

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF HUNTINGTON
HUNTINGTON COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/25/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10-11
Notes to Financial Statement	12-17
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	20-32
Schedule of Payables and Receivables	33
Schedule of Leases and Debt	34
Schedule of Capital Assets	35
Audit Results and Comments:	
Bank Account Reconciliations	36
Penalties, Interest, and Other Charges	36
Appropriations	36
Delinquent Wastewater Accounts	36-37
Internal Controls	37
Collection of Amounts Due	38
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	40-41
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards	45
Schedule of Findings and Questioned Costs	46-48
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	49
Corrective Action Plan	50
Exit Conference	51

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Christi A. Scher	01-01-12 to 12-31-15
Mayor	Brooks L. Fetters	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Brooks L. Fetters	01-01-12 to 12-31-15
President of the Common Council	Joseph E. Blomeke	01-01-12 to 12-31-13
Superintendent of Water Utility	Randy A. Jones	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Kirk A. Strass	01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Huntington (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 10, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Information

Included in the financial statement are the receipts and disbursements activity from emergency telephone system fees (IC 36-8-16), enhanced wireless emergency telephone fees (IC 36-8-16.5), and statewide 911 services fees (IC 36-8-16.7). In accordance with Indiana Code 36-8-16-14, Indiana Code 36-8-16.5-41, and Indiana Code 36-8-16.7-38, these fees have been subject to an annual audit performed by the Indiana State Board of Accounts and, in our opinion, are fairly stated, in all material respects, in relation to the financial statement taken as a whole.



Bruce Hartman
State Examiner

September 10, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Huntington (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated September 10, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Huntington's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

September 10, 2013

(This page intentionally left blank.)

FINANCIAL STATEMENT

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

CITY OF HUNTINGTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 2,674,934	\$ 9,295,836	\$ 8,176,825	\$ 3,793,945
Motor Vehicle Highway	478,537	705,117	405,241	778,413
Local Road and Street	162,356	157,837	159,413	160,780
Aviation	93,729	256,665	170,382	180,012
Park Rec Center	19,714	49,774	45,377	24,111
Health Insurance Claim	-	1,977,095	1,485,624	491,471
Solid Waste	422,221	766,130	684,841	503,510
Refuse Container Replace	3,850	8,900	-	12,750
Parking Lot	-	27,154	21,053	6,101
Indiana Housing Grant	-	217,646	217,646	-
LLECE	15,986	13,954	8,167	21,773
Building Demo Repair and Construction	14,830	25,500	1,198	39,132
Park and Recreation	296,523	648,207	527,134	417,596
Rainy Day	280,147	-	11,237	268,910
K-9 Training	794	905	1,147	552
CEDIT	607,097	806,980	1,291,878	122,199
Levy Excess	-	105,423	-	105,423
Aviation Rev Gas and Oil	57,348	155,484	169,744	43,088
Aviation - Federal Grant	81,202	52,829	131,546	2,485
Cum Capital Development	657,590	88,987	12,554	734,023
Park Capital	20,914	-	-	20,914
RDC Debt Resv (Northside)	61,093	-	-	61,093
General Improvement	143,033	2,860	-	145,893
Cum Capital Improvement	100,360	46,125	-	146,485
TIF 2008 Consolidated	3,850,963	2,207,915	1,515,762	4,543,116
Airport Capital	10,000	35,000	28,638	16,362
Police Pension	286,121	716,117	785,743	216,495
Fire Pension	183,820	1,012,426	945,641	250,605
Riverboat	437,932	103,023	128,489	412,466
Public Safety LOIT	208,418	829,364	778,301	259,481
Cash Change	300	-	300	-
GO Bond Debt Service	53,395	159,076	135,350	77,121
Street Vending	188	-	120	68
Park Building Deposit	5,789	9,013	9,384	5,418
No-Revert No-Ref Bldg Dep	850	-	-	850
HUD	32,327	1,058	-	33,385
Park Donation	38,015	7,849	5,360	40,504
Revolving Loan	290,070	56,072	6,051	340,091
Police Reserve Donations	2,223	300	-	2,523
Police - LACE	190	3,000	3,000	190
Healthcare Assurant/Claim	23,448	654,636	678,083	1
GO Bond	307,347	-	229,707	77,640
City Revital Grant	2,597	-	39	2,558
Fire Dept Grant	1	-	-	1
Fire Dept Donations	12,810	6,133	7,447	11,496

