

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, 2013 to December 31, 2013



FILED
11/17/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet Gilland	01-01-12 to 12-31-15
Mayor	Benjamin E. Hodgins	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Benjamin E. Hodgins	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	William Hess	01-01-13 to 12-31-14



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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Hartford City (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

Opinion on Regulatory Basis of Accounting

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, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2014, 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* in considering the City's internal control over financial reporting and compliance.


Accompanying Information

Supplementary Information

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, 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.


Paul D. Joyce, CPA
State Examiner

September 18, 2014



INDEPENDENT AUDITOR'S 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, 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, the financial statement of the City of Hartford City (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated September 18, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 to 2013-002 to be material weaknesses.

INDEPENDENT AUDITOR'S 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

City of Hartford City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 18, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 51,754	\$ 1,979,868	\$ 1,981,078	\$ 50,544
Motor Vehicle Highway	1,437	439,790	351,349	89,878
Local Roads and Streets	10,412	28,180	13,008	25,584
Park	13,147	9,511	8,032	14,626
Sanitation Sinking	90,991	12,000	-	102,991
Law Enforcement Training	8,897	4,884	3,986	9,795
Riverboat	36,680	71,139	8,231	99,588
Hazardous Materials	3,123	-	-	3,123
Rainy Day	39,117	-	20,000	19,117
Canine/Police Equipment	13,359	10,839	-	24,198
Levy Excess	22,403	-	22,403	-
Cumulative Capital Improvement	8,725	16,698	17,551	7,872
Sign Inventory Grant	-	35,280	35,280	-
Industrial Development Revolving Loan	178,886	57,931	178,517	58,300
Cumulative Fire	203,508	69,578	72,472	200,614
Economic Development Income Tax	133,482	186,614	157,223	162,873
Cumulative Capital Development	101,403	43,454	8,507	136,350
TIF District	702,888	295,988	549,371	449,505
Watermeter Customer Deposit	159,648	29,734	23,281	166,101
Sewage Improvement	1	-	-	1
Old Police Pension	81,755	83,419	63,380	101,794
Old Fire Pension	72,847	59,111	48,767	83,191
Water Construction 2013	-	815,000	65,753	749,247
Operation Pullover Grant	3	4,350	4,350	3
Cops For Coats	1,399	2,035	1,877	1,557
Specific Donations	20	-	-	20
Blackford County Grant	8,651	745	2,652	6,744
Facade Renovation Grant	-	20,000	20,000	-
Debt Service	-	163,978	159,000	4,978
Pool Concessions	12,431	4,123	5,615	10,939
Building Permit	25,884	7,770	9,188	24,466
SRTS Grant	-	82,923	78,304	4,619
Fire Department Grant	500	-	-	500
NSP Grant	100,122	268,474	354,900	13,696
Cumulative Pool Maintenance	14,992	4,650	-	19,642
TIF District Industrial Park	296,826	91,000	5,373	382,453
Cash Change	350	-	-	350
Waterworks Bond and Interest Reserve	125,200	-	-	125,200
Waterworks Bond Improvement	2,230	-	-	2,230
Sewage Bond and Interest Reserve	490,907	708	-	491,615
Water Bond 2006 Sinking	99	210,240	209,240	1,099
Sewage Bond and Interest Sinking "98"	-	204,000	201,755	2,245
Payroll	18,776	2,475,137	2,473,348	20,565
Water Operating	4,030	1,004,430	968,998	39,462
Storm Water Revenue	232,709	131,055	311,127	52,637
Sewage Operating	59,061	2,090,642	1,472,920	676,783
Sanitation Operating	57,044	490,444	492,225	55,263
Totals	<u>\$ 3,385,697</u>	<u>\$ 11,505,722</u>	<u>\$ 10,399,061</u>	<u>\$ 4,492,358</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.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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 nonbusinesses 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 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 include 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.

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.

CITY OF HARTFORD CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. 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 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 Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF HARTFORD CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Indiana Public Retirement System 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.

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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF HARTFORD CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Capitol 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.

Note 7. Holding Corporation

The City has entered into a capital lease with 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 2013 totaled \$159,000.

