways and streets					400,534	-	400,534
Sanitation					5,015	-	5,015
Economic development					2,983,177	-	2,983,177
Urban redevelopment and housing					204,185	-	204,185
Culture and recreation					15,277	-	15,277
Debt service					10,642	1,323,099	1,333,741
Other purposes					742,316	229,175	971,491
Unrestricted					827,232	4,006,115	4,833,347
<b>Total net assets</b>					<b>\$ 5,297,461</b>	<b>\$ 5,558,389</b>	<b>\$ 10,855,850</b>

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

CITY OF HUNTINGBURG  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Redevelopment Commission	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 430,523	\$ 651,217	\$ -	\$ 828,237	\$ 1,909,977
Licenses and permits	1,580	-	-	1,210	2,790
Intergovernmental	577,488	1,935	341,505	543,547	1,464,475
Charges for services	71,890	-	-	93,024	164,914
Fines and forfeits	7,574	-	-	-	7,574
Other	74,941	70,287	39,318	140,283	324,829
	<u>1,163,996</u>	<u>723,439</u>	<u>380,823</u>	<u>1,606,301</u>	<u>3,874,559</u>
<b>Total receipts</b>					
<b>Disbursements:</b>					
General government	308,824	-	123,500	236,213	668,537
Public safety	1,043,582	-	-	125,443	1,169,025
Highways and streets	55,121	-	-	1,227,775	1,282,896
Economic development	-	66,925	-	40,713	107,638
Culture and recreation	14,922	-	-	443,502	458,424
<b>Debt service:</b>					
Principal	-	-	-	16,000	16,000
Interest	-	-	-	8,650	8,650
	<u>1,422,449</u>	<u>66,925</u>	<u>123,500</u>	<u>2,098,296</u>	<u>3,711,170</u>
<b>Total disbursements</b>					
Excess (deficiency) of receipts over disbursements	<u>(258,453)</u>	<u>656,514</u>	<u>257,323</u>	<u>(491,995)</u>	<u>163,389</u>
<b>Other financing sources (uses):</b>					
Transfers in	519,337	-	-	378,727	898,064
Transfers out	(50,695)	(93,145)	(234,887)	-	(378,727)
	<u>468,642</u>	<u>(93,145)</u>	<u>(234,887)</u>	<u>378,727</u>	<u>519,337</u>
<b>Total other financing sources (uses)</b>					
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	210,189	563,369	22,436	(113,268)	682,726
Cash and investment fund balance - beginning	<u>615,417</u>	<u>1,420,052</u>	<u>949,157</u>	<u>1,143,873</u>	<u>4,128,499</u>
Cash and investment fund balance - ending	<u>\$ 825,606</u>	<u>\$ 1,983,421</u>	<u>\$ 971,593</u>	<u>\$ 1,030,605</u>	<u>4,811,225</u>
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:					
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.					
					<u>486,236</u>
Net assets of governmental activities					<u>\$ 5,297,461</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 825,606	\$ -	\$ -	\$ -	\$ 825,606
<b>Restricted assets:</b>					
Cash and investments	-	1,983,421	971,593	1,030,605	3,985,619
Total cash and investment assets - December 31	<u>\$ 825,606</u>	<u>\$ 1,983,421</u>	<u>\$ 971,593</u>	<u>\$ 1,030,605</u>	<u>\$ 4,811,225</u>
<u>Cash and Investment Fund Balance - December 31</u>					
<b>Restricted for:</b>					
Public safety	\$ -	\$ -	\$ -	\$ 109,083	\$ 109,083
Highways and streets	-	-	-	400,534	400,534
Sanitation	-	-	-	5,015	5,015
Economic development	-	1,983,421	971,593	28,163	2,983,177
Urban redevelopment and housing	-	-	-	15,277	15,277
Culture and recreation	-	-	-	204,185	204,185
Debt service	-	-	-	10,642	10,642
Other purposes	-	-	-	257,706	257,706
Unrestricted	825,606	-	-	-	825,606
Total cash and investment fund balance - December 31	<u>\$ 825,606</u>	<u>\$ 1,983,421</u>	<u>\$ 971,593</u>	<u>\$ 1,030,605</u>	<u>\$ 4,811,225</u>

