

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

ANNUAL FINANCIAL REPORT

2006

CITY OF HARTFORD CITY

BLACKFORD COUNTY, INDIANA



**FILED**  
07/05/2007



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SCHEDULE OF 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	Scott Confer	01-01-06 to 12-31-07
Superintendent of Water Utility	Kevin Hall	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Waine Ritenour	01-01-06 to 12-31-07



**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 FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated June 6, 2007, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

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

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

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

STATE BOARD OF ACCOUNTS

June 6, 2007



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

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

We have audited the financial statements of the City of Hartford City (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated June 6, 2007. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 6, 2007

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

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 657,714	\$ 10,435	\$ -	\$ -	\$ (647,279)	\$ -	\$ (647,279)
Public safety	1,345,440	60,468	-	19,981	(1,264,991)	-	(1,264,991)
Highways and streets	605,616	4,360	326,256	-	(275,000)	-	(275,000)
Sanitation	388,251	360,847	-	-	(27,404)	-	(27,404)
Culture and recreation	166,454	6,896	-	-	(159,558)	-	(159,558)
Economic development	596,248	-	285,788	-	(310,460)	-	(310,460)
Total governmental activities	<u>3,759,723</u>	<u>443,006</u>	<u>612,044</u>	<u>19,981</u>	<u>(2,684,692)</u>	<u>-</u>	<u>(2,684,692)</u>
Business-type activities:							
Water	1,690,968	850,314	-	438,308	-	(402,346)	(402,346)
Wastewater	1,406,119	1,347,069	49,564	-	-	(9,486)	(9,486)
Total business-type activities	<u>3,097,087</u>	<u>2,197,383</u>	<u>49,564</u>	<u>438,308</u>	<u>-</u>	<u>(411,832)</u>	<u>(411,832)</u>
Total primary government	<u>\$ 6,856,810</u>	<u>\$ 2,640,389</u>	<u>\$ 661,608</u>	<u>\$ 458,289</u>	<u>(2,684,692)</u>	<u>(411,832)</u>	<u>(3,096,524)</u>
General receipts:							
Property taxes					1,561,486	-	1,561,486
Other local taxes					702,016	-	702,016
Unrestricted intergovernmental distributions					156,377	-	156,377
Proceeds from sale of revenue bonds					-	421,075	421,075
Interest					65,411	14,900	80,311
Other local receipts					183,522	40,021	223,543
Total general receipts					<u>2,668,812</u>	<u>475,996</u>	<u>3,144,808</u>
Change in net assets					(15,880)	64,164	48,284
Net assets - beginning					<u>1,261,258</u>	<u>911,208</u>	<u>2,172,466</u>
Net assets - ending					<u>\$ 1,245,378</u>	<u>\$ 975,372</u>	<u>\$ 2,220,750</u>
<u>Assets</u>							
Cash and investments					\$ 166,947	\$ 219,123	\$ 386,070
Restricted assets:							
Cash and investments					<u>1,078,431</u>	<u>756,249</u>	<u>1,834,680</u>
Total assets					<u>\$ 1,245,378</u>	<u>\$ 975,372</u>	<u>\$ 2,220,750</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 69,187	\$ -	\$ 69,187
Highways and streets					149,795	-	149,795
Sanitation					150,128	-	150,128
Culture and recreation					9,391	-	9,391
Economic development					458,673	-	458,673
Debt service					309	590,290	590,599
Capital outlay					223,581	55,342	278,923
Other purposes					17,367	110,617	127,984
Unrestricted					<u>166,947</u>	<u>219,123</u>	<u>386,070</u>
Total net assets					<u>\$ 1,245,378</u>	<u>\$ 975,372</u>	<u>\$ 2,220,750</u>