Note 8. Subsequent Events

The Common Council of the City on June 3, 2013, approved the issuance of Wastewater Revenue Bonds in the amount of \$5,400,000 for Phase 1 of the Combined Sewer Overflow (CSO) Mitigation project. On March 5, 2014, the City signed the Sewage Works Revenue Bonds of 2014, with construction to begin in the spring of 2014.

SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the City's 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 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, 2013

	General	Motor Vehicle Highway	Local Roads and Streets	Park	Sanitation Sinking	Law Enforcement Training
Cash and investments - beginning	\$ 51,754	\$ 1,437	\$ 10,412	\$ 13,147	\$ 90,991	\$ 8,897
Receipts:						
Taxes	1,300,377	243,836	-	-	-	-
Licenses and permits	65,988	-	-	-	-	3,270
Intergovernmental	531,547	191,399	28,180	-	-	-
Charges for services	-	2,340	-	2,225	-	-
Fines and forfeits	4,650	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	77,306	2,215	-	7,286	12,000	1,614
Total receipts	<u>1,979,868</u>	<u>439,790</u>	<u>28,180</u>	<u>9,511</u>	<u>12,000</u>	<u>4,884</u>
Disbursements:						
Personal services	1,360,592	205,808	-	-	-	-
Supplies	80,772	84,090	-	-	-	-
Other services and charges	456,791	45,252	-	-	-	3,986
Capital outlay	49,500	4,726	13,008	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	33,423	11,473	-	8,032	-	-
Total disbursements	<u>1,981,078</u>	<u>351,349</u>	<u>13,008</u>	<u>8,032</u>	<u>-</u>	<u>3,986</u>
Excess (deficiency) of receipts over disbursements	<u>(1,210)</u>	<u>88,441</u>	<u>15,172</u>	<u>1,479</u>	<u>12,000</u>	<u>898</u>
Cash and investments - ending	<u>\$ 50,544</u>	<u>\$ 89,878</u>	<u>\$ 25,584</u>	<u>\$ 14,626</u>	<u>\$ 102,991</u>	<u>\$ 9,795</u>

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Riverboat	Hazardous Materials	Rainy Day	Canine/Police Equipment	Levy Excess	Cumulative Capital Improvement
Cash and investments - beginning	\$ 36,680	\$ 3,123	\$ 39,117	\$ 13,359	\$ 22,403	\$ 8,725
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	71,139	-	-	-	-	16,698
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	10,839	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>71,139</u>	<u>-</u>	<u>-</u>	<u>10,839</u>	<u>-</u>	<u>16,698</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	8,231	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	20,000	-	22,403	17,551
Total disbursements	<u>8,231</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>22,403</u>	<u>17,551</u>
Excess (deficiency) of receipts over disbursements	<u>62,908</u>	<u>-</u>	<u>(20,000)</u>	<u>10,839</u>	<u>(22,403)</u>	<u>(853)</u>
Cash and investments - ending	<u>\$ 99,588</u>	<u>\$ 3,123</u>	<u>\$ 19,117</u>	<u>\$ 24,198</u>	<u>\$ -</u>	<u>\$ 7,872</u>

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Sign Inventory Grant	Industrial Development Revolving Loan	Cumulative Fire	Economic Development Income Tax	Cumulative Capital Development	TIF District
Cash and investments - beginning	\$ -	\$ 178,886	\$ 203,508	\$ 133,482	\$ 101,403	\$ 702,888
Receipts:						
Taxes	-	-	-	-	42,925	295,988
Licenses and permits	-	-	-	-	-	-
Intergovernmental	35,280	-	-	154,989	529	-
Charges for services	-	-	65,776	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	57,931	3,802	31,625	-	-
Total receipts	<u>35,280</u>	<u>57,931</u>	<u>69,578</u>	<u>186,614</u>	<u>43,454</u>	<u>295,988</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	3,785	-	-	-
Other services and charges	-	7,500	-	-	-	20,635
Capital outlay	-	-	-	11,412	3,500	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	35,280	171,017	68,687	145,811	5,007	528,736
Total disbursements	<u>35,280</u>	<u>178,517</u>	<u>72,472</u>	<u>157,223</u>	<u>8,507</u>	<u>549,371</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(120,586)</u>	<u>(2,894)</u>	<u>29,391</u>	<u>34,947</u>	<u>(253,383)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 58,300</u>	<u>\$ 200,614</u>	<u>\$ 162,873</u>	<u>\$ 136,350</u>	<u>\$ 449,505</u>

