

**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, 2008 to December 31, 2009



**FILED**  
12/29/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Gilland	01-01-08 to 12-31-11
Mayor	Dennis Whitesell	01-01-08 to 12-31-11
President of the Common Council	Scott Confer	01-01-08 to 12-31-10



**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 financial information presented herein of the City of Hartford City (City), for the period of January 1, 2008 to December 31, 2009. 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 years ended December 31, 2008 and 2009, 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

September 15, 2010

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 Years Ended December 31, 2008 And 2009

	Cash and Investments		Cash and Investments	
	01-01-08	Receipts	Disbursements	12-31-08
<b>Governmental Funds:</b>				
General	\$ (39,387)	\$ 2,035,280	\$ 2,149,723	\$ (153,830)
Riverboat	68,517	43,460	50,383	61,594
Motor Vehicle Highway	(18,293)	439,182	449,829	(28,940)
Local Road and Street	20,646	41,311	24,786	37,171
Operation Pullover Grant	23	2,421	2,444	-
Law Enforcement Continuing Education	4,271	9,725	4,852	9,144
Cops for Coats	323	1,581	209	1,695
Park Improvement	13,070	5,585	7,996	10,659
Canine/Police Equipment	12,213	7,887	5,995	14,105
Governmental TV Funding	25	-	-	25
Hazardous Materials	3,122	-	-	3,122
Debt Service	84,466	91,169	159,000	16,635
Pool Concessions	6,387	4,978	4,004	7,361
Building Permit	19,977	11,070	8,315	22,732
Cumulative Capital Improvement	17,803	22,530	17,000	23,333
Cumulative Capital Development	305,012	79,995	-	385,007
Rainy Day	9,864	15,943	18,352	7,455
Industrial Development Revolving Loan	335,489	51,398	206,047	180,840
Cumulative Fire	71,953	59,258	63,671	67,540
Fire Department Grant	-	48,842	48,842	-
Economic Development Income Tax	87,761	168,255	141,455	114,561
Pool Maintenance	6,135	3,594	5,540	4,189
Sanitation Operating	17,704	384,060	382,550	19,214
Sanitation Sinking	117,657	15,000	-	132,657
<b>Proprietary Funds:</b>				
Water Utility - Operating	81,384	860,010	902,519	38,875
Water Utility - Bond and Interest Reserve	232,360	-	-	232,360
Water Utility - Improvement	43,647	5,777	-	49,424
Water Utility - Customer Deposits	124,964	29,838	20,287	134,515
Water Utility - Bond Sinking	5,933	235,200	232,680	8,453
Wastewater Utility - Operating	52,256	1,403,795	1,451,217	4,834
Wastewater Utility - SRF Improvement	5,405	-	-	5,405
Wastewater Utility - Bond and Interest Reserve	410,094	50,800	-	460,894
Wastewater Utility - Improvement	19,439	-	19,438	1
Wastewater Utility - Bond and Interest	-	212,620	212,335	285
Wastewater Utility - TIF District	136,697	-	41,104	95,593
Wastewater Utility - Commissioners Ditch	53	7,237	7,000	290
<b>Fiduciary Funds:</b>				
Police Officers' Pension	5,889	115,215	84,577	36,527
Firefighters' Pension	11,485	95,868	71,647	35,706
Payroll	16,399	2,545,503	2,540,112	21,790
<b>Totals</b>	<b>\$ 2,290,743</b>	<b>\$ 9,104,387</b>	<b>\$ 9,333,909</b>	<b>\$ 2,061,221</b>

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

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 Years Ended December 31, 2008 And 2009  
(Continued)

