

CITY OF HARTFORD

FINANCIAL REPORT

June 30, 2009

CITY OF HARTFORD

FINANCIAL REPORT

June 30, 2009

CONTENTS

	<u>Page</u>
LIST OF ELECTED AND APPOINTED OFFICIALS	I
ORGANIZATIONAL CHART	II
MANAGEMENT'S DISCUSSION AND ANALYSIS	III-XIII
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Activities.....	3
Governmental Funds - Balance Sheet.....	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances.....	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	7
Proprietary Funds - Statement of Net Assets	8
Proprietary Funds - Combining Statement of Revenues, Expenses, and Changes in Net Assets.....	9-10
Proprietary Funds - Combining Statement of Cash Flows.....	11-12
Fiduciary Funds - Statement of Net Assets	13
Notes to Financial Statements	14-27
SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds:	
Description of Funds	28
Combining Balance Sheet.....	29
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	30

SUPPLEMENTARY INFORMATION - Continued

	<u>Page</u>
General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	31
Major Street Fund - Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	32
General Fund:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	33
Statement of Expenditures - Budget and Actual	34-38
Statement of Other Financing Sources and Uses - Budget and Actual.....	39
Nonmajor Special Revenue Funds:	
Combining Balance Sheet.....	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Nonmajor Capital Projects Funds:	
Combining Balance Sheet.....	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	43
Agency Funds:	
Statement of Changes in Assets and Liabilities - Trust and Agency Fund.....	44
Statement of Changes in Assets and Liabilities - Current Tax Fund	45
Detail of Debt:	
Schedule of Unlimited Tax General Obligation Bonds.....	46
Schedule of 1999 Michigan Transportation Fund Bonds.....	47
Schedule of 1999 Water Supply and Sewage Disposal System Bonds	48
Schedule of Property Annexation Agreement.....	49
Schedule of 2001 Building Authority Bonds, Series A	50
Schedule of 2001 Building Authority Bonds, Series B	51
Schedule of Economic Development Corporation Promissory Note	52
Schedule of Installment Note - USDA Rural Housing Service	53

City of Hartford
List of Elected and Appointed Officials
June 30, 2009

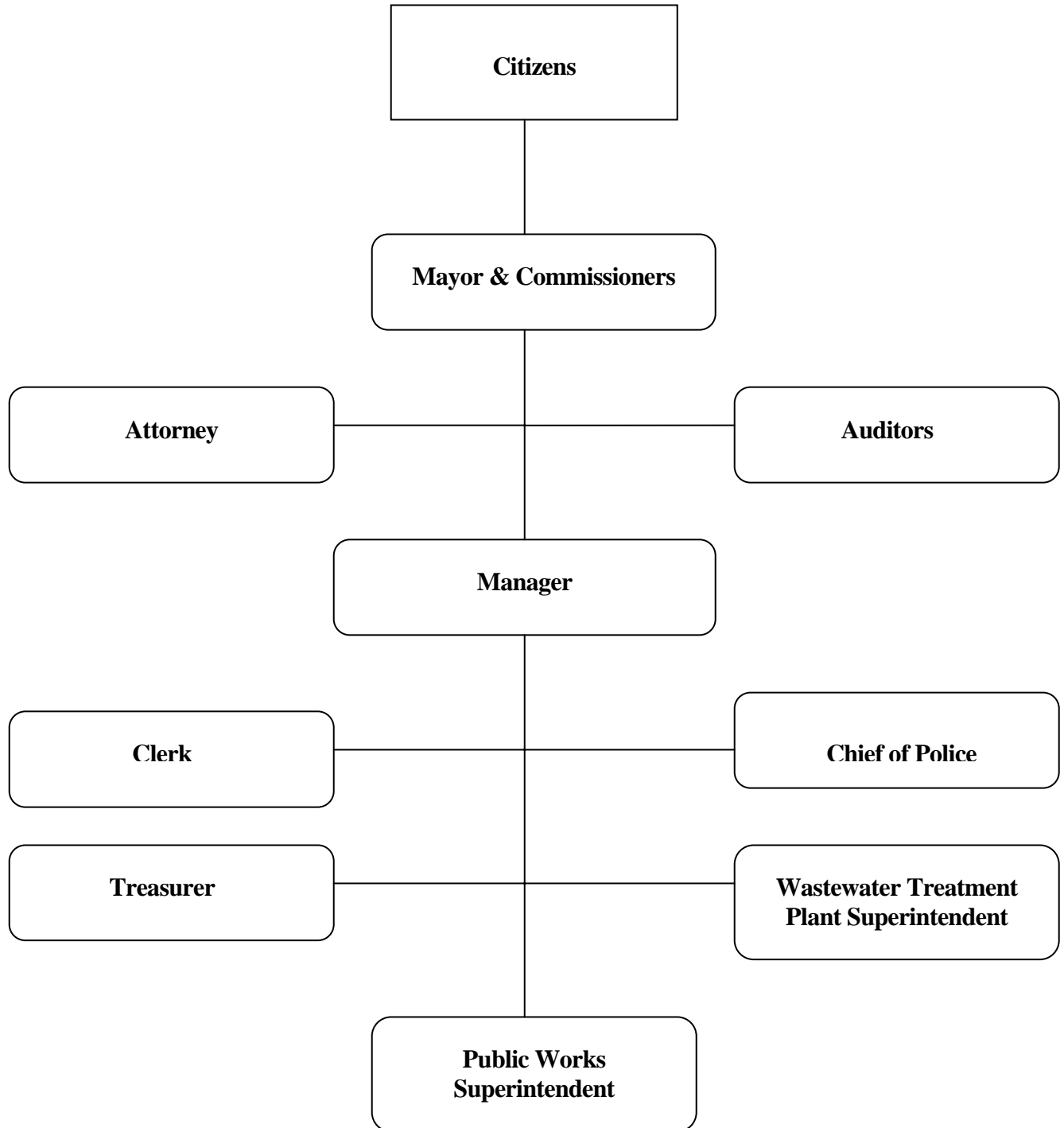
Elected Officials

Mayor	Theodore Johnson
Mayor Pro-Tem	Rick Hall
City Commissioner	Debra Keyser
City Commissioner	Natalie Rios
City Commissioner	Leo Latus
City Commissioner	Rodney Austin
City Commissioner	Frank Dockter

Appointed Officials

City Manager	Yemi Akinwale
City Clerk	Roxann Isbrecht
City Treasurer	Linda Gray
Chief of Police	Ramon Beltran
Public Works Superintendent	Dan Staunton
Wastewater Treatment Plant Superintendent	Tom Strand

CITY OF HARTFORD ORGANIZATIONAL CHART



Management's Discussion and Analysis

As management of the City of Hartford, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. To make this report more readable and easier to understand we will discuss only what Management considers the financial highlights and the items with the most impact on this fiscal year's financial statements.

Financial Highlights

A Look at the Past Decade

External Constraints and General Economic Climate

The general economic climate in the nation and especially for the State of Michigan for the fiscal year ending June 30, 2009 has been poor. Michigan has the highest unemployment rate in the nation, with many large auto-related industries filing bankruptcy such as General Motors. For the City, we have seen a large reduction in the two largest sources of the City's revenue, our state-shared revenue, and tax revenue from the lowering of the market price on real property. Although we realize the national housing foreclosure crisis is just a "market correction" in the cost of overvalued property, for the City to continue the growth we have had during the last decade, we are forced to seek alternate sources of revenue.

Along with the loss in revenue, the City also has seen increased inflation affecting gas prices, costs for health care benefits, and the cost of our supplies and maintenance products. In 1999 the national average for a gallon of gas was \$1.14, the cost for health care to the employer has more than doubled (increased by 220%) since 1999. (Kaiser Family Foundation, 2008 Employer Health Benefits Survey). For the City, our average cost for health care in June of 1999 was \$5,786 per month; in June of 2009 our average monthly cost is \$13,451, an increase of 232%. The rate of inflation from June 1999 to June 2009 is 29.78%, which means that for every \$1.00 of supplies or products we used in June of 1999, it now costs the City \$1.30 in June of 2009.

This past decade (1999 to 2009) has been very interesting and has challenged the City's management with its fast changes, its many economic crises, rising inflation, the fluctuation in gas and petroleum-based products pricing, the rising health care costs, and the falling interest rates. The question is how did this affect the financial stability of the City? How were the City's financial statements affected? And how did the City's management respond to the challenges in this decade?

Review of Infrastructure and Economic Development Projects

During the past decade, we have done many infrastructure and economic development projects. The challenge is to finance infrastructure and economic development projects without breaking the City's budget or depleting fund balances. Another consideration is the effect upon the City's financial position. We can all see the physical benefit of the assets the City's projects have added to the City. The new roads, the new City Hall, and the newly painted water tower. We all see the new DPW vehicles, and the improved new parking facilities. We can't see the improvement in our water and sewer infrastructure, but do see the savings in repair and upkeep on these systems, and the improvement in the quality of the service. What most don't realize is the effect of these projects on the City's financial statements. The City's projects and method of financing are listed below for the 1999-2009 decade.

Year	Project	Total Cost	Grant	Loan	City Contr
2001	Iron Removal Plant	\$ 50,000	\$ 50,000		
2001-2002	North Maple Street	414,678	383,350		\$ 31,328
2002-2003	New City Hall	866,500	74,500	\$ 792,000	
2003-2004	North Parking Lot	307,459	230,350		77,109
2003	Prospect Street	109,105	99,000		10,105
2005-2006	West Main Street Parking Lot	108,931	90,000		18,931
2005-2006	Water Improvement (1)	404,241	170,000	200,000	34,241
2005-2006	East Main Street	566,900	435,100		131,800
2006	Vehicle Purchases	130,000	27,000	103,000	
2007	Water Tower	311,000	261,000		50,000
2007	Water Improvement (2)	369,000	190,000	100,000	79,000
2008	Water Improvement (3)	620,000	520,000		100,000
2008	Main / Center Intersection	270,000	230,000		40,000
2009	South Parking Lot	329,000	329,000		
2009	West Main Street	215,000	180,000		35,000
	Total Projects	\$ 5,071,814	\$ 3,269,300	\$ 1,195,000	\$ 607,514

From the above table, you can see that the City has done 5.072 million dollars of improvements, while paying from the City's funds only \$607,514, and acquiring debt of only 1.195 million dollars. Or the City has paid only 12% of the cash needed for the projects, and acquired only 24% of the value of the projects for debt. In financial terms, Assets less Liabilities equal Fund Balance, so the City's projects have increased our assets by (\$5,071,814 - \$607,514) \$4,464,300 less liabilities of \$1,195,000 which has increased our fund balance by \$3,269,300 from these projects. In financial terms, these projects have increased our fund balance, and increased the assets owned by the City, thus improving our financial status. The City does not "book" or record assets in the governmental funds, but does in the proprietary (business-type) funds that include our Water and Sewer funds.

The City is currently involved in two major economic development projects. The I-94 corridor project, which has a total cost as of the end of the fiscal year of \$100,000 has consumed only \$4,995 of the City's funds. In a recent announcement by the Van Buren Board of Commissions, an unidentified company is looking at establishing a business in the I-94 Corridor, that could involve as many as 1,350 jobs. If this or any business brings jobs into the community, they also increase your tax base, and increase the opportunities for other businesses in the area. The Blueprint for Michigan's Downtowns is another current project. This Downtown Development Authority project hopes to improve our downtown area by bringing in new business and helping to improve the facilities of the existing businesses.

The West Main Parking Lot project was an economic development project done to allow two new businesses to open in the City of Hartford. Without ample attractive parking areas, business cannot attract customers downtown, and parking has to be available to draw business to the downtown area.

Another major economic development project was the creation of three Renaissance zones in the City of Hartford. One of the zones attracted AmHawk into the City, one is being used for the new offices and manufacturing facilities for Mann Metal, the largest manufacturing business in the City, and the third attracted the WODA group to build a new subdivision in our City. All of these have resulted in a larger tax base for the City, and the WODA group has increased the City's population, which will help draw other businesses, and result in increased revenue for city streets, and State Shared Revenue (both based partially on population).

REVENUE				
	General Fund	Other	Water/Sewer	Total
1999	\$744,647	\$156,389	\$567,770	\$1,468,806
Less Equipment Rental	(49,221)			(49,221)
Less Administration Fee				
Less Grants for Const.				
1999 Revenue	\$ 695,426	\$ 156,389	\$ 567,770	\$ 1,419,585
	General Fund	Other	Water/Sewer	Total
2009	\$1,043,580	\$242,234	\$693,593	\$1,979,407
Less Equipment Rental	(130,943)			(130,943)
Less Administration Fee	(100,300)			(100,300)
Less Grants for Const.				
2009 Revenue	\$ 812,337	\$ 242,234	\$ 693,593	\$ 1,748,164
EXPENDITURES				
	General Fund	Other	Water/Sewer	Total
1999	\$724,998	\$156,389	\$552,388	\$1,433,775
Less Equipment Rental			(49,221)	(49,221)
Less Administration Fee				
1999 Expenditures	\$ 724,998	\$ 156,389	\$ 503,167	\$ 1,384,554
	General Fund	Other	Water/Sewer	Total
2009	\$868,385	\$395,745	\$686,612	\$1,950,742
Less Equipment Rental			(71,416)	(71,416)
Less Administration Fee			(82,800)	(82,800)
2009 Expenditures	\$ 868,385	\$ 395,745	\$ 532,396	\$ 1,796,526

Changes in Revenue 1999-2009

The above chart shows in 1999 the General Fund had revenue of \$695,426, and the total revenue in all funds was \$1,419,585. In 2009 our total revenue in the General Fund was \$812,337 and the total revenue in all funds was \$1,748,164. There was an increase in revenue in ten (10) years of \$116,911 (17%) in the General Fund, and \$328,579 (23%) in all funds. The largest source of revenue in 1999 was State-Shared Revenue, the largest source of revenue in 2009 has shifted to tax revenue. Part of this shift in revenue from State-Shared Revenue to tax revenue is from the poor economic climate in Michigan, but part is also due to the economic development projects done by the City. Since the drop in the housing market, and the drop in value of property in the state of Michigan, the increase in the tax base, by bringing in new businesses and new housing developments, has helped the City to maintain a revenue stream during this ten year period, and help break the dependence on declining State-Shared revenue.