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

CITY OF HUNTINGTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Storm Water Bond	-	494,387	420,670	73,717
Federal Drug Seizure	16,014	-	364	15,650
Payroll	-	313,934	313,934	-
Payroll Federal W/H	-	917,598	917,598	-
Payroll FICA W/H	-	358,155	358,155	-
Payroll Medicare W/H	-	175,703	175,703	-
Payroll State Tax	-	282,643	282,643	-
Payroll County Tax	-	123,649	123,649	-
Payroll PERF	27,716	469,163	496,879	-
Payroll Police PERF	23,426	99,712	123,138	-
Payroll Fire PERF	26,933	129,224	156,157	-
Payroll Boston Life	-	5,985	5,985	-
Payroll Vision Insurance	-	16,335	16,335	-
Payroll Health Insurance	-	1,901,832	1,901,832	-
Payroll Life Insurance	-	19,508	19,508	-
Payroll Accident IN-AFLAC	-	16,176	16,176	-
Payroll Fire Dues	-	14,953	14,953	-
Payroll 457-AUL	-	256,078	256,078	-
Payroll Union Dues	-	20,367	20,367	-
Payroll Garnishments	-	38,114	38,114	-
Section 125	-	28,190	28,190	-
Payroll AUL Life	-	21,916	21,916	-
Fire PAC	-	914	914	-
Payroll Direct Deposit	-	5,789,463	5,789,463	-
Payroll 457-Amer	-	42,766	42,766	-
Payroll - Liberty National	-	4,391	4,391	-
Payroll - Continental Ameri	-	9,371	9,371	-
Fire Safer Reimbursement	-	4,484	4,484	-
Sewage Operating	704,065	4,563,651	4,743,105	524,611
Sewage Plant Depreciation	415,332	362,600	41,435	736,497
Sewage Plant Construction BAN	1,246,476	2,450,463	3,696,939	-
Sewage Plant B & I	874,250	1,741,600	1,051,958	1,563,892
Sewage Debt Resv.	941,480	160,860	-	1,102,340
2011 WPC SRF	-	2,948,364	2,948,364	-
Water Operating	553,229	3,641,018	3,624,719	569,528
Water Works Cons Dep	324,712	68,970	50,761	342,921
Water Works Depreciation	140,102	235,200	71,267	304,035
2011 SRF Water B & I	176,898	705,908	529,851	352,955
2011 SRF Water Debt Reserve	70,629	141,258	-	211,887
2011 SRF Water Construction	7,567,997	34,181	6,500,182	1,101,996
Totals	<u>\$ 25,048,321</u>	<u>\$ 49,819,474</u>	<u>\$ 53,596,736</u>	<u>\$ 21,271,059</u>

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

CITY OF HUNTINGTON
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

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

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF HUNTINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF HUNTINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

CITY OF HUNTINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize 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.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF HUNTINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan 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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). 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

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

CITY OF HUNTINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Subsequent Events

During March of 2013, the State Revolving Loan Fund approved a maximum borrowing of \$7,353,000 in Sewage Works Revenue Bonds for the Frederick Street Wastewater project.

Note 8. Other Postemployment Benefits

The City provides health insurance coverage to eligible retirees and their spouses. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