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
<b>Governmental Funds:</b>				
General	\$ (153,830)	\$ 2,319,208	\$ 2,039,982	\$ 125,396
Levy Excess	-	64,973	64,973	-
Riverboat	61,594	43,356	17,265	87,685
Motor Vehicle Highway	(28,940)	500,514	445,667	25,907
Local Road and Street	37,171	31,377	42,846	25,702
Operation Pullover Grant	-	4,700	4,604	96
Law Enforcement Continuing Education	9,144	5,563	7,523	7,184
Cops for Coats	1,695	2,011	2,682	1,024
Park Improvement	10,659	8,355	12,296	6,718
4 Blackford County Grant	-	21,400	4,648	16,752
Canine/Police Equipment	14,105	20,010	20,561	13,554
Homeowner Grant/Community Development	-	118,856	118,856	-
Governmental TV Funding	25	-	-	25
Hazardous Materials	3,122	-	-	3,122
Debt Service	16,635	147,053	163,688	-
Pool Concessions	7,361	4,539	3,971	7,929
Building Permit	22,732	6,890	5,308	24,314
Cumulative Capital Improvement	23,333	21,243	25,000	19,576
Cumulative Capital Development	385,007	78,048	381,225	81,830
Rainy Day	7,455	5,069	12,216	308
Industrial Development Revolving Loan	180,840	54,950	61,007	174,783
Cumulative Fire	67,540	48,631	49,417	66,754
Economic Development Income Tax	114,561	156,865	174,844	96,582
Neighborhood Stabilization Program Grant	-	35,400	35,368	32
Pool Maintenance	4,189	3,222	4,000	3,411
Sanitation Operating	19,214	373,979	376,677	16,516
Sanitation Sinking	132,657	-	-	132,657
<b>Proprietary Funds:</b>				
Water Utility - Operating	38,875	864,094	867,906	35,063
Water Utility - Bond and Interest Reserve	232,360	-	-	232,360
Water Utility - Improvement	49,424	2,577	-	52,001
Water Utility - Customer Deposits	134,515	27,190	22,130	139,575
Water Utility - Bond Sinking	8,453	252,000	226,860	33,593
Wastewater Utility - Operating	4,834	1,365,815	1,332,207	38,442
Wastewater Utility - SRF Improvement	5,405	-	-	5,405
Wastewater Utility - Bond and Interest Reserve	460,894	48,653	-	509,547
Wastewater Utility - Improvement	1	-	-	1
Wastewater Utility - Bond and Interest	285	53,155	-	53,440
Wastewater Utility - TIF District	95,593	267,893	263,847	99,639
Wastewater Utility - Commissioners Ditch	290	7,237	-	7,527
<b>Fiduciary Funds:</b>				
Police Officers' Pension	36,527	134,955	80,401	91,081
Firefighters' Pension	35,706	125,809	66,252	95,263
Payroll	21,790	2,594,634	2,577,115	39,309
<b>Totals</b>	<b>\$ 2,061,221</b>	<b>\$ 9,820,224</b>	<b>\$ 9,511,342</b>	<b>\$ 2,370,103</b>

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, and water, wastewater and sanitation utilities.

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. Material portions of property taxes originally due in 2008 were not available for distribution until 2009.

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 Events

On August 2, 2010, the City awarded two contracts, both to be financed with grants. One, for \$528,528, is for a Wastewater Utility construction project. The other, for up to \$390,000, is for housing rehabilitation.

CITY OF HARTFORD CITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

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	\$ 1,035,000	\$ 160,000
Fire Truck	45,414	46,657
Garbage Truck	24,830	13,018
Dodge Police Cars	<u>76,640</u>	<u>18,761</u>
Total governmental activities debt	<u>\$ 1,181,884</u>	<u>\$ 238,436</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2006 Issue	<u>\$ 1,545,000</u>	<u>\$ 230,868</u>
Total Water Utility	<u>1,545,000</u>	<u>230,868</u>
Wastewater Utility:		
Loans:		
1998 SRF Loan	1,575,000	200,676
2001 SRF Loan	<u>594,000</u>	<u>60,602</u>
Total Wastewater Utility	<u>2,169,000</u>	<u>261,278</u>
Total business-type activities debt	<u>\$ 3,714,000</u>	<u>\$ 492,146</u>

CITY OF HARTFORD CITY  
EXAMINATION RESULTS AND COMMENTS

PROMOTION OF BUSINESS EXPENSES

Payments were paid for food and related items for departmental meetings, department head meetings, and employee parties in excess of what the City had appropriated for Promotion of Business expenses by \$1,044. The excess payments were made from other appropriation accounts designated for other purposes.

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

OVERDRAWN CASH BALANCES

The cash balances of the General Fund and the Motor Vehicle Highway Fund were overdrawn at December 31, 2008.

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)

CAPITAL ASSET RECORDS

As mentioned in the prior eight reports, the City's capital assets records are for equipment only. Most of its capital assets are land, buildings, and improvements other than buildings.

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)

BANK ACCOUNT RECONCILIATIONS

The bank account balances were not fully reconciled to the record balances. There was unidentified cash long of \$271 at December 31, 2008, and \$817 at December 31, 2009.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 and 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

CITY OF HARTFORD CITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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".

We calculated the required amounts to be \$37,288 in 2008 and \$36,914 in 2009. Receipts to the Sanitation Sinking Fund, which was established as the escrow account, were only \$15,000 in 2008. There were no receipts to this fund in 2009.

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)

SUPPORTING DOCUMENTATION

Three payments totaling \$195.83 were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$2,298.65 on payroll taxes for the fourth quarter of 2006 were paid to the Internal Revenue Service on February 9, 2009.

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

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

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

As stated in the previous ten reports, 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. This has not been corrected.

CITY OF HARTFORD CITY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 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. . . ."

SEPTIC DISCHARGE FEES

Septic discharge fees were being charged by the city to individuals to allow the dumping of their septic tank into the wastewater system. No formal establishment of fees to be 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)

SHELTER HOUSE RENT

City Ordinance 91-1314 establishes the Park Improvement Fund and states that it is to be funded wholly by donations. However, all Park shelter house rent, which should have been receipted to the General Fund, was instead receipted to the Park Improvement Fund.

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  
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2010, with Janet Gilland, Clerk-Treasurer; Dennis Whitesell, Mayor; and Scott Confer, President of the Common Council.