

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF HARTFORD CITY  
BLACKFORD COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
05/22/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Gilland	01-01-08 to 12-31-15
Mayor	Dennis Whitesell Benjamin E. Hodgins	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	C. Scott Confer William Hess	01-01-11 to 12-31-11 01-01-12 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Hartford City (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 23, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

April 23, 2012



**STATE OF INDIANA**  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the City of Hartford City (City), for the year ended December 31, 2011, and have issued our report thereon dated April 23, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

April 23, 2012

## FINANCIAL STATEMENT

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

CITY OF HARTFORD CITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 113,284	\$ 1,799,573	\$ 1,967,926	\$ (55,069)
Motor Vehicle Highway	64,158	353,692	416,546	1,304
Local Roads and Streets	5,308	27,022	23,681	8,649
Sanitation Operating	2,428	384,337	421,175	(34,410)
Riverboat	12,723	119,310	77,316	54,717
Park	8,843	5,992	3,793	11,042
Rainy Day	50,548	-	15,063	35,485
Hazardous Materials	3,122	-	-	3,122
Levy Excess	5,090	-	-	5,090
Cumulative Capital Development	63,999	105,866	98,391	71,474
Industrial Development (RLF)	189,352	34,946	47,600	176,698
Cumulative Fire	58,663	105,097	12,446	151,314
Cumulative Capital Improvement	14,861	19,896	24,484	10,273
Old Police Pension	97,163	77,016	78,468	95,711
Old Fire Pension	80,037	63,111	64,601	78,547
Cash Change	350	-	-	350
Fire Department Grant	-	500	-	500
Law Enforcement Training	8,116	6,478	9,598	4,996
Operation Pullover	173	5,275	5,445	3
4 Blackford County	12,549	-	3,298	9,251
Cops For Coats	980	998	104	1,874
Canine/Police Equipment	23,600	11,078	12,400	22,278
Homeowner Grant/Community Development	-	232,441	232,441	-
BCCF Governmental TV Funding	25	-	-	25
Pool Concessions	9,512	5,944	3,396	12,060
Building Permits	26,236	5,855	5,910	26,181
Cumulative Pool Maintenance	7,321	5,704	-	13,025
TIF District	331,919	533,476	46,626	818,769
Commissioners Ditch	64	7,237	7,301	-
NSP Grant	32	593,147	593,147	32
Debt Service	-	165,595	160,000	5,595
EDIT	107,778	126,903	133,816	100,865
Payroll	36,890	2,419,985	2,417,007	39,868
Sanitation Sinking	51,991	22,500	-	74,491
Wastewater Grant	-	539,500	539,500	-
Wastewater Operating	20,352	1,536,488	1,526,556	30,284
Wastewater Bond and Interest	550,540	12,672	-	563,212
Wastewater Improvement	1	-	-	1
Wastewater Debt Reserve	7,802	204,000	211,802	-
Water Operating	35,343	876,525	893,437	18,431
Water Improvement	10,359	1,630	10,000	1,989
Water Sinking	12,725	315,545	325,968	2,302
Water Customer Deposit	145,449	28,819	23,230	151,038
Waterworks Bond and Interest Reserve	232,360	280	107,440	125,200
Stormwater Revenue	-	104,453	906	103,547
Totals	<u>\$ 2,402,046</u>	<u>\$ 10,858,886</u>	<u>\$ 10,520,818</u>	<u>\$ 2,740,114</u>

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

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

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

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

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

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

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

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

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

**Note 6. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of disbursements exceeding receipts due to actual revenues being lower than forecast and/or expenses being greater than anticipated.

**Note 7. 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. The lessor has been determined to be a related party of the City. Lease payments during the year of 2011 totaled \$160,000.

