

**CITY OF HARTFORD**

**FINANCIAL REPORT**

**June 30, 2007**

### Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF HARTFORD	County VAN BUREN
Fiscal Year End JUNE 30, 2007	Opinion Date JULY 30, 2007	Date Audit Report Submitted to State August 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |     |    |  |
|-----|----|--|
| YES | NO | <b>Check each applicable box below.</b> (See instructions for further detail.) |
|-----|----|--|
1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4.   The local unit has adopted a budget for all required funds.
  5.   A public hearing on the budget was held in accordance with State statute.
  6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8.   The local unit only holds deposits/investments that comply with statutory requirements.
  9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11.   The local unit is free of repeated comments from previous years.
  12.   The audit opinion is UNQUALIFIED.
  13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14.   The board or council approves all invoices prior to payment as required by charter or statute.
  15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	COMMUNICATION OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C.		Telephone Number (269) 983-0534
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST. JOSEPH
		State MI
		Zip 49085
Authorizing CPA Signature <i>Robert E. Gerbel CPA</i>	Printed Name	
	License Number 3953	

**CITY OF HARTFORD**

**FINANCIAL REPORT**

**June 30, 2007**

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**City of Hartford**  
**List of Elected and Appointed Officials**  
**June 30, 2007**

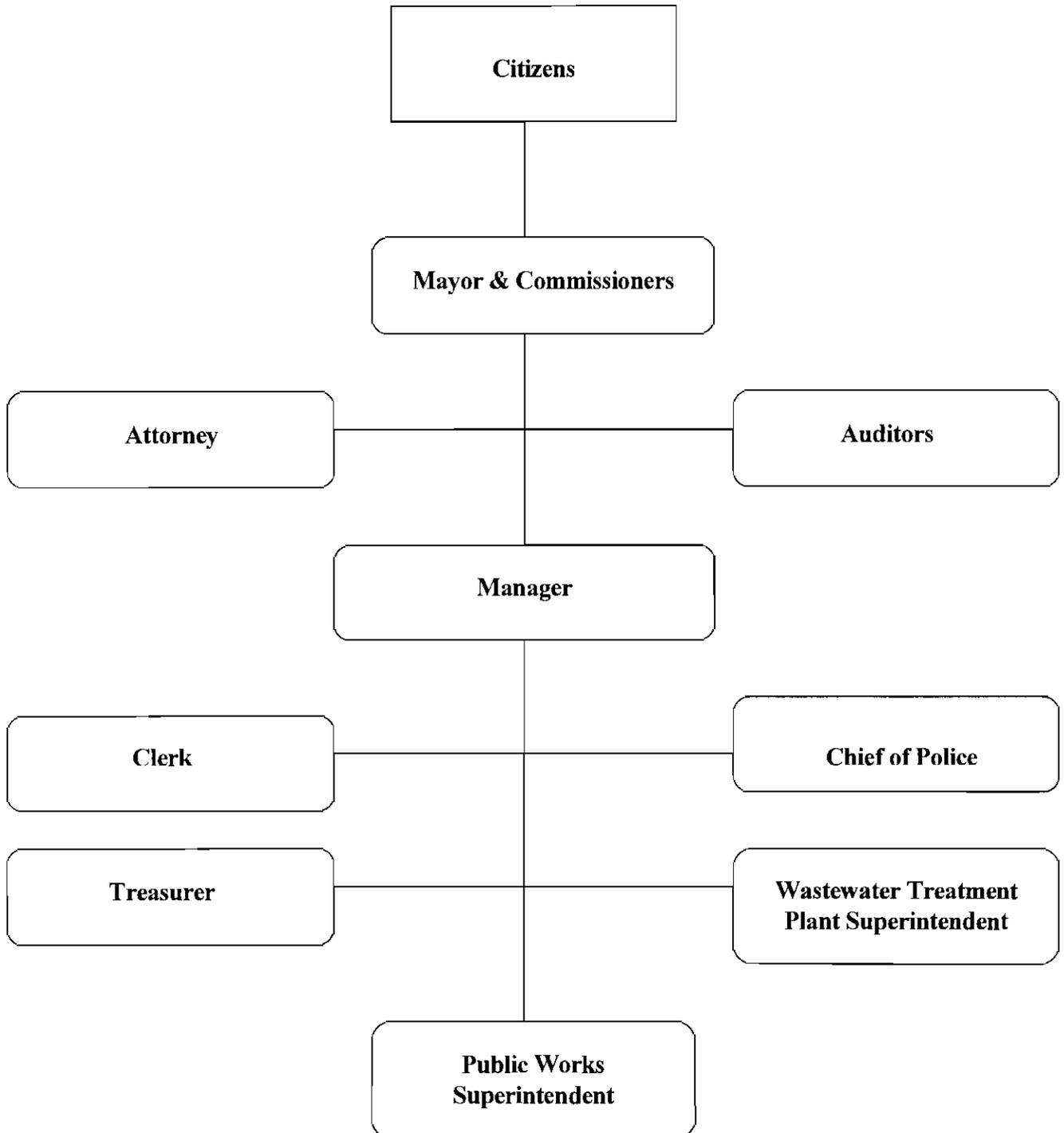
**Elected Officials**

Mayor	Theodore Johnson
Mayor Pro-Tem	Rick Hall
City Commissioner	Debra Keyser
City Commissioner	Ron Burleson
City Commissioner	Leo Latus
City Commissioner	Sarah Woodruff
City Commissioner	Mark Scholten

**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	T.C. Melville

# 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, 2007. 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**

#### **External Constraints**

The State of Michigan's slow economy and the State's budget crisis has affected the City's revenue for the 2006-2007 fiscal year. State shared revenue in the General Fund has gone from a high in 2002-2003 fiscal year of \$432,702 to this year's \$321,135 in 2006-2007, resulting in a loss of \$111,567, or 26 percent of state shared revenue in the four-year period.

Along with the loss of revenue, the uncertainty generated by the Michigan budget crisis has made budgeting very difficult. The challenge to the City of Hartford has been to adjust to this loss of revenue and uncertainty without loss in the services our taxpayers have come to expect from the City.

The way the City has been able to meet this challenge is in becoming more efficient. Two of our full-time police officers were replaced by part-time officers, and one full-time Department of Public Works worker was replaced by a seasonal, part-time worker. Our office staff has remained small, while other city staff in our area has grown. The City of Hartford had to make more efficient use of the skills and talents of the remaining staff, and our systems have become more efficient.

The Michigan budget crisis has resulted in more uncertainty for the future. The City would not be able to adjust to another loss of \$111,567 in revenue without finding another revenue source or without a loss of services that the City is mandated to provide.

The City's limited tax base has not grown exponentially in the past years, and the potential gains that the Doranne Greene project brings will be realized partially after 2008, but not fully realized until 2012 because of the benefits of Renaissance zone designation. Efforts are already underway to attract additional development.

The costs of providing services also have a major impact on the City's finances. The labor contracts are not easily renegotiated; the high cost of energy is forcing the City's suppliers to increase their costs; the steep increase in health and general liability insurance costs are having impacts on the City's affordability for this essential coverage.

The City still has major areas of infrastructure that need to be replaced. Lack of replacement increases the overall maintenance costs for these facilities and sometimes services are unduly disrupted so that essential repairs can take place.

#### **Intergovernmental Cooperation**

One way to become more efficient and save valuable resources is thru intergovernmental cooperation. This is also important to bring business and other economic resources into the City, and for the City of Hartford, the second largest city in Van Buren County, to influence county and regional economic growth and development.

This fiscal year the City of Hartford was involved in the following intergovernmental cooperation projects:

1. Master Land Use Plan - With the City and Township of Hartford
2. Master Recreation Plan - With the City and Township of Hartford
3. I-94 Corridor - In conjunction with all Cities and Townships along the I-94 Highway between Hartford and Watervliet.
4. County-wide Economic Development Strategy - With South Haven, and other Van Buren County communities in very essential collaborative efforts to identify creative opportunities in attracting businesses to our communities. We hope a regional approach could be beneficial to all of us.
5. Establishment of ongoing networking with the State of Michigan for Economic Development Referrals. MEDC being the Single Point of Entry for new businesses gives the City an opportunity to appear on the Site Locators radars for compatible development inquiries.

- Michigan's Red Arrow communities-Mattawan, Paw Paw, Lawrence, Hartford, Watervliet and Coloma-retained Anderson Economic Group to assist in developing strategies for enhancing the region's retail economy with a general outlook for improving the overall economy of the various downtowns. This project has contributed greatly to structural improvement of the downtowns and overall aesthetic improvement.

### **Asset Management**

One of the most important tasks the City does is to preserve and protect the assets the citizens of Hartford have entrusted to our care. The City has two major types of assets we manage: our monetary assets and our infrastructure.

The City is very conservative in managing our monetary assets. We use a sweep account at a local bank for our day-to-day use and have several investment accounts. The total earnings this fiscal year on our investment accounts were approximately \$54,500, including interest on our receivables. Our goal is to achieve the most growth and interest possible, while safeguarding the assets. The revenue produced on these investments is revenue that is not paid for by the citizens of Hartford and can be used to provide services to citizens.

