

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

ANNUAL FINANCIAL REPORT

2008

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES

CITY OF HUNTINGBURG

DUBOIS COUNTY, INDIANA



**FILED**  
12/31/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Thomas A. Dippel	01-01-08 to 12-31-11
Mayor	Marvin R. Belcher	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Marvin R. Belcher	01-01-08 to 12-31-11
President of the Common Council	Ken Sparrow Marvin Boeglin	01-01-08 to 12-31-08 01-01-09 to 12-31-09
Water, Gas, and Electric Operations Superintendent	Ron McDonald Tony Traylor	01-01-08 to 05-15-09 05-16-09 to 12-31-09
Wastewater Utility Superintendent	Ron Hall	01-01-08 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WATER, WASTEWATER, ELECTRIC, AND  
GAS UTILITIES, CITY OF HUNTINGBURG, DUBOIS COUNTY, INDIANA

We have examined the financial statements presented herein of the Water, Wastewater, Electric and Gas Utilities, departments of the City of Huntingburg, for the period of January 1, 2008 to December 31, 2008. The Utilities' management is responsible for the financial statements 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 statements 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.

As discussed in Note I, the financial statements of the Water, Wastewater, Electric, and Gas Utilities, City of Huntingburg, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Huntingburg as of December 31, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Utilities 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.

STATE BOARD OF ACCOUNTS

November 18, 2009

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
STATEMENT OF NET ASSETS  
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
<b>Current assets:</b>				
Operating cash and cash equivalents	\$ 69,571	\$ 92,754	\$ 1,361,671	\$ 197,805
Reserve cash and cash equivalents	15,000	-	317,500	-
Investments	100,000	-	2,800,000	1,080,000
Accounts receivable (net of allowance)	35,908	36,130	89,380	199,320
Interfund receivables:				
Interfund loans	-	-	55,000	-
Interfund services provided and used	82	181	-	188
Inventories	<u>85,625</u>	<u>12,987</u>	<u>746,495</u>	<u>1,123,964</u>
<b>Total current assets</b>	<u>306,186</u>	<u>142,052</u>	<u>5,370,046</u>	<u>2,601,277</u>
<b>Noncurrent assets:</b>				
<b>Restricted cash and investments:</b>				
Customer deposits cash and investments	27,585	41,965	74,050	60,290
Bond and interest cash and investments	33,508	154,303	-	-
Debt service reserve cash and investments	707,500	340,000	-	-
Construction cash and investments	<u>-</u>	<u>49,985</u>	<u>-</u>	<u>-</u>
<b>Total restricted assets</b>	<u>768,593</u>	<u>586,253</u>	<u>74,050</u>	<u>60,290</u>
Deferred charges	<u>6,928</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Capital assets:</b>				
Land, improvements to land and construction in progress	98,398	294,436	169,827	1,009,724
Other capital assets (net of accumulated depreciation)	<u>10,816,491</u>	<u>9,872,355</u>	<u>5,685,177</u>	<u>1,556,932</u>
<b>Total capital assets</b>	<u>10,914,889</u>	<u>10,166,791</u>	<u>5,855,004</u>	<u>2,566,656</u>
<b>Total noncurrent assets</b>	<u>11,690,410</u>	<u>10,753,044</u>	<u>5,929,054</u>	<u>2,626,946</u>
<b>Total assets</b>	<u>11,996,596</u>	<u>10,895,096</u>	<u>11,299,100</u>	<u>5,228,223</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	79,629	47,417	890,258	585,054
Interfund payables:				
Interfund loans	55,000	-	-	-
Interfund services provided and used	-	-	451	-
Taxes payable	6,602	-	25,460	21,544
Accrued wages payable	13,919	12,526	18,273	12,742
Compensated absences	30,792	43,888	44,891	29,573
Current liabilities payable from restricted assets:				
Customer deposits	27,585	41,965	74,050	60,290
Loans payable	-	148,000	-	-
Revenue bonds payable	-	39,000	-	-
Leases payable	39,222	-	-	-
Accrued interest payable	<u>-</u>	<u>42,102</u>	<u>-</u>	<u>-</u>
<b>Total current liabilities</b>	<u>252,749</u>	<u>374,898</u>	<u>1,053,383</u>	<u>709,203</u>
<b>Noncurrent liabilities:</b>				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	339,085	1,832,000	-	-
Capital leases payable	8,241	-	-	-
Bond anticipation notes payable	-	50,000	-	-
Loans payable	<u>6,060,000</u>	<u>2,156,000</u>	<u>-</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<u>6,407,326</u>	<u>4,038,000</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>6,660,075</u>	<u>4,412,898</u>	<u>1,053,383</u>	<u>709,203</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	4,427,426	5,941,791	5,855,005	2,566,656
Restricted for debt service	741,009	494,303	-	-
Unrestricted	<u>168,086</u>	<u>46,104</u>	<u>4,390,712</u>	<u>1,952,364</u>
<b>Total net assets</b>	<u>\$ 5,336,521</u>	<u>\$ 6,482,198</u>	<u>\$ 10,245,717</u>	<u>\$ 4,519,020</u>