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Watermeter Customer Deposit	Sewage Improvement	Old Police Pension	Old Fire Pension	Water Construction 2013	Operation Pullover Grant
Cash and investments - beginning	\$ 159,648	\$ 1	\$ 81,755	\$ 72,847	\$ -	\$ 3
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	29,580	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	154	-	83,419	59,111	815,000	4,350
Total receipts	<u>29,734</u>	<u>-</u>	<u>83,419</u>	<u>59,111</u>	<u>815,000</u>	<u>4,350</u>
Disbursements:						
Personal services	-	-	63,380	48,767	-	4,350
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	65,753	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	23,281	-	-	-	-	-
Total disbursements	<u>23,281</u>	<u>-</u>	<u>63,380</u>	<u>48,767</u>	<u>65,753</u>	<u>4,350</u>
Excess (deficiency) of receipts over disbursements	<u>6,453</u>	<u>-</u>	<u>20,039</u>	<u>10,344</u>	<u>749,247</u>	<u>-</u>
Cash and investments - ending	<u>\$ 166,101</u>	<u>\$ 1</u>	<u>\$ 101,794</u>	<u>\$ 83,191</u>	<u>\$ 749,247</u>	<u>\$ 3</u>

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Cops For Coats	Specific Donations	Blackford County Grant	Facade Renovation Grant	Debt Service	Pool Concessions
Cash and investments - beginning	\$ 1,399	\$ 20	\$ 8,651	\$ -	\$ -	\$ 12,431
Receipts:						
Taxes	-	-	-	-	155,496	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	20,000	8,482	-
Charges for services	-	-	-	-	-	4,088
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,035	-	745	-	-	35
Total receipts	<u>2,035</u>	<u>-</u>	<u>745</u>	<u>20,000</u>	<u>163,978</u>	<u>4,123</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	159,000	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,877	-	2,652	20,000	-	5,615
Total disbursements	<u>1,877</u>	<u>-</u>	<u>2,652</u>	<u>20,000</u>	<u>159,000</u>	<u>5,615</u>
Excess (deficiency) of receipts over disbursements	<u>158</u>	<u>-</u>	<u>(1,907)</u>	<u>-</u>	<u>4,978</u>	<u>(1,492)</u>
Cash and investments - ending	<u>\$ 1,557</u>	<u>\$ 20</u>	<u>\$ 6,744</u>	<u>\$ -</u>	<u>\$ 4,978</u>	<u>\$ 10,939</u>

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Building Permit	SRTS Grant	Fire Department Grant	NSP Grant	Cumulative Pool Maintenance	TIF District Industrial Park
Cash and investments - beginning	\$ 25,884	\$ -	\$ 500	\$ 100,122	\$ 14,992	\$ 296,826
Receipts:						
Taxes	-	-	-	-	-	91,000
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	82,923	-	268,474	-	-
Charges for services	-	-	-	-	4,650	-
Fines and forfeits	7,770	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>7,770</u>	<u>82,923</u>	<u>-</u>	<u>268,474</u>	<u>4,650</u>	<u>91,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	688	-	-	-	-	-
Other services and charges	-	-	-	-	-	5,373
Capital outlay	-	78,304	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	8,500	-	-	354,900	-	-
Total disbursements	<u>9,188</u>	<u>78,304</u>	<u>-</u>	<u>354,900</u>	<u>-</u>	<u>5,373</u>
Excess (deficiency) of receipts over disbursements	<u>(1,418)</u>	<u>4,619</u>	<u>-</u>	<u>(86,426)</u>	<u>4,650</u>	<u>85,627</u>
Cash and investments - ending	<u>\$ 24,466</u>	<u>\$ 4,619</u>	<u>\$ 500</u>	<u>\$ 13,696</u>	<u>\$ 19,642</u>	<u>\$ 382,453</u>