The City has also put plans into place to safeguard the City's infrastructure assets. The Water System Reliability Study, done in 2004, was done to insure that the City's water system is adequate to supply the potable water demand of the existing customers of the system. This study showed the system was adequate, but was lacking fire flow protection in some areas. The study listed four areas that needed updating and improvements that would upgrade approximately 13% of the pipes for the existing water distribution system. These areas were:

East Street from Main Street to Oak Street and Haver Street from Main Street to Hart Street.

Paras Hill Drive

Edwin Street from School Street to Main Street and Spaulding Avenue from Main Street to Oak Street

South Street from Pleasant Street to Center Street and Oak Street from Center Street to Wendell Avenue.

The first three projects have been completed, and the last project has been started in this fiscal year. Also improvements were suggested for Shepard Street from Mary Street to the railroad tracks which will be included in our current project.

We will have another Water System Reliability Study done in the 2008-2009 fiscal year. The regular inspection and recommendation of proposed improvements are important to keep our water system safe and reliable. They are also important because they allow the City to budget repairs and projects over a 5 - 10 year period. Capital Assets budgeting is done to identify areas where improvements are most needed, and to allow the budgeting of the available resources to make these improvements over a longer time frame than our one year budgeting cycle.

The City presently has 5.58 miles of major streets and 8.96 miles of local streets. Both of these funds receive Act 51 funds for maintenance and reconstruction whenever necessary. The major streets receive great attention because they accommodate heavy local traffic in addition to truck traffic, especially in the industrial and manufacturing areas of the City. With most of the Act 51 funds dedicated to maintaining major streets, many of the City's local streets are in dire need of reconstruction. This could be a very expensive undertaking for a small community like Hartford.

Our solution to eliminate this problem is by the development of a MDOT approved city-wide Asset Management Plan that will incorporate both the major street and local street conditions that would allow the City to utilize some of the major streets Act 51 funds to upgrade the City's local streets. While the street funding is still severely limited, it allows the City flexibility and assists our overall priority in improving the streets.

This Asset Management Plan will represent another major capital improvement program over a 5-10 year period that is especially developed to improve the conditions of the City streets. It is our goal to have this plan set up during this fiscal year.

Finally, some of the City's streets receive improvements that were connected to the Water Improvement Projects. These streets will be removed from our high priority list. Examples of these streets are: North Haver Street, East Street, Edwin Street, Spaulding Street, Pleasant Street, West Shepard and West South Street.

## Financial Highlights - Business-Type Activities

During the 2006-2007 fiscal year the sales of water and sewer services dropped by approximately \$21,833. During this same period, operating expenditures were (less depreciation and amortization) \$2,229 less than the previous fiscal year. The drop in sales was due in part to the conservation of water and to empty houses in the community.

Transfers to the Water Improvement Fund for construction cost was \$406,867 or \$144,413 more than last fiscal year.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hartford's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 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, which 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 and 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 funds, there is a general fund, five are *special revenue funds* and four 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, Water Improvement Project, and Major Street Fund, which are considered major funds. Data from the other seven 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 through 8 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 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 9 through 13 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 14 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 15 through 28 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented on page 30 and 31. Combining and individual fund statements and schedules can be found on pages 32 through 44 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 \$5,229,989 at the close of the most recent fiscal year.

**City of Hartford Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Current and other assets	\$ 1,105,304	\$ 1,101,206	\$ 675,775	\$ 674,761	\$ 1,781,079	\$ 1,775,967
Capital assets	<u>1,986,399</u>	<u>2,012,583</u>	<u>3,747,877</u>	<u>3,156,044</u>	<u>5,734,276</u>	<u>5,168,627</u>
Total Assets	<u>\$ 3,091,703</u>	<u>\$ 3,113,789</u>	<u>\$ 4,423,652</u>	<u>\$ 3,830,805</u>	<u>\$ 7,515,355</u>	<u>\$ 6,944,594</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 1,042,473	\$ 1,074,386	\$ 997,955	\$ 959,747	\$ 2,040,428	\$ 2,034,133
Other liabilities	<u>65,804</u>	<u>191,960</u>	<u>179,134</u>	<u>19,387</u>	<u>244,938</u>	<u>211,347</u>
Total Liabilities	<u>\$ 1,108,277</u>	<u>\$ 1,266,346</u>	<u>\$ 1,177,089</u>	<u>\$ 979,134</u>	<u>\$ 2,285,366</u>	<u>\$ 2,245,480</u>
<b>Net Assets</b>						
Invested in capital assets net of related debt	\$ 984,679	\$ 938,197	\$ 2,753,003	\$ 2,196,297	\$ 3,737,682	\$ 3,134,494
Restricted assets	-	-	252,387	191,224	252,387	191,224
Unrestricted assets	<u>998,747</u>	<u>909,246</u>	<u>241,173</u>	<u>464,150</u>	<u>1,239,920</u>	<u>1,373,396</u>
Total Net Assets	<u>\$ 1,983,426</u>	<u>\$ 1,847,443</u>	<u>\$ 3,246,563</u>	<u>\$ 2,851,671</u>	<u>\$ 5,229,989</u>	<u>\$ 4,699,114</u>

Referencing the above chart, by far the largest portion of the City's net assets (71.4 percent or \$3,737,682) 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 \$252,387 of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (23.7 percent or \$1,239,920) 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 \$530,875 in total net assets for the 2006-2007 fiscal year. The capital assets, net of related debt, increased by \$ 603,188 and restricted assets increased by \$61,163 for the year. Unrestricted assets decreased by \$133,476 this fiscal year. Unrestricted assets include cash and cash equivalents, investments, and receivables.

### City of Hartford's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>						
Program Revenue:						
Charges for service	\$ 296,063	\$ 356,842	\$ 577,042	\$ 598,875	\$ 873,105	\$ 955,717
Operating grants and contributions	182,421	215,670	-	-	182,421	215,670
Capital grants and contributions	474,101	480,516	-	-	474,101	480,516
General Revenue:						
Taxes	370,033	364,860	51,423	48,604	421,456	413,464
State shared revenue	321,135	329,987	-	-	321,135	329,987
Interest	54,243	30,145	14,215	13,381	68,458	43,526
Other	23,667	30,062	20,503	28,229	44,170	58,291
Gain on sale of assets	9,800	-	-	-	9,800	-
Transfers	(404,804)	(262,454)	406,867	262,454	2,063	-
<b>Total Revenues</b>	<b>\$ 1,326,659</b>	<b>\$ 1,545,628</b>	<b>\$ 1,070,050</b>	<b>\$ 951,543</b>	<b>\$ 2,396,709</b>	<b>\$ 2,497,171</b>
<b>Expenses:</b>						
General government	\$ 348,383	\$ 343,773	\$ -	\$ -	\$ 348,383	\$ 343,773
Public works	326,102	287,828	-	-	326,102	287,828
Public safety	456,968	431,162	-	-	456,968	431,162
Interest on long-term debt	55,269	48,283	-	-	55,269	48,283
Other governmental activities	3,953	4,798	-	-	3,953	4,798
Sewer	-	-	348,016	340,171	348,016	340,171
Water	-	-	327,142	313,485	327,142	313,485
<b>Total Expenses</b>	<b>\$ 1,190,675</b>	<b>\$ 1,115,844</b>	<b>\$ 675,158</b>	<b>\$ 653,656</b>	<b>\$ 1,865,833</b>	<b>\$ 1,769,500</b>
<b>Change in Net Assets</b>	<b>\$ 135,984</b>	<b>\$ 429,784</b>	<b>\$ 394,892</b>	<b>\$ 297,887</b>	<b>\$ 530,876</b>	<b>\$ 727,671</b>
Net Assets, Beginning of Year	1,847,442	1,399,905	2,851,671	2,553,784	4,699,113	3,953,689
Prior Period Adjustment	-	17,754	-	-	-	17,754
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,983,426</b>	<b>\$ 1,847,443</b>	<b>\$ 3,246,563</b>	<b>\$ 2,851,671</b>	<b>\$ 5,229,989</b>	<b>\$ 4,699,114</b>

**Governmental activities.** Governmental activities increased the net assets by \$135,984. Note on the above chart that key elements of this increase are as follows:

- Total revenue in governmental activities decreased by \$218,969 in comparison with the prior fiscal year and total expense in governmental activities increased by \$74,831 from last fiscal year, resulting in a net decrease in net assets of \$293,800 in comparison with last fiscal year.
- Total revenue in governmental activities decreased by \$76,619, without including transfers, resulting in a net decrease in net assets of \$151,450 without transfers, in comparison with last fiscal year.
- Total net assets increased by \$ 135,984 in comparison to an increase of \$429,784 last fiscal year.
- All program revenue decreased in comparison with the prior fiscal year by \$100,443 in governmental activities.
- Interest revenue increased by 79.9% in comparison with the prior fiscal year.

**Business-type activities** Business-type (for water and sewer service) activities increased the City of Hartford's net assets by \$394,892. Note on the above chart that key elements of this increase are as follows:

- Total revenue in business-type revenue increased by \$118,507 in comparison with the prior fiscal year, with the largest increase in transfers for construction.
- Total expenses increased by \$21,502 from last fiscal year, with \$13,657 of the increase in the Water Fund and \$7,845 of the increase in the Sewer Fund.