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

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

	General	Motor Vehicle Highway	Cumulative Capital Development	Industrial Development	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 1,151,711	\$ 237,615	\$ 74,852	\$ -	\$ 97,308	\$ 1,561,486
Licenses and permits	46,398	-	-	-	10,435	56,833
Intergovernmental	562,780	317,056	10,734	-	657,960	1,548,530
Charges for services	22,469	4,360	-	-	372,233	399,062
Other	63,687	260	-	39,561	74,424	177,932
<b>Total receipts</b>	<b>1,847,045</b>	<b>559,291</b>	<b>85,586</b>	<b>39,561</b>	<b>1,212,360</b>	<b>3,743,843</b>
<b>Disbursements:</b>						
General government	462,466	-	-	-	195,248	657,714
Public safety	1,225,577	-	-	30,000	89,863	1,345,440
Highways and streets	66,214	507,402	-	-	32,000	605,616
Sanitation	32,558	-	-	-	355,693	388,251
Culture and recreation	147,840	-	-	-	18,614	166,454
Economic development	801	-	174,081	12,789	408,577	596,248
<b>Total disbursements</b>	<b>1,935,456</b>	<b>507,402</b>	<b>174,081</b>	<b>42,789</b>	<b>1,099,995</b>	<b>3,759,723</b>
Excess (deficiency) of receipts over disbursements	(88,411)	51,889	(88,495)	(3,228)	112,365	(15,880)
<b>Other financing sources (uses)</b>						
Transfers in	19,460	-	-	-	22,000	41,460
Transfers out	-	-	-	-	(41,460)	(41,460)
<b>Total other financing sources (uses)</b>	<b>19,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,460)</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(68,951)	51,889	(88,495)	(3,228)	92,905	(15,880)
Cash and investment fund balance - beginning	205,517	82,220	293,607	357,295	322,619	1,261,258
Cash and investment fund balance - ending	\$ 136,566	\$ 134,109	\$ 205,112	\$ 354,067	\$ 415,524	\$ 1,245,378
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 136,566	\$ -	\$ -	\$ -	\$ 30,381	\$ 166,947
Restricted assets:						
Cash and investments	-	134,109	205,112	354,067	385,143	1,078,431
<b>Total cash and investment assets - December 31</b>	<b>\$ 136,566</b>	<b>\$ 134,109</b>	<b>\$ 205,112</b>	<b>\$ 354,067</b>	<b>\$ 415,524</b>	<b>\$ 1,245,378</b>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 69,187	\$ 69,187
Highways and streets	-	134,109	-	-	15,686	149,795
Sanitation	-	-	-	-	150,128	150,128
Culture and recreation	-	-	-	-	9,391	9,391
Economic development	-	-	-	354,067	104,606	458,673
Debt service	-	-	-	-	309	309
Capital outlay	-	-	205,112	-	18,469	223,581
Other purposes	-	-	-	-	17,367	17,367
Unrestricted	136,566	-	-	-	30,381	166,947
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 136,566</b>	<b>\$ 134,109</b>	<b>\$ 205,112</b>	<b>\$ 354,067</b>	<b>\$ 415,524</b>	<b>\$ 1,245,378</b>