The largest increase in revenue (22%) was in the Water and Sewer Funds with revenue of \$567,770 in 1999, and revenue of \$693,593 in 2009. This 22% increase in the last 10 years is from two factors. First, the increase in the water and sewer rates approved by the City Council in 2006, and second the increase in usage generated by the WODA development.

Since the inflation rate during this ten (10) year period was 29.78%, revenue did not increase at the same rate.

Investment Earnings 1999-2009

In 1999 the City's interest earnings were \$20,951 with no investments other than the money held in the checking accounts. In 2009 the City had interest revenue of \$64,809 with investments of \$835,247, not including the money held in our checking accounts. In 1999 the interest rate, according to the Financial Management Service, United States Department of the Treasury, was 4.889%, and the interest rate for June of 2009 according to the same source, is 0.198%, or a drop of 4.691% in the interest rate earned in the 10 year period.

During this time of very low interest rates, our investment earnings have risen by \$43,858 or 209%. The City's first requirement for investments is safety, and our Investment Policy does state this, but the City's investments must also earn a good return on the citizen's investment. During the 2009 fiscal year, our bank statement fees have been higher than the interest earned on the money held in our general fund checking accounts. Investment income is very important since this is one revenue source that does not cost our citizens, but is generated by the City itself.

Changes in Expenditures 1999- 2009

In 1999 the total expenditures in the General Fund were \$724,998; the total City's expenditures in all funds (less depreciation) were \$1,384,554. By 2009, the total expenditures have risen to \$868,385 in the General Fund, and \$1,796,526 in all funds. This is an increase of 34% in the General Fund, and an increase of 37% in all funds. In 2009 the largest increase from the 1999 year was in other funds, with an increase of 153% (\$239,356). Part of this increase was the construction cost of our street projects for the Center and Main Street intersection and due to the large amount of labor and equipment charges for snow plowing last winter.

The only decrease in expenditures in the ten (10) year period was in the Water and Sewer Funds. This savings was reflected in labor cost and maintenance cost. The installation of the radio-read meters has cut the labor cost for the time to read the meters, even with the reading done on a monthly instead of a quarterly basis. Also the water improvement projects have helped control maintenance costs of repairing the City's old water and sewer infrastructure, and the increase in usage from the WODA subdivision has helped spread the cost of operating the system to more customers.

The expenditures were in line with the increase in health insurance, gas prices, and inflation during the ten year period.

Changes in Debt Balances 1999-2009

In 1999 the City had total long-term debt, excluding compensated absences, of \$1,327,588 and in 2009 the City's long-term debt is \$1,651,268, an increase of \$323,680. The only additional new debt since 1999 includes the bonds to build City Hall, and the water improvement loan from Van Buren County, and the loan for vehicle purchases. The bonds for City Hall have an interest rate of 4.75%, the vehicle purchases have an interest rate of 4.125%, and the water improvement loan has interest of 2.75%. The older debt, (all pre-1999) has higher interest rates, with the average of 6%.

On February 28, 2009, the City paid off the two 1987 Water Supply Revenue Bonds which had a balance due of \$149,000; these bonds had an interest rate of 6.125% on one, and 5.75% on the other. These bonds would have required a payment in 2009 of \$8,980 in interest, and \$7,000 in principal. They would have required interest and principal payments through January 1, 2026.

Changes in Fund Balance 1999-2009

In 1999 the governmental funds had a Fund Balance of \$422,444 and the Proprietary Funds (Water and Sewer) added \$1,046,458 to give the City of Hartford a total of \$1,468,902 in Fund Balance. By 2009, the Fund Balance has tripled rising by at least 334% to \$1,171,918 in governmental funds, and \$3,736,917 in the Water and Sewer Funds. The balance in the Water and Sewer Funds include assets not available to support future expenditures, including the water and sewer infrastructure.

The unreserved balance in the General Fund can be used to support current revenue for emergency expenditures or during times when expenditures are expected to exceed current revenue. The General Fund had a balance of \$110, 652 in 1999; this had risen to \$848,734 in 2009. The General Fund balance acts as a cushion during economic downturns, so the City can continue to offer the quality services our taxpayers expect.

The Government Finance Officers Association states "It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning."

The Next Decade

The challenge to the City's management for the next decade, as it has been for this decade, is to continue to replace the City's aging infrastructure and continue to maintain financial stability in the City with declining resources, without reducing the quality of services offered to our taxpayers.

How did the general economic climate, and the poor economic climate in the State of Michigan affect the financial stability of the City in the past decade? How have the City's financial statements been affected by this climate? Did the City's management respond to the challenges? And how will they respond to the challenges of the next decade?

Has the City moved forward in the 1999-2009 decade? Or has the financial stability of the City been affected by the challenges of the past decade? After reading the information presented, the City Council, the taxpayers, and the users of these financial statements can make an informed decision.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hartford's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The major governmental activities of the City include general government, public safety, highways and streets, and public works. The business-type activities of the City include water distribution and sewer operations.

The government-wide financial statements include not only the City itself, (known as the primary government) but also a Building Authority, although also legally separate, that functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government. The Hartford Downtown Development Authority, although also legally separate, has been included as a discretely presented component unit.

The government-wide financial statements can be found on pages 2 thru 3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Hartford maintains ten individual governmental funds. Of these ten funds, five are *special revenue funds* and five are *capital project funds*. *Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. *Capital project funds* are used to account for the acquisition or construction of major capital facilities or infrastructure by a governmental unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Street Fund, which are considered major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Hartford adopts an annual appropriated budget for its general fund. A *budgetary comparison statement* has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 thru 7 of this report.

Proprietary funds. The City of Hartford maintains only one type of proprietary fund, *enterprise funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide for separate information for the Water and Sewer funds, both of which are considered to be major funds by the City.

The basic proprietary fund financial statements can be found on pages 8 thru 12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are **not** reflected in the government-wide financial statement because the resources of these funds are **not** available to support the City's own programs. The City of Hartford collects taxes on behalf of other governments, and accounts for these tax collections in a fiduciary fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 27 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented on page 29 and 30. Combining and individual fund statements and schedules can be found on pages 31 through 45 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hartford, assets exceeded liabilities by \$5,758,874 at the close of the most recent fiscal year.

Referencing the chart below, by far the largest portion of the City's net assets (73.4 percent or \$4,226,389) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure) less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are **not** available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only \$349,165 (6.06 percent) of the City's net assets represent resources that are subject to external restriction on how they may be used. This includes the Iron Removal Plant investment account and the cash in the Water Fund for both the Water Tower Savings and the Iron Removal Plant Bond Account. The remaining balance of *unrestricted net assets* (20.5 percent or \$1,183,320) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was an increase of \$19,466 in total net assets for the 2008-2009 fiscal year. The capital assets, net of related debt, decreased by \$3,808 and restricted assets increased by \$52,125 for the year. Unrestricted assets decreased by \$28,851 this fiscal year. Unrestricted assets include cash and cash equivalents, investments, and receivables or the amount that may be used to meet the government's ongoing obligations to citizens and creditors.

City Of Hartford Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Current and other Assets	\$ 1,205,293	\$ 1,237,469	\$ 860,057	\$ 745,951	\$ 2,065,350
Capital Assets	1,837,499	1,903,092	4,104,527	4,227,010	5,942,026	6,130,102
Total Assets	\$ 3,042,792	\$ 3,140,561	\$ 4,964,584	\$ 4,972,961	\$ 8,007,376	\$ 8,113,522
Long-term Liabilities outstanding	\$ 977,297	\$ 1,008,085	\$ 723,945	\$ 931,026	\$ 1,701,242	\$ 1,939,111
Other liabilities	43,538	105,290	503,722	329,713	547,260	435,003
Total Liabilities	\$ 1,020,835	\$ 1,113,375	\$ 1,227,667	\$ 1,260,739	\$ 2,248,502	\$ 2,374,114
Net Assets:						
Invested in Capital assets, net of related debt	\$ 850,039	\$ 935,760	\$ 3,376,350	\$ 3,294,437	\$ 4,226,389	\$ 4,230,197
Restricted Assets			349,165	297,040	349,165	297,040
Unrestricted Assets	1,171,918	1,091,426	11,402	120,745	1,183,320	1,212,171
Total Net Assets	\$ 2,021,957	\$ 2,027,186	\$ 3,736,917	\$ 3,712,222	\$ 5,758,874	\$ 5,739,408

City of Hartford's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Revenue:					
Program Revenue						
Charges for Service	\$ 309,942	\$ 309,566	\$ 620,498	\$ 617,875	\$ 930,440	\$ 927,441
Operating Grants & Contrib.	11,621	255,889			11,621	255,889
Capital Grants & Contrib.		520,000				520,000
General Revenue						
Taxes	414,391	393,495	59,337	54,000	473,728	447,495
State shared revenue	486,894	316,031			486,894	316,031
Interest	44,794	46,179	20,015	32,856	64,809	79,035
Other	18,172	8,593	13,758	5,710	31,930	14,303
Gain on sale of assets	1,700	7,693			1,700	7,693
Transfers	5,708	(477,598)	(2,301)	479,035	3,407	1,437
Total Revenue	\$ 1,293,222	\$ 1,379,848	\$ 711,307	\$ 1,189,476	\$ 2,004,529	\$ 2,569,324
Expense:						
General Government	\$ 459,290	\$ 462,479			\$ 459,290	\$ 462,479
Public Works	384,121	387,756			384,121	387,756
Public Safety	405,935	435,877			405,935	435,877
Interest on Long-Term Debt	45,943	48,469			45,943	48,469
Other Governmental Activities	3,162	1,507			3,162	1,507
Sewer			358,880	392,116	358,880	392,116
Water			327,732	331,701	327,732	331,701
Total Expense:	\$ 1,298,451	\$ 1,336,088	\$ 686,612	\$ 723,817	\$ 1,985,063	\$ 2,059,905
Change in Net Assets	\$ (5,229)	\$ 43,760	\$ 24,695	\$ 465,659	\$ 19,466	\$ 509,419
Net Assets, Beginning of year	2,027,186	1,983,426	3,712,222	3,246,563	5,739,408	5,229,989
Net Assets, End of year	\$ 2,021,957	\$ 2,027,186	\$ 3,736,917	\$ 3,712,222	\$ 5,758,874	\$ 5,739,408

Governmental activities. Governmental activities decreased the net assets by \$5,229. Note on the above chart that key elements of this increase are as follows:

- Total revenues decreased by \$86,626 in Governmental Activities. The largest decrease was in Program revenue (decreased by \$763,892), with the largest decrease in grants and contributions (\$764,268).
- General revenues increased by \$193,960 (not including transfers to other funds). The tax revenue increased \$20,896 and state-shared revenue increased by \$170,863. The lower interest rates resulted in a decrease of \$1,385 in interest revenue, and there was an increase of \$3,586 in other revenue including sale of assets.
- Operating transfer to other funds decreased by a large amount which was \$483,306, and helped offset the large decrease in operating grants and contributions, which also affected the total revenue.
- Total expense in the Governmental Funds decreased by \$37,637. The only increase in expense in the Governmental Funds was in other governmental activities. General government, public works, public safety, and interest on long-term debt all showed decreases in expense, with the largest decrease in public safety.

Business-type activities. Business-type (for water and sewer service) activities increased the City of Hartford's net assets by \$24,695. Note on the above chart that key elements of this increase are as follows:

- Total revenue in the Water and Sewer Funds decreased by \$478,169. Although charges for services increased this fiscal year by \$2,623, and tax revenue increased by \$5,337, the large decrease in transfers into the funds (\$481,336) since the completion of the Water Improvement project resulted in the large decline in revenue for both the Business-type funds, and total revenue for the fiscal year.
- Total expenses in the Water and Sewer Funds decreased by \$37,205 with the largest decrease in expenses in the Sewer Fund (\$33, 236).

Financial Analysis of the Government's Funds

As noted earlier, the City of Hartford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Hartford's governmental funds reported combined ending fund balances of \$1,171,918, an increase of \$29,092 (2.5%) in comparison with the prior year. This entire amount was unreserved fund balances which are available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Hartford. At the end of the current fiscal year, unreserved fund balance of the general fund was \$848,734. As a measure of the general fund's liquidity it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 90% of total general fund expenditures plus transfers to other funds. The fund balance of the City's general fund increased by \$100,715 during the current fiscal year. Key factors in this increase are as follows:

- Total revenue decreased by \$45,361 in comparison with last fiscal year.
- Total expenditures decreased by \$109,381 in comparison with last fiscal year.
- The largest decrease in expenditures was for General Government (\$76,394).
- Operating transfers to other funds increased this fiscal year by \$23,246.