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

CITY OF HUNTINGBURG  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Electric Utility	Gas Utility	Totals	Internal Service Funds
Operating receipts:						
Utility collections	\$ 2,083,727	\$ 1,389,096	\$ 5,731,322	\$ 5,162,358	\$ 14,366,503	\$ -
Insurance proceeds	-	-	-	-	-	796,481
Other	95,832	40,897	553,260	494,249	1,184,238	149,241
Total operating receipts	<u>2,179,559</u>	<u>1,429,993</u>	<u>6,284,582</u>	<u>5,656,607</u>	<u>15,550,741</u>	<u>945,722</u>
Operating disbursements:						
Cost of sales and services	1,256,673	956,880	5,229,115	4,952,848	12,395,516	148,293
Equipment and capital improvements	26,631	115,765	782,469	80,160	1,005,025	-
Insurance disbursements	-	-	-	-	-	724,741
Miscellaneous disbursements	150,711	49,378	496,078	496,381	1,192,548	-
Total operating disbursements	<u>1,434,015</u>	<u>1,122,023</u>	<u>6,507,662</u>	<u>5,529,389</u>	<u>14,593,089</u>	<u>873,034</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>745,544</u>	<u>307,970</u>	<u>(223,080)</u>	<u>127,218</u>	<u>957,652</u>	<u>72,688</u>
Nonoperating receipts (disbursements):						
Interest and investment receipts	45,823	22,934	139,988	71,449	280,194	-
Miscellaneous receipts	6,026	415	16,675	5,763	28,879	-
Debt service of principal	(463,000)	(170,000)	-	(95,000)	(728,000)	-
Interest and investment disbursement	(243,706)	(166,079)	-	(9,882)	(419,667)	-
Miscellaneous disbursements	(108)	(26)	-	(57)	(191)	-
Total nonoperating receipts (disbursements)	<u>(654,965)</u>	<u>(312,756)</u>	<u>156,663</u>	<u>(27,727)</u>	<u>(838,785)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	90,579	(4,786)	(66,417)	99,491	118,867	72,688
Capital contributions	-	30,000	-	-	30,000	-
Transfers out	(66,558)	(60,271)	(204,890)	(187,618)	(519,337)	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	24,021	(35,057)	(271,307)	(88,127)	(370,470)	72,688
Cash and investment fund balance - beginning	<u>812,071</u>	<u>702,779</u>	<u>2,973,059</u>	<u>1,440,950</u>	<u>5,928,859</u>	<u>413,548</u>
Cash and investment fund balance - ending	<u>\$ 836,092</u>	<u>\$ 667,722</u>	<u>\$ 2,701,752</u>	<u>\$ 1,352,823</u>	<u>\$ 5,558,389</u>	<u>\$ 486,236</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ 81,102	\$ 131,558	\$ 2,617,752	\$ 1,175,703	\$ 4,006,115	\$ 1,626
Restricted assets:						
Cash and investments	754,990	536,164	84,000	177,120	1,552,274	484,610
Total cash and investment assets - December 31	<u>\$ 836,092</u>	<u>\$ 667,722</u>	<u>\$ 2,701,752</u>	<u>\$ 1,352,823</u>	<u>\$ 5,558,389</u>	<u>\$ 486,236</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Debt service	\$ 723,735	\$ 489,364	\$ -	\$ 110,000	\$ 1,323,099	\$ -
Other purposes	31,255	46,800	84,000	67,120	229,175	484,610
Unrestricted	81,102	131,558	2,617,752	1,175,703	4,006,115	1,626
Total cash and investment fund balance - December 31	<u>\$ 836,092</u>	<u>\$ 667,722</u>	<u>\$ 2,701,752</u>	<u>\$ 1,352,823</u>	<u>\$ 5,558,389</u>	<u>\$ 486,236</u>

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

CITY OF HUNTINGBURG  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 79,250	\$ -	\$ -
Other	<u>-</u>	<u>6,189</u>	<u>-</u>
Total contributions	79,250	6,189	-
Agency fund additions	<u>-</u>	<u>-</u>	<u>18,108,869</u>
Total additions	<u>79,250</u>	<u>6,189</u>	<u>18,108,869</u>
Deductions:			
Benefits	65,325	-	-
Culture and recreation	-	1,960	-
Administrative and general	798	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>18,089,231</u>
Total deductions	<u>66,123</u>	<u>1,960</u>	<u>18,089,231</u>
Excess of total additions over total deductions	13,127	4,229	19,638
Cash and investment fund balance - beginning	<u>68,566</u>	<u>964</u>	<u>126,148</u>
Cash and investment fund balance - ending	<u>\$ 81,693</u>	<u>\$ 5,193</u>	<u>\$ 145,786</u>

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

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, electric, gas, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the following:

Primary Government: City

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The redevelopment commission fund is used to account for disbursements for undertaking and carrying out redevelopment projects from property tax receipts.

The economic development income tax fund is used to account for disbursements for capital outlay pertaining to economic development projects from receipts derived from the county economic development tax.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

The gas utility fund accounts for the operation of the gas distribution system.

Additionally, the City reports the following fund types:

The internal service funds account for shared expenses and risk financing for risks associated with health claims which are provided to other departments on a cost-reimbursement basis.