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

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

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Utility billings	\$ 771,395	\$ 1,319,745	\$ 2,091,140
Fire protection receipts	61,419	-	61,419
Tap fees	8,715	3,077	11,792
Reconnect fees	8,785	-	8,785
Sludge disposal fees	-	13,898	13,898
Other	12,476	4,284	16,760
	<u>862,790</u>	<u>1,341,004</u>	<u>2,203,794</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	197,451	576,255	773,706
Employee pensions and benefits	58,201	165,972	224,173
Purchased power	41,842	78,055	119,897
Chemicals	-	51,067	51,067
Material and supplies	48,093	121,345	169,438
Repairs	145,076	54,911	199,987
Taxes	50,769	-	50,769
Construction project	804,041	-	804,041
Miscellaneous disbursements	66,796	100,897	167,693
	<u>1,412,269</u>	<u>1,148,502</u>	<u>2,560,771</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(549,479)</u>	<u>192,502</u>	<u>(356,977)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	421,075	-	421,075
Interest and investment receipts	10,109	4,791	14,900
Rent of farmland	-	10,350	10,350
Customer deposits received	23,260	-	23,260
Customer deposits refunded or applied	(19,780)	-	(19,780)
Debt service of principal	(125,000)	(171,000)	(296,000)
Debt service of interest	(59,716)	(86,617)	(146,333)
Early retirement of old bonds	(74,203)	-	(74,203)
	<u>175,745</u>	<u>(242,476)</u>	<u>(66,731)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements	(373,734)	(49,974)	(423,708)
Capital contributions	438,308	49,564	487,872
Excess (deficiency) of receipts and contributions over disbursements	64,574	(410)	64,164
Cash and investment fund balance - beginning	419,805	491,403	911,208
Cash and investment fund balance - ending	<u>\$ 484,379</u>	<u>\$ 490,993</u>	<u>\$ 975,372</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 85,976	\$ 133,147	\$ 219,123
Restricted assets:			
Cash and investments	<u>398,403</u>	<u>357,846</u>	<u>756,249</u>
Total cash and investment assets - December 31	<u>\$ 484,379</u>	<u>\$ 490,993</u>	<u>\$ 975,372</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 232,444	\$ 357,846	\$ 590,290
Capital outlay	55,342	-	55,342
Other purposes	110,617	-	110,617
Unrestricted	<u>85,976</u>	<u>133,147</u>	<u>219,123</u>
Total cash and investment fund balance - December 31	<u>\$ 484,379</u>	<u>\$ 490,993</u>	<u>\$ 975,372</u>

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

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

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Additions:		
Contributions:		
Employer	\$ 84,432	\$ -
State	<u>81,100</u>	<u>-</u>
Total contributions	<u>165,532</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>2,378,883</u>
Total additions	<u>165,532</u>	<u>2,378,883</u>
Deductions:		
Benefits	150,750	-
Administrative and general	1,658	-
Agency fund deductions	<u>-</u>	<u>2,383,483</u>
Total deductions	<u>152,408</u>	<u>2,383,483</u>
Excess (deficiency) of total additions over total deductions	13,124	(4,600)
Cash and investment fund balance - beginning	<u>23,196</u>	<u>34,215</u>
Cash and investment fund balance - ending	<u>\$ 36,320</u>	<u>\$ 29,615</u>

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, economic development, general administrative services, water, wastewater, and sanitation.

There are no component units which are included, or need to be included, in the City's financial reporting entity. In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The motor vehicle highway fund accounts for most of the costs of maintaining City streets, sidewalks and alleys.

The cumulative capital development fund accounts for part of the local match for the Downtown Revitalization Project.

The industrial development fund accounts for a revolving loan program for local businesses and for other economic development purposes.

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The agency funds account for payroll withholdings and reimbursements held by the City.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between governmental and enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

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

CITY OF HARTFORD CITY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

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

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the City had no investments.

B. Interfund Transfers

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

Transfer From	Transfer To	2006
Other governmental	General fund	\$ 19,460
Other governmental	Other governmental	<u>22,000</u>
Total		<u>\$ 41,460</u>

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

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Holding Corporation

The City has entered into a capital lease with the Hartford City Municipal Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. Lease payments during the year totaled \$155,916.

C. Loans Receivable – Indiana Department of Commerce

The City loans cash to local businesses from a revolving loan fund which originated from an Indiana Department of Commerce grant. As of December 31, 2006, the balance of the outstanding loans was \$84,191, of which \$77,280 appears to be collectible.

D. Rate Structure – Enterprise Funds

Water Utility

On October 5, 1992, the City Council adopted Ordinance No. 1992-1355 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 28, 2006.

Wastewater Utility

The current rate structure was approved by the City Council on December 28, 2006.

E. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

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

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Funding Policy and Annual Pension Cost

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

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

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

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

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

c. 1937 Firefighters' Pension Plan

Plan Description

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

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

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 74,166	\$ 118,000	\$ 125,800
Interest on net pension obligation	(2,148)	22,400	21,200
Adjustment to annual required contribution	<u>2,448</u>	<u>(39,200)</u>	<u>(37,100)</u>
Annual pension cost	74,466	101,200	109,900
Contributions made	<u>74,242</u>	<u>56,970</u>	<u>41,671</u>
Increase in net pension obligation	224	44,230	68,229
Net pension obligation, beginning of year	<u>(29,628)</u>	<u>332,101</u>	<u>314,332</u>
Net pension obligation, end of year	<u>\$ (29,404)</u>	<u>\$ 376,331</u>	<u>\$ 382,561</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	6.75%	N/A	N/A
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

N/A = Not available.