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

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>
Operating revenues:				
Metered water revenue:				
Residential	\$ 524,132	\$ -	\$ -	\$ -
Commercial and industrial sales	1,719,665	-	-	-
Residential sales	-	-	2,108,671	1,929,165
Commercial and industrial sales	-	-	5,259,756	3,088,616
Public street and highway lighting	-	-	45,231	-
Fire protection revenue	116,965	-	-	-
Penalties	6,323	18,443	22,430	12,317
Measured revenue:				
Residential	-	478,563	-	-
Commercial	-	825,290	-	-
Other	6,932	12,647	18,637	38,010
	<u>2,374,017</u>	<u>1,334,943</u>	<u>7,454,725</u>	<u>5,068,108</u>
Total operating revenues				
Operating expenses:				
Source of supply and expense - operations and maintenance	492,738	-	-	-
Water treatment expense - operations and maintenance	228,951	-	-	-
Production and supply	-	-	-	3,870,064
Power production	-	-	5,525,510	-
Transmission and distribution	385,416	-	523,442	389,911
Collection system - operations and maintenance	-	143,063	-	-
Pumping - operations and maintenance	-	6,337	-	-
Treatment and disposal - operations and maintenance	-	396,490	-	-
Customer accounts	34,485	33,237	38,617	39,902
Administration and general	417,369	327,762	526,212	427,601
Depreciation and amortization	389,128	269,133	352,748	129,687
	<u>1,948,087</u>	<u>1,176,022</u>	<u>6,966,529</u>	<u>4,857,165</u>
Total operating expenses				
Operating income	<u>425,930</u>	<u>158,921</u>	<u>488,196</u>	<u>210,943</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	40,069	18,634	104,752	26,202
Miscellaneous revenue	11,020	3,234	29,056	20,948
Interest expense	(227,754)	(154,347)	-	-
Miscellaneous expense	(2,320)	(10)	(6,111)	(318)
	<u>(178,985)</u>	<u>(132,489)</u>	<u>127,697</u>	<u>46,832</u>
Total nonoperating revenues (expenses)				
Income before contributions and transfers	246,945	26,432	615,893	257,775
Capital contributions	-	53,642	-	-
Transfers out	(97,466)	(95,661)	(276,062)	(189,006)
	<u>149,479</u>	<u>(15,587)</u>	<u>339,831</u>	<u>68,769</u>
Change in net assets				
Total net assets - beginning	<u>5,187,042</u>	<u>6,497,785</u>	<u>9,905,886</u>	<u>4,450,251</u>
Total net assets - ending	<u>\$ 5,336,521</u>	<u>\$ 6,482,198</u>	<u>\$ 10,245,717</u>	<u>\$ 4,519,020</u>