### **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 \$1,050,582, an increase of 14% (\$129,541) in comparison with the prior year. This entire amount was unreserved fund balance which is 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 \$688,078. 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 80.0% of total General Fund expenditures, and 76.1% of total general fund expenditures plus transfers to other funds.

The balance of the City's General Fund increased by \$89,911 during the current fiscal year. Key factors in this increase are as follows:

- Total revenue decreased by \$11,514 in comparison with last fiscal year. Total expenditures decreased by \$14,299 in comparison with last fiscal year. The largest decrease was in the expenditures for debt service.

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 \$859,635 or 71.5% of all governmental funds. The expenditures are divided into several categories.

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. The legislative category includes the city commission and the mayor's expenditures. 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.

**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 9 to page 13 in this report.

Unrestricted net assets of the Water and Sewer Funds at the end of the year amounted to \$241,173. The total increase or decline in net assets for both funds was \$ 437,483 and \$ (42,591), 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 \$58,046 more than the final budget, and \$39,985 less in appropriations was spent, including debt service and transfers, and can be briefly summarized as follows:

- In the General Fund, the City received \$10,428 in insurance refunds that was not budgeted, and \$13,700 in interest income. Only two types of revenue decreased from our final budget: administration fees decreased by \$3,000, and DPW equipment rental from other funds decreased by \$5,518.
- General Fund expenditures were lower than expected and resulted in \$41,585 less expenditures than were budgeted. The largest savings was in the public safety, \$28,682 less than budgeted mainly in the police department. The only type of expenditures that increased from the budgeted amount was public works, with an increase of \$2,260 from our final budget.
- The final budget also under-budgeted for \$1,600 in transfers to other funds.

On page 32 the General Fund original budget, the final budget, and actual amounts for the General Fund are given and compared, and the departmental line item final budget and actual amounts for the General Fund are on pages 35-40.

## Capital Asset and Debt Administration

### City of Hartford Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 897,000	\$ 921,000	\$ 240,000	\$ 260,000	\$ 1,137,000	\$ 1,181,000
Revenue bonds	-	-	496,000	518,000	496,000	518,000
Annexation	9,720	11,108	-	-	9,720	11,108
Installment loans	95,000	108,663	258,874	181,747	353,874	290,410
Compensated absences	40,753	33,631	3,081	1,103	43,834	34,734
Total	<u>\$ 1,042,473</u>	<u>\$ 1,074,402</u>	<u>\$ 997,955</u>	<u>\$ 960,850</u>	<u>\$ 2,040,428</u>	<u>\$ 2,035,252</u>

**Long-term debt.** At the end of the current fiscal year, the City of Hartford had total bonded debt outstanding of \$1,137,000. 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 increased by \$5,176 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Hartford is \$3,777,350, 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 23 to 26 of this report.

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 is \$5,737,330 (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 increase in the City's investment in capital assets for the current fiscal year was \$564,064 or 10.9%.

**City of Hartford's Capital Assets  
(Net of Depreciation) and (Net of Related Debt)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 118,868	\$ 118,868	\$ 149,333	\$ 149,333	\$ 268,201	\$ 268,201
Construction in process	-	462,999	42,181	-	42,181	462,999
Land improvements	215,922	233,915	-	-	215,922	233,915
Buildings and improvements	782,752	802,593	938,883	982,650	1,721,635	1,785,243
Office equipment	33,776	34,984	-	-	33,776	34,984
Vehicles	46,382	45,479	-	-	46,382	45,479
Machinery and equipment	214,766	232,725	202,123	217,141	416,889	449,866
Infrastructure	573,933	81,020	-	-	573,933	81,020
Utility systems	-	-	2,415,357	1,806,920	2,415,357	1,806,920
<b>Total</b>	<b>\$ 1,986,399</b>	<b>\$ 2,012,583</b>	<b>\$ 3,747,877</b>	<b>\$ 3,156,044</b>	<b>\$ 5,734,276</b>	<b>\$ 5,168,627</b>
Related Debt	<u>(1,001,720)</u>	<u>(1,074,386)</u>	<u>(994,874)</u>	<u>(959,747)</u>	<u>(1,996,594)</u>	<u>(2,034,133)</u>
<b>Net of Related Debt</b>	<b>\$ 984,679</b>	<b>\$ 938,197</b>	<b>\$ 2,753,003</b>	<b>\$ 2,196,297</b>	<b>\$ 3,737,682</b>	<b>\$ 3,134,494</b>

Major capital asset events during the current fiscal year have been previously discussed under the financial highlights section of this report.

As you can see on the above chart, capital assets for the governmental activities decreased by \$26,184 in comparison with last fiscal year, while the long-term debt decreased by \$72,666 leaving a net increase in capital assets, after related debt, of \$ 46,482. The business activities' capital assets increased \$591,833, and related debt increased by \$35,127 leaving a net gain in business activities' capital assets of \$556,706. Most of this increase was in the Water Improvement project and work done at the Wastewater Treatment Plant.

The total of both governmental and business activities increased the City's net assets (net of depreciation and related debt) by \$603,188.

Additional information on the City's capital assets can be found in note 4 - Capital Assets on page 22 and 23 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The economy in the State of Michigan has been poor for the 2006-2007 fiscal years. Michigan has a high unemployment rate compared to the rest of the states. This poor economic climate for the State of Michigan and the State of Michigan budget crisis has caused some cuts in state-shared revenue for the City and other local units of government. The continued increase in prices for gas is also a major concern for the City.

Health care costs also continue to rise resulting in higher fringe benefits for employers. The City's health care cost for employees has risen and is expected to rise in the next fiscal year. The labor intensive departments, such as the City's police department, will be most affected by the higher health care costs.

One of our departments is working under last year's union contract and the contract is in the negotiating stage. This has been taken into account when doing our 2007-2008 budget

All of these factors were considered in preparing the City's budget for the 2007-2008 fiscal year along with the expected capital projects and purchases the City has planned.

During the current fiscal year, unreserved fund balance in the General Fund increased by \$89,911; the fund balance at the end of the 2006-2007 fiscal year is \$688,078. This fund balance is equal to 8.25 months of the 2007-2008 budgeted expenditures in the General Fund. The City has appropriated \$34,838 of this amount for spending in the 2007-2008 fiscal year budgeted for the General Fund. In all other funds, the City's budget included an increase in fund balance of \$6,485 for next fiscal year.

The City's management is always looking for ways to cut expenditures, such as employee health care cost, 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 32 to 40 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 ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 30, 2007

## 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, 2007, 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, State of Michigan'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, each major fund, and the respective changes in financial position and cash flows, where applicable, 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 III through XIII, and 32 through 33 is not a required part of the basic financial statements but is 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 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, State of Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the 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.**

**CITY OF HARTFORD**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b>Assets</b>				
Cash	\$ 102,303	\$ 47,351	\$ 149,654	\$ 6,292
Investments	652,476	240,366	892,842	-
Receivables	-	130,347	130,347	-
Due from other governments	129,133	-	129,133	-
Due from fiduciary funds	58,353	-	58,353	-
Due from proprietary funds	163,039	-	163,039	-
Inventory	-	300	300	-
Restricted assets:				
Cash and cash equivalents	-	153,452	153,452	-
Investments	-	98,935	98,935	-
Capital assets (net of related depreciation):				
Non-depreciable assets:				
Land	118,868	149,333	268,201	-
Construction in process	-	42,181	42,181	-
Depreciable assets:				
Buildings and improvements	782,752	938,883	1,721,635	-
Infrastructure	573,933	-	573,933	-
Land improvements	215,922	-	215,922	-
Machinery and equipment	214,766	202,123	416,889	-
Vehicles	46,382	-	46,382	-
Office equipment	33,776	-	33,776	-
Utility systems	-	2,415,357	2,415,357	-
Other assets:				
Sewer bond cost, net of accumulated amortization	-	5,024	5,024	-
<b>TOTAL ASSETS</b>	<u>\$ 3,091,703</u>	<u>\$ 4,423,652</u>	<u>\$ 7,515,355</u>	<u>\$ 6,292</u>

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

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$ 44,067	\$ 3,449	\$ 47,516	\$ -
Due to governmental funds		\$ 163,039	\$ 163,039	-
Payroll liabilities	10,656	586	11,242	-
Accrued interest	11,081	10,324	21,405	-
Uamortized bond	-	1,736	1,736	-
Noncurrent liabilities:				
Due within one year	34,388	66,929	101,317	-
Due in more than one year	1,008,085	931,026	1,939,111	-
	<u>1,008,085</u>	<u>931,026</u>	<u>1,939,111</u>	<u>-</u>
<b>Total Liabilities</b>	<b>\$ 1,108,277</b>	<b>\$ 1,177,089</b>	<b>\$ 2,285,366</b>	<b>\$ -</b>
 <b>Net Assets</b>				
Invested in capital assets, net of related debt	\$ 984,679	\$ 2,753,003	\$ 3,737,682	\$ -
Restricted	-	252,387	252,387	-
Unrestricted	998,747	241,173	1,239,920	6,292
	<u>998,747</u>	<u>241,173</u>	<u>1,239,920</u>	<u>6,292</u>
<b>Total Net Assets</b>	<b>\$ 1,983,426</b>	<b>\$ 3,246,563</b>	<b>\$ 5,229,989</b>	<b>\$ 6,292</b>