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

\*2.75% converted members; 4% nonconverted members.

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 67,082	80%	\$ (35,781)
	06-30-04	71,062	91%	(29,628)
	06-30-05	74,466	104%	(29,404)
1925 Police Officers' Pension Plan	12-31-02	100,800	60%	252,875
	12-31-03	103,300	72%	314,332
	12-31-04	101,200	56%	382,561
1937 Firefighters' Pension Plan	12-31-02	126,000	44%	302,929
	12-31-03	125,900	51%	355,792
	12-31-04	109,900	38%	398,782

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	6	5

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENTS  
(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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$128,474, \$129,878, and \$121,194, respectively, equal to the required contributions for each year.

CITY OF HARTFORD CITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 982,650	\$ 1,164,774	\$ (182,124)	84%	\$ 1,213,405	(15%)
07-01-04	1,009,175	1,263,857	(254,682)	80%	1,139,250	(22%)
07-01-05	1,067,962	1,540,569	(472,607)	69%	1,241,605	(38%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 38,491	\$ 1,380,000	\$ (1,341,509)	3%	\$ -	N/A
01-01-01	70,271	1,186,200	(1,115,929)	6%	-	N/A
01-01-02	99,052	1,064,700	(965,648)	9%	-	N/A
01-01-03	87,724	1,072,600	(984,876)	8%	-	N/A
01-01-04	64,033	1,032,800	(968,767)	6%	-	N/A
01-01-05	51,942	1,026,600	(974,658)	5%	-	N/A

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 34,983	\$ 1,453,100	\$ (1,418,117)	2%	\$ -	N/A
01-01-01	69,585	1,279,400	(1,209,815)	5%	-	N/A
01-01-02	127,365	1,272,900	(1,145,535)	10%	-	N/A
01-01-03	100,453	1,008,600	(908,147)	10%	-	N/A
01-01-04	75,972	1,101,000	(1,025,028)	7%	-	N/A
01-01-05	31,652	1,088,500	(1,056,848)	3%	-	N/A

N/A = Not available.

CITY OF HARTFORD CITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF CONTRIBUTIONS FROM THE  
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-99	\$ 121,300	17%	46%
	12-31-00	134,400	50%	30%
	12-31-01	119,600	2%	81%
	12-31-02	111,400	8%	47%
	12-31-03	117,000	1%	42%
	12-31-04	118,000	10%	39%
1937 Firefighters' Pension Plan	12-31-99	\$ 124,700	11%	35%
	12-31-00	141,600	70%	27%
	12-31-01	129,000	20%	86%
	12-31-02	133,300	0%	41%
	12-31-03	137,300	9%	38%
	12-31-04	125,800	0%	33%