**Note 8. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

*Funding Policy and Annual Pension Cost*

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

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

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

*Funding Policy*

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

*On Behalf Payments*

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

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF HARTFORD CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy*

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

*On Behalf Payments*

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

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

*Plan Description*

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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

*Funding Policy*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

CITY OF HARTFORD CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Roads and Streets	Sanitation Operating	Riverboat	Park	Rainy Day	Hazardous Materials
Cash and investments - beginning	\$ 113,284	\$ 64,158	\$ 5,308	\$ 2,428	\$ 12,723	\$ 8,843	\$ 50,548	\$ 3,122
Receipts:								
Taxes	1,237,813	152,044	-	-	-	-	-	-
Licenses and permits	56,271	-	-	2,508	-	-	-	-
Intergovernmental	424,945	190,832	27,022	-	119,310	-	-	-
Charges for services	-	1,170	-	377,774	-	2,100	-	-
Fines and forfeits	12,472	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	68,072	9,646	-	4,055	-	3,892	-	-
Total receipts	<u>1,799,573</u>	<u>353,692</u>	<u>27,022</u>	<u>384,337</u>	<u>119,310</u>	<u>5,992</u>	<u>-</u>	<u>-</u>
Disbursements:								
Personal services	1,332,924	272,002	-	208,389	-	-	-	-
Supplies	100,352	99,465	12,868	39,414	33,826	-	-	-
Other services and charges	465,732	15,985	-	119,318	39,698	-	15,063	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	68,560	29,094	6,504	31,081	3,792	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	358	-	4,309	22,973	-	3,793	-	-
Total disbursements	<u>1,967,926</u>	<u>416,546</u>	<u>23,681</u>	<u>421,175</u>	<u>77,316</u>	<u>3,793</u>	<u>15,063</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(168,353)</u>	<u>(62,854)</u>	<u>3,341</u>	<u>(36,838)</u>	<u>41,994</u>	<u>2,199</u>	<u>(15,063)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (55,069)</u>	<u>\$ 1,304</u>	<u>\$ 8,649</u>	<u>\$ (34,410)</u>	<u>\$ 54,717</u>	<u>\$ 11,042</u>	<u>\$ 35,485</u>	<u>\$ 3,122</u>

CITY OF HARTFORD CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Levy Excess	Cumulative Capital Development	Industrial Development (RLF)	Cumulative Fire	Cumulative Capital Improvement	Old Police Pension	Old Fire Pension	Cash Change
Cash and investments - beginning	\$ 5,090	\$ 63,999	\$ 189,352	\$ 58,663	\$ 14,861	\$ 97,163	\$ 80,037	\$ 350
Receipts:								
Taxes	-	42,374	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	2,103	-	-	19,896	-	-	-
Charges for services	-	-	-	99,000	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	61,389	34,946	6,097	-	77,016	63,111	-
Total receipts	-	105,866	34,946	105,097	19,896	77,016	63,111	-
Disbursements:								
Personal services	-	-	-	-	-	78,238	64,601	-
Supplies	-	-	-	4,134	-	230	-	-
Other services and charges	-	92,391	8,000	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	6,000	39,600	8,312	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	24,484	-	-	-
Total disbursements	-	98,391	47,600	12,446	24,484	78,468	64,601	-
Excess (deficiency) of receipts over disbursements	-	7,475	(12,654)	92,651	(4,588)	(1,452)	(1,490)	-
Cash and investments - ending	\$ 5,090	\$ 71,474	\$ 176,698	\$ 151,314	\$ 10,273	\$ 95,711	\$ 78,547	\$ 350

CITY OF HARTFORD CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Fire Department Grant	Law Enforcement Training	Operation Pullover	4 Blackford County	Cops For Coats	Canine/Police Equipment	Homeowner Grant/ Community Development	BCCF Governmental TV Funding
Cash and investments - beginning	\$ -	\$ 8,116	\$ 173	\$ 12,549	\$ 980	\$ 23,600	\$ -	\$ 25
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	3,760	-	-	-	-	-	-
Intergovernmental	500	-	5,275	-	-	-	232,441	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	657	-	-	-	10,978	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	2,061	-	-	998	100	-	-
Total receipts	<u>500</u>	<u>6,478</u>	<u>5,275</u>	<u>-</u>	<u>998</u>	<u>11,078</u>	<u>232,441</u>	<u>-</u>
Disbursements:								
Personal services	-	-	5,445	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	9,598	-	-	-	12,400	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	3,298	104	-	232,441	-
Total disbursements	<u>-</u>	<u>9,598</u>	<u>5,445</u>	<u>3,298</u>	<u>104</u>	<u>12,400</u>	<u>232,441</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>500</u>	<u>(3,120)</u>	<u>(170)</u>	<u>(3,298)</u>	<u>894</u>	<u>(1,322)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 500</u>	<u>\$ 4,996</u>	<u>\$ 3</u>	<u>\$ 9,251</u>	<u>\$ 1,874</u>	<u>\$ 22,278</u>	<u>\$ -</u>	<u>\$ 25</u>

