

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

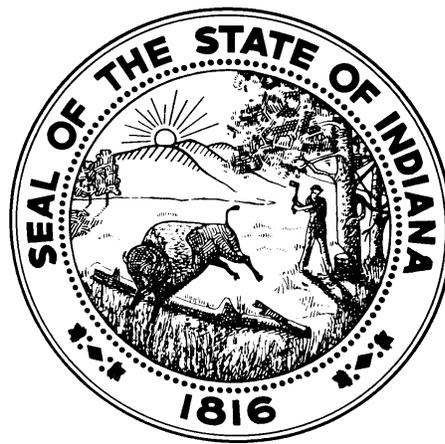
EXAMINATION REPORT

OF

CITY OF HARTFORD CITY

BLACKFORD COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
08/27/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Public Works Project - Street Repairs	8
Capital Asset Records	8
Septic Discharge Fees	8
Ordinances and Resolutions - Hydrant Rental	8
Delinquent Wastewater Accounts.....	9
Supporting Documentation - City Attorney Expense	9
Distribution of Sanitation Fees.....	10
Budgeted Line Items - Promotion of Business	10
Payments to Blackford County Animal Shelter.....	10-11
Overdrawn Cash Balances.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Gilland	01-01-04 to 12-31-11
Mayor	Dennis Whitesell	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Dennis Whitesell	01-01-04 to 12-31-11
President of the Common Council	Scott Confer	01-01-07 to 12-31-08
Superintendent of Water Utility	Kevin Hall	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Waine Ritenour	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Hartford City (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 11, 2008

CITY OF HARTFORD CITY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 136,566	\$ 1,824,124	\$ 2,000,077	\$ (39,387)
Motor Vehicle Highway	134,109	401,831	554,233	(18,293)
Local Road and Street	15,686	32,094	27,134	20,646
Park Improvement	1,620	11,450	-	13,070
Law Enforcement Training	1,874	4,758	2,361	4,271
Riverboat	30,381	43,686	5,550	68,517
Rainy Day	-	19,244	9,380	9,864
Cumulative Capital Improvement	18,469	24,334	25,000	17,803
Cumulative Capital Development	205,112	127,497	27,597	305,012
Cumulative Fire	60,685	54,957	43,689	71,953
Cops for Coats	464	975	1,116	323
Operation Pullover Grant	-	3,324	3,301	23
Hazardous Materials	3,778	-	656	3,122
Government TV Funding	25	-	-	25
Building Permit	16,770	11,710	8,503	19,977
Blackford Redevelopment Commission Grant	43,152	71,180	114,332	-
Debt Service	309	193,587	109,430	84,466
Fire Department Grant	3	-	3	-
Specific Donations	108	-	108	-
Canine/Police Equipment	2,848	21,847	12,482	12,213
Cumulative Pool Maintenance	2,832	3,303	-	6,135
Pool Concessions	4,939	6,220	4,772	6,387
Industrial Development	354,067	34,215	52,793	335,489
Economic Development Income Tax	61,454	130,929	104,622	87,761
Sanitation Operating	32,471	370,156	384,923	17,704
Sanitation Sinking	117,657	-	-	117,657
Proprietary Funds:				
Water Utility:				
Operating	48,412	903,234	870,262	81,384
Bond 2006 Sinking	84	234,000	228,151	5,933
Water Department Grant	-	27,260	27,260	-
Construction Bond	27,905	468	28,373	-
Construction Retainage	27,436	2,367	29,803	-
Customer Deposits	110,617	31,791	17,444	124,964
Waterworks Bond and Interest Reserve	-	232,360	-	232,360
Waterworks Bond Improvement	37,564	6,083	-	43,647
Wastewater Utility:				
Operating	88,933	1,404,861	1,441,538	52,256
Bond and Interest Reserve	357,846	52,248	-	410,094
Improvement	19,439	-	-	19,439
Bond and Interest Sinking "98"	-	200,620	200,620	-
State Revolving Improvement "98"	5,405	-	-	5,405
TIF District	19,317	168,243	50,863	136,697
Commissioners Ditch	53	7,237	7,237	53
Fiduciary Funds:				
Police Officers' Pension	8,481	86,720	89,312	5,889
Firefighters' Pension	27,839	66,254	82,608	11,485
Reimbursement	8,370	-	8,370	-
Payroll	21,245	2,470,244	2,475,090	16,399
Totals	\$ 2,054,325	\$ 9,285,411	\$ 9,048,993	\$ 2,290,743

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

CITY OF HARTFORD CITY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, culture and recreation, public improvements, planning and zoning, economic development, general administrative services, water, wastewater, and sanitation.

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.

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 FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

Industrial Development Loans

On April 29, 2008, the City Revolving Loan Fund Board approved issuing loans totaling \$186,110 to two local businesses.