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

	Riverboat	Local Road and Street	Law Enforcement Continuing Education	Cops for Coats	Skate Park	Park Improvement	Specific Donations	Police Canine and Equipment
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	43,596	31,860	1,446	-	-	-	-	-
Charges for services	-	-	3,567	-	-	1,080	-	-
Other	-	-	30	1,140	5,000	-	451	9,035
<b>Total receipts</b>	<b>43,596</b>	<b>31,860</b>	<b>5,043</b>	<b>1,140</b>	<b>5,000</b>	<b>1,080</b>	<b>451</b>	<b>9,035</b>
<b>Disbursements:</b>								
General government	29,776	-	-	-	-	-	765	-
Public safety	4,995	-	3,976	2,121	-	-	-	6,187
Highways and streets	-	32,000	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	5,125	4,069	-	-
Economic development	5,000	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>39,771</b>	<b>32,000</b>	<b>3,976</b>	<b>2,121</b>	<b>5,125</b>	<b>4,069</b>	<b>765</b>	<b>6,187</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>3,825</b>	<b>(140)</b>	<b>1,067</b>	<b>(981)</b>	<b>(125)</b>	<b>(2,989)</b>	<b>(314)</b>	<b>2,848</b>
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>3,825</b>	<b>(140)</b>	<b>1,067</b>	<b>(981)</b>	<b>(125)</b>	<b>(2,989)</b>	<b>(314)</b>	<b>2,848</b>
Cash and investment fund balance - beginning	26,556	15,826	807	1,445	125	4,609	422	-
<b>Cash and investment fund balance - ending</b>	<b>\$ 30,381</b>	<b>\$ 15,686</b>	<b>\$ 1,874</b>	<b>\$ 464</b>	<b>\$ -</b>	<b>\$ 1,620</b>	<b>\$ 108</b>	<b>\$ 2,848</b>
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ 30,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	-	15,686	1,874	464	-	1,620	108	2,848
<b>Total cash and investment assets - December 31</b>	<b>\$ 30,381</b>	<b>\$ 15,686</b>	<b>\$ 1,874</b>	<b>\$ 464</b>	<b>\$ -</b>	<b>\$ 1,620</b>	<b>\$ 108</b>	<b>\$ 2,848</b>
<b>Cash and Investment Fund Balance - December 31</b>								
Restricted for:								
Public safety	\$ -	\$ -	\$ 1,874	\$ -	\$ -	\$ -	\$ -	\$ 2,847
Highways and streets	-	15,686	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,620	-	-
Economic development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Other purposes	-	-	-	464	-	-	108	-
Unrestricted	30,381	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 30,381</b>	<b>\$ 15,686</b>	<b>\$ 1,874</b>	<b>\$ 464</b>	<b>\$ -</b>	<b>\$ 1,620</b>	<b>\$ 108</b>	<b>\$ 2,847</b>

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

	Government TV Funding	BRC Grant	Hazardous Materials	Debt Service	Pool Concessions	Building Permit	Cumulative Capital Improvement
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ 97,308	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	10,435	-
Intergovernmental	-	285,788	-	9,280	-	-	24,750
Charges for services	-	-	3,778	-	-	-	-
Other	-	-	-	-	5,910	-	-
<b>Total receipts</b>	<b>-</b>	<b>285,788</b>	<b>3,778</b>	<b>106,588</b>	<b>5,910</b>	<b>10,435</b>	<b>24,750</b>
<b>Disbursements:</b>							
General government	-	-	-	155,916	-	8,791	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	4,940	-	-
Economic development	-	242,636	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>242,636</b>	<b>-</b>	<b>155,916</b>	<b>4,940</b>	<b>8,791</b>	<b>-</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>-</b>	<b>43,152</b>	<b>3,778</b>	<b>(49,328)</b>	<b>970</b>	<b>1,644</b>	<b>24,750</b>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(19,460)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,460)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>-</b>	<b>43,152</b>	<b>3,778</b>	<b>(49,328)</b>	<b>970</b>	<b>1,644</b>	<b>5,290</b>
Cash and investment fund balance - beginning	25	-	-	49,637	3,969	15,126	13,179
<b>Cash and investment fund balance - ending</b>	<b>\$ 25</b>	<b>\$ 43,152</b>	<b>\$ 3,778</b>	<b>\$ 309</b>	<b>\$ 4,939</b>	<b>\$ 16,770</b>	<b>\$ 18,469</b>
<u><b>Cash and Investment Assets - December 31</b></u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	25	43,152	3,778	309	4,939	16,770	18,469
<b>Total cash and investment assets - December 31</b>	<b>\$ 25</b>	<b>\$ 43,152</b>	<b>\$ 3,778</b>	<b>\$ 309</b>	<b>\$ 4,939</b>	<b>\$ 16,770</b>	<b>\$ 18,469</b>
<u><b>Cash and Investment Fund Balance - December 31</b></u>							
<b>Restricted for:</b>							
Public safety	\$ -	\$ -	\$ 3,778	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	4,939	-	-
Economic development	-	43,152	-	-	-	-	-
Debt service	-	-	-	309	-	-	-
Capital outlay	-	-	-	-	-	-	18,469
Other purposes	25	-	-	-	-	16,770	-
Unrestricted	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 25</b>	<b>\$ 43,152</b>	<b>\$ 3,778</b>	<b>\$ 309</b>	<b>\$ 4,939</b>	<b>\$ 16,770</b>	<b>\$ 18,469</b>