The pension trust fund accounts for the activities of the 1925 police pension fund, which accumulates resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit the citizens of the City through the park and police departments.

Agency funds account for assets held by the City as an agent for employee wages and withholdings, utility payments, and consumer meter deposits and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, wastewater, electric, and gas functions and various other functions of the City. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and balances – Resource flows between the primary government are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
General Fund	Other governmental	\$ 50,695
Redevelopment Commission	Other governmental	93,145
Economic Development Income Tax	Other governmental	234,887
Water Utility	General Fund	66,558
Wastewater Utility	General Fund	60,271
Electric Utility	General Fund	204,890
Gas Utility	General Fund	<u>187,618</u>
 Total		 <u>\$ 898,064</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The City is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees, Retirees, and Dependents

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$45,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external inter-fund transactions.

Job Related Illnesses and Injuries to Employees

During 1991, the City joined with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for the member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses and injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses and injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Holding Corporation

The City has entered into a capital lease with Huntingburg Municipal Facilities (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$90,000.

C. Subsequent Events

Outdoor Recreation – Acquisition, Development, and Planning Grant

In August 2006, the City of Huntingburg Park and Recreation Board (Park Board) was awarded an outdoor recreation – acquisition, development, and planning grant (CFDA No. 15.916) from the U.S. Department of the Interior and passed-through the Indiana Department of Natural Resources to be used to develop a multi-purpose trail on a converted landfill site. In April 2007, the Park Board received an amendment to the grant increasing the grant amount to \$158,026. In April 2007, the Park Board entered into a contract with Indiana Region 15 Planning Commission for the administration of the grant at a cost of \$3,500. According to the grant agreement, the project must be completed by September 30, 2010.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

St. Joseph Hospital Bankruptcy

On February 12, 2007, St. Joseph Hospital of Huntingburg, Inc., filed bankruptcy. As a result, the following unpaid utility bills were written off in May 2007: Electric \$35,435.09; Water \$4,301.92; Gas \$59,688.13; and Wastewater \$4,228.65.

D. Defeasance of Bonds

In prior years, the Water Utility defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the Water Utility's financial statements. At December 31, 2006, \$740,000 of bonds outstanding are considered defeased.

E. Huntingburg Economic Development

Northwest Industrial Economic Development Area

The Huntingburg Redevelopment Commission (Commission) established the Northwest Industrial Economic Development Area as an economic development area and an allocation area for purposes of capturing incremental ad valorem property taxes. On September 8, 1992, the Commission issued \$610,000 of Redevelopment District Tax Increment Revenue Bonds to finance improvements to road, water, wastewater, gas, and electric utilities in or serving the Northwest Industrial Economic Development Area. The bonds constitute an indebtedness of the Commission only. Funds for payment of principal and interest will be generated from tax increment collected from the economic development area.

The Redevelopment Tax Increment Revenue Bonds of 1992 are due in installments of \$5,000 to \$65,000, plus interest through 2008 at interest rates of 6.75% to 7.00% payable by the Commission.

400W Economic Development Area

The Huntingburg Redevelopment Commission (Commission) established the 400W Economic Development Area as an economic development area and an allocation area for the purposes of capturing property taxes generated from the incremental real and depreciable personal property located in the allocation area. On September 29, 2006, the Commission issued \$1,350,000 of "Taxable Economic Development Revenue Bonds, Series 2006 (Farbest Foods Project)" to finance improvements to road, water, sewer, and rail infrastructure in serving or benefiting the 400W Economic Development Area. The bonds were purchased by Farbest Foods, Inc., through a purchase bond purchase agreement and constitute an indebtedness of Farbest Foods, Inc. Funds for payment of principal and interest will be generated from tax increment collected from the economic development area with the remaining payments funded by Farbest Foods, Inc.

The "Taxable Economic Development Area Revenue Bonds, Series 2006 (Farbest Foods Project)" are due in installments of \$15,000 to \$40,000, plus interest through 2034 at an interest rate of 6% payable by Farbest Foods, Inc.

F. Lincoln Village Housing Bonds

On May 4, 2000, the Common Council, in agreement with the Huntingburg Economic Development Commission, adopted Resolution 2000-15, approving the issuance of: "Adjustable Rate Multifamily Housing Revenue Bonds, Series 2000." The bonds were sold on October 18, 2000. The proceeds of the bonds were to be used by Lincoln Village L.P. to finance a portion of the costs of the acquisition, rehabilitation, construction, and equipping of a low to moderate income apartment complex.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The proceeds of the bonds were placed with Fifth Third Bank, Indiana (Trustee). The Trustee, in turn, loaned the money to Lincoln Village L.P. All loan repayments are to be made by Lincoln Village. The bonds shall never constitute a general obligation of, an indebtedness of, or a charge against the general credit of the City, nor are they payable in any matter from revenues raised by taxation.