Since the general fund is the chief operating fund, it has the largest amount of expenditures of any governmental fund. Please note on page 6 of the financial report, that the total expenditures for the general fund are \$868,385 or 68.7% of all governmental funds. The expenditures are divided into several categories for easy comparison from fund to fund.

The general government category includes all general services of the city such as the clerk's, treasurer's and assessing offices, and the administration of the city including the city manager's office, and the city council. The public works category is the general maintenance of city property and the public safety category includes expenditures for the city's police department, zoning and ordinance enforcement, with the largest portion being the city's police department.

Public safety showed a decrease in expenditures of \$43,656, while public works increased by \$65,226 in comparison to last fiscal year.

Proprietary funds. The City of Hartford's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. This information may be found on page 8 to page 12 in this report.

Unrestricted net assets of the water and sewer funds at the end of the year amounted to \$11,402. The total increase or decline in net assets for both funds was (\$397) and \$25,092, respectively. Total capital assets, net of related debt, increased by \$81,913. The total increase or decline in capital assets, net of related debt, for both funds are \$110,986 and (\$29,073), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget in the General Fund were relatively minor. The actual revenue received was \$46,780 more than the final budget and \$75,584 less in appropriations was spent than the final budget including debt service and transfers.

On page 31 of this report, the original budget, the final budget, and actual amounts for the General Fund are given and compared.

Capital Asset and Debt Administration

City of Hartford Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	General obligation bonds	\$ 849,000	\$ 873,000	\$ 200,000	\$ 220,000	\$ 1,049,000
Revenue Bonds			310,000	474,000	310,000	474,000
Annexation	6,944	8,332			6,944	8,332
Installment Loans	77,000	86,000	208,324	233,945	285,324	319,945
Compensated Absences	44,353	40,753	5,621	3,081	49,974	43,834
Total	\$ 977,297	\$ 1,008,085	\$ 723,945	\$ 931,026	\$ 1,701,242	\$ 1,939,111

Long-term debt. At the end of the current fiscal year, the City of Hartford had total bonded debt outstanding of \$1,049,000. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds), installment loans, and annexation debt. The City's total long-term debt decreased by \$237,869 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10 percent of its total assessed valuation. The current debt limitation for the City of Hartford is \$4,191,380 which is significantly in excess of the City's outstanding general obligation debt.

Long-term debt and capital assets are not recorded as part of the *Governmental Funds* balance sheet as presented on page 4 of this report, but are included in the *Statement of Net Assets* found on page 2 of this report. On page 5 of this report the reconciliation of the balance sheet of *Governmental Funds to the Statement of Net Assets* is found. This reconciliation shows the effect of capital assets and long-term debt or liabilities on the balance sheets of the *Governmental Funds*.

Additional information on the City's long-term debt can be found in note 5 on pages 22 to 25 of this report.

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 is \$5,937,795 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, office equipment, vehicles, machinery and equipment, utility systems, and other non-depreciable capital assets. The total decrease in the City's investment in capital assets (net of depreciation) for the current fiscal year was \$187,679 or a 3.1 percent decrease.

CITY OF HARTFORD'S CAPITAL ASSETS
(Net of Depreciation) and (Net of Related Debt)

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 118,868	\$ 118,868	\$ 149,333	\$ 149,333	\$ 268,201	\$ 268,201
Construction in process						
Land Improvements	269,902	269,902			269,902	269,902
Buildings & Improvements	897,981	897,981	1,841,383	1,841,383	2,739,364	2,739,364
Office Equipment	64,352	59,083			64,352	59,083
Vehicles	98,459	98,459			98,459	98,459
Machinery & Equipment	362,273	339,980	1,196,762	1,188,502	1,559,035	1,528,482
Infrastructure	599,039	590,631			599,039	590,631
Utility Systems			3,879,762	3,852,472	3,879,762	3,852,472
Total Assets	\$ 2,410,874	\$ 2,374,904	\$ 7,067,240	\$ 7,031,690	\$ 9,478,114	\$ 9,406,594
Less Depreciation	(573,375)	(471,812)	(2,966,944)	(2,809,308)	(3,540,319)	(3,281,120)
Net of Depreciation	\$ 1,837,499	\$ 1,903,092	\$ 4,100,296	\$ 4,222,382	\$ 5,937,795	\$ 6,125,474
Related Debt	(987,460)	(967,332)	(723,946)	(927,945)	(1,711,406)	(1,895,277)
Net of Related Debt	\$ 850,039	\$ 935,760	\$ 3,376,350	\$ 3,294,437	\$ 4,226,389	\$ 4,230,197

As you can see on the above chart, capital assets for the governmental activities increased by \$35,970 in comparison with last fiscal year and the long-term debt increased by \$20,128 leaving a net loss in capital assets, after related debt, of \$85,721. This decrease in capital assets for governmental activities was mainly due to a larger than usual depreciation for the year, due to the additional infrastructure added last fiscal year.

The business activities' capital assets decreased \$122,086 (net of depreciation), and related debt decreased by \$203,999 leaving a net gain in business activities' capital assets of \$81,913.

The total of both governmental and business activities decreased our net assets (net of depreciation and related debt) by \$3,808.

Additional information on the City's capital assets can be found in note 4 - Capital Assets on page 21 and 22 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic climate in the State of Michigan will continue to affect the 2009-2010 budget, with less state-shared revenue, and less interest on the City's bank account. The housing market decline will result in additional work for our Police, Code Enforcement officers, and our DPW staff. With rising health care costs, and the costs of fringe benefits to our employees, the budget for labor and staff will continue to rise. All of these factors have been considered when making the 2009-2010 budget. Some line items, such as state-shared revenue, and gas prices will be monitored and the budget amendments made as needed.

During the current fiscal year, unreserved fund balance in the General Fund increased by \$100,715; the fund balance at the end of the 2008-2009 fiscal year is \$848,734. The City has appropriated \$ 81,289 of this amount for spending in the 2009-2010 fiscal-year budget for the General Fund. In all other funds, the City's budget includes an increase in fund balance of \$23,670 for the next fiscal year.

The City's management is always looking for ways to cut expenditures, such as employee health care costs, or reducing the amount of gas used, and controlling unplanned purchases. But cost control is only one side of the budget. For the City to be financially sound, it must continue to look for ways to insure a steady, reliable source of revenue.

Information on the variance between budget and actual amounts of revenue and expenditures for this fiscal year for the General Fund can be found on pages 31 to 39 in this report.

Requests for Information

This financial report is designed to provide a general overview of the City of Hartford's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, City of Hartford, 19 West Main Street, Hartford, Michigan 49057.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 24, 2009

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Hartford
Hartford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hartford's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through XIII and 31 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com 1

CITY OF HARTFORD
Statement of Net Assets
June 30, 2009

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Cash	\$ 36,234	\$ -	\$ 36,234	\$ 171
Investments	633,097	202,150	835,247	-
Prepaid expense	14,933	8,550	23,483	-
Receivables	20	133,545	133,565	-
Due from governmental funds	-	11,304	11,304	-
Due from fiduciary funds	57,117	-	57,117	-
Due from enterprise funds	334,688	155,343	490,031	-
Due from other governments	129,204	-	129,204	-
Restricted assets:				
Cash and equivalents	-	264,746	264,746	-
Investments	-	84,419	84,419	-
Capital assets (net of related depreciation) :				
Non-depreciable assets:				
Land	118,868	149,333	268,201	-
Depreciable assets:				
Buildings and improvements	743,073	851,351	1,594,424	-
Infrastructure	537,449	-	537,449	-
Land improvements	179,935	-	179,935	-
Machinery and equipment	197,583	194,323	391,906	-
Vehicles	30,192	-	30,192	-
Office equipment	30,399	-	30,399	-
Utility systems	-	2,905,288	2,905,288	-
Other assets:				
Sewer bond cost, net of accumulated amortization	-	4,232	4,232	-
TOTAL ASSETS	<u>\$ 3,042,792</u>	<u>\$ 4,964,584</u>	<u>\$ 8,007,376</u>	<u>\$ 171</u>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Liabilities				
Current Liabilities				
Accounts payable	\$ 19,141	\$ 4,006	\$ 23,147	\$ -
Due to fiduciary funds	-	2,478	2,478	-
Due to proprietary funds	11,304	155,343	166,647	-
Due to governmental funds	-	334,689	334,689	-
Payroll liabilities	2,930	586	3,516	-
Accrued interest	10,163	5,077	15,240	-
Unamortized bond premium	-	1,543	1,543	-
Noncurrent liabilities:				
Due within one year	36,388	71,334	107,722	-
Due in more than one year	940,909	652,611	1,593,520	-
Total Liabilities	<u>\$ 1,020,835</u>	<u>\$ 1,227,667</u>	<u>\$ 2,248,502</u>	<u>\$ -</u>
 Net Assets				
Invested in capital assets, net of related debt	\$ 850,039	\$ 3,376,350	\$ 4,226,389	\$ -
Restricted	-	349,165	349,165	-
Unrestricted	1,171,918	11,402	1,183,320	171
TOTAL NET ASSETS	<u>\$ 2,021,957</u>	<u>\$ 3,736,917</u>	<u>\$ 5,758,874</u>	<u>\$ 171</u>

CITY OF HARTFORD
Statement of Activities
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:				
Governmental Activities:				
General government	\$ 459,290	\$ 170,347	\$ 11,621	\$ -
Public safety	405,935	8,652	-	-
Public works	384,121	130,943	-	-
Community and economic development	3,162	-	-	-
Interest on long-term debt	45,943	-	-	-
	<u>\$ 1,298,451</u>	<u>\$ 309,942</u>	<u>\$ 11,621</u>	<u>\$ -</u>
Business-Type Activities:				
Water fund	\$ 327,732	\$ 263,117	\$ -	\$ -
Sewer fund	358,880	357,381	-	-
	<u>\$ 686,612</u>	<u>\$ 620,498</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 1,985,063</u>	<u>\$ 930,440</u>	<u>\$ 11,621</u>	<u>\$ -</u>
Component Unit:				
Downtown Development Authority	\$ 9,218	\$ -	\$ -	\$ -
	<u>\$ 9,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
State revenue sharing
Interest
Other revenue
Gain (loss) on sale of assets
Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

The accompanying notes are an integral part of these financial statements.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (277,322)	\$ -	\$ (277,322)	\$ -
(397,283)	-	(397,283)	-
(253,178)	-	(253,178)	-
(3,162)	-	(3,162)	-
<u>(45,943)</u>	<u>-</u>	<u>(45,943)</u>	<u>-</u>
\$ (976,888)	\$ -	\$ (976,888)	\$ -
\$ -	\$ (64,615)	\$ (64,615)	\$ -
<u>-</u>	<u>(1,499)</u>	<u>(1,499)</u>	<u>-</u>
\$ -	\$ (66,114)	\$ (66,114)	\$ -
\$ (976,888)	\$ (66,114)	\$ (1,043,002)	\$ -
\$ -	\$ -	\$ -	\$ (9,218)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,218)</u>
\$ 414,391	\$ 59,337	\$ 473,728	\$ 12,582
486,894	-	486,894	-
44,794	20,015	64,809	-
18,172	13,758	31,930	-
1,700	-	1,700	-
<u>5,708</u>	<u>(2,301)</u>	<u>3,407</u>	<u>(3,407)</u>
\$ 971,659	\$ 90,809	\$ 1,062,468	\$ 9,175
\$ (5,229)	\$ 24,695	\$ 19,466	\$ (43)
<u>2,027,186</u>	<u>3,712,222</u>	<u>5,739,408</u>	<u>214</u>
\$ 2,021,957	\$ 3,736,917	\$ 5,758,874	\$ 171

**CITY OF HARTFORD
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2009**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Cash	\$ 1,401	\$ 5,664	\$ 29,169	\$ 36,234
Investments	633,097	-	-	633,097
Prepaid expense	14,745	-	188	14,933
Accounts receivable	20	-	-	20
Due from fiduciary funds	57,117	-	-	57,117
Due from proprietary funds	57,794	148,204	140,784	346,782
Due from other governments	<u>103,930</u>	<u>18,645</u>	<u>6,629</u>	<u>129,204</u>
 Total Current Assets	 <u>\$ 868,104</u>	 <u>\$ 172,513</u>	 <u>\$ 176,770</u>	 <u>\$ 1,217,387</u>
 TOTAL ASSETS	 <u>\$ 868,104</u>	 <u>\$ 172,513</u>	 <u>\$ 176,770</u>	 <u>\$ 1,217,387</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 5,136	\$ 1,536	\$ 12,469	\$ 19,141
Payroll liabilities	2,930	-	-	2,930
Due to other funds	<u>11,304</u>	<u>12,094</u>	<u>-</u>	<u>23,398</u>
 Total Current Liabilities	 <u>\$ 19,370</u>	 <u>\$ 13,630</u>	 <u>\$ 12,469</u>	 <u>\$ 45,469</u>
 Total Liabilities	 <u>\$ 19,370</u>	 <u>\$ 13,630</u>	 <u>\$ 12,469</u>	 <u>\$ 45,469</u>
Fund Balances:				
Unreserved, reported in				
General Fund	\$ 848,734	\$ -	\$ -	\$ 848,734
Special Revenue	-	158,883	102,048	260,931
Capital Projects	<u>-</u>	<u>-</u>	<u>62,253</u>	<u>62,253</u>
 Total Fund Balances	 <u>\$ 848,734</u>	 <u>\$ 158,883</u>	 <u>\$ 164,301</u>	 <u>\$ 1,171,918</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 868,104</u>	 <u>\$ 172,513</u>	 <u>\$ 176,770</u>	 <u>\$ 1,217,387</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARTFORD
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the Year Ended June 30, 2009