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

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Electric Utility	Gas Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,389,686	\$ 1,351,530	\$ 7,549,954	\$ 5,108,087
Payments to suppliers and contractors	(894,877)	(366,807)	(5,885,008)	(4,376,675)
Payments to employees	(606,061)	(518,481)	(668,684)	(490,752)
Interfund services provided (used)	27	-	(177)	150
Other receipts	11,010	195	23,407	12,766
Net cash provided by operating activities	<u>899,785</u>	<u>466,437</u>	<u>1,019,492</u>	<u>253,576</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	(97,466)	(95,661)	(276,062)	(189,006)
Interfund loans	(60,000)	-	60,000	-
Net cash used by noncapital financing activities	<u>(157,466)</u>	<u>(95,661)</u>	<u>(216,062)</u>	<u>(189,006)</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	-	50,000	-	-
Acquisition and construction of capital assets	(27,354)	(79,868)	(228,510)	(98,187)
Principal paid on capital debt	(532,605)	(190,017)	-	-
Interest paid on capital debt	(214,116)	(155,201)	-	-
Proceeds from sales of capital assets	-	4,000	8,500	6,000
Net cash used by capital and related financing activities	<u>(774,075)</u>	<u>(371,086)</u>	<u>(220,010)</u>	<u>(92,187)</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	400,500	366,000	3,605,000	941,000
Purchase of investments	(100,000)	(340,000)	(3,800,000)	(1,980,000)
Interest received	43,115	24,167	109,579	29,253
Net cash provided (used) by investing activities	<u>343,615</u>	<u>50,167</u>	<u>(85,421)</u>	<u>(1,009,747)</u>
Net increase in cash and cash equivalents	311,859	49,857	497,999	(1,037,364)
Cash and cash equivalents, January 1	<u>216,305</u>	<u>289,150</u>	<u>1,255,222</u>	<u>1,295,459</u>
Cash and cash equivalents, December 31	<u>\$ 528,164</u>	<u>\$ 339,007</u>	<u>\$ 1,753,221</u>	<u>\$ 258,095</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 425,930	\$ 158,921	\$ 488,196	\$ 210,943
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	389,128	269,133	352,748	129,687
Bad debt expense	1,374	108	3,623	6,123
Nonoperating revenues and expenses	11,010	195	23,407	12,766
(Increase) decrease in assets:				
Accounts receivable	15,669	16,587	95,229	39,979
Interfund services provided or used	27	-	(177)	150
Inventories	13,092	3,556	(27,504)	(171,562)
Prepaid items	12,663	9,900	11,149	6,314
Increase (decrease) in liabilities:				
Accounts payable	28,770	19,047	92,908	35,632
Contracts payable	-	(5,741)	-	-
Accrued wages payable	5,697	(567)	7,481	4,480
Taxes payable	317	-	2,514	2,122
Compensated absence payable	(422)	(547)	(8,557)	(11,303)
Customer deposits	(3,470)	(4,155)	(21,525)	(11,755)
Total adjustments	<u>473,855</u>	<u>307,516</u>	<u>531,296</u>	<u>42,633</u>
Net cash provided by operating activities	<u>\$ 899,785</u>	<u>\$ 466,437</u>	<u>\$ 1,019,492</u>	<u>\$ 253,576</u>
Noncash investing, capital and financing activities:				
Acquisition of capital asset through capital lease	\$ 24,790	\$ -	\$ -	\$ -
Contributions of capital assets from City	-	53,642	-	-
Capital asset trade-ins	5,190	16,457	93,763	42,590

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

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Huntingburg (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represent a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 for their enterprise funds.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities 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.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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 are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Water Utility:			
Buildings	\$ 1,000	Straight-line	66.7 years
Improvements other than buildings	1,000	Straight-line	33.3 to 66.7 years
Machinery and equipment	1,000	Straight-line	10.0 years
Transportation equipment	1,000	Straight-line	10.0 years
Wastewater Utility:			
Buildings	1,000	Straight-line	50.0 years
Improvements other than buildings	1,000	Straight-line	66.7 years
Machinery and equipment	1,000	Straight-line	10.0 years
Transportation equipment	1,000	Straight-line	10.0 years