CITY OF HARTFORD CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Pool Concessions	Building Permits	Cumulative Pool Maintenance	TIF District	Commissioners Ditch	NSP Grant	Debt Service	EDIT
Cash and investments - beginning	\$ 9,512	\$ 26,236	\$ 7,321	\$ 331,919	\$ 64	\$ 32	\$ -	\$ 107,778
Receipts:								
Taxes	-	-	-	533,476	-	-	157,765	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	593,147	7,830	126,903
Charges for services	5,909	-	5,704	-	-	-	-	-
Fines and forfeits	-	5,855	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	35	-	-	-	7,237	-	-	-
Total receipts	<u>5,944</u>	<u>5,855</u>	<u>5,704</u>	<u>533,476</u>	<u>7,237</u>	<u>593,147</u>	<u>165,595</u>	<u>126,903</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	50	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	76,000
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	160,000	50,700
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	3,396	5,860	-	46,626	7,301	593,147	-	7,116
Total disbursements	<u>3,396</u>	<u>5,910</u>	<u>-</u>	<u>46,626</u>	<u>7,301</u>	<u>593,147</u>	<u>160,000</u>	<u>133,816</u>
Excess (deficiency) of receipts over disbursements	<u>2,548</u>	<u>(55)</u>	<u>5,704</u>	<u>486,850</u>	<u>(64)</u>	<u>-</u>	<u>5,595</u>	<u>(6,913)</u>
Cash and investments - ending	<u>\$ 12,060</u>	<u>\$ 26,181</u>	<u>\$ 13,025</u>	<u>\$ 818,769</u>	<u>\$ -</u>	<u>\$ 32</u>	<u>\$ 5,595</u>	<u>\$ 100,865</u>

CITY OF HARTFORD CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Payroll	Sanitation Sinking	Wastewater Grant	Wastewater Operating	Wastewater Bond and Interest	Wastewater Improvement	Wastewater Debt Reserve
Cash and investments - beginning	\$ 36,890	\$ 51,991	\$ -	\$ 20,352	\$ 550,540	\$ 1	\$ 7,802
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	539,500	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	1,502,727	-	-	-
Other receipts	2,419,985	22,500	-	33,761	12,672	-	204,000
Total receipts	<u>2,419,985</u>	<u>22,500</u>	<u>539,500</u>	<u>1,536,488</u>	<u>12,672</u>	<u>-</u>	<u>204,000</u>
Disbursements:							
Personal services	279,373	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	211,802
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	1,526,556	-	-	-
Other disbursements	2,137,634	-	539,500	-	-	-	-
Total disbursements	<u>2,417,007</u>	<u>-</u>	<u>539,500</u>	<u>1,526,556</u>	<u>-</u>	<u>-</u>	<u>211,802</u>
Excess (deficiency) of receipts over disbursements	<u>2,978</u>	<u>22,500</u>	<u>-</u>	<u>9,932</u>	<u>12,672</u>	<u>-</u>	<u>(7,802)</u>
Cash and investments - ending	<u>\$ 39,868</u>	<u>\$ 74,491</u>	<u>\$ -</u>	<u>\$ 30,284</u>	<u>\$ 563,212</u>	<u>\$ 1</u>	<u>\$ -</u>