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

	Cumulative Fire	Fire Department Grant	Economic Development Income Tax	Pool Maintenance	Sanitation Operating	Sanitation Sinking	Totals
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,308
Licenses and permits	-	-	-	-	-	-	10,435
Intergovernmental	53,070	19,981	188,189	-	-	-	657,960
Charges for services	53	-	-	2,908	360,847	-	372,233
Other	260	-	51,113	-	1,485	-	74,424
<b>Total receipts</b>	<b>53,383</b>	<b>19,981</b>	<b>239,302</b>	<b>2,908</b>	<b>362,332</b>	<b>-</b>	<b>1,212,360</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	195,248
Public safety	52,606	19,978	-	-	-	-	89,863
Highways and streets	-	-	-	-	-	-	32,000
Sanitation	-	-	-	-	355,693	-	355,693
Culture and recreation	-	-	-	4,480	-	-	18,614
Economic development	-	-	160,941	-	-	-	408,577
<b>Total disbursements</b>	<b>52,606</b>	<b>19,978</b>	<b>160,941</b>	<b>4,480</b>	<b>355,693</b>	<b>-</b>	<b>1,099,995</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>777</b>	<b>3</b>	<b>78,361</b>	<b>(1,572)</b>	<b>6,639</b>	<b>-</b>	<b>112,365</b>
<b>Other financing sources (uses)</b>							
Transfers in	-	-	-	-	-	22,000	22,000
Transfers out	-	-	-	-	(22,000)	-	(41,460)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(22,000)</b>	<b>22,000</b>	<b>(19,460)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>777</b>	<b>3</b>	<b>78,361</b>	<b>(1,572)</b>	<b>(15,361)</b>	<b>22,000</b>	<b>92,905</b>
<b>Cash and investment fund balance - beginning</b>	<b>59,908</b>	<b>-</b>	<b>(16,908)</b>	<b>4,404</b>	<b>47,832</b>	<b>95,657</b>	<b>322,619</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 60,685</b>	<b>\$ 3</b>	<b>\$ 61,453</b>	<b>\$ 2,832</b>	<b>\$ 32,471</b>	<b>\$ 117,657</b>	<b>\$ 415,524</b>
<b><u>Cash and Investment Assets - December 31</u></b>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,381
Restricted assets:							
Cash and investments	60,685	3	61,453	2,832	32,471	117,657	385,143
<b>Total cash and investment assets - December 31</b>	<b>\$ 60,685</b>	<b>\$ 3</b>	<b>\$ 61,453</b>	<b>\$ 2,832</b>	<b>\$ 32,471</b>	<b>\$ 117,657</b>	<b>\$ 415,524</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>							
<b>Restricted for:</b>							
Public safety	\$ 60,685	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 69,187
Highways and streets	-	-	-	-	-	-	15,686
Sanitation	-	-	-	-	32,471	117,657	150,128
Culture and recreation	-	-	-	2,832	-	-	9,391
Economic development	-	-	61,454	-	-	-	104,606
Debt service	-	-	-	-	-	-	309
Capital outlay	-	-	-	-	-	-	18,469
Other purposes	-	-	-	-	-	-	17,367
Unrestricted	-	-	-	-	-	-	30,381
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 60,685</b>	<b>\$ 3</b>	<b>\$ 61,454</b>	<b>\$ 2,832</b>	<b>\$ 32,471</b>	<b>\$ 117,657</b>	<b>\$ 415,524</b>