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Electric Utility:			
Buildings	\$ 1,000	Straight-line	33.3 years
Improvements other than buildings	1,000	Straight-line	20.0 years
Machinery and equipment	1,000	Straight-line	10.0 years
Transportation equipment	1,000	Straight-line	10.0 years
Gas Utility:			
Buildings	1,000	Straight-line	33.3 years
Improvements other than buildings	1,000	Straight-line	33.3 years
Machinery and equipment	1,000	Straight-line	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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

5. Compensated Absences

- a. Sick Leave – The Utilities' employees earn 30 hours of sick leave on January 1 and an additional 26 hours on July 1 of each year. Unused sick leave may be accumulated to a maximum of 172 hours. Accumulated sick leave is paid to employees upon separation from employment if the employee is not terminated for cause.
- b. Vacation Leave – The Utilities' employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave must be used before the next employment anniversary date with the exception that 5 days of vacation leave, not taken by the employment anniversary date, may be carried over to the next 12 months. Unused vacation leave is paid to employees upon separation from employment.
- c. Personal Leave – The Utilities' employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation and sick leave is accrued when incurred.

No liability is reported for personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

II. 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 utilities do not have a deposit policy for custodial credit risk; however, the utilities are not exposed to custodial credit risk at this time. At December 31, 2008, 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. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Water Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 98,398	\$ -	\$ -	\$ 98,398
Capital assets, being depreciated:				
Buildings	5,414,555	7,618	-	5,422,173
Improvements other than buildings	7,464,581	7,010	-	7,471,591
Machinery and equipment	1,709,628	9,914	5,190	1,714,352
Transportation equipment	236,149	27,602	-	263,751
Less accumulated depreciation for:				
Buildings	(300,062)	(80,487)	-	(380,549)
Improvements other than buildings	(2,463,204)	(155,451)	-	(2,618,655)
Machinery and equipment	(750,992)	(137,640)	(5,190)	(883,442)
Transportation equipment	(157,180)	(15,550)	-	(172,730)
 Total Water Utility capital assets, net	 <u>\$ 11,251,873</u>	 <u>\$ (336,984)</u>	 <u>\$ -</u>	 <u>\$ 10,914,889</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Wastewater Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 234,249	\$ -	\$ -	\$ 234,249
Construction in progress	41,364	18,823	-	60,187
Capital assets, being depreciated:				
Buildings	1,423,694	9,478	-	1,433,172
Improvements other than buildings	10,902,745	-	-	10,902,745
Machinery and equipment	1,186,230	103,021	16,456	1,272,795
Transportation equipment	88,382	2,812	-	91,194
Less accumulated depreciation for:				
Buildings	(369,981)	(28,517)	-	(398,498)
Improvements other than buildings	(2,237,439)	(163,541)	-	(2,400,980)
Machinery and equipment	(904,929)	(72,634)	(14,861)	(962,702)
Transportation equipment	(60,930)	(4,441)	-	(65,371)
Total Wastewater Utility capital assets, net	<u>\$ 10,303,385</u>	<u>\$ (134,999)</u>	<u>\$ 1,595</u>	<u>\$ 10,166,791</u>
<u>Electric Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 169,827	\$ -	\$ -	\$ 169,827
Construction in progress	745	-	745	-
Capital assets, being depreciated:				
Buildings	739,515	-	-	739,515
Improvements other than buildings	8,163,796	65,834	-	8,229,630
Machinery and equipment	2,375,180	11,602	22,090	2,364,692
Transportation equipment	592,236	156,700	71,673	677,263
Less accumulated depreciation for:				
Buildings	(503,173)	(22,241)	-	(525,414)
Improvements other than buildings	(3,416,054)	(247,211)	-	(3,663,265)
Machinery and equipment	(1,655,588)	(57,755)	(70,514)	(1,642,829)
Transportation equipment	(478,280)	(25,541)	(9,406)	(494,415)
Total Electric Utility capital assets, net	<u>\$ 5,988,204</u>	<u>\$ (118,612)</u>	<u>\$ 14,588</u>	<u>\$ 5,855,004</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Gas Utility</u>				
Capital assets, not being depreciated:				
Land	\$ 14,324	\$ -	\$ -	\$ 14,324
Gas storage leases and rights*	995,400	-	-	995,400
Capital assets, being depreciated:				
Buildings	286,318	3,144	-	289,462
Improvements other than buildings	3,749,600	55,992	-	3,805,592
Machinery and equipment	763,935	42,164	42,590	763,509
Transportation equipment	190,711	2,812	-	193,523
Cushion gas in place*	493,253	-	-	493,253
Less accumulated depreciation for:				
Buildings	(132,897)	(8,627)	-	(141,524)
Improvements other than buildings	(2,970,059)	(84,174)	-	(3,054,233)
Machinery and equipment	(634,978)	(25,085)	(38,529)	(621,534)
Transportation equipment	(139,515)	(6,851)	-	(146,366)
Cushion gas in place*	(19,800)	(4,950)	-	(24,750)
Total Gas Utility capital assets, net	<u>\$ 2,596,292</u>	<u>\$ (25,575)</u>	<u>\$ 4,061</u>	<u>\$ 2,566,656</u>