CITY OF HARTFORD CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The City has entered in the following debt issues:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
City Hall/Street Garage	\$ 1,240,000	\$ 55,541
Wheel Loader	6,951	7,124
Fire Truck	131,446	46,657
Garbage Truck	47,831	13,018
Asphalt Zipper	29,767	15,561
Police Cars	28,942	15,186
Total governmental activities debt	\$ 1,484,935	\$ 153,087
Business-type Activities:		
Water Utility		
Capital leases:		
Water Meters	\$ 4,861	\$ 4,958
Pickup Truck	11,637	6,104
Revenue bonds:		
2006 Issue	1,865,000	232,680
Total Water Utility	1,881,498	243,742
Wastewater Utility		
Loans:		
1998 SRF Loan	1,870,000	199,230
2001 SRF Loan	673,000	61,209
Total Wastewater Utility	2,543,000	260,439
Total business-type activities debt:	\$ 4,424,498	\$ 504,181

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECT - STREET REPAIRS

Payments made on the City's 2007 paving contract exceeded the original contract amount by \$31,390 or 43%. The excess amount paid was due to an increase in the scope of the paving project. No change orders or evidence that quotes were obtained for the additional work were presented for examination.

Indiana Code 36-1-12-18 states in part: "(a) If, in the course of the construction, reconstruction, or repair of a public work project, it becomes necessary to change or alter the original specification, a change order may be issued to add, delete, or change an item or items in the original contract. The change order becomes an addendum to the original contract and must be approved and signed by the board and contractor. . . . (d) The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonable foreseen does not increase the scope of the project".

CAPITAL ASSET RECORDS

As also reported in prior Reports B14397, B17410, B19939, B21661, B23401, B25883, B27634, and B30067, the City's capital asset records were incomplete. The capital asset records presented for examination included equipment only, and excluded land, buildings, improvements other than buildings and infrastructure.

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

SEPTIC DISCHARGE FEES

No formal establishment of fees charged for dumping septic tanks into the City's wastewater system was presented for examination.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS - HYDRANT RENTAL

Based on a reported 283 fire hydrants, the City underpaid the amount of hydrant rent it was to pay to its Water Utility for 2007 by \$6,603. Ordinance 2005-14 sets the fee per annum for municipal hydrants at \$279 per hydrant. Based on 283 fire hydrants the total amount due was \$79,022 and the City paid \$72,419.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

As also reported in prior Reports B14395, B21661, B23401, B25883, B27634, and B27634, B25883, B27634, and B30067, 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
- (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. . . ."

SUPPORTING DOCUMENTATION - CITY ATTORNEY EXPENSE

As also reported in Report B30067, the City Attorney's law office submitted a claim for the entire \$3,278 of the 2007 appropriations budgeted for the City Attorney excluding the payroll and consulting appropriations. There was no detail or 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)

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DISTRIBUTION OF SANITATION FEES

City Code 3.47.040 states in part: "Revenues generated by the Sanitation Fee shall be deposited by the Clerk-Treasurer in a separate and distinct fund shall be appropriated from time to time by the Common Council to provide for sanitation purposes only. Ten percent (10%) of said funds shall be placed in an escrow account and used for the sole purpose of replacement of equipment or emergency repairs of equipment required by the Sanitation Department after lawfully appropriated by the Council". The Sanitation Sinking Fund has been established to serve as the escrow account. No sanitation fees were received to the Sanitation Sinking Fund in 2007. In 2007, ten percent (10%) of the sanitation fees collected totaled \$36,528.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUDGETED LINE ITEMS - PROMOTION OF BUSINESS

Instances were found where food for employee meetings and parties, and Christmas gifts for employees were improperly purchased from appropriations other than Promotion of Business. The City General Fund budget for 2007 contained a promotion of business appropriation titled "Promotion to the City" in the amount of \$1,000. That appropriation was over expended by \$105. A Home Rule ordinance adopted in accordance with Indiana Code 36-1-3 to allow for promotion of business expenditures was not presented for examination.

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with Indiana Code 36-1-3 in order to enable a city or town to pay for such expenses which may include, but not necessarily be limited to, rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the interest of the city or town. Additionally, an appropriation for expenses must also be obtained. The ordinance adopted should list the specific types of promotional expenses which can be paid from moneys appropriated for such purpose. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2005)

PAYMENTS TO BLACKFORD COUNTY ANIMAL SHELTER

In 2007 \$31,500 was paid to the Blackford County Animal Shelter, a not-for-profit organization. Of that amount, \$15,750 was paid from the Industrial Development Revolving Loan Fund and \$15,750 from the City General Fund.

No discussion or approval of the payment, which was not in the form of a loan, was found in the Revolving Loan Fund Board minutes. In addition, a written contract between the City and the Blackford County Animal Shelter for services to be provided was not presented for examination.

CITY OF HARTFORD CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

City Ordinance 1992-1341, an ordinance establishing a Hartford City Revolving Loan Fund states in part: "Expenditures from the Revolving Loan Fund shall include the following: Low interest loans to industry, retail business and service business . . . ; Historic preservation loans . . . ; Housing rehabilitation loans; Eligible community, economic and rehabilitation and preservation activities as defined pursuant to 24 CFR 570.201, 570.202 and 570.204; Local matching funds for obtaining State and/or federal grant for community and economic development; Administrative and professional costs associated with community and economic development activities; Loan guarantees of private funds . . . ; Acquisition of land and construction of buildings for industrial or retail purposes".

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the General Fund and the Motor Vehicle Highway Fund were overdrawn in 2007.

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

CITY OF HARTFORD CITY
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2008, with Janet Gilland, Clerk-Treasurer; Dennis Whitesell, Mayor; and Scott Confer, President of the Common Council. The officials concurred with our findings.