Fund balances of governmental funds	\$ 1,171,918
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives.	1,837,499
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(977,297)
Accrued interest is not recorded as a liability in governmental funds. Interest expense is recognized in the year it is paid.	<u>(10,163)</u>
Net assets of governmental activities	<u>\$ 2,021,957</u>

CITY OF HARTFORD
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 398,832	\$ -	\$ -	\$ 398,832
Tax administration fee	15,559	-	-	15,559
Equipment rental	130,943	-	-	130,943
Federal grant	222	-	11,399	11,621
State revenue	323,713	120,294	42,887	486,894
Rent revenue	-	-	50,000	50,000
Charges for services	20,047	-	8,652	28,699
Interest	44,794	-	-	44,794
Administrative	100,300	-	-	100,300
Miscellaneous	9,170	4,602	4,400	18,172
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 1,043,580</u>	<u>\$ 124,896</u>	<u>\$ 117,338</u>	<u>\$ 1,285,814</u>
Expenditures				
Current:				
General government	\$ 345,415	\$ -	\$ -	\$ 345,415
Public safety	384,010	-	12,841	396,851
Public works	132,912	103,339	67,284	303,535
Community and economic development	3,162	-	-	3,162
Debt service:				
Principal	1,388	15,000	18,000	34,388
Interest	1,498	6,490	38,440	46,428
Capital outlay:				
General government	-	-	37,569	37,569
Public safety	-	-	2,670	2,670
Public works	-	-	94,112	94,112
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 868,385</u>	<u>\$ 124,829</u>	<u>\$ 270,916</u>	<u>\$ 1,264,130</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 175,195</u>	<u>\$ 67</u>	<u>\$ (153,578)</u>	<u>\$ 21,684</u>
Other Financing Sources (Uses):				
Sale of assets	\$ -	\$ -	\$ 1,700	\$ 1,700
Operating transfers in	-	15,000	144,080	159,080
Operating transfers out	(74,480)	(78,392)	(500)	(153,372)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>\$ (74,480)</u>	<u>\$ (63,392)</u>	<u>\$ 145,280</u>	<u>\$ 7,408</u>
Net Change in Fund Balances	\$ 100,715	\$ (63,325)	\$ (8,298)	\$ 29,092
Fund Balance - July 1, 2008	<u>748,019</u>	<u>222,208</u>	<u>172,599</u>	<u>1,142,826</u>
FUND BALANCE - JUNE 30, 2009	<u>\$ 848,734</u>	<u>\$ 158,883</u>	<u>\$ 164,301</u>	<u>\$ 1,171,918</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARTFORD
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$ 29,092
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlay as expenditures, but they are recorded as capital assets in the government-wide statements and depreciated over their useful lives. This is the amount by which depreciation exceeded capital outlay in the current period.</p>	(65,593)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net assets.</p>	(5,601)
<p>Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.</p>	36,388
<p>Decrease in the liability for accrued interest is not reported in the governmental funds</p>	<u>485</u>
<p>Change in net assets of governmental activities</p>	<u><u>\$ (5,229)</u></u>

**CITY OF HARTFORD
 PROPRIETARY FUNDS
 Statement of Net Assets
 June 30, 2009**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current Assets			
Investments	\$ -	\$ 202,150	\$ 202,150
Prepaid expense	4,462	4,088	8,550
Accounts receivable	45,177	88,368	133,545
Due from governmental funds	11,304	-	11,304
Due from proprietary funds	-	155,343	155,343
Sewer bond cost, net of \$4,009 accumulated amortization	<u>-</u>	<u>4,232</u>	<u>4,232</u>
 Total Current Assets	 <u>\$ 60,943</u>	 <u>\$ 454,181</u>	 <u>\$ 515,124</u>
 Restricted Assets			
Cash and cash equivalents	\$ 264,746	\$ -	\$ 264,746
Investments	<u>84,419</u>	<u>-</u>	<u>84,419</u>
 Total Restricted Assets	 <u>\$ 349,165</u>	 <u>\$ -</u>	 <u>\$ 349,165</u>
 Property, Plant, and Equipment			
Land and improvements	\$ 8,620	\$ 140,713	\$ 149,333
Building and improvements	837,477	1,003,906	1,841,383
Equipment	232,520	964,242	1,196,762
Mains	<u>2,576,819</u>	<u>1,302,942</u>	<u>3,879,761</u>
 Total Property, Plant, and Equipment	 <u>\$ 3,655,436</u>	 <u>\$ 3,411,803</u>	 <u>\$ 7,067,239</u>
Less: Accumulated Depreciation	<u>960,744</u>	<u>2,006,200</u>	<u>2,966,944</u>
 Net Property, Plant, and Equipment	 <u>\$ 2,694,692</u>	 <u>\$ 1,405,603</u>	 <u>\$ 4,100,295</u>
 TOTAL ASSETS	 <u>\$ 3,104,800</u>	 <u>\$ 1,859,784</u>	 <u>\$ 4,964,584</u>

The accompanying notes are an integral part of these financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 2,301	\$ 1,705	\$ 4,006
Due to other funds	492,510	-	492,510
Accrued payroll liabilities	-	586	586
Accrued interest	4,428	649	5,077
Unamortized bond premium	1,543	-	1,543
Current portion of long-term debt	<u>62,334</u>	<u>9,000</u>	<u>71,334</u>
Total Current Liabilities	\$ 563,116	\$ 11,940	\$ 575,056
Long-term liabilities (net of current portion)			
Long-term debt	<u>516,490</u>	<u>136,121</u>	<u>652,611</u>
Total Liabilities	<u>\$ 1,079,606</u>	<u>\$ 148,061</u>	<u>\$ 1,227,667</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 2,115,868	\$ 1,260,482	\$ 3,376,350
Restricted for restricted assets	349,165	-	349,165
Unrestricted	<u>(439,839)</u>	<u>451,241</u>	<u>11,402</u>
Total Net Assets	<u>\$ 2,025,194</u>	<u>\$ 1,711,723</u>	<u>\$ 3,736,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,104,800</u>	<u>\$ 1,859,784</u>	<u>\$ 4,964,584</u>

**CITY OF HARTFORD
 PROPRIETARY FUNDS
 Combining Statement of Revenues, Expenses and
 Changes in Net Assets
 For the Year Ended June 30, 2009**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 250,279	\$ 347,598	\$ 597,877
Penalties	6,617	9,783	16,400
Property taxes	59,337	-	59,337
Water tower rental	6,221	-	6,221
Miscellaneous	40	13,718	13,758
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	\$ 322,494	\$ 371,099	\$ 693,593
	<hr/>	<hr/>	<hr/>
Operating Expenses			
Salaries and wages	\$ 29,059	\$ 89,859	\$ 118,918
Payroll taxes	2,166	6,800	8,966
Fringe benefits	14,035	25,863	39,898
Supplies	22,514	33,008	55,522
Postage	1,455	1,487	2,942
Contractual services	2,998	25,735	28,733
Professional fees	2,100	3,000	5,100
Telephone	513	2,671	3,184
Utilities	10,566	17,893	28,459
Repairs and maintenance	11,018	16,878	27,896
Rental	47,193	24,223	71,416
Insurance and bonds	1,488	1,363	2,851
Depreciation and amortization	95,036	62,996	158,032
Administrative fee	53,500	29,300	82,800
Miscellaneous	1,452	10,522	11,974
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	\$ 295,093	\$ 351,598	\$ 646,691
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	\$ 27,401	\$ 19,501	\$ 46,902
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD
 PROPRIETARY FUNDS
 Combining Statement of Revenues, Expenses and
 Changes in Net Assets - Continued
 For the Year Ended June 30, 2009**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Nonoperating Revenue (Expense)			
Interest income	\$ 5,570	\$ 14,445	\$ 20,015
Interest expense	<u>(32,639)</u>	<u>(7,282)</u>	<u>(39,921)</u>
 Total Nonoperating Revenue (Expense)	 <u>\$ (27,069)</u>	 <u>\$ 7,163</u>	 <u>\$ (19,906)</u>
 Income before transfers	 <u>\$ 332</u>	 <u>\$ 26,664</u>	 <u>\$ 26,996</u>
 Other Financing Sources (Uses):			
Operating transfers out	\$ (729)	\$ (1,572)	\$ (2,301)
 Total Other Financing Sources (Uses)	 <u>\$ (729)</u>	 <u>\$ (1,572)</u>	 <u>\$ (2,301)</u>
 Change in Net Assets	 \$ (397)	 \$ 25,092	 \$ 24,695
 Total Net Assets - July 1, 2008	 <u>2,025,591</u>	 <u>1,686,631</u>	 <u>3,712,222</u>
 TOTAL NET ASSETS - JUNE 30, 2009	 <u><u>\$ 2,025,194</u></u>	 <u><u>\$ 1,711,723</u></u>	 <u><u>\$ 3,736,917</u></u>

**CITY OF HARTFORD
PROPRIETARY FUNDS
Combining Statement of Cash Flows
For the Year Ended June 30, 2009**

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 325,264	\$ 368,692	\$ 693,956
Cash payments from other funds	180,368	-	180,368
Payments to other funds	(11,304)	(155,343)	(166,647)
Payments to employees	(45,260)	(121,233)	(166,493)
Payments for interfund services	(100,693)	(53,523)	(154,216)
Payments to suppliers	<u>(57,086)</u>	<u>(117,888)</u>	<u>(174,974)</u>
Net cash provided by operating activities	<u>\$ 291,289</u>	<u>\$ (79,295)</u>	<u>\$ 211,994</u>
Cash Flows From Noncapital Financing Activities:			
Transfer to other funds	<u>\$ (729)</u>	<u>\$ (1,572)</u>	<u>\$ (2,301)</u>
Net cash used by noncapital financing activities	<u>\$ (729)</u>	<u>\$ (1,572)</u>	<u>\$ (2,301)</u>
Cash Flows From Capital and Related Financing Activities:			
Principal paid	\$ (202,872)	\$ (6,750)	(209,622)
Interest paid on debt	(37,886)	(7,282)	(45,168)
Purchase of fixed assets	<u>(3,150)</u>	<u>(32,400)</u>	<u>(35,550)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (243,908)</u>	<u>\$ (46,432)</u>	<u>\$ (290,340)</u>
Cash Flows From Investing Activities:			
Investment sold (purchased)	\$ 5,551	\$ 13,298	\$ 18,849
Investment from interest income	<u>5,473</u>	<u>14,445</u>	<u>19,918</u>
Net cash provided (used) by investing activities	<u>\$ 11,024</u>	<u>\$ 27,743</u>	<u>\$ 38,767</u>
Net increase (decrease) in cash and cash equivalents	\$ 57,676	\$ (99,556)	\$ (41,880)
Balance - July 1, 2008	<u>207,070</u>	<u>99,556</u>	<u>306,626</u>
BALANCE - JUNE 30, 2009	<u>\$ 264,746</u>	<u>\$ -</u>	<u>\$ 264,746</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF HARTFORD
 PROPRIETARY FUNDS
 Statement of Cash Flows - Continued
 For the Year Ended June 30, 2009**

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 27,401	\$ 19,501	\$ 46,902
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expenses	\$ 95,036	\$ 62,996	\$ 158,032
(Increase) decrease in inventory	300	-	300
(Increase) decrease in receivables	(8,834)	(157,750)	(166,584)
(Increase) decrease in prepaids	(4,462)	(4,088)	(8,550)
Increase (decrease) in accrued payroll liabilities	-	1,289	1,289
Increase (decrease) in payables	181,848	(1,243)	180,605
Total adjustments	\$ 263,888	\$ (98,796)	\$ 165,092
Net cash provided (used) by operating activities	\$ 291,289	\$ (79,295)	\$ 211,994

**CITY OF HARTFORD
FIDUCIARY FUNDS
Statement of Net Assets
June 30, 2009**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 60,146
Due from other funds	<u>2,478</u>
TOTAL ASSETS	<u>\$ 62,624</u>
Liabilities	
Accounts payable	\$ 5,472
Due to other governments	25
Due to other funds	<u>57,127</u>
TOTAL LIABILITIES	<u>\$ 62,624</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hartford operates under a council-manager form of government. Services provided for its citizens include: public safety, water and sewer services, streets, planning and zoning, and general administrative services.

The accounting methods and procedures adopted by the City of Hartford, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

A. Scope of Reporting Entity

In evaluating how to define the City's reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. All funds and account groups under direct control of the City of Hartford are included in this report.

The City has two component units, the Downtown Development Authority and the City of Hartford Building Authority. Based upon the above criteria the Downtown Development Authority has been included in the City's financial statements as a discretely presented component unit, and the City of Hartford Building Authority has been presented as a blended component unit and its data has been blended with data from other special revenue funds.