Note 9. Restatements

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statements. The total cash and investments reported at January 1, 2012, is \$1,020 less than balances previously reported.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road and Street	Aviation	Park Rec Center	Health Insurance Claim	Solid Waste
Cash and investments - beginning	\$ 2,674,934	\$ 478,537	\$ 162,356	\$ 93,729	\$ 19,714	\$ -	\$ 422,221
Receipts:							
Taxes	5,325,758	257,991	-	155,037	-	-	-
Licenses and permits	2,989	-	-	-	-	-	-
Intergovernmental	3,162,215	447,009	104,289	15,228	-	-	347
Charges for services	256,293	-	-	40,700	49,774	-	749,329
Fines and forfeits	16,996	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	531,585	117	53,548	45,700	-	1,977,095	16,454
Total receipts	<u>9,295,836</u>	<u>705,117</u>	<u>157,837</u>	<u>256,665</u>	<u>49,774</u>	<u>1,977,095</u>	<u>766,130</u>
Disbursements:							
Personal services	5,774,600	185,589	-	18,509	-	-	268,659
Supplies	237,208	78,911	-	5,979	-	-	97,148
Other services and charges	1,489,735	76,156	-	101,857	45,377	-	160,057
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	158,026	39,755	159,413	-	-	-	70,036
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	517,256	24,830	-	44,037	-	1,485,624	88,941
Total disbursements	<u>8,176,825</u>	<u>405,241</u>	<u>159,413</u>	<u>170,382</u>	<u>45,377</u>	<u>1,485,624</u>	<u>684,841</u>
Excess (deficiency) of receipts over disbursements	<u>1,119,011</u>	<u>299,876</u>	<u>(1,576)</u>	<u>86,283</u>	<u>4,397</u>	<u>491,471</u>	<u>81,289</u>
Cash and investments - ending	<u>\$ 3,793,945</u>	<u>\$ 778,413</u>	<u>\$ 160,780</u>	<u>\$ 180,012</u>	<u>\$ 24,111</u>	<u>\$ 491,471</u>	<u>\$ 503,510</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Refuse Container Replace	Parking Lot	Indiana Housing Grant	LLECE	Building Demo Repair and Construction	Park and Recreation	Rainy Day
Cash and investments - beginning	\$ 3,850	\$ -	\$ -	\$ 15,986	\$ 14,830	\$ 296,523	\$ 280,147
Receipts:							
Taxes	-	-	-	-	-	541,114	-
Licenses and permits	-	-	-	5,790	-	-	-
Intergovernmental	-	-	217,646	-	-	48,653	-
Charges for services	8,900	27,154	-	2,617	-	21,384	-
Fines and forfeits	-	-	-	116	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	5,431	25,500	37,056	-
Total receipts	<u>8,900</u>	<u>27,154</u>	<u>217,646</u>	<u>13,954</u>	<u>25,500</u>	<u>648,207</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	92	-	311,284	-
Supplies	-	-	-	-	-	53,516	-
Other services and charges	-	-	217,646	-	1,198	104,476	11,237
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	12,489	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	21,053	-	8,075	-	45,369	-
Total disbursements	<u>-</u>	<u>21,053</u>	<u>217,646</u>	<u>8,167</u>	<u>1,198</u>	<u>527,134</u>	<u>11,237</u>
Excess (deficiency) of receipts over disbursements	<u>8,900</u>	<u>6,101</u>	<u>-</u>	<u>5,787</u>	<u>24,302</u>	<u>121,073</u>	<u>(11,237)</u>
Cash and investments - ending	<u>\$ 12,750</u>	<u>\$ 6,101</u>	<u>\$ -</u>	<u>\$ 21,773</u>	<u>\$ 39,132</u>	<u>\$ 417,596</u>	<u>\$ 268,910</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	K-9 Training	CEDIT	Levy Excess	Aviation Rev Gas and Oil	Aviation - Federal Grant	Cum Capital Development	Park Capital
Cash and investments - beginning	\$ 794	\$ 607,097	\$ -	\$ 57,348	\$ 81,202	\$ 657,590	\$ 20,914
Receipts:							
Taxes	-	-	-	-	-	68,434	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	801,056	-	-	52,829	6,153	-
Charges for services	-	-	105,423	154,745	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	905	5,924	-	739	-	14,400	-
Total receipts	<u>905</u>	<u>806,980</u>	<u>105,423</u>	<u>155,484</u>	<u>52,829</u>	<u>88,987</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	1,147	-	-	105,505	-	-	-
Other services and charges	-	1,291,878	-	19,239	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	131,546	12,554	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	45,000	-	-	-
Total disbursements	<u>1,147</u>	<u>1,291,878</u>	<u>-</u>	<u>169,744</u>	<u>131,546</u>	<u>12,554</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(242)</u>	<u>(484,898)</u>	<u>105,423</u>	<u>(14,260)</u>	<u>(78,717)</u>	<u>76,433</u>	<u>-</u>
Cash and investments - ending	<u>\$ 552</u>	<u>\$ 122,199</u>	<u>\$ 105,423</u>	<u>\$ 43,088</u>	<u>\$ 2,485</u>	<u>\$ 734,023</u>	<u>\$ 20,914</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	RDC Debt Resv (Northside)	General Improvement	Cum Capital Improvement	TIF 2008 Consolidated	Airport Capital	Police Pension	Fire Pension
Cash and investments - beginning	\$ 61,093	\$ 143,033	\$ 100,360	\$ 3,850,963	\$ 10,000	\$ 286,121	\$ 183,820
Receipts:							
Taxes	-	-	-	2,207,915	-	-	71,765
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	46,125	-	-	-	6,453
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,860	-	-	35,000	716,117	934,208
Total receipts	-	2,860	46,125	2,207,915	35,000	716,117	1,012,426
Disbursements:							
Personal services	-	-	-	-	-	785,621	945,514
Supplies	-	-	-	-	-	-	5
Other services and charges	-	-	-	387,898	-	122	122
Debt service - principal and interest	-	-	-	42,853	-	-	-
Capital outlay	-	-	-	531,664	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	553,347	28,638	-	-
Total disbursements	-	-	-	1,515,762	28,638	785,743	945,641
Excess (deficiency) of receipts over disbursements	-	2,860	46,125	692,153	6,362	(69,626)	66,785
Cash and investments - ending	\$ 61,093	\$ 145,893	\$ 146,485	\$ 4,543,116	\$ 16,362	\$ 216,495	\$ 250,605