G. Loans Receivable – Indiana Department of Commerce

Borrower	Date of Loan	Original Amount	Interest Rate	Annual Payment	Outstanding Balance	Purpose of Loan
Brown Antiques	02-04-05	\$ 10,000	4%	\$ 2,054.15	\$ 5,960.21	Operating capital
Dubois County Bombers	01-17-06	15,000	3%	5,540.52	9,459.48	Operating capital
Hometown Music	02-01-06	25,000	4%	3,918.81	21,081.19	Operating capital

H. Rate Structure – Enterprise Funds

Water Utility

On March 18, 1986, the City Council adopted Ordinance No. 86-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on August 24, 2000.

Wastewater Utility

The current rate structure was approved by the City Council on May 20, 2004.

Electric Utility

On March 18, 1986, the City Council adopted Ordinance No. 86-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 12, 2006.

Gas Utility

On March 18, 1986, the City Council adopted Ordinance No. 86-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 25, 2001 and amended on November 29, 2001, and on September 15, 2005.

I. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension
Annual required contribution	\$ 172,403	\$ 74,800
Interest on net pension obligation	(4,331)	33,000
Adjustment to annual required contribution	4,936	(36,000)
Annual pension cost	173,008	71,800
Contributions made	110,480	103,869
Increase (decrease) in net pension obligation	62,528	(32,069)
Net pension obligation, beginning of year	(59,739)	488,569
Net pension obligation, end of year	\$ 2,789	\$ 456,500

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	6%	0%
Plan members	3%	6%
Actuarial valuation date	07-01-06	01-01-06
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

Actuarial Assumptions

Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

\*2.75% converted members; 4% nonconverted members

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 108,722	101%	\$ (62,741)
	06-30-05	123,543	98%	(59,739)
	06-30-06	173,008	89%	2,789
1925 Police Officers' Pension Plan	12-31-03	100,700	21%	417,916
	12-31-04	100,100	29%	488,569
	12-31-05	71,800	145%	456,500

Membership in the 1925 Police Officers' Pension Plan at January 1, 2006, was comprised of the following:

Retirees and beneficiaries currently receiving benefits	<u>1925 Police Officers' Pension</u>
	3

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$78,816, \$77,750, and \$61,716, respectively, equal to the required contributions for each year.

CITY OF HUNTINGBURG  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,084,159	\$ 2,441,086	\$ (356,927)	85%	\$ 2,042,448	(17%)
07-01-05	2,179,725	3,071,915	(892,190)	71%	2,060,821	(43%)
07-01-06	2,628,661	2,987,873	(359,212)	88%	1,927,084	(19%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-01	\$ 6,204	\$ 957,300	\$ (951,096)	1%	\$ 33,700	(2,822%)
01-01-02	45,556	966,300	(920,744)	5%	34,500	(2,669%)
01-01-03	45,011	969,400	(924,389)	5%	35,200	(2,626%)
01-01-04	34,381	990,700	(956,319)	3%	35,900	(2,664%)
01-01-05	28,409	594,400	(565,991)	5%	-	N/A
01-01-06	68,566	1,047,200	(978,634)	7%	-	N/A

N/A - Not applicable

CITY OF HUNTINGBURG  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan			
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1925 Police Officers' Pension Plan	12-31-00	\$ 96,500	25%
	12-31-01	104,400	78%
	12-31-02	108,900	31%
	12-31-03	115,900	18%
	12-31-04	121,200	24%
	12-31-05	74,800	139%