**CITY OF HARTFORD**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 348,383	\$ 64,122	\$ -	\$ -
Public safety	456,968	38,359	-	-
Public works	326,102	193,582	182,421	474,101
Recreation and cultural	3,953	-	-	-
Interest on long-term debt	55,269	-	-	-
Total Governmental Activities	<u>\$ 1,190,675</u>	<u>\$ 296,063</u>	<u>\$ 182,421</u>	<u>\$ 474,101</u>
Business-Type Activities:				
Water fund	\$ 327,142	\$ 242,337	\$ -	\$ -
Sewer fund	348,016	334,705	-	-
Total Business-Type Activities	<u>\$ 675,158</u>	<u>\$ 577,042</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 1,865,833</u>	<u>\$ 873,105</u>	<u>\$ 182,421</u>	<u>\$ 474,101</u>
<b>Component Unit:</b>				
Downtown Development Authority	\$ 7,531	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 7,531</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

<b>Net (Expense) Revenue and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (284,261)	\$ -	\$ (284,261)	\$ -
(418,609)	-	(418,609)	-
524,002	-	524,002	-
(3,953)	-	(3,953)	-
<u>(55,269)</u>	<u>-</u>	<u>(55,269)</u>	<u>-</u>
<u>\$ (238,090)</u>	<u>\$ -</u>	<u>\$ (238,090)</u>	<u>\$ -</u>
\$ -	\$ (84,805)	\$ (84,805)	\$ -
<u>-</u>	<u>(13,311)</u>	<u>(13,311)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ (98,116)</u>	<u>\$ (98,116)</u>	<u>\$ -</u>
<u>\$ (238,090)</u>	<u>\$ (98,116)</u>	<u>\$ (336,206)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,531)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,531)</u>
\$ 370,033	\$ 51,423	\$ 421,456	\$ 9,364
321,135	-	321,135	-
54,243	14,215	68,458	-
23,667	20,503	44,170	-
9,800	-	9,800	-
<u>(404,804)</u>	<u>406,867</u>	<u>2,063</u>	<u>(2,063)</u>
<u>\$ 374,074</u>	<u>\$ 493,008</u>	<u>\$ 867,082</u>	<u>\$ 7,301</u>
\$ 135,984	\$ 394,892	\$ 530,876	\$ (230)
<u>1,847,442</u>	<u>2,851,671</u>	<u>4,699,113</u>	<u>6,522</u>
<u>\$ 1,983,426</u>	<u>\$ 3,246,563</u>	<u>\$ 5,229,989</u>	<u>\$ 6,292</u>

**CITY OF HARTFORD  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2007**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
<b>Assets</b>			
Current Assets:			
Cash	\$ 1,424	\$ 48,837	\$ -
Investments	652,476	-	-
Due from other governments	100,666	20,999	-
Due from other funds	<u>79,585</u>	<u>133,646</u>	<u>-</u>
Total Current Assets	<u>\$ 834,151</u>	<u>\$ 203,482</u>	<u>\$ -</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 834,151</b></u>	<u><b>\$ 203,482</b></u>	<u><b>\$ -</b></u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 1,772	\$ 244	\$ 40,827
Payroll liabilities	10,655	-	-
Due to other funds	<u>133,646</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>\$ 146,073</u>	<u>\$ 244</u>	<u>\$ 40,827</u>
Total Liabilities	<u>\$ 146,073</u>	<u>\$ 244</u>	<u>\$ 40,827</u>
Fund Balances:			
Unreserved, reported in			
General Fund	\$ 688,078	\$ -	\$ -
Special Revenue	-	203,238	-
Capital Projects	<u>-</u>	<u>-</u>	<u>(40,827)</u>
Total Fund Balances	<u>\$ 688,078</u>	<u>\$ 203,238</u>	<u>\$ (40,827)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><b>\$ 834,151</b></u>	<u><b>\$ 203,482</b></u>	<u><b>\$ -</b></u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
---	---

\$ 52,042	\$ 102,303
-	652,476
7,468	129,133
<u>163,039</u>	<u>376,270</u>

\$ <u>222,549</u>	\$ <u>1,260,182</u>
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<u>\$ 222,549</u>	<u>\$ 1,260,182</u>
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\$ 1,224	\$ 44,067
-	10,655
<u>21,232</u>	<u>154,878</u>

\$ <u>22,456</u>	\$ <u>209,600</u>
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<u>\$ 22,456</u>	<u>\$ 209,600</u>
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\$ -	\$ 688,078
135,807	339,045
<u>64,286</u>	<u>23,459</u>

\$ <u>200,093</u>	\$ <u>1,050,582</u>
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<u>\$ 222,549</u>	<u>\$ 1,260,182</u>
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**CITY OF HARTFORD**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**For the Year Ended June 30, 2007**

Fund balances of governmental funds	\$ 1,050,582
Amounts reported for <i>governmental activities</i> 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.	1,986,399
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,042,473)
Accrued interest is not recorded as a liability in governmental funds. Interest expense is recognized in the year it is paid.	<u>(11,082)</u>
Net assets of governmental activities	<u>\$ 1,983,426</u>

**CITY OF HARTFORD  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
<b>Revenues</b>			
Taxes	\$ 353,898	\$ -	\$ -
Tax administration fee	13,579	-	-
Licenses and permits	13,485	-	-
Equipment rental	119,482	-	-
State revenue	321,135	128,664	-
Federal grant	-	-	440,877
Rent revenue	-	-	-
Charges for services	1,889	-	-
Fines and forfeits	2,582	-	-
Interest	56,800	-	-
Administrative	79,200	-	-
Miscellaneous	22,068	5,304	-
Insurance refunds	10,428	-	-
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 994,546	\$ 133,968	\$ 440,877
<b>Expenditures</b>			
Current:			
General government	\$ 313,427	\$ -	\$ -
Public safety	397,498	-	-
Public works	135,660	74,049	-
Recreation and culture	4,750	-	-
Debt service:			
Principal	8,265	15,000	-
Interest	35	7,665	-
Capital outlay:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 859,635	\$ 96,714	\$ -
Excess (Deficiency) of Revenues Over (Under) Expenditures	<hr/>	<hr/>	<hr/>
	\$ 134,911	\$ 37,254	\$ 440,877

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 353,898
-	13,579
26,896	40,381
-	119,482
45,803	495,602
33,224	474,101
50,000	50,000
-	1,889
-	2,582
-	56,800
-	79,200
2,652	30,024
-	10,428
<u>\$ 158,575</u>	<u>\$ 1,727,966</u>

\$ -	\$ 313,427
34,046	431,544
70,696	280,405
-	4,750
17,000	40,265
40,018	47,718
9,575	9,575
27,383	27,383
<u>45,054</u>	<u>45,054</u>
<u>\$ 243,772</u>	<u>\$ 1,200,121</u>

<u>\$ (85,197)</u>	<u>\$ 527,845</u>
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**CITY OF HARTFORD  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Continued  
For the Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Water Improvement Fund</u>
<b>Other Financing Sources (Uses):</b>			
Sale of assets	\$ -	\$ -	\$ -
Operating transfers in	-	10,000	215,931
Operating transfers out	<u>(45,000)</u>	<u>(21,103)</u>	<u>(609,525)</u>
Total Other Financing Sources (Uses)	<u>\$ (45,000)</u>	<u>\$ (11,103)</u>	<u>\$ (393,594)</u>
Net Change in Fund Balances	<u>\$ 89,911</u>	<u>\$ 26,151</u>	<u>\$ 47,283</u>
Fund Balance - July 1, 2006	<u>\$ 598,167</u>	<u>\$ 177,087</u>	<u>\$ (88,110)</u>
FUND BALANCE - JUNE 30, 2007	<u>\$ 688,078</u>	<u>\$ 203,238</u>	<u>\$ (40,827)</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,500	\$ 6,500
44,893	270,824
-	(675,628)
\$ 51,393	\$ (398,304)
\$ (33,804)	\$ 129,541
\$ 233,897	\$ 921,041
\$ 200,093	\$ 1,050,582

**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, 2007**

Net change in fund balances - total governmental funds	\$ 129,541
Amounts reported for <i>governmental activities</i> in the statement of activities 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. This is the amount by which depreciation exceeded capital outlay in the current period.	(23,184)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net assets.	(3,000)
Long-term liabilities are not due and payable in the current period nor are they reflected as reductions to debt in the funds.	39,035
Increase in the liability for compensated absences is not reported in the governmental funds.	(7,122)
Decrease in the liability for accrued interest is not reported in the governmental funds.	<u>714</u>
Change in net assets of governmental activities	<u>\$ 135,984</u>