The Hartford Fire Board is operated as a joint venture with the Township of Hartford. The organizational agreement provides for a joint exercise of power and the establishment of a separate administrative entity. Members of the Hartford Fire Board are selected by the City Commission and the Hartford Township Board with other members selected by other appointees. After the operating budget has been prepared and approved by the City and the Township, each contributes its share to the budget. The City has a 50% equity claim to Fire Board property and equipment upon liquidation.

The following financial information of the joint venture obtained from audited financial statements is as of June 30, 2008, the most recent financial statement available.

Total assets	\$222,140
Total liabilities	526
Net assets	221,614
Total revenue and other financing sources	301,240
Total expenditures	535,274
Decrease in net assets	(234,034)

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expense of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued

The City of Hartford reports the following major governmental funds:

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

The **Major Street Fund** is used to account for major street repair and maintenance.

The City of Hartford reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the City's water production, purification, distribution, and billing.

The **Sewer Fund** accounts for the activities related to the City's sanitary collections system and wastewater treatment.

Additionally, the City of Hartford reports the following fund type:

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Water Fund, Sewer Fund, and other functions and segments. Elimination of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first. Unrestricted resources are used as they are needed.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Budgetary Data

At an April meeting the Manager submits to the City Commission a proposed operating budget for the calendar year. The operating budget includes proposed expenditures and the means of financing them for all governmental and proprietary fund types. Public hearings are then conducted at the City Hall to obtain taxpayer comments. Prior to June 30, 2009 the budget is legally enacted on a summary budget basis through passage of a resolution.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Hartford as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land	N/A
Buildings	25-50 years
Equipment	5-15 years
Vehicles	3-12 years
Utility Systems	10-40 years
Land Improvements	15-25 years

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

G. Property Taxes

City property taxes are levied on July 1 and are payable without penalty through September 30. The City bills and collects its own property taxes and also taxes for the County and several other municipalities within its jurisdiction. Collections and remittances of all taxes are accounted for in the Current Tax Agency Fund. Property taxes become available and are thus recognized as revenue in the fiscal year they are levied.

H. Cash Flow Statement

For purposes of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay. Upon voluntary leaving or retirement an employee is entitled to payment of 60% of his/her accumulated and unused sick pay computed at the final hourly rate of pay. Employees are not permitted to carry over vacation days. Any unused vacation days upon termination of employment are paid 100% based on the final hourly rate. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Fund Balance Reserves

A fund balance reserve arises from statutory requirements or actions already taken by the City. The reserved portion of the fund balance identifies those amounts segregated for future purposes or not available to finance expenditures in the subsequent fiscal year.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City of Hartford in accordance with Michigan Public Act 20 of 1943 as amended, is authorized to invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City may also invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated at the time of purchase within the two highest classifications and that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that at the time of purchase are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. The City evaluates financial institutions with which it deposits funds and assesses the level of risk; only those institutions with an acceptable risk level are used as depositories. At year end, the city had \$140,863 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent:

<u>Type of investment</u>	<u>Carrying Value</u>
U.S. government securities fund	\$ 322,043
Domestic corporate fixed income securities	<u>597,622</u>
Total Carrying Value	<u>\$ 919,665</u>

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper which can only be purchased with not more than a 270 day maturity. The City's investment portfolio is designed to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Accordingly, the domestic corporate fixed income securities are taken out to mature according to the City's needs. Money can be drawn on the U.S. government securities fund at any time. The fair value at June 30, 2009 of the domestic corporate fixed income securities and U.S. government securities fund are \$597,622 and \$322,043 respectively.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Concentration of Credit Risk

The City does not have a policy for concentration of credit risk. As of June 30, 2009, 35% of the City's investments are in a U.S. government securities fund. The remaining 65% is invested in domestic corporate fixed income securities.

NOTE 3 - EXPENDITURES OVER BUDGET

The annual budget is prepared by the City management and adopted by the City Commission. Subsequent amendments are approved by the City Commission.

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved General Fund budget of the City was adopted at the department level. During the year ended June 30, 2009, the City incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity Appropriation</u>	<u>Activity Expenditures</u>	<u>Negative Budget Activity</u>
General Fund:			
Operating transfers out	\$ 55,500	\$ 74,480	\$ 18,980
Major Street Fund:			
Traffic services	13,700	25,479	11,779
Winter maintenance	32,300	35,220	2,920
Professional fees	7,000	9,500	2,500
Operating transfers out	1,500	78,392	76,892

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2009 were as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental Activities				
Land	\$ 118,868	\$ -	\$ -	\$ 118,868
Total Nondepreciable Assets	<u>\$ 118,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,868</u>
Land improvements	\$ 269,902	\$ -	\$ -	\$ 269,902
Buildings and improvements	897,981	-	-	897,981
Machinery and equipment	339,980	22,293	-	362,273
Office equipment	59,083	5,269	-	64,352
Vehicles	98,459	-	-	98,459
Infrastructure	<u>590,631</u>	<u>8,408</u>	<u>-</u>	<u>599,039</u>
Subtotal	\$ 2,256,036	\$ 35,970	\$ -	\$ 2,292,006
Less: Accumulated Depreciation	<u>(471,812)</u>	<u>(101,563)</u>	<u>-</u>	<u>(573,375)</u>
Total Capital Assets Other Than Nondepreciable	<u>\$ 1,784,224</u>	<u>\$ (65,593)</u>	<u>\$ -</u>	<u>\$ 1,718,631</u>
Business Activities				
Land	\$ 149,333	\$ -	\$ -	\$ 149,333
Total Nondepreciable Assets	<u>\$ 149,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,333</u>
Buildings and improvements	\$ 1,841,383	\$ -	\$ -	\$ 1,841,383
Equipment	1,188,502	8,260	-	1,196,762
Utility systems	<u>3,852,472</u>	<u>27,290</u>	<u>-</u>	<u>3,879,762</u>
Subtotal	\$ 6,882,357	\$ 35,550	\$ -	\$ 6,917,907
Less: Accumulated Depreciation	<u>(2,809,308)</u>	<u>(157,636)</u>	<u>-</u>	<u>(2,966,944)</u>
TOTAL CAPITAL ASSETS OTHER THAN LAND	<u>\$ 4,073,049</u>	<u>\$ (122,086)</u>	<u>\$ -</u>	<u>\$ 3,950,963</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 4 - CAPITAL ASSETS - Continued

Depreciation expense was charged in the following functions in the statement of activities:

Governmental functions:	
General government	\$ 59,671
Public safety	14,417
Public works	<u>27,475</u>
 Total	 <u>\$ 101,563</u>
 Business-Type functions:	
Water	\$ 95,036
Sewer	<u>62,600</u>
 Total	 <u>\$ 157,636</u>

Amortization expense was charged in the following functions in the statement of activities:

Business-Type functions:	
Sewer Fund	\$ <u>396</u>

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2009:

	<u>Bonds</u>	<u>Other Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2008	\$ 1,567,000	\$ 328,277	\$ 43,834	\$ 1,939,111
New debt	-	-	6,140	6,140
Debt redeemed	<u>208,000</u>	<u>36,009</u>	<u>-</u>	<u>244,009</u>
 Balance at June 30, 2009	 <u>\$ 1,359,000</u>	 <u>\$ 292,268</u>	 <u>\$ 49,974</u>	 <u>\$ 1,701,242</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 5 - LONG-TERM DEBT - Continued

Long-term debt at June 30, 2009 is comprised of the following individual issues:

Governmental Activities - Primary Activities	Balance July 1, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2009</u>	<u>Due Within One Year</u>
\$27,765 Township of Hartford for annexation of property by the City conditional upon installation of water and sewer main along County Road 687 by December 31, 2013. Due in annual installments increasing from \$1,860 to \$3,683 through February 15, 2014, including interest at 5%.	\$ 8,332	\$ -	\$ 1,388	\$ 6,944	\$ 1,388
\$220,000 1999 Michigan Transportation Fund Bonds due in annual installments of \$10,000 to \$20,000 through August 1, 2014, plus interest at 5.0% to 5.1%.	130,000	-	15,000	115,000	15,000
\$732,000 2001 Building Authority Bonds, Series A, due in annual installments of \$7,000 to \$45,000 through November 1, 2042, plus interest at 4.75%.	689,000	-	8,000	681,000	9,000
\$60,000 2001 Building Authority Bonds, Series B, due in annual installments of \$1,000 to \$3,000 through November 1, 2039, plus interest at 4.75%.	54,000	-	1,000	53,000	1,000
\$103,000 loan for purchase of police car and two public works trucks due in annual installments of \$8,000 to \$12,000 plus interest at 4.125% through August 1, 2015.	86,000	-	9,000	77,000	10,000
Compensated absences - General Fund, Property Replacement Fund, Streetscape Fund, Building Department Fund, Local Street Fund, Major Street Fund and Sidewalk Fund.	<u>40,753</u>	<u>3,600</u>	<u>-</u>	<u>44,353</u>	<u>-</u>
Total Primary Government	<u>\$ 1,008,085</u>	<u>\$ 3,600</u>	<u>\$ 34,388</u>	<u>\$ 977,297</u>	<u>\$ 36,388</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 5 - LONG-TERM DEBT - Continued

	Balance July 1, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2009</u>	<u>Due Within One Year</u>
Business Activities					
200,000 1987 Water Supply Revenue Bonds, Series A, interest at 6.125%. Paid off on February 28, 2009.	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ -
\$75,000 1987 Water Supply Revenue Bonds, Series B, interest at 5.75%. Paid off on February 28, 2009.	39,000	-	39,000	-	-
\$395,000 Unlimited Tax General Obligation Bonds due in annual installments of \$15,000 to \$35,000 through October 15, 2015, plus interest at 5.5% to 6.1%.	220,000	-	20,000	200,000	25,000
\$425,000 1999 Water Supply and Sewage Disposal System Bonds due in annual installments of \$15,000 to \$30,000 through November 1, 2020, plus interest at 5.0% to 6.0%.	325,000	-	15,000	310,000	20,000
\$277,127 loan for Water Improvement Fund from Van Buren County due in quarterly installments of \$6,043 to \$7,123 plus interest of 2.75% through September 22, 2016.	233,945	-	25,621	208,324	26,333
Compensated absences - Water Fund and Sewer Fund.	3,081	2,540	-	5,621	-
			-		
Total Business Activities	<u>\$ 931,026</u>	<u>\$ 2,540</u>	<u>\$ 209,621</u>	<u>\$ 723,945</u>	<u>\$ 71,333</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 5 - LONG-TERM DEBT - Continued

Annual debt service requirements to maturity, excluding compensated absences, for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business Activities	
	Principal	Interest	Principal	Interest
2009	\$ 36,388	\$ 44,655	\$ 71,333	\$ 31,970
2010	41,389	43,043	72,065	28,800
2011	42,389	41,291	77,817	25,461
2012	43,389	39,503	83,590	21,801
2013	45,389	37,648	84,384	17,957
2014-2018	110,000	155,403	269,135	40,471
2019-2023	84,000	136,328	60,000	3,172
2024-2028	108,000	113,387	-	-
2029-2033	134,000	85,030	-	-
2034-2038	170,000	48,879	-	-
2039-2043	118,000	8,837	-	-
Total	\$ 932,944	\$ 754,004	\$ 718,324	\$ 169,632

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City incurred the following transfers for the year:

Transferred Out	Transferred To	Purpose of Transfer	Amount
General Fund	Sidewalk Fund	Replace sidewalks	\$ 5,000
	Blueprint for Michigan Downtowns	Hartford downtown blueprint	10,887
	Property Replacement Fund	New equipment	40,500
	Downtown Development Authority	Replace sign	3,093
	Major Street Fund	Electric street lights	15,000
			<u>\$ 74,480</u>
Major Street Fund	South Parking Lot Project	South parking lot project	\$ 1,980
	Sidewalk Fund	Replace sidewalks	1,500
	Main and Center	Main and Center Reconstruction	74,912
		<u>\$ 78,392</u>	
Local Street Fund	Sidewalk Fund	Replace sidewalks	<u>\$ 500</u>
Downtown Development Authority	Blueprint for Michigan Downtowns	Hartford downtown blueprint	\$ 5,000
	Sidewalk Fund	Replace sidewalks	1,500
			<u>\$ 6,500</u>
Water Fund	Water Improvement Fund	Water improvements	<u>\$ 729</u>
Sewer Fund	Water Improvement Fund	Water improvements	<u>\$ 1,572</u>
Total transfers out for all funds			<u>\$ 162,173</u>

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Reconciliation of Transfers out:	
Governmental Funds	\$ 153,372
Proprietary Funds	2,301
Component Unit	<u>6,500</u>
Total Transfers Out	<u>\$ 162,173</u>

The composition of interfund balances as of June 30, 2009, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Current Tax Fund	\$ 57,117
General Fund	Water Fund	57,794
Major Street Fund	Water Fund	148,204
Local Street Fund	Water Fund	20,276
Sidewalk Fund	Water Fund	1,879
Building Department Fund	Water Fund	44,283
Property Replacement Fund	Water Fund	62,253
Sewer Fund	Water Fund	155,343
Trust and Agency Fund	Water Fund	2,478
Water Fund	General Fund	11,304
Main and Center Reconstruction Fund	Major Street Fund	<u>12,094</u>
Total		<u>\$ 573,025</u>

The Current Tax Fund owes the General Fund for money used to open the tax account and interest on that money.