\*Gas storage leases and rights include the development of the gas storage field including all leases, easements, storage rights and equipment. Cushion gas in place is an amount of gas needed to be maintained in order to maintain enough gas pressure to operate the Gas Utility.

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 389,128
Wastewater	269,133
Electric	352,748
Gas	<u>129,687</u>
Total depreciation expense	<u>\$ 1,140,696</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2008</u>	<u>Committed</u>	<u>Required Future Funding</u>
Wastewater Utility:				
Inflow infiltration	\$ 34,500	\$ 34,500	\$ -	\$ -
Facilities planning	9,536	9,536	-	-
Sewer construction	<u>16,151</u>	<u>16,151</u>	-	-
Totals	<u>\$ 60,187</u>	<u>\$ 60,187</u>	<u>\$ -</u>	<u>\$ -</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Interfund Balances and Activity

1. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2008, is as follows:

Due To	Water Utility	Electric Utility	Totals
Water Utility	\$ -	\$ 82	\$ 82
Wastewater Utility	-	181	181
Electric Utility	55,000	-	55,000
Gas Utility	-	188	188
Totals	<u>\$ 55,000</u>	<u>\$ 451</u>	<u>\$ 55,451</u>

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

2. Interfund Transfers

Interfund transfers at December 31, 2008, were as follows:

Transfer From	Transfer To General Fund
Water Utility	\$ 97,466
Wastewater Utility	95,661
Electric Utility	276,062
Gas Utility	189,006
Total	<u>\$ 658,195</u>

The Utilities typically use transfers to fund ongoing operating subsidies.

E. Leases

Capital Leases

The Water Utility has entered into various capital leases for a truck, backhoe/loader, and service truck. Future minimum lease payments and present values of the net minimum lease payments under these capital leases as of December 31, 2008, are as follows:

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

	Water Utility
2009	\$ 41,436
2010	8,619
Total minimum lease payments	50,055
Less amount representing interest	2,592
Present value of net minimum lease payments	\$ 47,463

Assets acquired through capital leases still in effect are as follows:

	Water Utility
Machinery and equipment	\$ 68,300
Transportation equipment	75,585
Totals	143,885
Accumulated depreciation	21,395
Total	\$ 122,490

F. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1998 Waterworks refunding revenue bonds	4.95%	\$ 380,000
1994 Wastewater improvement revenue bonds, treatment plant	4.50%	1,871,000
Total		\$ 2,251,000