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Transportation	Cumulative Sewer	Economic Development
<b>Receipts:</b>							
Taxes	\$ 385,658	\$ -	\$ -	\$ 352,278	\$ 51,751	\$ -	\$ -
Licenses and permits	1,210	-	-	-	-	-	-
Intergovernmental	317,584	33,168	-	53,158	42,592	-	-
Charges for services	1,221	-	2,821	51,504	3,129	-	-
Other	17,207	-	-	17,800	-	-	-
<b>Total receipts</b>	<b>722,880</b>	<b>33,168</b>	<b>2,821</b>	<b>474,740</b>	<b>97,472</b>	<b>-</b>	<b>-</b>
<b>Disbursements:</b>							
General government	-	-	-	-	94,231	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	805,758	39,980	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	443,502	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>805,758</b>	<b>39,980</b>	<b>-</b>	<b>443,502</b>	<b>94,231</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(82,878)	(6,812)	2,821	31,238	3,241	-	-
<b>Other financing sources:</b>							
Transfers in	-	-	1,695	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements	(82,878)	(6,812)	4,516	31,238	3,241	-	-
Cash and investment fund balance - beginning	303,372	23,147	5,218	172,797	37,674	5,015	7,941
Cash and investment fund balance - ending	\$ 220,494	\$ 16,335	\$ 9,734	\$ 204,035	\$ 40,915	\$ 5,015	\$ 7,941
<b>Cash and Investment Assets - December 31</b>							
<b>Restricted assets:</b>							
Cash and investments	\$ 220,494	\$ 16,335	\$ 9,734	\$ 204,035	\$ 40,915	\$ 5,015	\$ 7,941
<b>Cash and Investment Fund Balance - December 31</b>							
<b>Restricted for:</b>							
Public safety	\$ -	\$ -	\$ 9,734	\$ -	\$ -	\$ -	\$ -
Highways and streets	220,494	16,335	-	-	-	-	-
Sanitation	-	-	-	-	-	5,015	-
Economic development	-	-	-	-	-	-	7,941
Urban redevelopment and housing	-	-	-	-	-	-	-
Culture and recreation	-	-	-	204,035	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	40,915	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 220,494</b>	<b>\$ 16,335</b>	<b>\$ 9,734</b>	<b>\$ 204,035</b>	<b>\$ 40,915</b>	<b>\$ 5,015</b>	<b>\$ 7,941</b>

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	IHFA	Chestnut Street V	Fire Department Equipment	Farbest Project	14th Street Upgrade	Criminal Justice	Police Special K-9
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Other	-	-	5,000	86,968	-	-	-
Total receipts	-	-	5,000	86,968	-	-	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	93,145	-	-	78,476	-	-
Economic development	-	-	-	624	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	-	93,145	-	624	78,476	-	-
Excess (deficiency) of receipts over disbursements	-	(93,145)	5,000	86,344	(78,476)	-	-
Other financing sources:							
Transfers in	-	93,145	-	-	79,471	-	-
Excess (deficiency) of receipts and other financing sources over disbursements	-	-	5,000	86,344	995	-	-
Cash and investment fund balance - beginning	15,277	-	-	-	-	216	100
Cash and investment fund balance - ending	<u>\$ 15,277</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 86,344</u>	<u>\$ 995</u>	<u>\$ 216</u>	<u>\$ 100</u>
<u>Cash and Investment Assets - December 31</u>							
Restricted assets:							
Cash and investments	<u>\$ 15,277</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 86,344</u>	<u>\$ 995</u>	<u>\$ 216</u>	<u>\$ 100</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Public safety	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ 216	\$ 100
Highways and streets	-	-	-	86,344	995	-	-
Sanitation	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Urban redevelopment and housing	15,277	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 15,277</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 86,344</u>	<u>\$ 995</u>	<u>\$ 216</u>	<u>\$ 100</u>

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	Police Donation	Police Special Equipment	Golf Grant	Rainy Day	EDIT- Street	Riverboat
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	35,227
Charges for services	-	45	-	-	-	-
Other	-	220	-	-	-	-
<b>Total receipts</b>	<b>-</b>	<b>265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,227</b>
<b>Disbursements:</b>						
General government	-	-	-	20,000	-	100,000
Public safety	1	3,053	-	100,000	-	-
Highways and streets	-	-	-	55,000	155,416	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
<b>Debt service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>1</b>	<b>3,053</b>	<b>-</b>	<b>175,000</b>	<b>155,416</b>	<b>100,000</b>
Excess (deficiency) of receipts over disbursements	(1)	(2,788)	-	(175,000)	(155,416)	(64,773)
<b>Other financing sources:</b>						
Transfers in	-	-	-	49,000	155,416	-
Excess (deficiency) of receipts and other financing sources over disbursements	(1)	(2,788)	-	(126,000)	-	(64,773)
Cash and investment fund balance - beginning	1	4,260	150	284,372	-	105,997
Cash and investment fund balance - ending	\$ -	\$ 1,472	\$ 150	\$ 158,372	\$ -	\$ 41,224
<b>Cash and Investment Assets - December 31</b>						
<b>Restricted assets:</b>						
Cash and investments	\$ -	\$ 1,472	\$ 150	\$ 158,372	\$ -	\$ 41,224
<b>Cash and Investment Fund Balance - December 31</b>						
<b>Restricted for:</b>						
Public safety	\$ -	\$ 1,472	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Culture and recreation	-	-	150	-	-	-
Debt service	-	-	-	-	-	-
Other purposes	-	-	-	158,372	-	41,224
<b>Total cash and investment fund balance - December 31</b>	<b>\$ -</b>	<b>\$ 1,472</b>	<b>\$ 150</b>	<b>\$ 158,372</b>	<b>\$ -</b>	<b>\$ 41,224</b>