The Water Fund owes the Major Street Fund, Building Department Fund, Local Street Fund, Sidewalk Fund, Property Replacement Fund, Sewer Fund and Trust and Agency Fund for cash allocation in the sweep checking account.

CITY OF HARTFORD
Notes to Financial Statements
June 30, 2009

NOTE 7 - SEGMENT INFORMATION FROM ENTERPRISE FUNDS

The City maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended June 30, 2009 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 322,494	\$ 371,099	\$ 693,593
Depreciation and amortization	95,036	62,996	158,032
Operating income (loss)	27,401	19,501	46,902
Nonoperating revenues (expenses)	(27,069)	7,163	(19,906)
Change in net assets	(397)	25,092	24,695
Property, plant, and equipment additions	3,150	32,399	35,549
Net working capital	(502,173)	442,241	(59,932)
Long-term debt	578,824	145,121	723,945
Total assets	3,104,800	1,859,784	4,964,584
Total net assets	2,025,194	1,711,723	3,736,917

NOTE 8 - NET ASSETS

Reserves of net assets are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as donor-restricted endowments and long-term advances to other funds or entities.

At June 30, 2009, reserves of fund equity consisted of the following:

Enterprise Funds:	
Water Fund	
Reserved for restricted assets	<u>\$ 349,165</u>

NOTE 9 - LEASE AGREEMENT

On December 4, 2001, the City of Hartford Building Authority issued City of Hartford Building Authority Bonds, Series 2001A and 2001B in the amount of \$732,000 and \$60,000 respectively. Subsequent to issuing bonds, the Building Authority constructed a new City Hall and Police Department headquarters. The City of Hartford entered into a lease contract with the Building Authority. The lease contract provides for the City to pay the Building Authority rent for the City Hall in an amount sufficient to enable the Building Authority to pay the principal and interest on the bonds issued by the Building Authority. The lease contract will terminate when all bonds issued by the Building Authority to finance the project have been retired. At that time, the Building Authority will convey to the City all of its rights, title and interest in the City Hall.

**CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sidewalk Fund - This fund is used to account for revenues collected and monies expended for the purpose of street sidewalks.

Local Street Fund - This fund is used to account for revenues collected and monies expended for local street improvements.

Building Department Fund - This fund is used to account for revenues collected and monies expended for the purpose of funding planning, zoning and inspection functions.

Building Authority - This fund is a blended component unit. It is used to collect lease payments from the City and make debt payments.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Property Replacement Fund - This fund is used to account for the capital improvements to replace obsolete equipment.

Water Improvement Fund - This fund is used to account for the replacement of water mains to improve the City's water pressure and quality.

Main and Center Reconstruction Fund - This fund is used to account for capital improvements at the intersection of Main and Center Street.

Blueprints for Michigan Downtowns - This fund is used to account for downtown Hartford's blueprints.

South Parking Lot Project - This fund is used to account for improvements to the south parking lot.

CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 29,169	\$ -	\$ 29,169
Prepaid expense	188	-	188
Due from other funds	66,437	74,347	140,784
Due from other governments	<u>6,629</u>	<u>-</u>	<u>6,629</u>
Total Current Assets	<u>\$ 102,423</u>	<u>\$ 74,347</u>	<u>\$ 176,770</u>
TOTAL ASSETS	<u>\$ 102,423</u>	<u>\$ 74,347</u>	<u>\$ 176,770</u>
Liabilities and Fund Balances			
Current Liabilities:			
Accounts payable	<u>\$ 375</u>	<u>\$ 12,094</u>	<u>\$ 12,469</u>
Total Current Liabilities	<u>\$ 375</u>	<u>\$ 12,094</u>	<u>\$ 12,469</u>
Total Liabilities	<u>\$ 375</u>	<u>\$ 12,094</u>	<u>\$ 12,469</u>
Fund Balances:			
Unreserved, report in:			
Special revenue	\$ 102,048	\$ -	\$ 102,048
Capital projects	<u>-</u>	<u>62,253</u>	<u>62,253</u>
Total Fund Balances	<u>\$ 102,048</u>	<u>\$ 62,253</u>	<u>\$ 164,301</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 102,423</u>	<u>\$ 74,347</u>	<u>\$ 176,770</u>

CITY OF HARTFORD
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
State revenues	\$ 42,887	\$ -	\$ 42,887
Federal grant	-	11,399	11,399
Rent	50,000	-	50,000
Charges for services	8,652	-	8,652
Miscellaneous revenue	<u>3,500</u>	<u>900</u>	<u>4,400</u>
 Total Revenues	 <u>\$ 105,039</u>	 <u>\$ 12,299</u>	 <u>\$ 117,338</u>
 Expenditures:			
Current:			
Public safety	\$ 12,841	\$ -	\$ 12,841
Public works	67,284	-	67,284
Debt service:			
Principal	9,000	9,000	18,000
Interest	35,078	3,362	38,440
Capital outlay:			
General government	-	37,569	37,569
Public safety	-	2,670	2,670
Public works	<u>-</u>	<u>94,112</u>	<u>94,112</u>
 Total Expenditures	 <u>\$ 124,203</u>	 <u>\$ 146,713</u>	 <u>\$ 270,916</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (19,164)</u>	 <u>\$ (134,414)</u>	 <u>\$ (153,578)</u>
 Other Financing Sources (Uses):			
Sale of assets	\$ -	\$ 1,700	\$ 1,700
Operating transfers in	8,500	135,580	144,080
Operating transfers out	<u>(500)</u>	<u>-</u>	<u>(500)</u>
 Total Other Financing Sources (Uses)	 <u>\$ 8,000</u>	 <u>\$ 137,280</u>	 <u>\$ 145,280</u>
 Net Change in Fund Balances	 <u>\$ (11,164)</u>	 <u>\$ 2,866</u>	 <u>\$ (8,298)</u>
 Fund Balances - July 1, 2008	 <u>113,212</u>	 <u>59,387</u>	 <u>172,599</u>
 FUND BALANCES - JUNE 30, 2009	 <u>\$ 102,048</u>	 <u>\$ 62,253</u>	 <u>\$ 164,301</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 369,000	\$ 389,000	\$ 398,832	\$ 9,832
Tax administration fee	11,000	11,000	15,559	4,559
Equipment rental	125,000	125,000	130,943	5,943
Federal grant	-	-	222	222
State revenue	333,000	333,000	323,713	(9,287)
Charges for services	-	-	20,047	20,047
Interest	37,000	37,000	44,794	7,794
Administration fee - other funds	101,800	101,800	100,300	(1,500)
Other	-	-	9,170	9,170
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 976,800	\$ 996,800	\$ 1,043,580	\$ 46,780
Expenditures:				
Current:				
General government	\$ 367,765	\$ 370,365	\$ 345,415	\$ 24,950
Public safety	56,000	416,400	384,010	32,390
Public works	58,500	163,284	132,912	30,372
Community and economic development	8,000	8,000	3,162	4,838
Debt service	4,900	4,900	2,886	2,014
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 495,165	\$ 962,949	\$ 868,385	\$ 94,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 481,635	\$ 33,851	\$ 175,195	\$ 141,344
Other Financing Sources (Uses):				
Operating transfers out	<u>(74,480)</u>	<u>(55,500)</u>	<u>(74,480)</u>	<u>(18,980)</u>
Net change in Fund Balances	\$ 407,155	\$ (21,649)	\$ 100,715	\$ 122,364
Fund Balances - July 1, 2008	<u>748,019</u>	<u>748,019</u>	<u>748,019</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 1,155,174</u>	<u>\$ 726,370</u>	<u>\$ 848,734</u>	<u>\$ 122,364</u>

**CITY OF HARTFORD
MAJOR STREET FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State revenues	\$ 140,000	\$ 140,000	\$ 120,294	\$ (19,706)
Miscellaneous	<u>7,000</u>	<u>7,000</u>	<u>4,602</u>	<u>(2,398)</u>
Total Revenues	<u>\$ 147,000</u>	<u>\$ 147,000</u>	<u>\$ 124,896</u>	<u>\$ (22,104)</u>
Expenditures:				
Routine maintenance	\$ 52,600	\$ 51,100	\$ 32,390	\$ 18,710
Traffic services	13,700	13,700	25,479	(11,779)
Street construction	10,000	10,000	750	9,250
Nonmotorized	2,600	2,600	-	2,600
Winter maintenance	32,300	32,300	35,220	(2,920)
Professional fees	7,000	7,000	9,500	(2,500)
Debt service:				
Principal	16,000	16,000	15,000	1,000
Interest	<u>11,200</u>	<u>11,200</u>	<u>6,490</u>	<u>4,710</u>
Total Expenditures	<u>\$ 145,400</u>	<u>\$ 143,900</u>	<u>\$ 124,829</u>	<u>\$ 19,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,600</u>	<u>\$ 3,100</u>	<u>\$ 67</u>	<u>\$ (3,033)</u>
Other Financing Sources (Uses):				
Operating transfers in	\$ 20,000	\$ 20,000	\$ 15,000	\$ (5,000)
Operating transfers out	<u>-</u>	<u>(1,500)</u>	<u>(78,392)</u>	<u>(76,892)</u>
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 18,500</u>	<u>\$ (63,392)</u>	<u>\$ (81,892)</u>
Net Change in Fund Balances	\$ 21,600	\$ 21,600	\$ (63,325)	\$ (84,925)
Fund Balances - July 1, 2008	<u>222,208</u>	<u>222,208</u>	<u>222,208</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 243,808</u>	<u>\$ 243,808</u>	<u>\$ 158,883</u>	<u>\$ (84,925)</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Taxes	\$ 389,000	\$ 398,832	\$ 9,832
Tax administration fee	11,000	15,559	4,559
Equipment rental	125,000	130,943	5,943
Federal grant	-	222	222
State revenue	333,000	323,713	(9,287)
Charges for services	-	20,047	20,047
Interest	37,000	44,794	7,794
Administration fee - other funds	101,800	100,300	(1,500)
Other	<u>-</u>	<u>9,170</u>	<u>9,170</u>
 Total Revenues	 <u>\$ 996,800</u>	 <u>\$ 1,043,580</u>	 <u>\$ 46,780</u>
 Expenditures:			
General government	\$ 370,365	\$ 345,415	\$ 24,950
Public safety	416,400	384,010	32,390
Public works	163,284	132,912	30,372
Community and economic development	8,000	3,162	4,838
Debt service:			
Principal	4,800	1,388	3,412
Interest	<u>100</u>	<u>1,498</u>	<u>(1,398)</u>
 Total Expenditures	 <u>\$ 962,949</u>	 <u>\$ 868,385</u>	 <u>\$ 94,564</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 33,851</u>	 <u>\$ 175,195</u>	 <u>\$ 141,344</u>
 Other Financing Sources (Uses):			
Operating transfers out	<u>\$ (55,500)</u>	<u>\$ (74,480)</u>	<u>\$ (18,980)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (55,500)</u>	 <u>\$ (74,480)</u>	 <u>\$ (18,980)</u>
 Net Change in Fund Balance	 \$ (21,649)	 \$ 100,715	 \$ 122,364
 Fund Balances - July 1, 2008	 <u>645,871</u>	 <u>748,019</u>	 <u>102,148</u>
 FUND BALANCES - JUNE 30, 2009	 <u>\$ 624,222</u>	 <u>\$ 848,734</u>	 <u>\$ 224,512</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government			
City Council:			
Salaries and wages	\$ 7,200	\$ 7,400	\$ (200)
Benefits	1,000	1,228	(228)
Insurance and bonds	2,500	619	1,881
Membership dues	2,500	2,240	260
Miscellaneous	<u>2,600</u>	<u>2,614</u>	<u>(14)</u>
Total City Council	<u>\$ 15,800</u>	<u>\$ 14,101</u>	<u>\$ 1,699</u>
Mayor:			
Salaries and wages	\$ 1,500	\$ 1,500	\$ -
Benefits	200	-	200
Miscellaneous	<u>1,000</u>	<u>119</u>	<u>881</u>
Total Mayor	<u>\$ 2,700</u>	<u>\$ 1,619</u>	<u>\$ 1,081</u>
City Manager:			
Salaries and wages	\$ 69,970	\$ 72,555	\$ (2,585)
Benefits	18,524	20,591	(2,067)
Insurance and bonds	700	335	365
Membership dues	500	405	95
Contractual services	1,200	-	1,200
Miscellaneous	<u>1,100</u>	<u>820</u>	<u>280</u>
Total City Manager	<u>\$ 91,994</u>	<u>\$ 94,706</u>	<u>\$ (2,712)</u>
Elections:			
Postage	\$ 300	\$ -	\$ 300
Supplies	1,800	798	1,002
Contractual services	4,000	3,651	349
Travel	200	186	14
Publishing	<u>500</u>	<u>231</u>	<u>269</u>
Total Elections	<u>\$ 6,800</u>	<u>\$ 4,866</u>	<u>\$ 1,934</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Assessor:			
Contractual services	\$ 10,100	\$ 11,090	\$ (990)
Postage	-	295	(295)
Supplies	2,000	269	1,731
Miscellaneous	<u>1,500</u>	<u>350</u>	<u>1,150</u>
Total Assessor	<u>\$ 13,600</u>	<u>\$ 12,004</u>	<u>\$ 1,596</u>
Professional Services:			
Legal	\$ 4,000	\$ 2,516	\$ 1,484
Audit	<u>8,500</u>	<u>8,000</u>	<u>500</u>
Total Professional Services	<u>\$ 12,500</u>	<u>\$ 10,516</u>	<u>\$ 1,984</u>
Clerk:			
Salaries	\$ 38,130	\$ 37,824	\$ 306
Benefits	9,304	10,340	(1,036)
Supplies	450	-	450
Postage	100	-	100
Publishing	1,500	838	662
Contractual services	1,000	115	885
Miscellaneous	<u>2,800</u>	<u>1,758</u>	<u>1,042</u>
Total Clerk	<u>\$ 53,284</u>	<u>\$ 50,875</u>	<u>\$ 2,409</u>
Central Supply:			
Supplies	\$ 9,750	\$ 6,426	\$ 3,324
Postage	7,000	4,414	\$ 2,586
Repairs and maintenance	<u>-</u>	<u>5,451</u>	<u>(5,451)</u>
Total Central Supply	<u>\$ 16,750</u>	<u>\$ 16,291</u>	<u>\$ 459</u>
Board of Review:			
Contractual services	\$ 950	\$ 665	\$ 285
Benefits	130	-	130
Miscellaneous	<u>800</u>	<u>578</u>	<u>222</u>
Total Board of Review	<u>\$ 1,880</u>	<u>\$ 1,243</u>	<u>\$ 637</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Treasurer:			
Salaries and wages	\$ 45,770	\$ 46,336	\$ (566)
Benefits	16,487	17,686	(1,199)
Postage	100	501	(401)
Travel	500	43	457
Contractual services	1,250	869	381
Equipment repair	500	108	392
Insurance and bonds	850	211	639
Operating supplies	600	-	600
Miscellaneous	<u>2,100</u>	<u>570</u>	<u>1,530</u>
 Total Treasurer	 <u>\$ 68,157</u>	 <u>\$ 66,324</u>	 <u>\$ 1,833</u>
 City Hall and Grounds:			
Salary and wages	\$ 6,000	\$ 3,476	\$ 2,524
Contractual services	1,000	2,099	(1,099)
Utilities and telephone	11,000	9,425	1,575
Repairs and maintenance	2,000	1,673	327
Insurance and bonds	1,300	319	981
Building improvements	500	-	500
Lease expense	50,000	50,000	-
Supplies	3,500	261	3,239
Miscellaneous expense	<u>-</u>	<u>14</u>	<u>(14)</u>
 Total City Hall and Grounds	 <u>\$ 75,300</u>	 <u>\$ 67,267</u>	 <u>\$ 8,033</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government - Continued			
Zoning board:			
Salaries and wages	\$ 8,000	\$ 3,641	\$ 4,359
Benefits	1,200	333	867
Contractual services	800	1,425	(625)
Supplies	300	-	300
Legal	-	129	(129)
Training	1,200	75	1,125
Postage	100	-	100
	<u>11,600</u>	<u>5,603</u>	<u>5,997</u>
Total Zoning Board	\$ 11,600	\$ 5,603	\$ 5,997
TOTAL GENERAL GOVERNMENT	\$ 370,365	\$ 345,415	\$ 24,950
Public Safety			
Police Department:			
Salaries and wages	\$ 231,600	\$ 221,386	\$ 10,214
Benefits	92,000	82,253	9,747
Supplies	1,400	307	1,093
Legal	1,500	194	1,306
Clothing allowance	3,000	785	2,215
Gasoline and oil	7,500	6,834	666
Contractual services	2,500	6,243	(3,743)
Telephone	4,500	3,223	1,277
Repairs and maintenance	6,500	4,571	1,929
Training fund	2,000	15	1,985
Membership fees	200	45	155
Insurance and bonds	5,500	1,369	4,131
Capital outlay	2,200	-	2,200
	<u>360,400</u>	<u>327,225</u>	<u>33,175</u>
Total Police Department	\$ 360,400	\$ 327,225	\$ 33,175
Fire Department:			
Contribution to Fire Board	\$ 56,000	\$ 56,785	\$ (785)
	<u>56,000</u>	<u>56,785</u>	<u>(785)</u>
Total Fire Department	\$ 56,000	\$ 56,785	\$ (785)
TOTAL PUBLIC SAFETY	\$ 416,400	\$ 384,010	\$ 32,390