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Riverboat	Public Safety LOIT	Cash Change	GO Bond Debt Service	Street Vending	Park Building Deposit	No-Revert No-Ref Bldg Dep
Cash and investments - beginning	\$ 437,932	\$ 208,418	\$ 300	\$ 53,395	\$ 188	\$ 5,789	\$ 850
Receipts:							
Taxes	-	-	-	145,953	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	103,023	829,364	-	13,123	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	9,013	-
Total receipts	<u>103,023</u>	<u>829,364</u>	<u>-</u>	<u>159,076</u>	<u>-</u>	<u>9,013</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	6,530	-	-	120	-	-
Other services and charges	128,489	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	135,350	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	771,771	300	-	-	9,384	-
Total disbursements	<u>128,489</u>	<u>778,301</u>	<u>300</u>	<u>135,350</u>	<u>120</u>	<u>9,384</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(25,466)</u>	<u>51,063</u>	<u>(300)</u>	<u>23,726</u>	<u>(120)</u>	<u>(371)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 412,466</u>	<u>\$ 259,481</u>	<u>\$ -</u>	<u>\$ 77,121</u>	<u>\$ 68</u>	<u>\$ 5,418</u>	<u>\$ 850</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	HUD	Park Donation	Revolving Loan	Police Reserve Donations	Police - LACE	Healthcare Assurant/ Claim	GO Bond
Cash and investments - beginning	\$ 32,327	\$ 38,015	\$ 290,070	\$ 2,223	\$ 190	\$ 23,448	\$ 307,347
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,058	7,849	56,072	300	3,000	654,636	-
Total receipts	<u>1,058</u>	<u>7,849</u>	<u>56,072</u>	<u>300</u>	<u>3,000</u>	<u>654,636</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	6,051	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	5,360	-	-	3,000	-	229,707
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	678,083	-
Total disbursements	<u>-</u>	<u>5,360</u>	<u>6,051</u>	<u>-</u>	<u>3,000</u>	<u>678,083</u>	<u>229,707</u>
Excess (deficiency) of receipts over disbursements	<u>1,058</u>	<u>2,489</u>	<u>50,021</u>	<u>300</u>	<u>-</u>	<u>(23,447)</u>	<u>(229,707)</u>
Cash and investments - ending	<u>\$ 33,385</u>	<u>\$ 40,504</u>	<u>\$ 340,091</u>	<u>\$ 2,523</u>	<u>\$ 190</u>	<u>\$ 1</u>	<u>\$ 77,640</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	City Revital Grant	Fire Dept Grant	Fire Dept Donations	Storm Water Bond	Federal Drug Seizure	Payroll	Payroll Federal W/H
Cash and investments - beginning	\$ 2,597	\$ 1	\$ 12,810	\$ -	\$ 16,014	\$ -	\$ -
Receipts:							
Taxes	-	-	-	453,603	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	40,784	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	6,133	-	-	313,934	917,598
Total receipts	-	-	6,133	494,387	-	313,934	917,598
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	39	-	5,897	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	420,670	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,550	-	364	313,934	917,598
Total disbursements	39	-	7,447	420,670	364	313,934	917,598
Excess (deficiency) of receipts over disbursements	(39)	-	(1,314)	73,717	(364)	-	-
Cash and investments - ending	\$ 2,558	\$ 1	\$ 11,496	\$ 73,717	\$ 15,650	\$ -	\$ -