**CITY OF HARTFORD  
 PROPRIETARY FUNDS  
 Statement of Net Assets  
 June 30, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash	\$ -	\$ 47,351	\$ 47,351
Investments	-	240,366	240,366
Accounts receivable	47,111	83,236	130,347
Inventory	300	-	300
Sewer bond cost, net of \$3,613 accumulated amortization	-	5,024	5,024
	<u>47,411</u>	<u>375,977</u>	<u>423,388</u>
Total Current Assets	<u>\$ 47,411</u>	<u>\$ 375,977</u>	<u>\$ 423,388</u>
Restricted Assets			
Cash and cash equivalents	\$ 153,452	\$ -	\$ 153,452
Investments	98,935	-	98,935
	<u>153,452</u>	<u>-</u>	<u>153,452</u>
Total Restricted Assets	<u>\$ 153,452</u>	<u>\$ -</u>	<u>\$ 153,452</u>
Property, Plant, and Equipment			
Land and improvements	\$ 8,620	\$ 140,713	\$ 149,333
Construction on progress	42,181	-	42,181
Building and improvements	837,477	1,003,907	1,841,384
Equipment	192,626	942,921	1,135,547
Mains	1,966,058	1,275,653	3,241,711
	<u>3,046,962</u>	<u>3,363,194</u>	<u>6,410,156</u>
Total Property, Plant, and Equipment	<u>\$ 3,046,962</u>	<u>\$ 3,363,194</u>	<u>\$ 6,410,156</u>
Less: Accumulated Depreciation	<u>788,370</u>	<u>1,873,909</u>	<u>2,662,279</u>
	<u>2,258,592</u>	<u>1,489,285</u>	<u>3,747,877</u>
Net Property, Plant, and Equipment	<u>\$ 2,258,592</u>	<u>\$ 1,489,285</u>	<u>\$ 3,747,877</u>
TOTAL ASSETS	<u>\$ 2,558,390</u>	<u>\$ 1,865,262</u>	<u>\$ 4,423,652</u>

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

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Liabilities and Net Assets</b>			
Current Liabilities			
Accounts payable	\$ 107	\$ 3,342	\$ 3,449
Due to other funds	163,039	-	163,039
Accrued wages	-	586	586
Accrued interest	9,675	649	10,324
Unamortized bond premium	1,736	-	1,736
Current portion of long-term debt	<u>60,179</u>	<u>6,750</u>	<u>66,929</u>
 Total Current Liabilities	 \$ 234,736	 \$ 11,327	 \$ 246,063
 Long-term liabilities (net of current portion)			
Long-term debt	<u>781,695</u>	<u>149,331</u>	<u>931,026</u>
 Total Liabilities	 <u>\$ 1,016,431</u>	 <u>\$ 160,658</u>	 <u>\$ 1,177,089</u>
 <b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 1,416,718	\$ 1,336,285	\$ 2,753,003
Restricted for restricted assets	252,387	-	252,387
Unrestricted	<u>(127,146)</u>	<u>368,319</u>	<u>241,173</u>
 Total Net Assets	 <u>\$ 1,541,959</u>	 <u>\$ 1,704,604</u>	 <u>\$ 3,246,563</u>
  TOTAL LIABILITIES AND NET ASSETS	  <u>\$ 2,558,390</u>	  <u>\$ 1,865,262</u>	  <u>\$ 4,423,652</u>

**CITY OF HARTFORD  
 PROPRIETARY FUNDS  
 Combining Statement of Revenues, Expenses and  
 Changes in Net Assets  
 For the Year Ended June 30, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 242,337	\$ 334,705	\$ 577,042
Penalties	6,026	8,074	14,100
Property taxes	51,423	-	51,423
Water tower rental	6,403	-	6,403
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	\$ 306,189	\$ 342,779	\$ 648,968
	<hr/>	<hr/>	<hr/>
<b>Operating Expenses</b>			
Salaries and wages	\$ 37,192	\$ 103,136	\$ 140,328
Payroll taxes	2,845	7,631	10,476
Fringe benefits	12,337	24,460	36,797
Supplies	22,725	17,088	39,813
Postage	1,196	1,183	2,379
Contractual services	4,973	22,291	27,264
Professional fees	1,500	2,500	4,000
Telephone	491	2,392	2,883
Utilities	13,127	17,691	30,818
Repairs and maintenance	20,118	20,011	40,129
Rental	50,120	28,087	78,207
Insurance and bonds	3,474	4,538	8,012
Depreciation and amortization	68,874	70,016	138,890
Administrative fee	47,400	21,700	69,100
Miscellaneous	1,317	837	2,154
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	\$ 287,689	\$ 343,561	\$ 631,250
	<hr/>	<hr/>	<hr/>
Operating Income (Loss)	\$ 18,500	\$ (782)	\$ 17,718

**CITY OF HARTFORD  
 PROPRIETARY FUNDS  
 Combining Statement of Revenues, Expenses and  
 Changes in Net Assets - Continued  
 For the Year Ended June 30, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Nonoperating Revenue (Expense)</b>			
Interest income	\$ 3,991	\$ 10,224	\$ 14,215
Interest expense	<u>(39,453)</u>	<u>(4,455)</u>	<u>(43,908)</u>
 Total Nonoperating Revenue (Expense)	 <u>\$ (35,462)</u>	 <u>\$ 5,769</u>	 <u>\$ (29,693)</u>
 Income before transfers	 <u>\$ (16,962)</u>	 <u>\$ 4,987</u>	 <u>\$ (11,975)</u>
 <b>Other Financing Sources (Uses):</b>			
Operating transfers in	\$ 609,525	\$ -	\$ 609,525
Operating transfers out	<u>(155,080)</u>	<u>(47,578)</u>	<u>(202,658)</u>
 Total Other Financing Sources (Uses)	 <u>\$ 454,445</u>	 <u>\$ (47,578)</u>	 <u>\$ 406,867</u>
 Change in Net Assets	 \$ 437,483	 \$ (42,591)	 \$ 394,892
Total Net Assets - July 1, 2006	<u>1,104,476</u>	<u>1,747,195</u>	<u>2,851,671</u>
 TOTAL NET ASSETS - JUNE 30, 2007	 <u>\$ 1,541,959</u>	 <u>\$ 1,704,604</u>	 <u>\$ 3,246,563</u>

**CITY OF HARTFORD  
PROPRIETARY FUNDS  
Combining Statement of Cash Flows  
For the Year Ended June 30, 2007**

	<b>Business-Type Activities Enterprise Funds</b>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 306,979	\$ 340,144	\$ 647,123
Cash receipts from other funds	163,039	-	163,039
Payments to employees	(52,374)	(133,249)	(185,623)
Payments for interfund services	(97,520)	(49,787)	(147,307)
Payments to suppliers	<u>(70,798)</u>	<u>(88,691)</u>	<u>(159,489)</u>
Net cash provided by operating activities	<u>\$ 249,326</u>	<u>\$ 68,417</u>	<u>\$ 317,743</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Transfer to other funds	<u>\$ (155,080)</u>	<u>\$ (45,578)</u>	<u>\$ (200,658)</u>
Net cash used by noncapital financing activities	<u>\$ (155,080)</u>	<u>\$ (45,578)</u>	<u>\$ (200,658)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds received	\$ 177,131	\$ -	\$ 177,131
Principal paid	(235,251)	(6,750)	(242,001)
Interest paid on debt	(39,453)	(4,455)	(43,908)
Purchase of fixed assets	<u>(6,000)</u>	<u>(13,613)</u>	<u>(19,613)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (103,573)</u>	<u>\$ (24,818)</u>	<u>\$ (128,391)</u>
<b>Cash Flows From Investing Activities:</b>			
Investment purchased	\$ (3,604)	\$ (10,632)	\$ (14,236)
Investment from interest income	<u>3,991</u>	<u>10,224</u>	<u>14,215</u>
Net cash provided (used) by investing activities	<u>\$ 387</u>	<u>\$ (408)</u>	<u>\$ (21)</u>
Net increase (decrease) in cash and cash equivalents	\$ (8,940)	\$ (2,387)	\$ (11,327)
Balance - July 1, 2006	<u>162,392</u>	<u>49,738</u>	<u>212,130</u>
<b>BALANCE - JUNE 30, 2007</b>	<u><u>\$ 153,452</u></u>	<u><u>\$ 47,351</u></u>	<u><u>\$ 200,803</u></u>

**CITY OF HARTFORD  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows - Continued  
 For the Year Ended June 30, 2007**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 18,500	\$ (782)	\$ 17,718
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expenses	\$ 68,874	\$ 70,016	\$ 138,890
(Increase) decrease in receivables	792	(2,485)	(1,693)
Increase (decrease) in payables	161,160	1,668	162,828
Total adjustments	\$ 230,826	\$ 69,199	\$ 300,025
Net cash provided (used) by operating activities	\$ 249,326	\$ 68,417	\$ 317,743
<b>Noncash investing, capital, and financing activities:</b>			
Transfer of capital assets from Water Improvement Fund	\$ 709,525	\$ -	\$ 709,525
Transfer of loan proceeds from Water Improvement Fund	(100,000)	-	(100,000)
Total noncash investing, capital, and financing activities	\$ 609,525	\$ -	\$ 609,525

**CITY OF HARTFORD  
FIDUCIARY FUNDS  
Statement of Net Assets  
June 30, 2007**

	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ 60,104
TOTAL ASSETS	<u>\$ 60,104</u>
<b>Liabilities</b>	
Accounts payable	\$ 522
Due to other governments	1,003
Due to other funds	<u>58,579</u>
TOTAL LIABILITIES	<u>\$ 60,104</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**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 City of Hartford and Hartford Township entered into installment purchase contracts with National City Bank for the purchase of a fire truck and equipment. The City and Township are each liable to National City for one-half of the obligation. The liability and debt payments are accounted for on the financial statements of the Hartford Fire Board.