**CITY OF HARTFORD
GENERAL FUND
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public Works			
Department of Public Works:			
Salaries and wages	\$ 63,184	\$ 61,374	\$ 1,810
Benefits	35,100	21,255	13,845
Supplies	6,500	5,525	975
Clothing allowance	2,000	1,496	504
Gasoline and oil	14,000	13,890	110
Contractual services	6,000	2,721	3,279
Utilities and telephone	8,500	9,544	(1,044)
Repairs and maintenance	17,000	15,002	1,998
Training	1,000	-	1,000
Capital outlay	1,000	-	1,000
Insurance and bonds	8,500	2,105	6,395
Miscellaneous	500	-	500
	<u>500</u>	<u>-</u>	<u>500</u>
TOTAL PUBLIC WORKS	<u>\$ 163,284</u>	<u>\$ 132,912</u>	<u>\$ 30,372</u>
Community and Economic Development			
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	<u>\$ 8,000</u>	<u>\$ 3,162</u>	<u>\$ 4,838</u>
Debt Service			
Principal	\$ 4,800	\$ 1,388	\$ 3,412
Interest	100	1,498	(1,398)
	<u>100</u>	<u>1,498</u>	<u>(1,398)</u>
TOTAL DEBT SERVICE	<u>\$ 4,900</u>	<u>\$ 2,886</u>	<u>\$ 2,014</u>
TOTAL EXPENDITURES	<u>\$ 962,949</u>	<u>\$ 868,385</u>	<u>\$ 94,564</u>

**CITY OF HARTFORD
GENERAL FUND
Statement of Other Financing Sources and Uses - Budget and Actual
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Uses			
Operating transfer to Sidewalk Fund	\$ 5,000	\$ 5,000	\$ -
Operating transfer to Blueprints for Michigan Downtowns	10,000	10,887	(887)
Operating transfer to Property Replacement Fund	25,500	40,500	(15,000)
Operating transfer to Major Street Fund	15,000	15,000	-
Operating transfer to Downtown Development Authority	<u>-</u>	<u>3,093</u>	<u>(3,093)</u>
 TOTAL USES	 <u>\$ 55,500</u>	 <u>\$ 74,480</u>	 <u>\$ (18,980)</u>

**CITY OF HARTFORD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2009**

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
Assets					
Cash	\$ -	\$ -	\$ -	\$ 29,169	\$ 29,169
Prepaid expenses	-	-	188	-	188
Due from other funds	20,275	1,879	44,283	-	66,437
Due from other governmental units	<u>6,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,629</u>
TOTAL ASSETS	<u>\$ 26,904</u>	<u>\$ 1,879</u>	<u>\$ 44,471</u>	<u>\$ 29,169</u>	<u>\$ 102,423</u>
Liabilities					
Accounts payable	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375</u>
Total Liabilities	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375</u>
Fund Balance					
Unreserved - undesignated	<u>\$ 26,529</u>	<u>\$ 1,879</u>	<u>\$ 44,471</u>	<u>\$ 29,169</u>	<u>\$ 102,048</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,904</u>	<u>\$ 1,879</u>	<u>\$ 44,471</u>	<u>\$ 29,169</u>	<u>\$ 102,423</u>

CITY OF HARTFORD
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2009

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
Revenues					
State revenue	\$ 42,887	\$ -	\$ -	\$ -	\$ 42,887
Rent revenue	-	-	-	50,000	50,000
Charges for services	-	-	8,652	-	8,652
Miscellaneous revenue	3,500	-	-	-	3,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 46,387</u>	<u>\$ -</u>	<u>\$ 8,652</u>	<u>\$ 50,000</u>	<u>\$ 105,039</u>
Expenditures					
Routine maintenance	\$ 29,270	\$ -	\$ -	\$ -	\$ 29,270
Traffic services	990	-	-	-	990
Improvements	-	8,408	-	-	8,408
Winter maintenance	26,016	-	-	-	26,016
Building department	-	-	12,741	-	12,741
Professional fees	2,600	-	100	-	2,700
Debt service:	-	-	-	-	-
Principal	-	-	-	9,000	9,000
Interest	-	-	-	35,078	35,078
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 58,876</u>	<u>\$ 8,408</u>	<u>\$ 12,841</u>	<u>\$ 44,078</u>	<u>\$ 124,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (12,489)</u>	<u>\$ (8,408)</u>	<u>\$ (4,189)</u>	<u>\$ 5,922</u>	<u>\$ (19,164)</u>
Other Financing Sources					
Operating transfers in	\$ -	\$ 8,500	\$ -	\$ -	\$ 8,500
Operating transfers out	(500)	-	-	-	(500)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources	<u>\$ (500)</u>	<u>\$ 8,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000</u>
Net Change in Fund Balance	<u>\$ (12,989)</u>	<u>\$ 92</u>	<u>\$ (4,189)</u>	<u>\$ 5,922</u>	<u>\$ (11,164)</u>
Fund Balances - July 1, 2008	<u>39,518</u>	<u>1,787</u>	<u>48,660</u>	<u>23,247</u>	<u>113,212</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 26,529</u>	<u>\$ 1,879</u>	<u>\$ 44,471</u>	<u>\$ 29,169</u>	<u>\$ 102,048</u>

**CITY OF HARTFORD
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
June 30, 2009**

	Property Replacement <u>Fund</u>	Water Improvement <u>Fund</u>	Main and Center Reconstruction <u>Fund</u>
Assets			
Current assets			
Due from other funds	\$ 62,253	\$ -	\$ 12,094
	<u> </u>	<u> </u>	<u> </u>
TOTAL CURRENT ASSETS	\$ 62,253	\$ -	\$ 12,094
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 12,094
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	\$ -	\$ -	\$ 12,094
	<u> </u>	<u> </u>	<u> </u>
Fund Equity			
Fund balance:			
Unreserved	\$ 62,253	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity	\$ 62,253	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 62,253</u>	<u>\$ -</u>	<u>\$ 12,094</u>

Blueprints for Michigan <u>Downtowns</u>	South Parking <u>Lot Project</u>	<u>Total</u>
\$ _____ -	\$ _____ -	\$ 74,347
<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 74,347</u>
\$ _____ -	\$ _____ -	\$ 12,094
\$ _____ -	\$ _____ -	\$ 12,094
\$ _____ -	\$ _____ -	\$ 62,253
\$ _____ -	\$ _____ -	\$ 62,253
<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 74,347</u>

CITY OF HARTFORD
NONMAJOR CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended June 30, 2009

	Property Replacement Fund	Water Improvement Fund	Main and Center Reconstruction Fund
Revenues			
Federal grant	\$ -	\$ -	\$ -
Miscellaneous revenue	550	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 550	\$ -	\$ -
Expenditures			
Capital outlay:			
General government	\$ 5,515	\$ 2,438	\$ -
Public safety	2,670	-	-
Public works	19,200	-	74,912
Debt service:			
Principal	9,000	-	-
Interest	3,362	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 39,747	\$ 2,438	\$ 74,912
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (39,197)	\$ (2,438)	\$ (74,912)
Other Financing Sources (Uses)			
Sale of assets	\$ 1,700	\$ -	\$ -
Operating transfers in	40,500	2,301	74,912
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 42,200	\$ 2,301	\$ 74,912
Net Change in Fund Balance	\$ 3,003	\$ (137)	\$ -
Fund Balances - July 1, 2008	59,250	137	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES - JUNE 30, 2009	\$ 62,253	\$ -	\$ -
	<hr/>	<hr/>	<hr/>

Blueprints for Michigan Downtowns	South Parking Lot Project	Total
\$ -	\$ 11,399	11,399
<u>350</u>	<u>-</u>	<u>900</u>
\$ <u>350</u>	\$ <u>11,399</u>	\$ <u>12,299</u>
\$ 16,237	\$ 13,379	\$ 37,569
-	-	2,670
-	-	94,112
-	-	9,000
<u>-</u>	<u>-</u>	<u>3,362</u>
\$ <u>16,237</u>	\$ <u>13,379</u>	\$ <u>146,713</u>
\$ <u>(15,887)</u>	\$ <u>(1,980)</u>	\$ <u>(134,414)</u>
\$ -	\$ -	\$ 1,700
<u>15,887</u>	<u>1,980</u>	<u>135,580</u>
\$ <u>15,887</u>	\$ <u>1,980</u>	\$ <u>137,280</u>
\$ -	\$ -	\$ 2,866
<u>-</u>	<u>-</u>	<u>59,387</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>62,253</u>