CITY OF HARTFORD CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Water Operating	Water Improvement	Water Sinking	Water Customer Deposit	Waterworks Bond and Interest Reserve	Stormwater Revenue	Totals
Cash and investments - beginning	\$ 35,343	\$ 10,359	\$ 12,725	\$ 145,449	\$ 232,360	\$ -	\$ 2,402,046
Receipts:							
Taxes	-	-	-	-	-	-	2,123,472
Licenses and permits	-	-	-	-	-	-	62,539
Intergovernmental	-	-	-	-	-	-	2,289,704
Charges for services	-	-	-	-	-	-	491,657
Fines and forfeits	-	-	-	-	-	-	29,962
Utility fees	850,964	-	-	28,610	-	104,453	2,486,754
Other receipts	25,561	1,630	315,545	209	280	-	3,374,798
Total receipts	<u>876,525</u>	<u>1,630</u>	<u>315,545</u>	<u>28,819</u>	<u>280</u>	<u>104,453</u>	<u>10,858,886</u>
Disbursements:							
Personal services	-	-	-	-	-	-	2,240,972
Supplies	-	-	-	-	-	-	290,339
Other services and charges	-	-	-	-	-	-	854,185
Debt service - principal and interest	-	-	-	-	-	-	211,802
Capital outlay	-	-	-	-	-	-	403,643
Utility operating expenses	893,437	-	-	-	-	-	2,419,993
Other disbursements	-	10,000	325,968	23,230	107,440	906	4,099,884
Total disbursements	<u>893,437</u>	<u>10,000</u>	<u>325,968</u>	<u>23,230</u>	<u>107,440</u>	<u>906</u>	<u>10,520,818</u>
Excess (deficiency) of receipts over disbursements	<u>(16,912)</u>	<u>(8,370)</u>	<u>(10,423)</u>	<u>5,589</u>	<u>(107,160)</u>	<u>103,547</u>	<u>338,068</u>
Cash and investments - ending	<u>\$ 18,431</u>	<u>\$ 1,989</u>	<u>\$ 2,302</u>	<u>\$ 151,038</u>	<u>\$ 125,200</u>	<u>\$ 103,547</u>	<u>\$ 2,740,114</u>

CITY OF HARTFORD CITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
City Hall/Street Garage	\$ 805,000	\$ 160,000	Debt Service
Dodge Police Cars	44,236	18,761	General/Police
Street Patcher	47,170	13,008	MVH/LRS/Street
Water Department Truck	26,891	6,424	Water
Loans payable:			
1998 Wastewater State Revolving Fund	1,260,000	201,540	Wastewater
2001 Wastewater State Revolving Fund	510,000	60,830	Wastewater
Revenue bonds:			
Waterworks Refunding Revenue Bonds of 2011	<u>1,118,000</u>	<u>209,543</u>	Water
Total debt	<u>\$ 3,811,297</u>	<u>\$ 670,106</u>	

CITY OF HARTFORD CITY  
AUDIT RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS***

The City did not maintain a complete inventory of capital assets. Additionally, due to the lack of capital asset records, the City was unable to properly report capital assets in its annual report in the manner prescribed by the State Examiner. A similar comment appeared in prior Report B38814.

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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

***CREDIT CARDS***

City officials are using credit cards to purchase items without an approved credit card policy. A similar comment appeared in prior Report B38814.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

CITY OF HARTFORD CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

***CUSTOMER DEPOSIT REGISTER***

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the funds ledger. At December 31, 2011, the detail as presented for audit totaled \$152,212; the cash balance in the Water Utility Customer Deposit Fund was \$151,038, a difference of \$1,174. A similar comment appeared in prior Report B38814.

At all times, the manual and 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)

***DELINQUENT WASTEWATER ACCOUNTS***

Delinquent wastewater fees and penalties were not recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Report B38814.

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.
  - (C) The amount of the delinquent fees, together with the penalty.

CITY OF HARTFORD CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

**OVERDRAWN CASH BALANCES**

The cash balances of the General Fund and Sanitation Operating Fund were overdrawn at December 31, 2011, by \$55,069 and \$34,410, respectively.

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)

**TRAVEL POLICY**

As similarly stated in prior Report B38814, we noted the following while auditing disbursements:

A number of charges for gasoline related to travel were noted while auditing credit card transactions. The supporting documentation did not indicate the purpose of the gasoline purchased and there was no indication the fuel purchased was for a City-owned vehicle. Resolution 1998-06 states in part:

". . . the rate for mileage reimbursement to be paid by the City . . . for use of personal motor vehicles . . . is fixed at the federal standard mileage rate.