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll FICA W/H	Payroll Medicare W/H	Payroll State Tax	Payroll County Tax	Payroll PERF	Payroll Police PERF	Payroll Fire PERF
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 27,716	\$ 23,426	\$ 26,933
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	358,155	175,703	282,643	123,649	469,163	99,712	129,224
Total receipts	<u>358,155</u>	<u>175,703</u>	<u>282,643</u>	<u>123,649</u>	<u>469,163</u>	<u>99,712</u>	<u>129,224</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	358,155	175,703	282,643	123,649	496,879	123,138	156,157
Total disbursements	<u>358,155</u>	<u>175,703</u>	<u>282,643</u>	<u>123,649</u>	<u>496,879</u>	<u>123,138</u>	<u>156,157</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	(27,716)	(23,426)	(26,933)
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Boston Life	Payroll Vision Insurance	Payroll Health Insurance	Payroll Life Insurance	Payroll Accident IN-AFLAC	Payroll Fire Dues
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	5,985	16,335	1,901,832	19,508	16,176	14,953
Total receipts	<u>5,985</u>	<u>16,335</u>	<u>1,901,832</u>	<u>19,508</u>	<u>16,176</u>	<u>14,953</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	5,985	16,335	1,901,832	19,508	16,176	14,953
Total disbursements	<u>5,985</u>	<u>16,335</u>	<u>1,901,832</u>	<u>19,508</u>	<u>16,176</u>	<u>14,953</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll 457-AUL	Payroll Union Dues	Payroll Garnishments	Section 125	Payroll AUL Life	Fire PAC
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	256,078	20,367	38,114	28,190	21,916	914
Total receipts	<u>256,078</u>	<u>20,367</u>	<u>38,114</u>	<u>28,190</u>	<u>21,916</u>	<u>914</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	256,078	20,367	38,114	28,190	21,916	914
Total disbursements	<u>256,078</u>	<u>20,367</u>	<u>38,114</u>	<u>28,190</u>	<u>21,916</u>	<u>914</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Direct Deposit	Payroll 457-Amer	Payroll - Liberty National	Payroll - Continental Ameri	Fire Safer Reimbursement	Sewage Operating
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 704,065
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	4,562,046
Other receipts	5,789,463	42,766	4,391	9,371	4,484	1,605
Total receipts	<u>5,789,463</u>	<u>42,766</u>	<u>4,391</u>	<u>9,371</u>	<u>4,484</u>	<u>4,563,651</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	2,478,045
Other disbursements	5,789,463	42,766	4,391	9,371	4,484	2,265,060
Total disbursements	<u>5,789,463</u>	<u>42,766</u>	<u>4,391</u>	<u>9,371</u>	<u>4,484</u>	<u>4,743,105</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	(179,454)
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 524,611</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sewage Plant Depreciation	Sewage Plant Construction BAN	Sewage Plant B & I	Sewage Debt Resv.	2011 WPC SRF	Water Operating
Cash and investments - beginning	\$ 415,332	\$ 1,246,476	\$ 874,250	\$ 941,480	\$ -	\$ 553,229
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	3,639,413
Other receipts	362,600	2,450,463	1,741,600	160,860	2,948,364	1,605
Total receipts	<u>362,600</u>	<u>2,450,463</u>	<u>1,741,600</u>	<u>160,860</u>	<u>2,948,364</u>	<u>3,641,018</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	41,435	-	-	-	2,948,364	-
Utility operating expenses	-	-	-	-	-	2,542,353
Other disbursements	-	3,696,939	1,051,958	-	-	1,082,366
Total disbursements	<u>41,435</u>	<u>3,696,939</u>	<u>1,051,958</u>	<u>-</u>	<u>2,948,364</u>	<u>3,624,719</u>
Excess (deficiency) of receipts over disbursements	<u>321,165</u>	<u>(1,246,476)</u>	<u>689,642</u>	<u>160,860</u>	<u>-</u>	<u>16,299</u>
Cash and investments - ending	<u>\$ 736,497</u>	<u>\$ -</u>	<u>\$ 1,563,892</u>	<u>\$ 1,102,340</u>	<u>\$ -</u>	<u>\$ 569,528</u>