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Cash Change	Waterworks Bond and Interest Reserve	Waterworks Bond Improvement	Sewage Bond and Interest Reserve	Water Bond 2006 Sinking	Sewage Bond and Interest Sinking "98"
Cash and investments - beginning	\$ 350	\$ 125,200	\$ 2,230	\$ 490,907	\$ 99	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	708	210,240	204,000
Total receipts	-	-	-	708	210,240	204,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	209,240	201,755
Total disbursements	-	-	-	-	209,240	201,755
Excess (deficiency) of receipts over disbursements	-	-	-	708	1,000	2,245
Cash and investments - ending	\$ 350	\$ 125,200	\$ 2,230	\$ 491,615	\$ 1,099	\$ 2,245

CITY OF HARTFORD CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	Payroll	Water Operating	Storm Water Revenue	Sewage Operating	Sanitation Operating	Totals
Cash and investments - beginning	\$ 18,776	\$ 4,030	\$ 232,709	\$ 59,061	\$ 57,044	\$ 3,385,697
Receipts:						
Taxes	-	-	-	-	-	2,129,622
Licenses and permits	-	-	-	-	-	69,258
Intergovernmental	-	-	-	-	-	1,409,640
Charges for services	-	-	-	-	-	108,659
Fines and forfeits	-	-	-	-	-	23,259
Utility fees	-	13,719	-	1,700,414	-	1,714,133
Other receipts	2,475,137	990,711	131,055	390,228	490,444	6,051,151
Total receipts	<u>2,475,137</u>	<u>1,004,430</u>	<u>131,055</u>	<u>2,090,642</u>	<u>490,444</u>	<u>11,505,722</u>
Disbursements:						
Personal services	-	349,810	-	574,592	251,026	2,858,325
Supplies	-	-	-	-	38,207	207,542
Other services and charges	-	29,713	-	46,590	160,566	784,637
Capital outlay	-	84,601	-	-	-	469,804
Utility operating expenses	-	294,634	-	647,738	-	942,372
Other disbursements	2,473,348	210,240	311,127	204,000	42,426	5,136,381
Total disbursements	<u>2,473,348</u>	<u>968,998</u>	<u>311,127</u>	<u>1,472,920</u>	<u>492,225</u>	<u>10,399,061</u>
Excess (deficiency) of receipts over disbursements	<u>1,789</u>	<u>35,432</u>	<u>(180,072)</u>	<u>617,722</u>	<u>(1,781)</u>	<u>1,106,661</u>
Cash and investments - ending	<u>\$ 20,565</u>	<u>\$ 39,462</u>	<u>\$ 52,637</u>	<u>\$ 676,783</u>	<u>\$ 55,263</u>	<u>\$ 4,492,358</u>

CITY OF HARTFORD CITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 20,120	\$ 55,739
Sanitation	1,030	14,888
Water	22,028	22,868
Storm Water	23,310	9,249
Governmental activities	31,975	-
Totals	<u>\$ 98,463</u>	<u>\$ 102,744</u>

CITY OF HARTFORD CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Hartford City Municipal Building Corporation	City Hall and Fire Station Lease	<u>\$ 159,000</u>	06-28-06	12-28-17
Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year	
Type	Purpose			
Governmental activities:				
Loan	Dodge Police Cars (4)	\$ 9,197	\$ 9,381	
Loan	Street Paving Patcher	<u>24,628</u>	<u>13,008</u>	
Total governmental activities		<u>33,825</u>	<u>22,389</u>	
Water:				
Loan	Ford Truck	15,202	6,424	
Revenue bonds	Waterworks Refunding Revenue Bonds of 2011	772,000	209,699	
Revenue bonds	Waterworks Revenue Bonds of 2013	<u>815,000</u>	<u>96,619</u>	
Total Water		<u>1,602,202</u>	<u>312,742</u>	
Wastewater:				
Loan	1998 Wastewater State Revolving Loan Fund	925,000	201,826	
Loan	2001 Wastewater State Revolving Loan Fund	<u>421,000</u>	<u>60,893</u>	
Total Wastewater		<u>1,346,000</u>	<u>262,719</u>	
Totals		<u>\$ 2,982,027</u>	<u>\$ 597,850</u>	