Employees in travel status were reimbursed for meals at actual cost. The Personnel Policy Handbook of the City states that "The City Council shall establish per diem rates for individuals in travel status. Per diem covers, meals, incidentals, gratuities, etc."

Full reimbursement of travel related expense was made for employees receiving job related training without evidence of prior approval being obtained. The Personnel Policy Handbook of the City states that "In cases where an employee receives job related training . . . the City may provide either partial or full reimbursement for expenses incurred during training. A request must be submitted for approval prior to the training."

Travel status as noted in the policy is not defined.

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)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2011. 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 its major federal program for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control Over Compliance

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

April 23, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF HARTFORD CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

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 Indiana Housing and Community Development Authority CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	NSP1-009-020	\$ 593,147
Pass-Through Indiana Office of Community and Rural Affairs Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-09-209	<u>600,000</u>
Total for Cluster			<u>1,193,147</u>
Pass-Through Indiana Housing and Community Development Authority HOME Investment Partnerships Program	14.239	HM-009-018	<u>232,441</u>
Total for federal grantor agency			<u>1,425,588</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	OP-11-02-01-04	3,300
Occupant Protection Incentive Grants	20.602	D3-11-6061	<u>1,975</u>
Total for federal grantor agency			<u>5,275</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Pass-Through Indiana Office of Energy Development ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	10-EECBG-02-001	<u>93,321</u>
Total for federal grantor agency			<u>93,321</u>
Total federal awards expended			<u>\$ 1,524,184</u>

The accompanying note is 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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.



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

The City of Hartford City has not established a system of internal control that would ensure compliance with the requirement to maintain records for equipment and other property acquired with Federal monies. As a result, records containing capital asset additions, disposals, and balances, which separately identify items acquired with federal funds, have not been maintained as required. Without adequate accounting records, periodic physical inventories cannot be compared to property records. Additionally, the City cannot adequately implement safeguards to prevent loss, damage, or theft of the property without these controls and records.

OMB Circular A-133, Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

24 CFR 85.32 (d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

We recommended that the City of Hartford City design and properly monitor procedures and controls that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

CITY OF HARTFORD CITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF HARTFORD CITY  
CLERK-TREASURER'S OFFICE  
700 N. WALNUT ST.  
HARTFORD CITY, IN 47348  
765-348-1872  
[jgilland@hartfordcity.net](mailto:jgilland@hartfordcity.net)

Corrective Action Plan

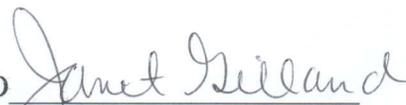
FINDING NO. 2011-1 INTERNAL CONTROL REPORTABLE  
CONDITION/EQUIPMENT AND REAL PROPERTY MANAGEMENT

FEDERAL AGENCY- U.S. Depart of Housing and Urban Development  
FEDERA PROGRAM-Community Development Block Grant/State Program CFDA  
NUMBER-14.228  
FEDERAL AWARD NUMBER-CF-09-209  
AUDITEE-City of Hartford City  
NAME/TITLE OF CONTACT PERSON-Janet Gilland, Clerk-Treasurer  
PHONE NUMBER-765-348-1872  
EXPECTED COMPLETION DATE-Unkown

To the State Board of Accounts:

The City of Hartford City is in the process of contracting with Government Fixed Asset Services, Inc. for the purpose of inventorying the City's capital assets. It is further expected the consultant will assist the City with the design and implementation of an internal control system to accurately capture capital assets additions, disposals and balances on a timely basis; including properly accounting for capital assets with federal funds.

SIGNED   
TITLE Mayor  
DATE 3-20-12

SIGNED   
TITLE Clerk-Treasurer  
DATE March 20, 2012

CITY OF HARTFORD CITY  
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2012, with Janet Gilland, Clerk-Treasurer; Benjamin E. Hodgin, Mayor; and William Hess, President of the Common Council. The officials concurred with our audit findings.