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2006  
 (Continued)

	City Revolving Loan	EDIT - Curb and Gutter	Corporation Bond	Cumulative Capital Improvement	Cumulative Fire	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 18,582	\$ -	\$ 19,968	\$ 828,237
Licenses and permits	-	-	-	-	-	1,210
Intergovernmental	36,000	-	2,805	19,999	3,014	543,547
Charges for services	-	34,304	-	-	-	93,024
Other	13,088	-	-	-	-	140,283
<b>Total receipts</b>	<b>49,088</b>	<b>34,304</b>	<b>21,387</b>	<b>19,999</b>	<b>22,982</b>	<b>1,606,301</b>
Disbursements:						
General government	-	-	-	21,982	-	236,213
Public safety	-	-	-	-	22,389	125,443
Highways and streets	-	-	-	-	-	1,227,775
Economic development	40,089	-	-	-	-	40,713
Culture and recreation	-	-	-	-	-	443,502
Debt service:						
Principal	-	-	16,000	-	-	16,000
Interest	-	-	8,650	-	-	8,650
<b>Total disbursements</b>	<b>40,089</b>	<b>-</b>	<b>24,650</b>	<b>21,982</b>	<b>22,389</b>	<b>2,098,296</b>
Excess (deficiency) of receipts over disbursements	8,999	34,304	(3,263)	(1,983)	593	(491,995)
Other financing sources:						
Transfers in	-	-	-	-	-	378,727
Excess (deficiency) of receipts and other financing sources over disbursements	8,999	34,304	(3,263)	(1,983)	593	(113,268)
Cash and investment fund balance - beginning	11,223	42,062	13,905	19,178	91,968	1,143,873
Cash and investment fund balance - ending	<u>\$ 20,222</u>	<u>\$ 76,366</u>	<u>\$ 10,642</u>	<u>\$ 17,195</u>	<u>\$ 92,561</u>	<u>\$ 1,030,605</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	<u>\$ 20,222</u>	<u>\$ 76,366</u>	<u>\$ 10,642</u>	<u>\$ 17,195</u>	<u>\$ 92,561</u>	<u>\$ 1,030,605</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 92,561	\$ 109,083
Highways and streets	-	76,366	-	-	-	400,534
Sanitation	-	-	-	-	-	5,015
Economic development	20,222	-	-	-	-	28,163
Urban redevelopment and housing	-	-	-	-	-	15,277
Culture and recreation	-	-	-	-	-	204,185
Debt service	-	-	10,642	-	-	10,642
Other purposes	-	-	-	17,195	-	257,706
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 20,222</u></b>	<b><u>\$ 76,366</u></b>	<b><u>\$ 10,642</u></b>	<b><u>\$ 17,195</u></b>	<b><u>\$ 92,561</u></b>	<b><u>\$ 1,030,605</u></b>

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 INTERNAL SERVICE FUNDS  
 As of and for the Year Ended December 31, 2006

	<u>Maintenance</u>	<u>Self- Insurance</u>	<u>City Office</u>	<u>Totals</u>
Operating receipts:				
Insurance proceeds	\$ -	\$ 796,481	\$ -	\$ 796,481
Other	<u>5,187</u>	<u>-</u>	<u>144,054</u>	<u>149,241</u>
Total operating receipts	<u>5,187</u>	<u>796,481</u>	<u>144,054</u>	<u>945,722</u>
Operating disbursements:				
Cost of sales and services	4,239	-	144,054	148,293
Insurance disbursements	<u>-</u>	<u>724,741</u>	<u>-</u>	<u>724,741</u>
Total operating disbursements	<u>4,239</u>	<u>724,741</u>	<u>144,054</u>	<u>873,034</u>
Excess of receipts over disbursements	948	71,740	-	72,688
Cash and investment fund balance - beginning	<u>678</u>	<u>412,870</u>	<u>-</u>	<u>413,548</u>
Cash and investment fund balance - ending	<u>\$ 1,626</u>	<u>\$ 484,610</u>	<u>\$ -</u>	<u>\$ 486,236</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 1,626	\$ -	\$ -	\$ 1,626
Restricted assets:				
Cash and investments	<u>-</u>	<u>484,610</u>	<u>-</u>	<u>484,610</u>
Total cash and investment assets - December 31	<u>\$ 1,626</u>	<u>\$ 484,610</u>	<u>\$ -</u>	<u>\$ 486,236</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Other purposes	\$ -	\$ 484,610	\$ -	\$ 484,610
Unrestricted	<u>1,626</u>	<u>-</u>	<u>-</u>	<u>1,626</u>
Total cash and investment fund balance - December 31	<u>\$ 1,626</u>	<u>\$ 484,610</u>	<u>\$ -</u>	<u>\$ 486,236</u>