CITY OF HUNTINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Works Cons Dep	Water Works Depreciation	2011 SRF Water B & I	2011 SRF Water Debt Reserve	2011 SRF Water Construction	Totals
Cash and investments - beginning	\$ 324,712	\$ 140,102	\$ 176,898	\$ 70,629	\$ 7,567,997	\$ 25,048,321
Receipts:						
Taxes	-	-	-	-	-	9,227,570
Licenses and permits	-	-	-	-	-	8,779
Intergovernmental	-	-	-	-	-	5,894,297
Charges for services	-	-	-	-	-	1,416,319
Fines and forfeits	-	-	-	-	-	17,112
Utility fees	-	-	-	-	-	8,201,459
Other receipts	68,970	235,200	705,908	141,258	34,181	25,053,938
Total receipts	68,970	235,200	705,908	141,258	34,181	49,819,474
Disbursements:						
Personal services	-	-	-	-	-	8,289,868
Supplies	-	-	-	-	-	592,005
Other services and charges	-	-	-	-	-	4,041,538
Debt service - principal and interest	-	-	-	-	-	598,873
Capital outlay	-	71,267	-	-	-	4,414,616
Utility operating expenses	-	-	-	-	-	5,020,398
Other disbursements	50,761	-	529,851	-	6,500,182	30,639,438
Total disbursements	50,761	71,267	529,851	-	6,500,182	53,596,736
Excess (deficiency) of receipts over disbursements	18,209	163,933	176,057	141,258	(6,466,001)	(3,777,262)
Cash and investments - ending	\$ 342,921	\$ 304,035	\$ 352,955	\$ 211,887	\$ 1,101,996	\$ 21,271,059

CITY OF HUNTINGTON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 229,711	\$ 11,968
Wastewater	283,449	260,173
Water	297,170	222,284
Totals	\$ 810,330	\$ 494,425

CITY OF HUNTINGTON
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Bippus State Bank	Fire Truck Apparatus	\$ 91,470	01-01-06	01-01-15
Fifth Third Bank	Solid Waste Loader and Scraper	70,036	01-01-07	01-01-15
First Federal Bank	Police Cars	<u>28,724</u>	01-01-11	01-01-13
Total of annual lease payments		<u>\$ 190,230</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Northside TIF	\$ 220,000	\$ 226,160
General obligation bonds	Redevelopment Commission TIF	80,000	82,288
General obligation bonds	Kroger TIF	568,963	42,963
General obligation bonds	GO Bond Equipment	125,000	127,969
General obligation bonds	Street Department Equipment	810,000	98,500
General obligation bonds	Storm Water Project Refinance	1,220,000	162,656
General obligation bonds	Cinergy Metronet TIF	1,487,209	25,582
Notes and loans payable	2010 Police Cars	11,582	12,700
Notes and loans payable	SRF Storm Water Bond	<u>1,615,000</u>	<u>209,796</u>
Total governmental activities		<u>6,137,754</u>	<u>988,614</u>
Wastewater:			
Revenue bonds	2003 Wastewater Improvements	725,000	120,803
Revenue bonds	2008 Wastewater Improvements	4,320,000	778,691
Notes and loans payable	2008 SRF Wastewater Separation	3,467,000	119,901
Notes and loans payable	2011 SRF Wastewater Plant Improvements	<u>3,016,383</u>	<u>*</u>
Total Wastewater		<u>11,528,383</u>	<u>1,019,395</u>
Water:			
Notes and loans payable	SRF Water Plant	<u>10,205,000</u>	<u>705,858</u>
Totals		<u>\$ 27,871,137</u>	<u>\$ 2,713,867</u>

*Project not completed, amortization schedule not available.