The following financial information of the joint venture obtained from audited financial statements is as of June 30, 2005, the most recent financial statement available.

Total assets	\$ 280,060
Total liabilities	22,079
Net assets	257,981
Total revenue and other financing sources	144,209
Total expenditures	147,229
Decrease in net assets	(3,020)

The audited financial statements of the Hartford Fire Board for the years ended June 30, 2006 and 2007, are not available.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**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, 2007**

**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 **Water Improvement Fund** accounts for the replacement of water mains to improve the City's water pressure and quality.

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.

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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.

**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, 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, 2007**

**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. Bonds 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, 2007**

**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 \$217,772 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	\$ 279,313
Domestic corporate fixed income securities	<u>712,464</u>
Total Carrying Value	<u>\$ 991,777</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

**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, 2007 of the domestic corporate fixed income securities and U.S. government securities fund are \$712,464 and \$279,313 respectively

**Concentration of Credit Risk**

The City does not have a policy for concentration of credit risk. As of June 30, 2007, 28% of the City's investments is in a U.S. government securities fund. The remaining 72% 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, 2007, 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>
Major Street Fund:			
Traffic services	\$ 20,700	\$ 22,349	\$ 1,649
General Fund:			
Public works	\$ 133,400	\$ 135,660	\$ 2,260

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2007 were as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities</b>				
Land	\$ 118,868	\$ -	\$ -	\$ 118,868
Construction in process	<u>462,999</u>	<u>-</u>	<u>(462,999)</u>	<u>-</u>
Total Nondepreciable Assets	<u>\$ 581,867</u>	<u>\$ -</u>	<u>\$ (462,999)</u>	<u>\$ 118,868</u>
Land improvements	\$ 269,902	\$ -	\$ -	\$ 269,902
Buildings and improvements	897,981	-	-	897,981
Machinery and equipment	331,985	7,995	-	339,980
Office equipment	57,961	-	-	57,961
Vehicles	101,572	21,575	(21,977)	101,170
Infrastructure	<u>86,578</u>	<u>504,053</u>	<u>-</u>	<u>590,631</u>
Subtotal	\$ 1,745,979	\$ 533,623	\$ (21,977)	\$ 2,257,625
Less: Accumulated Depreciation	<u>(315,263)</u>	<u>(93,808)</u>	<u>18,977</u>	<u>(390,094)</u>
Total Capital Assets Other Than Nondepreciable	<u>\$ 1,430,716</u>	<u>\$ 439,815</u>	<u>\$ (3,000)</u>	<u>\$ 1,867,531</u>
<b>Business Activities</b>				
Land	\$ 149,333	\$ -	\$ -	\$ 149,333
Construction in process	<u>-</u>	<u>42,181</u>	<u>-</u>	<u>42,181</u>
Total Nondepreciable Assets	<u>\$ 149,333</u>	<u>\$ 42,181</u>	<u>\$ -</u>	<u>\$ 191,514</u>
Buildings and improvements	\$ 1,841,383	\$ -	\$ -	\$ 1,841,383
Equipment	1,115,935	19,613	-	1,135,548
Utility systems	<u>2,574,367</u>	<u>667,344</u>	<u>-</u>	<u>3,241,711</u>
Subtotal	\$ 5,531,685	\$ 686,957	\$ -	\$ 6,218,642
Less: Accumulated Depreciation	<u>(2,524,974)</u>	<u>(137,305)</u>	<u>-</u>	<u>(2,662,279)</u>
Total Capital Assets Other Than Land	<u>\$ 3,006,711</u>	<u>\$ 549,652</u>	<u>\$ -</u>	<u>\$ 3,556,363</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 4 - CAPITAL ASSETS - Continued**

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

**Governmental functions:**

General government	\$	41,876
Public safety		9,208
Public works		<u>42,724</u>

Total	\$	<u>93,808</u>
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**Business-Type functions:**

Water	\$	68,874
Sewer		<u>68,431</u>

Total	\$	<u>137,305</u>
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Amortization expense was charged in the following functions in the statement of activities:

**Business-Type functions:**

Sewer Fund	\$	<u>1,585</u>
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**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, 2007:

	<u>Bonds</u>	<u>Other Debt</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance at July 1, 2006	\$ 1,699,000	\$ 301,518	\$ 34,734	\$ 2,035,252
New debt	-	277,127	9,100	286,227
Debt redeemed	<u>66,000</u>	<u>215,051</u>	<u>-</u>	<u>281,051</u>
Balance at June 30, 2007	<u>\$ 1,633,000</u>	<u>\$ 363,594</u>	<u>\$ 43,834</u>	<u>\$ 2,040,428</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 5 - LONG-TERM DEBT - Continued**

Long-term debt at June 30, 2007 is comprised of the following individual issues:

<b>Governmental Activities - Primary Activities</b>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</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%.	\$ 11,108	\$ -	\$ 1,388	\$ 9,720	\$ 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%.	160,000	-	15,000	145,000	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%.	705,000	-	8,000	697,000	8,000
\$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%.	56,000	-	1,000	55,000	1,000
\$39,450 2003 310SG backhoe loan due in annual installments of \$13,716 to \$5,715 through November 5, 2007, including interest at 2.74%.	5,663	-	5,663	-	-
\$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.	103,000	-	8,000	95,000	9,000
Compensated absences - General Fund, Property Replacement Fund, Streetscape Fund, Building Department Fund, Local Street Fund, Major Street Fund and Sidewalk Fund.	<u>33,631</u>	<u>7,122</u>	<u>-</u>	<u>40,753</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 1,074,402</u>	<u>\$ 7,122</u>	<u>\$ 39,051</u>	<u>\$ 1,042,473</u>	<u>\$ 34,388</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 5 - LONG-TERM DEBT - Continued**

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<b>Business Activities</b>					
\$200,000 1987 Water Supply Revenue Bonds, Series A, due in annual installments of \$5,000 to \$10,000 through January 1, 2027, plus interest at 6.125%.	\$ 120,000	\$ -	\$ 5,000	\$ 115,000	\$ 5,000
\$75,000 1987 Water Supply Revenue Bonds, Series B, due in annual installments of \$2,000 to \$3,000 through January 1, 2027, plus interest at 5.75%.	43,000	-	2,000	41,000	2,000
\$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%.	260,000	-	20,000	240,000	20,000
\$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%.	355,000	-	15,000	340,000	15,000
\$200,000 loan for Water Improvement Fund from Van Buren County due in quarterly installments of \$5,505 to \$5,529 plus interest of 2% through May 17, 2015. On September 22, 2006, this loan was consolidated into the new loan from Van Buren County.	181,747	-	181,747	-	-
\$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.	-	277,127	18,253	258,874	24,929
Compensated absences - Water Fund and Sewer Fund.	1,103	1,978	-	3,081	-
<b>Total Business Activities</b>	<u>\$ 960,850</u>	<u>\$ 279,105</u>	<u>\$ 242,000</u>	<u>\$ 997,955</u>	<u>\$ 66,929</u>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 5 - LONG-TERM DEBT - Continued**

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

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>		<b>Business Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 34,388	\$ 47,516	\$ 66,929	\$ 48,077
2009	34,388	46,105	67,621	45,047
2010	36,388	44,655	78,333	41,710
2011	41,389	43,043	79,065	38,062
2012	42,389	41,291	84,817	34,247
2013-2017	170,778	172,894	412,109	107,549
2018-2022	75,000	143,856	155,000	37,437
2023-2027	100,000	123,266	51,000	11,798
2028-2032	121,000	97,118	-	-
2033-2037	156,000	65,365	-	-
2038-2042	190,000	23,515	-	-
<b>Total</b>	<b>\$ 1,001,720</b>	<b>\$ 848,624</b>	<b>\$ 994,874</b>	<b>\$ 363,927</b>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The City incurred the following transfers for the year:

<b>Transferred Out</b>	<b>Transferred To</b>	<b>Purpose of Transfer</b>	<b>Amount</b>
General Fund	Sidewalk Fund	Sidewalk improvements	\$ 3,000
	Property Replacement Fund	New police car and various equipment replacements	32,000
	Major Street Fund	Street light improvements	10,000
Major Street Fund	East Main Street Reconstruction Fund	East Main Street road improvements	7,830
	Water Improvement Fund	Water improvements	13,273
Downtown Development Authority	Safe Route to School Fund	Administration expenditures for new grant	2,063
Water Fund	Water Improvement Fund	Water improvements	155,080
Water Improvement Fund	Water Fund	To capitalize finished water improvement projects	609,525
Sewer Fund	Water Improvement Fund	Water improvements	47,578
<b>Total transfers out for all funds</b>			<b>\$ 880,349</b>

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued**

The composition of interfund balances as of June 30, 2007, is as follows:

Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Local Street Fund	\$ 21,232
General Fund	Current Tax Fund	58,353
Major Street Fund	General Fund	133,646
Local Street Fund	Water Fund	67,124
Building Department Fund	Water Fund	52,743
Property Replacement Fund	Water Fund	<u>43,172</u>
	Total	<u>\$ 376,270</u>

The Local Street Fund owes the General Fund for Van Buren Road Millage.