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 PRIVATE-PURPOSE TRUST FUNDS  
 For The Year Ended December 31, 2006

	<u>Stadium Donation</u>	<u>Law Enforcement Donation</u>	<u>Totals</u>
Additions:			
Contributions:			
Other	\$ 6,189	\$ -	\$ 6,189
Deductions:			
Culture and recreation	1,960	-	1,960
Excess of total additions over total deductions	4,229	-	4,229
Cash and investment fund balance - beginning	454	510	964
Cash and investment fund balance - ending	<u>\$ 4,683</u>	<u>\$ 510</u>	<u>\$ 5,193</u>

CITY OF HUNTINGBURG  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Combined Utility</u>	<u>Combined Meter</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 3,246,368	\$ 14,853,078	\$ 9,423	\$ 18,108,869
Deductions:				
Agency fund deductions	<u>3,226,730</u>	<u>14,853,078</u>	<u>9,423</u>	<u>18,089,231</u>
Excess of total additions over total deductions	19,638	-	-	19,638
Cash and investment fund balance - beginning	<u>124,448</u>	<u>1,700</u>	-	<u>126,148</u>
Cash and investment fund balance - ending	<u>\$ 144,086</u>	<u>\$ 1,700</u>	<u>\$ -</u>	<u>\$ 145,786</u>

# CITY OF HUNTINGBURG

OFFICE OF CLERK-TREASURER



P.O. Box 10  
508 E. FOURTH STREET  
HUNTINGBURG, IN 47542  
(812) 683-2211  
FAX (812) 683-5661  
clerktreasurer@huntingburg.org

## CITY OF HUNTINGBURG SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets completed in the current and prior years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 169,853
Infrastructure	893,233
Buildings	2,293,650
Improvements other than buildings	1,538,623
Machinery and equipment	908,255
Transportation equipment	1,527,870
Construction in progress	<u>78,476</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 7,409,960</u>

### Business-Type Activities:

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the enterprise fund financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 1,000	Straight-line	33.5 to 66.7 years
Improvements other than buildings	1,000	Straight-line	20.0 to 66.7 years
Machinery and equipment	1,000	Straight-line	10.0 to 20.0 years
Transportation equipment	1,000	Straight-line	10.0 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

# CITY OF HUNTINGBURG

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<u>Primary Government</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>	
<b>Water Utility:</b>	
Capital assets, not being depreciated:	
Land	\$ 98,398
Capital assets, being depreciated:	
Buildings	5,414,555
Improvements other than buildings	7,445,328
Machinery and equipment	1,647,288
Transportation equipment	<u>183,954</u>
<b>Total Water Utility capital assets</b>	<b><u>14,789,523</u></b>
<b>Wastewater Utility:</b>	
Capital assets, not being depreciated:	
Land	234,249
Construction in progress	34,500
Capital assets, being depreciated:	
Buildings	1,418,844
Improvements other than buildings	10,869,258
Machinery and equipment	1,170,799
Transportation equipment	<u>88,382</u>
<b>Total Wastewater Utility capital assets</b>	<b><u>13,816,032</u></b>
<b>Electric Utility:</b>	
Capital assets, not being depreciated:	
Land	169,827
Construction in progress	1,532,378
Capital assets, being depreciated:	
Buildings	739,515
Improvements other than buildings	6,605,643
Machinery and equipment	2,329,058
Transportation equipment	<u>520,649</u>
<b>Total Electric Utility capital assets</b>	<b><u>11,897,070</u></b>
<b>Gas Utility:</b>	
Capital assets, not being depreciated:	
Land	14,324
Gas storage lease and rights	995,400
Capital assets, being depreciated:	
Buildings	282,699
Improvements other than buildings	3,735,756
Machinery and equipment	725,885
Transportation equipment	189,312
Cushion Gas in Place	<u>493,253</u>
<b>Total Gas Utility capital assets</b>	<b><u>6,436,629</u></b>