CITY OF HUNTINGTON
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 234,527
Infrastructure	2,176,482
Buildings	8,591,690
Improvements other than buildings	2,463,209
Machinery, equipment, and vehicles	7,637,222
Total governmental activities	21,103,130
Wastewater:	
Land	131,621
Buildings	10,949,173
Improvements other than buildings	28,124,566
Machinery, equipment, and vehicles	2,190,274
Construction in progress	2,937,181
Total Wastewater	44,332,815
Water:	
Land	539,980
Buildings	1,269,894
Improvements other than buildings	13,722,365
Machinery, equipment, and vehicles	2,730,871
Construction in progress	10,976,690
Total Water	29,239,800
Total capital assets	\$ 94,675,745

CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The bank account reconciliations prepared on a monthly basis contained unidentified variances. The December 31, 2012 bank account reconciliation indicated cash necessary to balance of \$74,710. During the audit, we were able to identify disbursements not posted to the fund's ledger of \$69,315 which comprised a portion of the total variance. A similar comment appeared in prior Report B40633.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

PENALTIES, INTEREST, AND OTHER CHARGES

On July 5, 2012, the General Fund paid \$2,438 in penalties, interest and other charges to the Indiana Department of Revenue for late payment of State withholding taxes. On September 13, 2012, the Water Utility paid \$405 in penalties, interest, and other charges to the Indiana Department of Revenue for underpayment of 2011 utility receipts tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The Storm Water Bond Fund and Local Road and Street Fund expenditures exceeded budgeted appropriations by \$34,076 and \$29,413, respectively. A similar comment appeared in prior Report B40633.

Indiana Code 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."

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior City of Huntington Municipal Utilities Report B40931.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS
(Continued)

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.
 - (c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .
 - (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

INTERNAL CONTROLS

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the City included a State grant titled "Grade Crossing Safety Improvement Grant", included a fund transfer as federal expenditures in the Historic Preservation Fund Grants-In-Aid, included some State matching funds in the Airport Improvement Program and included the entire amount of assistance instead of the federal share only for the Capitalization Grants for Clean Water State Revolving Funds and Capitalization Grants for Drinking Water State Revolving Funds. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

CITY OF HUNTINGTON
AUDIT RESULTS AND COMMENTS
(Continued)

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

COLLECTION OF AMOUNTS DUE

Earth First, LLC has a contractual agreement with the City for the disposal of solid waste at the City landfill. Amounts billed to Earth First, LLC were usually paid late. An outstanding balance of \$102,427 at December 31, 2011, was paid in full on July 18, 2012. It appears that a January 31, 2012 billing of \$24,628 to Earth First, LLC, was paid on October 24, 2012. During the audit of 2012, daily transactions (cash sales and charge sales) at the landfill, it was discovered that contractual charge sales were not billed to Earth First, LLC. As of December 31, 2012, based on reports generated by the City's landfill department, \$69,815 in charge sales have not been billed to Earth First, LLC.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Huntington's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on the federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