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

The General Fund owes the Major Street Fund for cash allocation in the sweep checking account.

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

**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, 2007 is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 306,189	\$ 342,779	\$ 648,968
Depreciation and amortization	68,874	70,016	138,890
Operating income (loss)	18,500	(782)	17,718
Nonoperating revenues (expenses)	(35,462)	5,769	(29,693)
Change in net assets	437,483	(42,591)	394,892
Property, plant, and equipment additions	715,525	13,613	729,138
Net working capital	(187,325)	361,569	174,244
Long-term debt	781,695	149,331	931,026
Total assets	2,558,390	1,865,263	4,423,653
Total net assets	1,541,959	1,704,604	3,246,563

**CITY OF HARTFORD**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 8 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of recent federal legislation with regard to Internal Revenue Code Section 457, the City no longer has the rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are no longer subject to the claims of the general creditors of the City. Therefore, the City is no longer required to account for the deferred compensation plan and the agency that accounted for it has been eliminated.

**NOTE 9 - NET ASSETS**

Reservations 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, 2007, reservations of fund equity consisted of the following:

**ENTERPRISE FUNDS**

Water Fund

Reserved for restricted assets	\$ <u>252,387</u>
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**NOTE 10 - LEASE AGREEMENT**

On December 4, 2001, the City of Hartford Building Authority issued City of Hartford Building Authority, 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.

**NOTE 11 - FUND DEFICIT**

The Water Improvement Fund has a fund deficit in the amount of \$40,827. The deficit is due to an accounts payable accrued at June 30, 2007. As bills become due, the City transfers money into the Water Improvement Fund. The operating transfer to cover the accounts payable was made upon payment of the actual payable after June 30, 2007.

**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.

**East Main Construction Fund** - This fund accounts for reconstruction work along East Main Street from Center to Olds Avenue.

**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.

**Safe Route to School** - This fund is used to account for the capital improvements used to provide students a safe route to school. Capital projects include improving the sidewalks, bicycle paths, improved lighting system, and traffic lights.

**CITY OF HARTFORD  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 30,928	\$ 21,114	\$ 52,042
Due from other governments	7,468	-	7,468
Due from other funds	<u>119,867</u>	<u>43,172</u>	<u>163,039</u>
Total Current Assets	<u>\$ 158,263</u>	<u>\$ 64,286</u>	<u>\$ 222,549</u>
TOTAL ASSETS	<u>\$ 158,263</u>	<u>\$ 64,286</u>	<u>\$ 222,549</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Accounts payable	\$ 1,224	\$ -	\$ 1,224
Due to other funds	<u>21,232</u>	<u>-</u>	<u>21,232</u>
Total Current Liabilities	<u>\$ 22,456</u>	<u>\$ -</u>	<u>\$ 22,456</u>
Total Liabilities	<u>\$ 22,456</u>	<u>\$ -</u>	<u>\$ 22,456</u>
Fund Balances:			
Unreserved, report in:			
Special Revenue	\$ 135,807	\$ -	\$ 135,807
Capital Projects	<u>-</u>	<u>64,286</u>	<u>64,286</u>
Total Fund Balances	<u>\$ 135,807</u>	<u>\$ 64,286</u>	<u>\$ 200,093</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 158,263</u>	<u>\$ 64,286</u>	<u>\$ 222,549</u>

