

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

EXAMINATION REPORT  
OF  
CITY OF HUNTINGTON  
HUNTINGTON COUNTY, INDIANA  
January 1, 2008 to December 31, 2008



**FILED**  
09/30/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christi A. Scher	01-01-08 to 12-31-11
Mayor	Steven D. Updike	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Steven D. Updike	01-01-08 to 12-31-11
President of the Common Council	Brooks L. Fetters Ervin R. Ebersole	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Superintendent of Water Utility	Darold L. Harlan, Jr.	01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Collin E. Bullock	01-01-08 to 12-31-09
Utility Office Manager	Pamela J. Updike	01-01-08 to 12-31-09
Operations Manager	Ruth A. Marsh	01-01-08 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF HUNTINGTON, HUNTINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Huntington (City), for the period of January 1, 2008 to December 31, 2008. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 10, 2009

CITY OF HUNTINGTON  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,030,938	\$ 9,185,451	\$ 9,563,377	\$ 653,012
Motor Vehicle Highway	614,235	488,745	761,993	340,987
Local Road and Street	-	80,814	14,136	66,678
Solid Waste	180,469	472,335	491,556	161,248
Law Enforcement Continuing Education	9,956	11,384	4,499	16,841
Park and Recreation	178,390	867,664	847,084	198,970
Aviation	4,540	184,141	182,343	6,338
Building Demolition and Repair	8,453	4,419	8,034	4,838
Park and Recreation Center	34,075	50,136	41,515	42,696
Aviation Revolving	38,920	194,291	207,745	25,466
K-9 Training	1,067	2,413	2,144	1,336
Police LACE	190	10,170	10,170	190
AED Defibrillators Grant	375	-	-	375
Parking Lot	67	10,519	10,586	-
Federal Drug Seizure	12,471	5,120	1,852	15,739
Rainy Day	132,061	44,336	4,195	172,202
Riverboat	429,132	109,465	-	538,597
Park Building Deposit	3,620	11,525	12,550	2,595
Park Splash Pad	9	-	9	-
Tax Increment Financing Phase V	3,652,010	964,980	4,616,990	-
Tax Increment Financing Phase IV	492,157	29,903	522,060	-
2008 Consolidated TIF	-	3,109,093	-	3,109,093
City Building Lease Purchase	90,437	184,331	197,820	76,948
Storm Water Bond	167,690	328,351	382,942	113,099
RDC Bond and Interest (Northside)	292	343,053	343,345	-
RDC Debt Reserve (Northside)	61,093	-	-	61,093
Landfill Bond and Interest	2	-	2	-
CEDIT	849,566	734,975	385,628	1,198,913
Cumulative Capital Improvement	53,612	56,748	42,236	68,124
General Improvement	134,794	17,474	25,394	126,874
Cumulative Capital Development	944,305	163,554	19,500	1,088,359
Housing and Urban Development	27,342	1,310	-	28,652
Revolving Loan	371,546	21,389	-	392,935
Park Capital	20,914	-	-	20,914
Aviation - Federal Grants	-	316,129	315,940	189
City Revitalization Grant	-	5,400	-	5,400
Park Grants	-	262,830	12,128	250,702
General Obligation Bond	-	550,000	40,557	509,443
Proprietary Funds:				
Health Insurance Claim	402,372	1,801,266	1,998,013	205,625
Water Utility - Operating	207,581	2,783,001	2,759,231	231,351
Water Utility - Bond and Interest	112	-	-	112
Water Utility - Depreciation	53,576	175,480	196,297	32,759
Water Utility - Customer Deposit	226,830	55,780	29,744	252,866
Wastewater Utility - Operating	711,109	3,215,149	3,865,065	61,193
Wastewater Utility - Bond and Interest	101,506	8,147,955	7,589,990	659,471
Wastewater Utility - Debt Service Reserve	1,003,838	-	211,838	792,000
Wastewater Utility - Depreciation	-	202,700	101,714	100,986
Fiduciary Funds:				
1925 Police Pension	453,448	521,218	718,313	256,353
1937 Firefighters' Pension	371,458	596,476	983,530	(15,596)
Park Donation	(54,975)	92,070	7,556	29,539
Police Reserve Donation	1,155	1,248	482	1,921
Fire Department Donation	3,464	3,597	4,057	3,004
Payroll	74,474	12,143,678	12,143,244	74,908
Totals	<u>\$ 13,100,676</u>	<u>\$ 48,562,066</u>	<u>\$ 49,677,404</u>	<u>\$ 11,985,338</u>

The accompanying notes are an integral part of the financial information.