September 10, 2013

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF HUNTINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>				
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii CDBG Homeowner Repair	Indiana Housing and Community Development Authority	14.228	HD-011-001	\$ 217,646
Total - CDBG - State-Administered CDBG Cluster				<u>217,646</u>
Total - Department of Housing and Urban Development				<u>217,646</u>
<u>Department of the Interior</u>				
Historic Preservation Fund Grants-In-Aid Historic Preservation Sunken Garden	Indiana Department of Natural Resources	15.904	31921-8	9,271
Total - Department of the Interior				<u>9,271</u>
<u>Department of Justice</u>				
Bulletproof Vest Partnership Program Bulletproof Vest Partnership Program	Direct grant	16.607	FY2012	1,595
Total - Department of Justice				<u>1,595</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction Safe Routes to Schools Sign Project	Indiana Department of Transportation	20.205	101010114 1173493	1,255 43,388
Total - Highway Planning and Construction Cluster				<u>44,643</u>
Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I Operation Pull Over	Indiana Criminal Justice Institute	20.601	OP-12-04-02-34	6,800
Total - Highway Safety Cluster				<u>6,800</u>
Airport Improvement Program Airport Improvement Airport Improvement Airport Improvement Airport Improvement	Direct grant	20.106	3-18-0036-08 3-18-0036-10 3-18-0036-11 3-18-0036-12	5,452 24,591 10,925 11,250
Total - Airport Improvement Program				<u>52,218</u>
Total - Department of Transportation				<u>103,661</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds 2011 SRF Waste Water	Indiana Finance Authority	66.458	WW10013503	1,119,494
Capitalization Grants for Drinking Water State Revolving Funds 2011 SRF Water	Indiana Finance Authority	66.468	DW09473502	3,207,190
Total - Environmental Protection Agency				<u>4,326,684</u>
<u>Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response (SAFER) Fire Safer Grant	Direct grant	97.083	EMW-2009-FH-00102	255,729
Total - Department of Homeland Security				<u>255,729</u>
Total federal awards expended				<u>\$ 4,914,586</u>

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

CITY OF HUNTINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Huntington (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2012:

Program Title	Federal CFDA Number	2012
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ <u>217,646</u>

CITY OF HUNTINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - CONTROLS OVER PREPARING THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the City included a State grant titled "Grade Crossing Safety Improvement Grant", included a fund transfer as federal expenditures in the Historic Preservation Fund Grants-In-Aid, included some State matching funds in the Airport Improvement Program, and included the

CITY OF HUNTINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

entire amount of assistance instead of the federal share only for the Capitalization Grants for Clean Water State Revolving Funds and Capitalization Grants for Drinking Water State Revolving Funds. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

CITY OF HUNTINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



CHRISTI A. SCHER
Clerk Treasurer
City of Huntington

City of Huntington
300 Cherry Street
Huntington, IN 46750
Phone: (260) 356-1400
Fax: (260) 358-2332

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

August 7, 2013

Finding Number 2011-1

Original SBA Audit Report Number: B40633
Fiscal Year 1/1/2011 to 12/31/2011
Auditee Contact Person Christi A. Scher
Title of Contact Person Clerk-Treasurer
Phone Number 260-356-1400
Status of Finding: Airport Improvement Project Program CFDA#20.106

The City continues to work with the Airport Board and NGC Engineering to monitor the grant fund balances and expenditures. Since these are reimbursed grants, the City continues to monitor the grant receipts through the IPP website, and to make sure expenditures have been processed in a timely manner through the City Accounts payables.

Sincerely

Christi Scher

Clerk- Treasurer

City of Huntington

300 Cherry Street

Huntington, IN 46750



CHRISTI A. SCHER
Clerk Treasurer
City of Huntington

City of Huntington
300 Cherry Street
Huntington, IN 46750
Phone: (260) 356-1400
Fax: (260) 358-2332

August 7, 2013

Financial Statement Findings 2012-1 – Internal Controls Over Financial Transactions and Reporting –
Schedule of Expenditures of Federal Awards (SEFA)

Corrective Action: The City Clerk Treasurer and office staff will establish internal controls when preparing the Expenditures of Federal Awards Reporting. In compliance with the Federal Law, requiring proper oversight and reviews, the Senior Deputy Clerk Treasurer will prepare the report from the compiled yearly expenditures and the Clerk Treasurer will review and submit the report in Gateway.

Sincerely

Christi Scher

Clerk Treasurer

City of Huntington

300 Cherry Street

Huntington, IN 46750

CITY OF HUNTINGTON
EXIT CONFERENCE

The contents of this report were discussed on September 10, 2013, with Christi A. Scher, Clerk-Treasurer; Brooks L. Fetters, Mayor; and Joseph E. Blomeke, President of the Common Council.