# CITY OF HUNTINGBURG

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## CITY OF HUNTINGBURG SUPPLEMENTARY INFORMATION SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>		
<b>Capital leases:</b>		
IBM ESERVER	\$ 20,452	\$ 11,509
City Hall	405,000	95,000
2004 580 SM Case Loader Backhoe - Street Dept	14,013	14,013
2004 Duramax 215 HP Dump Truck - Street Dept	8,760	8,760
2007 Ford F350 Truck - Street Dept	17,364	8,475
E-ONE 95 Fire Truck	404,344	37,222
<b>Bonds payable:</b>		
<b>General obligation bonds:</b>		
1999 League Stadium improvements	161,000	17,000
<b>Total governmental activities long-term debt</b>	<b>\$ 1,030,933</b>	<b>\$ 191,979</b>
<b>Business-type Activities:</b>		
<b>Water Utility</b>		
<b>Loans:</b>		
Water treatment plant, water tower, and improvements to the waterworks system	\$ 6,808,000	\$ -
<b>Revenue bonds:</b>		
1988 Waterworks refunding revenue bonds	605,000	-
<b>Total Water Utility</b>	<b>7,413,000</b>	<b>-</b>
<b>Wastewater Utility</b>		
<b>Capital leases:</b>		
2007 Ford F350 Truck	15,660	7,643
<b>Loans:</b>		
Sanitary sewers	2,588,000	140,000
<b>Revenue bonds;</b>		
1994 Wastewater improvement revenue bonds, treatment plant	1,945,000	36,000
<b>Total Wastewater Utility</b>	<b>4,548,660</b>	<b>183,643</b>
<b>Gas Utility</b>		
<b>Revenue bonds:</b>		
1991 Gas expansion revenue bonds, gas storage field	100,000	100,000
<b>Total Gas Utility</b>	<b>100,000</b>	<b>100,000</b>
<b>Total business-type activities long-term debt:</b>	<b>\$ 12,061,660</b>	<b>\$ 283,643</b>

CITY OF HUNTINGBURG  
OTHER REPORT

The annual report presented herein was prepared in addition to another official report prepared for the individual City office listed below:

Water, Wastewater, Electric, and Gas Utilities

CITY OF HUNTINGBURG  
AUDIT RESULTS AND COMMENTS

PERSONAL USE OF CITY OWNED PROPERTY

Cellular phones are provided to several employees. Logs are not maintained to document the nature of calls made, which could result in personal calls being made in violation of the city's personnel policy.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in prior reports.

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the Police Department were generally remitted to the Clerk-Treasurer twice a month.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

A similar comment appeared in the prior report.

CONTRACTS

The Electric Utility paid for contractual services to R.W. Beck, for engineering. No contracts were presented for audit.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in the prior report.

RECORD OF HOURS WORKED

Several officials and employees were paid salaries from more than one fund and/or department. A record of hours worked for each was not presented for audit.

CITY OF HUNTINGBURG  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

A similar comment appeared in prior reports.

EXPENDITURE OF UTILITY FUNDS

The City used an internal service fund, City Office, to accumulate all disbursements throughout the year for expenses to operate the City Hall, which houses both City and Utility offices. These expenses were prorated between City and Utilities' expense accounts monthly. The percentage used in calculating the proration depends on the account number the expense was posted to within the City Office Account. Based on a review of the disbursements between City and Utilities' expense accounts, the following items were noted:

- (1) The four Utilities paid the Utility bills for the City Hall building with the exception of \$3,000 per year that was paid from the Transportation Fund (transit van). Utility expenses for 2006 totaled \$8,454.
- (2) Charges for routine maintenance of computer software and hardware were paid 80% from the Utility funds and 20% from the City. The charges to the Utilities for these items were \$31,914 for 2006. In addition, charges to fix specific problems were charged to the department that incurred the problem.
- (3) Charges for computer supplies, software, purchase of a new server used for offsite backups and aerial photos, and the purchase of a new printer for payroll were also paid 80% from the Utility funds and 20% from the City. The charges to the Utilities for these items were \$32,570 for 2006.

The total costs charged to the City Office Account during 2006 were \$144,054. Of this amount, the Utilities paid \$110,970, or 77%.

There was no documentation to support the calculation of the percentages used for prorating expenses.

The above expenses paid by the Utilities were in addition to the residual equity transfers that were made from the Utilities' cash reserve funds to the City General Fund for 2006 that amounted to \$175,000 from the Electric Utility and \$175,000 from the Gas Utility and payments in lieu of taxes from all four Utilities, totaling \$169,337.

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. Furthermore, the utility funds should not be used to pay for personal items. The cost of shared employees and equipment by two or more utilities should be prorated in a rational manner. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Establishment of a cash reserve fund permits transfer of surplus utility funds to the city and town general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in prior reports.

CITY OF HUNTINGBURG  
AUDIT RESULTS AND COMMENTS  
(Continued)

BUDGETED LINE ITEMS

Disbursements for City promotional items such as yearbook ads and holiday greeting ads were paid from the council supplies line item in the General Fund budget. The General Fund budget has a promotional account line item budgeted under the Mayor and the Council for such items.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in prior reports.

CITY OF HUNTINGBURG  
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2007, with Thomas A. Dippel, Clerk-Treasurer; and Gail Kemp, Mayor. The officials concurred with our audit findings.