

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
CITY OF HARTFORD CITY
BLACKFORD COUNTY, INDIANA
January 1, 2005 to December 31, 2005



FILED
08/18/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Gilland	01-01-04 to 12-31-07
Mayor	Dennis Whitesell	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Dennis Whitesell	01-01-04 to 12-31-07
President of the Common Council	Peter D. Wiggins Scott Confer	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Water Utility	Kevin Hall	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Waine Ritenour	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF HARTFORD CITY, BLACKFORD COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Hartford City (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 10, 2006

CITY OF HARTFORD CITY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 30,745	\$ 2,177,485	\$ 2,002,713	\$ 205,517
Riverboat	-	43,686	17,130	26,556
Motor Vehicle Highway	237,155	366,554	521,489	82,220
Local Road and Street	14,179	33,284	31,637	15,826
Law Enforcement Continuing Education	3,517	1,368	4,078	807
Cops for Coats	580	2,734	1,869	1,445
Skate Park	125	-	-	125
Park Improvement	3,889	720	-	4,609
Specific Donations	693	350	621	422
Governmental TV Funding	245	-	220	25
Blackford Redevelopment Commission Grant	-	224,323	224,323	-
Debt Service	46,526	100,636	97,525	49,637
Pool Concessions	3,557	5,298	4,886	3,969
Building Permit	13,374	14,570	12,818	15,126
Cumulative Capital Improvement	5,762	21,417	14,000	13,179
Cumulative Capital Development	215,917	82,690	5,000	293,607
Rainy Day	10,130	-	10,130	-
Industrial Development	344,285	96,337	83,327	357,295
Fire	80,116	50,025	70,233	59,908
Economic Development Income Tax	489	213,335	230,732	(16,908)
Pool Maintenance	2,612	3,288	1,496	4,404
Sanitation Operating	56,557	364,197	372,922	47,832
Sanitation Sinking	66,211	29,446	-	95,657
Proprietary Funds:				
Water Utility:				
Operating	63,163	844,095	900,894	6,364
Grant	-	18,000	18,000	-
Improvement	56,030	53,862	36,861	73,031
Customer Deposit	104,034	23,276	20,327	106,983
Bond and Interest	18,218	207,719	224,870	1,067
Debt Service Reserve	232,360	-	-	232,360
Wastewater Utility:				
Operating	121,503	1,349,878	1,342,684	128,697
State Revolving Loan	133,246	-	127,841	5,405
Debt Service Reserve	265,729	45,134	-	310,863
Improvement	19,438	-	-	19,438
Bond and Interest	730	217,338	218,068	-
TIF District	13,092	42,346	28,551	26,887
Commissioners Ditch	7,237	7,237	14,361	113
Fiduciary Funds:				
Police Officers' Pension	51,942	40,937	77,198	15,681
Firefighter's Pension	31,652	49,270	73,407	7,515
Capital Improvement Bond	-	11,500	11,500	-
Reimbursement	8,370	-	-	8,370
Payroll	22,210	2,380,354	2,376,719	25,845
Totals	<u>\$ 2,285,618</u>	<u>\$ 9,122,689</u>	<u>\$ 9,178,430</u>	<u>\$ 2,229,877</u>

The accompanying notes are an integral part of the schedules.

CITY OF HARTFORD CITY
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF HARTFORD CITY
NOTES TO SCHEDULE
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debt issues, such as utility revenue bonds, loans for equipment, and capital leases for buildings and equipment. The outstanding principal balances at December 31, 2005, were \$4,890,562, \$126,631 and \$1,499,765, respectively.

Note 8. Subsequent Event

On April 11, 2006, the City issued \$2,140,000 of Water Utility revenue bonds. Part of the proceeds were set aside to defease the existing Water Utility Revenue bonds.

On February 28, 2006, the City lease-purchased a fire truck for \$211,489. Also in 2006, construction began on a \$519,901 water main project and an \$897,880 second phase of the downtown revitalization project.

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS

DISBURSEMENTS FOR LEGAL SERVICES

The City's Attorney was paid as an employee of the City. The salary for the City Attorney was included in the City's salary ordinance. The City Attorney was included as a member of the Public Employees' Retirement Fund (PERF) and received the same insurance benefits provided to full-time employees of the City. There were no employment contracts with the City Attorney and the prescribed form 99A, Employee Service Record, or other approved time record was not maintained for the position. The responsible officials of the City should review this position to determine whether or not it qualifies for PERF and other employee benefits as defined in the City's personnel manual. The responsible officials of the City should also contact the IRS for further guidance on applicable withholding and reporting rules and regulations for the City Attorney position.

If City officials have decided to employ a City Attorney in lieu of contracting, Indiana Code 5-11-9-2 would require the use of forms prescribed by the State Board of Accounts for all related accounts or vouchers for personal services. We have prescribed general form 99A, Employee Service Record, for compliance with this law.

CAPITAL ASSET RECORDS

The capital asset records for the utilities were not updated for 2005 transactions. There were no capital asset records for most other departments.

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

OVERDRAWN FUND BALANCE

The Economic Development Income Tax Fund was overdrawn at December 31, 2005.

The fund balance of any fund may not be reduced below zero. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECONCILIATION OF SUBSIDIARY LEDGERS

The total of the subsidiary ledger of Water Utility customer deposits did not agree with the cash balance of the fund.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 51)

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT CARDS

Some amounts charged to City credit card were not adequately documented.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed: . . . Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 51)

COMPENSATION AND BENEFITS

Two employees each received \$17.60 more in 2005 than the compensation listed on the salary ordinance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

Employee Service Record, General Form 99B, was not maintained for some employees.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

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:

- (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; and
 - (C) the amount of the delinquent fees, together with the penalty; or

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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. . . ."

CITY OF HARTFORD CITY
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2006, with Janet Gilland, Clerk-Treasurer; Dennis Whitesell, Mayor; and Scott Confer, President of the Common Council. The officials concurred with our findings.