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

	Police Pension	Firefighters' Pension	Total
Additions:			
Contributions:			
Employer	\$ 27,912	\$ 56,520	\$ 84,432
State	43,049	38,051	81,100
Total additions	70,961	94,571	165,532
Deductions:			
Benefits	77,143	73,607	150,750
Administrative and general	1,018	640	1,658
Total deductions	78,161	74,247	152,408
Excess (deficiency) of total additions over total deductions	(7,200)	20,324	13,124
Cash and investment fund balance - beginning	15,681	7,515	23,196
Cash and investment fund balance - ending	\$ 8,481	\$ 27,839	\$ 36,320

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

	<u>Reimbursement</u>	<u>Payroll</u>	<u>Total</u>
Additions:			
Agency fund additions	\$ -	\$ 2,378,883	\$ 2,378,883
Deductions:			
Agency fund deductions	-	2,383,483	2,383,483
Deficiency of total additions over total deductions	-	(4,600)	(4,600)
Cash and investment fund balance - beginning	<u>8,370</u>	<u>25,845</u>	<u>34,215</u>
Cash and investment fund balance - ending	<u>\$ 8,370</u>	<u>\$ 21,245</u>	<u>\$ 29,615</u>

CITY OF HARTFORD CITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

The City has entered into the following debt issues:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
City hall and fire station	\$ 90,000	\$ 90,000
City hall and street garage	1,240,000	-
Wheel loader	20,352	13,401
Garbage truck	14,736	14,736
Fire truck	172,190	40,744
Notes and loans payable	<u>145,161</u>	<u>38,622</u>
Total governmental activities long-term debt	<u>\$ 1,682,439</u>	<u>\$ 197,503</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Water meters	\$ 14,304	\$ 9,442
Pickup truck	17,126	5,489
Revenue bonds:		
2006 issue	<u>2,015,000</u>	<u>150,000</u>
Total Water Utility	<u>2,046,430</u>	<u>164,931</u>
Wastewater Utility		
Revenue bonds:		
1998 issue	2,145,000	140,000
2001 issue	<u>709,562</u>	<u>37,000</u>
Total Wastewater Utility	<u>2,854,562</u>	<u>177,000</u>
Total business-type activities long-term debt	<u>\$ 4,900,992</u>	<u>\$ 341,931</u>

CITY OF HARTFORD CITY  
AUDIT RESULTS AND COMMENTS

PENSION BENEFITS

The \$2,000 longevity pay for 20 year employees was not included in the basis for police and firefighter pensioners.

Indiana Code 36-8-1-11(a) states in part: "'Salary of a first class patrolman or firefighter' means the base pay of a patrolman or firefighter plus all longevity increases, if provided by the employer, for service of twenty years or less".

CAPITAL ASSET RECORDS

The City's capital asset records include equipment only, and exclude land, buildings, improvements other than buildings and infrastructure.

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)

PRESCRIBED FORMS

The form of collection (cash, check, etc.) was not indicated on 16% of receipts tested.

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)

SUPPORTING DOCUMENTATION - CITY ATTORNEY

The City Attorney's law office submitted a claim for the entire \$3,166 of his non-payroll budgeted appropriations. There was no contract and no supporting documentation to indicate that the amounts claimed were actually spent by him or his law office on City business.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (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.

CITY OF HARTFORD CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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
- (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. . . ."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Hartford City (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 6, 2007

CITY OF HARTFORD CITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through State Office of the Lieutenant Governor			
Community Development Block Grants/State's Program	14.228	TR-04-001	\$ 356,968
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228	CF-05-205	<u>455,935</u>
Total for federal grantor agency			812,903
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct grant			
State Domestic Preparedness Equipment Support Program	97.044	2006-62-0501RE	<u>19,978</u>
Total federal awards expended			<u>\$ 832,881</u>

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

CITY OF HARTFORD CITY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hartford City (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF HARTFORD CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF HARTFORD CITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF HARTFORD CITY  
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2007, with Janet Gilland, Clerk-Treasurer; Dennis Whitesell, Mayor; and John Adams, Council Member. The officials concurred with our audit findings.