CITY OF HARTFORD CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 406,063
Infrastructure	3,519,355
Buildings	2,443,003
Improvements other than buildings	917,055
Machinery, equipment, and vehicles	3,026,787
Total governmental activities	10,312,263
Water:	
Land	75,987
Infrastructure	6,218,208
Buildings	2,022,404
Improvements other than buildings	14,658
Machinery, equipment, and vehicles	255,334
Total Water	8,586,591
Storm Water:	
Infrastructure	4,809,780
Wastewater:	
Land	260,853
Infrastructure	4,463,379
Buildings	9,125,000
Improvements other than buildings	203,725
Machinery, equipment, and vehicles	204,288
Total Wastewater	14,257,245
Total capital assets	\$ 37,965,879

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of Hartford City's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 18, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended	Footnote
Department of Commerce					
Economic Development Cluster					
Economic Adjustment Assistance	Direct Grant	11.307	06-39-02170	\$ 180,139	(A)
Total - Economic Development Cluster				<u>180,139</u>	
Total - Department of Commerce				<u>180,139</u>	
Department of Housing and Urban Development					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs Indiana Housing and Community Development Authority	14.228	PL-11-023 NSP1-009-020	20,000 <u>275,749</u>	
Total - CDBG - State-Administered CDBG Cluster				<u>295,749</u>	
Total - Department of Housing and Urban Development				<u>295,749</u>	
Department of Transportation					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205	1173734 1179134 1173509	53,322 22,483 <u>35,280</u>	
Total - Highway Planning and Construction Cluster				<u>111,085</u>	
Highway Safety Cluster					
State and Community Highway Safety	Blackford County	20.600	18X9204020IN13	<u>3,576</u>	
Occupant Protection Incentive Grants	Blackford County	20.602	18X9204050IN13	<u>774</u>	
Total - Highway Safety Cluster				<u>4,350</u>	
Total - Department of Transportation				<u>115,435</u>	
Total federal awards expended				<u>\$ 591,323</u>	

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

(A) Calculation of Economic Adjustment Assistance Federal Expenditures:	
Balance of Outstanding Revolving Loan Funds (RLF) at 12/31/13	\$ 266,772
Revolving Loan Fund (RLF) Cash and Investment Balance at 12/31/13	58,301
Administrative Expenses Paid During 2013	<u>8,517</u>
Total Calculation Basis	333,590
Multiplied by Original Federal Share of Revolving Loan Funds (RLF)	<u>54%</u>
Amount Reported in Schedule of Expenditures of Federal Awards	<u>\$ 180,139</u>

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 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

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____
CDBG - State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the City related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Control activities should be selected and developed at various levels of the City to reduce risks of error and/or fraud of the financial statement. The City has not separated incompatible activities related to the preparation of the bank reconciliation. No oversight or approval of the monthly bank reconciliation as prepared by the Clerk-Treasurer is performed by another party. The failure to establish these controls could enable material misstatements to be undetected.

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

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2013-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)

The City did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that the City had omitted \$180,139 in expenditures for the Economic Adjustment Assistance program from their SEFA; over reported \$79,151 in expenditures for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii project NSP1-009-020; and over reported \$2,499 in expenditures for the Highway Planning and Construction program. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

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

CORRECTIVE ACTION PLAN

FINDING 2013-001

- A. Contact Person Responsible for Corrective Action: Janet Gilland
- B. Contact Phone Number: 765-348-1872

Description of Corrective Action Plan:

Bank reconciliations will also be reviewed by the Deputy Clerk-Treasurer before monthly disbursements and revenues posted are updated and closed out.

FINDING 2013-02

- A. Contact Person Responsible for Corrective Action: Janet Gilland
- B. Contact Phone Number: 765-348-1872

Description of Corrective Action Plan:

In regards to the Federal Expenditures, the City will ensure accurate reporting of all Federal awards. We will reference all revenue received and all disbursements and record the financial activities of Federal awards to avoid inaccurate records and financial statements.

Anticipated Completion Date: Immediately

Janet Gilland
Janet Gilland
Clerk-Treasurer
Sept. 8, 2014

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.