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ 9,405	\$ 39,000	\$ 84,196
2010	120,000	15,840	41,000	82,442
2011	125,000	9,776	43,000	80,596
2012	135,000	3,341	44,000	78,662
2013	-	-	47,000	76,682
2014-2018	-	-	267,000	349,748
2019-2023	-	-	335,000	283,954
2024-2028	-	-	418,000	201,424
2029-2033	-	-	519,000	98,600
2034-2038	-	-	118,000	5,310
Totals	<u>\$ 380,000</u>	<u>\$ 38,362</u>	<u>\$ 1,871,000</u>	<u>\$ 1,341,614</u>

2. State Revolving Loan Fund

Waterworks Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of improvements to the waterworks system including a water treatment plant and a water tower. Funds were loaned to the Water Utility as construction costs accrued to the maximum allowed. The 2000 loan established a maximum draw of \$8,500,000. At the completion of construction, the outstanding principal balance of \$8,500,000 was amortized over a period of 20 years. Annual debt service requirements to maturity for the loan, including interest of \$1,300,534, are as follows:

2009	\$ 87,870
2010	560,085
2011	560,601
2012	559,784
2013	559,632
2014-2018	2,798,007
2019-2023	<u>2,234,555</u>
Total	<u>\$ 7,360,534</u>

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
 CITY OF HUNTINGBURG  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Wastewater Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of sanitary sewers to areas adjacent to the City. Funds were loaned to the Wastewater Utility as construction costs accrued to the maximum allowed. The 1999 loan established a maximum draw of \$3,230,000. At the completion of construction, the outstanding principal balance of \$3,230,000 was amortized over a period of 20 years. Annual debt service requirements to maturity for this loan, including \$460,984 in interest, are as follows:

2009	\$ 181,408
2010	215,524
2011	215,087
2012	215,534
2013	215,836
2014-2018	1,075,896
2018-2022	<u>645,699</u>
Total	<u><u>\$ 2,764,984</u></u>

3. Bond Anticipation Note

The Wastewater Utility entered into a bond anticipation note agreement with Integra Bank on December 1, 2008, to finance wastewater system improvements. There is a maximum credit limit of \$1,000,000 with a fixed interest rate of 2.09%. The Wastewater Utility made an initial draw of \$50,000 on December 4, 2008, with a maturity date of 60 months.

4. Advance Refunding

In prior years, the Water Utility defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Water Utility's financial statements. The following outstanding bonds, at December 31, 2008, were considered defeased:

	Amount
1990 Waterworks revenue bonds, Series A and B	\$ 530,000

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	\$ 1,909,000	\$ -	\$ 38,000	\$ 1,871,000	\$ 39,000
Water Utility	495,000	-	115,000	380,000	-
Less unamortized discount	6,516	-	1,630	4,886	-
Less deferred amount on refunding	<u>48,037</u>	<u>-</u>	<u>12,008</u>	<u>36,029</u>	<u>-</u>
Total revenue bonds payable	2,349,447	-	139,362	2,210,085	39,000
Loans payable:					
Water Utility	6,439,000	-	379,000	6,060,000	-
Wastewater Utility	2,448,000	-	144,000	2,304,000	148,000
Bond anticipation note:					
Wastewater Utility	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total long-term liabilities	<u>\$ 11,236,447</u>	<u>\$ 50,000</u>	<u>\$ 662,362</u>	<u>\$ 10,624,085</u>	<u>\$ 187,000</u>

G. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	Water Utility	Wastewater Utility	Electric Utility	Gas Utility
Customer deposits	\$ 27,585	\$ 41,965	\$ 74,050	\$ 60,290
Bond and interest	33,508	154,303	-	-
Debt service reserve	707,500	340,000	-	-
Construction	<u>-</u>	<u>49,985</u>	<u>-</u>	<u>-</u>
Total restricted assets	<u>\$ 768,593</u>	<u>\$ 586,253</u>	<u>\$ 74,050</u>	<u>\$ 60,290</u>

III. Other Information

A. Risk Management

The Utilities are 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.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Utilities have chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is 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 interfund transactions.