CITY OF HARTFORD
AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Trust and Agency Fund
For the Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2009</u>
Assets				
Cash	\$ 5,187	\$ -	\$ 5,187	\$ -
Employee Med. Savings Account	1,822	1,207	-	3,029
Due from other funds	-	2,478	-	2,478
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 7,009</u>	<u>\$ 3,685</u>	<u>\$ 5,187</u>	<u>\$ 5,507</u>
 Liabilities and Fund Balance				
Due to employees	\$ 650	\$ 431	\$ -	\$ 1,081
Due to recreation fund	8	-	8	-
Due to Police Department	10	-	-	10
Due to County - State Trailer Court	2,310	-	2,310	-
Due to CNTY - Trailer CRT Fees	577	-	577	-
Employee Med. Savings Plan	1,822	1,207	-	3,029
Due to general fund	20	-	20	-
Receipts refundable	225	-	225	-
Police equipment	-	1,000	-	1,000
Due to other governmental units	25	-	-	25
Memorial fund	1,362	-	1,000	362
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,009</u>	<u>\$ 2,638</u>	<u>\$ 4,140</u>	<u>\$ 5,507</u>

CITY OF HARTFORD
AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Current Tax Fund
For the Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2009</u>
Assets				
Cash	\$ 55,162	\$ 1,955	\$ -	\$ 57,117
TOTAL ASSETS	<u>\$ 55,162</u>	<u>\$ 1,955</u>	<u>\$ -</u>	<u>\$ 57,117</u>
 Liabilities				
Due to other funds	\$ 55,162	\$ 1,955	\$ -	\$ 57,117
Due to other governmental units	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 55,162</u>	<u>\$ 1,955</u>	<u>\$ -</u>	<u>\$ 57,117</u>

CITY OF HARTFORD
Schedule of Unlimited Tax General Obligation Bonds
June 30, 2009

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due October 1	Balance
			October 1	April 1		
2010	5.70	\$ 36,203	\$ 5,958	\$ 5,245	\$ 25,000	\$ 175,000
2011	5.80	34,765	5,245	4,520	25,000	150,000
2012	5.90	33,303	4,520	3,783	25,000	125,000
2013	6.00	36,666	3,783	2,883	30,000	95,000
2014	6.00	34,866	2,883	1,983	30,000	65,000
2015	6.10	33,050	1,983	1,067	30,000	35,000
2016	6.10	<u>36,067</u>	<u>1,067</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
		<u>\$ 244,920</u>	<u>\$ 25,439</u>	<u>\$ 19,481</u>	<u>\$ 200,000</u>	

CITY OF HARTFORD
Schedule of 1999 Michigan Transportation Fund Bonds
June 30, 2009

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due August 1	Balance
			August 1	February 1		
2010	5.00	\$ 20,415	\$ 2,895	\$ 2,520	\$ 15,000	\$ 100,000
2011	5.00	24,540	2,520	2,020	20,000	80,000
2012	5.00	23,540	2,020	1,520	20,000	60,000
2013	5.00	22,540	1,520	1,020	20,000	40,000
2014	5.10	21,530	1,020	510	20,000	20,000
2015	5.10	<u>20,510</u>	<u>510</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
		<u>\$ 133,075</u>	<u>\$ 10,485</u>	<u>\$ 7,590</u>	<u>\$ 115,000</u>	

CITY OF HARTFORD
Schedule of 1999 Water Supply and Sewage Disposal System Bonds
June 30, 2009

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2010	5.00	\$ 35,308	\$ 7,904	\$ 7,404	\$ 20,000	\$ 290,000
2011	5.00	34,308	7,404	6,904	20,000	270,000
2012	5.00	38,183	6,904	6,279	25,000	245,000
2013	5.00	36,933	6,279	5,654	25,000	220,000
2014	5.00	35,683	5,654	5,029	25,000	195,000
2015	5.00	34,433	5,029	4,404	25,000	170,000
2016	5.05	33,176	4,404	3,772	25,000	145,000
2017	5.10	31,907	3,772	3,135	25,000	120,000
2018	5.15	35,497	3,135	2,362	30,000	90,000
2019	5.20	33,944	2,362	1,582	30,000	60,000
2020	5.25	32,377	1,582	795	30,000	30,000
2021	5.30	30,795	795	-	30,000	-
		<u>\$ 412,544</u>	<u>\$ 55,224</u>	<u>\$ 47,320</u>	<u>\$ 310,000</u>	

CITY OF HARTFORD
Schedule of Property Annexation Agreement
June 30, 2009

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due February 15	Principal Due February 15	Balance
2010	5.00	\$ 3,030	\$ 1,642	\$ 1,388	\$ 5,556
2011	5.00	3,182	1,793	1,389	4,167
2012	5.00	3,341	1,952	1,389	2,778
2013	5.00	3,508	2,119	1,389	1,389
2014	5.00	<u>3,684</u>	<u>2,295</u>	<u>1,389</u>	-
		<u>\$ 16,745</u>	<u>\$ 9,801</u>	<u>\$ 6,944</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series A
June 30, 2009

Year Ended <u>June 30,</u>	Interest <u>Rate</u>	Annual <u>Debt Service</u>	<u>Interest Due</u>		Principal Due <u>November 1</u>	<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>		
2010	4.75	\$ 41,134	\$ 16,174	\$ 15,960	\$ 9,000	\$ 672,000
2011	4.75	40,706	15,960	15,746	9,000	663,000
2012	4.75	41,255	15,746	15,509	10,000	653,000
2013	4.75	40,780	15,509	15,271	10,000	643,000
2014	4.75	41,281	15,271	15,010	11,000	632,000
2015	4.75	40,759	15,010	14,749	11,000	621,000
2016	4.75	41,213	14,749	14,464	12,000	609,000
2017	4.75	40,643	14,464	14,179	12,000	597,000
2018	4.75	41,049	14,179	13,870	13,000	584,000
2019	4.75	40,431	13,870	13,561	13,000	571,000
2020	4.75	40,790	13,561	13,229	14,000	557,000
2021	4.75	41,102	13,229	12,873	15,000	542,000
2022	4.75	40,389	12,873	12,516	15,000	527,000
2023	4.75	40,652	12,516	12,136	16,000	511,000
2024	4.75	40,869	12,136	11,733	17,000	494,000
2025	4.75	41,038	11,733	11,305	18,000	476,000
2026	4.75	41,159	11,305	10,854	19,000	457,000
2027	4.75	41,233	10,854	10,379	20,000	437,000
2028	4.75	40,283	10,379	9,904	20,000	417,000
2029	4.75	40,309	9,904	9,405	21,000	396,000
2030	4.75	40,288	9,405	8,883	22,000	374,000
2031	4.75	40,219	8,883	8,336	23,000	351,000
2032	4.75	41,079	8,336	7,743	25,000	326,000
2033	4.75	40,868	7,743	7,125	26,000	300,000
2034	4.75	40,609	7,125	6,484	27,000	273,000
2035	4.75	40,303	6,484	5,819	28,000	245,000
2036	4.75	40,925	5,819	5,106	30,000	215,000
2037	4.75	40,476	5,106	4,370	31,000	184,000
2038	4.75	39,980	4,370	3,610	32,000	152,000
2039	4.75	40,413	3,610	2,803	34,000	118,000
2040	4.75	40,751	2,803	1,948	36,000	82,000
2041	4.75	40,017	1,948	1,069	37,000	45,000
2042	4.75	46,069	1,069	-	45,000	-
		<u>\$ 1,349,072</u>	<u>\$ 342,123</u>	<u>\$ 325,949</u>	<u>\$ 681,000</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series B
June 30, 2009

Year Ended <u>June 30,</u>	Interest <u>Rate</u>	Annual <u>Debt Service</u>	<u>Interest Due</u>		<u>Principal Due</u> November 1	<u>Balance</u>
			November 1	May 1		
2010	4.75	\$ 3,494	\$ 1,259	\$ 1,235	\$ 1,000	\$ 52,000
2011	4.75	3,446	1,235	1,211	1,000	51,000
2012	4.75	3,399	1,211	1,188	1,000	50,000
2013	4.75	3,352	1,188	1,164	1,000	49,000
2014	4.75	3,304	1,164	1,140	1,000	48,000
2015	4.75	3,256	1,140	1,116	1,000	47,000
2016	4.75	3,209	1,116	1,093	1,000	46,000
2017	4.75	3,162	1,093	1,069	1,000	45,000
2018	4.75	3,114	1,069	1,045	1,000	44,000
2019	4.75	3,066	1,045	1,021	1,000	43,000
2020	4.75	3,019	1,021	998	1,000	42,000
2021	4.75	2,972	998	974	1,000	41,000
2022	4.75	2,924	974	950	1,000	40,000
2023	4.75	3,853	950	903	2,000	38,000
2024	4.75	3,758	903	855	2,000	36,000
2025	4.75	3,663	855	808	2,000	34,000
2026	4.75	3,568	808	760	2,000	32,000
2027	4.75	3,473	760	713	2,000	30,000
2028	4.75	3,378	713	665	2,000	28,000
2029	4.75	3,283	665	618	2,000	26,000
2030	4.75	3,188	618	570	2,000	24,000
2031	4.75	3,093	570	523	2,000	22,000
2032	4.75	2,998	523	475	2,000	20,000
2033	4.75	2,903	475	428	2,000	18,000
2034	4.75	3,784	428	356	3,000	15,000
2035	4.75	3,641	356	285	3,000	12,000
2036	4.75	3,499	285	214	3,000	9,000
2037	4.75	3,357	214	143	3,000	6,000
2038	4.75	3,214	143	71	3,000	3,000
2039	4.75	3,071	71	-	3,000	-
		<u>\$ 99,441</u>	<u>\$ 23,850</u>	<u>\$ 22,591</u>	<u>\$ 53,000</u>	

CITY OF HARTFORD
Schedule of Economic Development Corporation Promissory Note
June 30, 2009

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest</u> <u>Due</u>	<u>Principal</u> <u>Due</u>	<u>Balance</u>
2010	2.75	\$ 31,792	\$ 5,459	\$ 26,333	\$ 181,991
2011	2.75	31,792	4,727	27,065	154,926
2012	2.75	31,792	3,975	27,817	127,109
2013	2.75	31,792	3,202	28,590	98,519
2014	2.75	31,792	2,408	29,384	69,135
2015	2.75	31,793	1,592	30,201	38,934
2016	2.75	31,792	752	31,040	7,894
2017		<u>7,948</u>	<u>54</u>	<u>7,894</u>	-
		<u>\$ 230,493</u>	<u>\$ 22,169</u>	<u>\$ 208,324</u>	

CITY OF HARTFORD
Schedule of Installment Note - USDA Rural Housing Service
Public Safety and Public Works Vehicles
June 30, 2009

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due August 1	Balance
			August 1	February 1		
2010	4.125	\$ 12,970	\$ 1,588	\$ 1,382	\$ 10,000	\$ 67,000
2011	4.125	12,558	1,382	1,176	10,000	57,000
2012	4.125	12,145	1,176	969	10,000	47,000
2013	4.125	12,712	969	743	11,000	36,000
2014	4.125	13,238	743	495	12,000	24,000
2015	4.125	12,743	495	248	12,000	12,000
2016	4.125	<u>12,248</u>	<u>248</u>	<u>-</u>	<u>12,000</u>	<u>-</u>
		<u>\$ 88,614</u>	<u>\$ 6,601</u>	<u>\$ 5,013</u>	<u>\$ 77,000</u>	

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 24, 2009

To the City Commission
Hartford, Michigan

In connection with our audit of the books and records of City of Hartford for the year ended June 30, 2009, we offer the following comments and recommendations.

GENERAL

1. During the audit it was brought to our attention that one person is responsible for adjusting utility billings, reviewing the account balances for shut-off, reviewing the delinquent balances to be added to the tax bills, and handling inquiries about account balances. We recommend that a list be kept for accounts which require adjustment which includes information on why the adjustment was made and the person requesting the adjustment. Also, we recommend that the City Manager review and approve this list of adjustments and review the listing of utility receivable balances to insure that all delinquent balances are on the tax bills.
2. During the audit we noticed that some of the account numbers have the wrong activity code. We recommend updating the account numbers to agree with the state uniform chart of accounts.
3. During the audit we noted that a portion of the City's cash balance was over FDIC limits. The City staff should continue to monitor the changing financial markets to reduce the risk of uninsured portions of the City's cash balances.
4. We noted during the audit that bank reconciliations and invoices were not being approved prior to payment. After talking with the City Manager we learned that he was reviewing items, but was not documenting them. Approval should be documented by initialing items reviewed.
5. During the audit we noted that not all fund transfers were budgeted for. We recommend that these transfers be included in the original budget and before the year-end the Commission should review the actual transfers that were made and amend the year-end budget to include these.
6. During the year the City used a sweep cash account for depositing all the City's funds. When the cash accounts were given to the auditors for review it was noted that there were several large deficit cash accounts in various funds; however, that total balance in the sweep account was a positive number. To correctly present the true interfund activity there were several large adjustments needed to reallocate to the proper cash accounts. We recommend that the bank account allocation be reconciled on a timely basis during each closing period.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

We appreciate the courtesy and cooperation extended to us by the officials and employees of the City of Hartford and trust that these comments and suggestions will be received in the spirit of cooperation in which they are intended.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 24, 2009

Communication of Significant Deficiencies That Indicates No Material Weaknesses in Internal Control

To the City Commission
City of Hartford
Hartford, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component unit, each major fund, and the aggregate remaining fund information of City of Hartford as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered City of Hartford's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hartford's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hartford's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

1. During the audit we noticed that the Deferred Compensation Fund has not been closed. We recommend that this fund be closed out and removed from the City's books since a fiduciary relationship does not exist between the City and the members of the deferred compensation plan.

This communication is intended solely for the information and use of management, the City Commission, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com