CITY OF HUNTINGTON  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides 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, and urban redevelopment and housing.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF HUNTINGTON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

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 this 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 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% 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. 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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF HUNTINGTON  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2008

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. Retroactive reporting of general infrastructure assets has not occurred by December 31, 2008.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 234,527
Infrastructure	2,116,241
Buildings	8,466,606
Improvements other than buildings	2,433,709
Machinery and equipment	<u>5,983,771</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 19,234,854</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 539,980
Construction in progress	1,641,867
Capital assets, being depreciated:	
Buildings	1,231,500
Improvements other than buildings	11,234,569
Machinery and equipment	2,200,098
Transportation equipment	<u>498,196</u>
Total Water Utility capital assets	<u>17,346,210</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	131,620
Construction in progress	157,200
Capital assets, being depreciated:	
Buildings	10,899,046
Improvements other than buildings	23,753,797
Machinery and equipment	1,430,004
Transportation equipment	<u>451,374</u>
Total Wastewater Utility capital assets	<u>36,823,041</u>
Total business-type activities capital assets	<u>\$ 54,169,251</u>

CITY OF HUNTINGTON  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Buildings	\$ 95,000	\$ 98,250
Machinery and equipment	963,848	144,914
Notes and loans payable	2,187,000	210,165
Bonds payable:		
General obligation bonds:		
\$1,395,000 1997 tax increment financing	1,000,000	230,005
\$675,000 2000 tax increment financing	345,000	83,910
\$475,000 2001 storm water	380,000	38,625
\$1,545,000 2002 storm water district	1,245,000	129,440
\$877,979 2003 tax increment financing	736,617	41,287
\$550,000 2008 general obligation	<u>550,000</u>	<u>13,456</u>
Total governmental activities debt	<u>\$ 7,502,465</u>	<u>\$ 990,052</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Machinery and equipment	<u>\$ 84,843</u>	<u>\$ 62,984</u>
Wastewater Utility:		
Capital leases:		
Machinery and equipment	9,196	9,318
Notes and loans payable:		
State Revolving Fund Loan	81,157	-
Revenue bonds:		
\$1,390,000 2003 wastewater refunding	1,055,000	118,334
\$6,530,000 2008 wastewater refunding	<u>6,530,000</u>	<u>671,439</u>
Total Wastewater Utility	<u>7,675,353</u>	<u>799,091</u>
Total business-type activities debt	<u>\$ 7,760,196</u>	<u>\$ 862,075</u>

CITY OF HUNTINGTON  
OTHER REPORT

The report presented herein was prepared in addition to the official report prepared for the individual City office for the City of Huntington Municipal Utilities.

CITY OF HUNTINGTON  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE

The cash balance of the 1937 Firefighters' Pension Fund was overdrawn \$15,596 at December 31, 2008. A similar comment appeared in prior Report B32510.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The Rainy Day Fund had expenditures of \$4,195 with no approved budget or additional appropriation.

The rainy day fund is subject to the same appropriation process as other funds that receive tax money. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 22)

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PARK DEPARTMENT REMITTANCES

In our test of Park and Recreation Center collections to the remittances to the Clerk-Treasurer, it was determined that two series of receipts totaling \$60 could not be identified to any remittances. Also, two separate series of receipts were not remitted to the Clerk-Treasurer in a timely manner, some as late as one month after the date of collection.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CITY OF HUNTINGTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSET RECORDS

The City was required to retroactively record infrastructure as of December 31, 2008, but failed to do so. General infrastructure assets were to be recorded if they were acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The City has not completed estimating the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). A similar comment appeared in prior Report B32510.

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

CITY OF HUNTINGTON  
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2009, with Christi A. Scher, Clerk-Treasurer; Ruth A. Marsh, Operations Manager; and Steven D. Updike, Mayor.