Job Related Illnesses and Injuries to Employees

During 1991, the Utilities joined together with other governmental entities to form the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for 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 Utilities pay 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. Subsequent Events

Wastewater Improvement Project

In 2008, the City of Huntingburg began the preliminary work on a project to install a berm and a flood protection system around the City's Wastewater treatment plant. The preliminary engineering estimate of the total project cost is \$2,198,900. In September 2008, the City of Huntingburg was awarded \$1,300,000 Economic Development Administration Grant for use in this project. In 2009, the City was also awarded a \$400,000 SRF Grant and a SRF low interest loan for up to \$1,200,000 for the Wastewater improvement project. The City plans to contribute a local match of \$20,000 from CEDIT Capital Project fund. In order to pay some of the initial project expenses, the City entered into a bond anticipation note agreement with Integra Bank on December 1, 2008, for up to \$1,000,000 with a fixed interest rate of 2.09% with a maturity date of 60 months. On December 4, 2008, an initial draw of \$50,000 was made by the Wastewater Utility.

C. Rate Structure

1. 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 City Council on August 24, 2000. The Utility has 2,459 customers.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Wastewater Utility

The current rate structure was approved by the City Council on May 20, 2004. The Utility has 2,539 customers.

3. 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 City Council on December 12, 2006. The Utility has 3,297 customers.

4. 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 City Council on October 25, 2001, and amended on November 29, 2001, and on September 15, 2005. The Utility has 3,325 customers.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, 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 Utilities 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 member's contributions, set by state statute at three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' 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. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 130,746
Interest on net pension obligation	1,120
Adjustment to annual required contribution	(1,277)
Annual pension cost	130,589
Contributions made	155,966
Increase (decrease) in net pension obligation	(25,377)
Net pension obligation, beginning of year	15,455
Net pension obligation, end of year	\$ (9,922)
Contribution rates:	
Utilities	8%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
 CITY OF HUNTINGBURG  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 173,008	64%	\$ 2,789
	06-30-07	135,112	91%	15,455
	06-30-08	130,589	119%	(9,922)

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
 CITY OF HUNTINGBURG  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement 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)
07-01-06	\$ 2,628,661	\$ 2,987,873	\$ (359,212)	88%	\$ 1,927,084	(19%)
07-01-07	2,718,897	3,022,206	(303,309)	90%	1,872,711	(16%)
07-01-08	2,998,971	3,210,557	(211,586)	93%	1,926,143	(11%)

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
AUDIT RESULTS AND COMMENTS

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 Utility 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 2008 totaled \$10,825.
- (2) Charges for routine maintenance of computer software and hardware, as well as new computers, software, and computer-related equipment for the Receptionist desk, Planning Director, and the Clerk-Treasurer's office, were paid 80% from the Utility funds and 20% from the City. The charge to the utilities for these items was \$46,004 for 2008. In addition, charges to fix specific problems were charged to the department that incurred the problem.
- (3) Charges for GIS software, painting and repairs/maintenance at City Hall, office supplies, code books, Christmas decorations, a fireproof file cabinet for the Clerk-Treasurer's office, repair to the Mayor's car, the Office Manager's travel expenses to the IACT conference, and various promotional items were also paid 80% from the Utility funds and 20% from the City. The charge to the Utilities for these items was \$32,574 for 2008.
- (4) Sealing and re-striping the City Hall parking lot was paid by the Utilities. Utility expense for this was \$3,410 for 2008.

The total costs charged to the City Office account during 2008 were \$157,594. Of this amount, the Utilities paid \$132,034 or 84%.

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 2008 that amounted to \$175,000 from the Electric Utility and \$175,000 from the Gas Utility.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
AUDIT RESULTS AND COMMENTS  
(Continued)

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.

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECORDS 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.

IC 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.

WATER, WASTEWATER, ELECTRIC, AND GAS UTILITIES  
CITY OF HUNTINGBURG  
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2009, with Marvin R. Belcher, Mayor; Thomas A. Dippel, Clerk-Treasurer; Marvin Boeglin, President of the Common Council; and Tony Traylor, Superintendent of the Water, Gas, and Electric Utilities. The officials concurred with our audit findings.