**CITY OF HARTFORD  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>			
State revenues	\$ 45,803	\$ -	\$ 45,803
Federal grant		33,224	33,224
Rent	50,000	-	50,000
Licenses and permits	26,896	-	26,896
Miscellaneous revenue	<u>2,652</u>	<u>-</u>	<u>2,652</u>
 Total Revenues	 <u>\$ 125,351</u>	 <u>\$ 33,224</u>	 <u>\$ 158,575</u>
 <b>Expenditures:</b>			
Current:			
Public safety	\$ 34,046	\$ -	\$ 34,046
Public works	70,696	-	70,696
Debt service:			
Principal	9,000	8,000	17,000
Interest	35,934	4,084	40,018
Capital outlay:			
General government	-	9,575	9,575
Public safety	-	27,383	27,383
Public works	<u>-</u>	<u>45,054</u>	<u>45,054</u>
 Total Expenditures	 <u>\$ 149,676</u>	 <u>\$ 94,096</u>	 <u>\$ 243,772</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (24,325)</u>	 <u>\$ (60,872)</u>	 <u>\$ (85,197)</u>
 <b>Other Financing Sources (Uses):</b>			
Loan proceeds - sale of assets	\$ -	\$ 6,500	\$ 6,500
Operating transfers in	<u>3,000</u>	<u>41,893</u>	<u>44,893</u>
 Total Other Financing Sources (Uses)	 <u>\$ 3,000</u>	 <u>\$ 48,393</u>	 <u>\$ 51,393</u>
 Net Change in Fund Balances	 <u>\$ (21,325)</u>	 <u>\$ (12,479)</u>	 <u>\$ (33,804)</u>
Fund Balances - July 1, 2006	<u>157,132</u>	<u>76,765</u>	<u>233,897</u>
 FUND BALANCES - JUNE 30, 2007	 <u>\$ 135,807</u>	 <u>\$ 64,286</u>	 <u>\$ 200,093</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 366,500	\$ 351,700	\$ 353,898	\$ 2,198
Tax administration fee	-	-	13,579	13,579
Licenses and permits	-	-	13,485	13,485
Equipment rental	125,000	125,000	119,482	(5,518)
State revenue	325,000	321,000	321,135	135
Charges for services	-	-	1,889	1,889
Fines and forfeits	-	-	2,582	2,582
Interest	35,000	43,100	56,800	13,700
Administration fee - other funds	82,200	82,200	79,200	(3,000)
Other	13,500	13,500	22,068	8,568
Insurance refunds	-	-	10,428	10,428
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 947,200	\$ 936,500	\$ 994,546	\$ 58,046
<b>Expenditures:</b>				
Current:				
General government	\$ 324,015	\$ 316,840	\$ 313,427	\$ 3,413
Public safety	434,580	426,180	397,498	28,682
Public works	158,400	133,400	135,660	(2,260)
Recreation and cultural	7,000	5,000	4,750	250
Debt service	19,800	19,800	8,300	11,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 943,795	\$ 901,220	\$ 859,635	\$ 41,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 3,405	\$ 35,280	\$ 134,911	\$ 99,631
<b>Other Financing Sources (Uses):</b>				
Operating transfers out	<u>(41,000)</u>	<u>(43,400)</u>	<u>(45,000)</u>	<u>(1,600)</u>
Net Change in Fund Balances	\$ (37,595)	\$ (8,120)	\$ 89,911	\$ 98,031
Fund Balances - July 1, 2006	<u>598,167</u>	<u>598,167</u>	<u>598,167</u>	<u>-</u>
FUND BALANCES - JUNE 30, 2007	<u>\$ 560,572</u>	<u>\$ 590,047</u>	<u>\$ 688,078</u>	<u>\$ 98,031</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State revenues	\$ 142,100	\$ 117,100	\$ 128,664	\$ 11,564
Miscellaneous	<u>6,300</u>	<u>6,300</u>	<u>5,304</u>	<u>(996)</u>
Total Revenues	<u>\$ 148,400</u>	<u>\$ 123,400</u>	<u>\$ 133,968</u>	<u>\$ 10,568</u>
<b>Expenditures:</b>				
Routine maintenance	\$ 55,600	\$ 30,600	\$ 24,135	\$ 6,465
Traffic services	13,700	20,700	22,349	(1,649)
Street construction	12,000	20,000	1,875	18,125
Nonmotorized	2,600	600	-	600
Winter maintenance	31,300	19,800	19,365	435
Professional fees	6,000	6,400	6,325	75
Debt service:				
Principal	16,000	16,000	15,000	1,000
Interest	<u>11,200</u>	<u>10,800</u>	<u>7,665</u>	<u>3,135</u>
Total Expenditures	<u>\$ 148,400</u>	<u>\$ 124,900</u>	<u>\$ 96,714</u>	<u>\$ 28,186</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (1,500)</u>	<u>\$ 37,254</u>	<u>\$ 38,754</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	\$ -	\$ 10,000	\$ 10,000	\$ -
Operating transfers out	<u>-</u>	<u>-</u>	<u>(21,103)</u>	<u>(21,103)</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (11,103)</u>	<u>\$ (21,103)</u>
Net Change in Fund Balances	\$ -	\$ 8,500	\$ 26,151	\$ 17,651
Fund Balances - July 1, 2006	<u>177,087</u>	<u>177,087</u>	<u>177,087</u>	<u>-</u>
<b>FUND BALANCES - JUNE 30, 2007</b>	<u><u>\$ 177,087</u></u>	<u><u>\$ 185,587</u></u>	<u><u>\$ 203,238</u></u>	<u><u>\$ 17,651</u></u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Taxes	\$ 351,700	\$ 353,898	\$ 2,198
Tax administration fee	-	13,579	13,579
Licenses and permits	-	13,485	13,485
Equipment rental	125,000	119,482	(5,518)
State revenue	321,000	321,135	135
Charges for services	-	1,889	1,889
Fines and forfeits	-	2,582	2,582
Interest	43,100	56,800	13,700
Administration fee - other funds	82,200	79,200	(3,000)
Other	13,500	22,068	8,568
Insurance refunds	-	10,428	10,428
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 936,500	\$ 994,546	\$ 58,046
<b>Expenditures:</b>			
General government	\$ 316,840	\$ 313,427	\$ 3,413
Public safety	426,180	397,498	28,682
Public works	133,400	135,660	(2,260)
Recreation and culture	5,000	4,750	250
Debt service:			
Principal	18,700	8,265	10,435
Interest	1,100	35	1,065
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 901,220	\$ 859,635	\$ 41,585
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 35,280	\$ 134,911	\$ 99,631
<b>Other Financing Sources (Uses):</b>			
Operating transfers out	\$ (43,400)	\$ (45,000)	\$ (1,600)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	\$ (43,400)	\$ (45,000)	\$ (1,600)
Net Change in Fund Balance	\$ (8,120)	\$ 89,911	\$ 98,031
Fund Balances - July 1, 2006	<u>598,167</u>	<u>598,167</u>	<u>-</u>
FUND BALANCES - JULY 1, 2007	<u>\$ 590,047</u>	<u>\$ 688,078</u>	<u>\$ 98,031</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government</b>			
City Council:			
Salaries and wages	\$ 7,200	\$ 7,200	\$ -
Benefits	1,000	612	388
Insurance and bonds	1,000	906	94
Membership dues	300	265	35
Miscellaneous	<u>2,725</u>	<u>2,955</u>	<u>(230)</u>
Total City Council	<u>\$ 12,225</u>	<u>\$ 11,938</u>	<u>\$ 287</u>
Mayor:			
Salaries and wages	\$ 1,500	\$ 1,500	\$ -
Benefits	200	115	85
Miscellaneous	<u>300</u>	<u>36</u>	<u>264</u>
Total Mayor	<u>\$ 2,000</u>	<u>\$ 1,651</u>	<u>\$ 349</u>
City Manager:			
Salaries and wages	\$ 66,355	\$ 65,400	\$ 955
Benefits	16,960	16,584	376
Insurance and bonds	500	1,140	(640)
Membership dues	600	235	365
Contractual services	1,200	154	1,046
Miscellaneous	<u>1,100</u>	<u>538</u>	<u>562</u>
Total City Manager	<u>\$ 86,715</u>	<u>\$ 84,051</u>	<u>\$ 2,664</u>
Elections:			
Postage	\$ 300	\$ 1	\$ 299
Supplies	-	44	(44)
Contractual services	3,000	2,624	376
Travel	100	40	60
Publishing	<u>500</u>	<u>172</u>	<u>328</u>
Total Elections	<u>\$ 3,900</u>	<u>\$ 2,881</u>	<u>\$ 1,019</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government - Continued</b>			
Assessor:			
Contractual services	\$ 10,000	\$ 10,820	\$ (820)
Supplies	1,800	103	1,697
Miscellaneous	<u>1,000</u>	<u>545</u>	<u>455</u>
Total Assessor	<u>\$ 12,800</u>	<u>\$ 11,468</u>	<u>\$ 1,332</u>
Professional Services:			
Legal	\$ 1,000	\$ 1,540	\$ (540)
Audit	<u>6,500</u>	<u>6,400</u>	<u>100</u>
Total Professional Services	<u>\$ 7,500</u>	<u>\$ 7,940</u>	<u>\$ (440)</u>
Clerk:			
Salaries	\$ 33,890	\$ 34,043	\$ (153)
Benefits	7,400	7,829	(429)
Supplies	450	117	333
Postage	100	-	100
Publishing	1,200	1,744	(544)
Contractual services	1,000	96	904
Miscellaneous	<u>2,600</u>	<u>1,791</u>	<u>809</u>
Total Clerk	<u>\$ 46,640</u>	<u>\$ 45,620</u>	<u>\$ 1,020</u>
Central Supply:			
Supplies	\$ 12,500	\$ 8,745	\$ 3,755
Repairs and maintenance	<u>1,500</u>	<u>5,309</u>	<u>(3,809)</u>
Total Central Supply	<u>\$ 14,000</u>	<u>\$ 14,054</u>	<u>\$ (54)</u>
Board of Review:			
Contractual services	\$ 1,500	\$ 877	\$ 623
Benefits	100	-	100
Miscellaneous	<u>700</u>	<u>761</u>	<u>(61)</u>
Total Board of Review	<u>\$ 2,300</u>	<u>\$ 1,638</u>	<u>\$ 662</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government - Continued</b>			
Treasurer:			
Salaries and wages	\$ 38,500	\$ 41,027	\$ (2,527)
Benefits	15,360	14,286	1,074
Postage	100	-	100
Travel	300	73	227
Insurance and bonds	700	965	(265)
Operating supplies	600	411	189
Miscellaneous	<u>2,500</u>	<u>450</u>	<u>2,050</u>
Total Treasurer	<u>\$ 58,060</u>	<u>\$ 57,212</u>	<u>\$ 848</u>
City Hall and Grounds:			
Salaries and wages	\$ -	\$ 750	\$ (750)
Benefits	-	54	(54)
Contractual services	3,000	8,338	(5,338)
Utilities and telephone	12,000	8,882	3,118
Repairs and maintenance	500	3,374	(2,874)
Insurance and bonds	1,200	1,301	(101)
Building improvements	500	-	500
Lease expense	50,000	50,000	-
Equipment	500	1,052	(552)
Supplies	<u>3,000</u>	<u>1,223</u>	<u>1,777</u>
Total City Hall and Grounds	<u>\$ 70,700</u>	<u>\$ 74,974</u>	<u>\$ (4,274)</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>\$ 316,840</u>	<u>\$ 313,427</u>	<u>\$ 3,413</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Police Department:			
Salaries and wages	\$ 250,400	\$ 215,814	\$ 34,586
Benefits	71,500	74,980	(3,480)
Supplies	1,400	2,244	(844)
Legal	1,500	1,582	(82)
Clothing allowance	3,000	611	2,389
Gasoline and oil	6,500	10,714	(4,214)
Contractual services	6,300	7,101	(801)
Telephone	4,500	3,376	1,124
Repairs and maintenance	6,500	1,687	4,813
Training fund	2,000	28	1,972
Membership fees	200	365	(165)
Insurance and bonds	5,000	8,288	(3,288)
Capital outlay	<u>1,500</u>	<u>928</u>	<u>572</u>
Total Police Department	<u>\$ 360,300</u>	<u>\$ 327,718</u>	<u>\$ 32,582</u>
Fire Department:			
Contribution to Fire Board	<u>\$ 56,000</u>	<u>\$ 55,275</u>	<u>\$ 725</u>
Total Fire Department	<u>\$ 56,000</u>	<u>\$ 55,275</u>	<u>\$ 725</u>
Zoning Board:			
Salaries and wages	\$ 5,780	\$ 9,510	\$ (3,730)
Benefits	1,200	728	472
Contractual services	300	3,145	(2,845)
Supplies	300	82	218
Training	1,500	179	1,321
Postage	-	64	(64)
Miscellaneous	<u>800</u>	<u>797</u>	<u>3</u>
Total Zoning Board	<u>\$ 9,880</u>	<u>\$ 14,505</u>	<u>\$ (4,625)</u>
TOTAL PUBLIC SAFETY	<u>\$ 426,180</u>	<u>\$ 397,498</u>	<u>\$ 28,682</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Works</b>			
Department of Public Works:			
Salaries and wages	\$ 52,000	\$ 60,911	\$ (8,911)
Benefits	25,900	18,649	7,251
Supplies	6,000	5,623	377
Clothing allowance	2,000	1,116	884
Gasoline and oil	12,000	16,057	(4,057)
Contractual services	10,000	8,083	1,917
Utilities and telephone	8,000	9,232	(1,232)
Repairs and maintenance	7,500	6,628	872
Training	1,000	-	1,000
Capital outlay	500	4,805	(4,305)
Insurance and bonds	8,000	4,321	3,679
Miscellaneous	<u>500</u>	<u>235</u>	<u>265</u>
 TOTAL PUBLIC WORKS	 <u>\$ 133,400</u>	 <u>\$ 135,660</u>	 <u>\$ (2,260)</u>
 <b>Recreation and Culture</b>			
Miscellaneous	<u>\$ 5,000</u>	<u>\$ 4,750</u>	<u>\$ 250</u>
 TOTAL RECREATION AND CULTURE	 <u>\$ 5,000</u>	 <u>\$ 4,750</u>	 <u>\$ 250</u>
 <b>Debt Service</b>			
Principal	\$ 18,700	\$ 8,265	\$ 10,435
Interest	<u>1,100</u>	<u>35</u>	<u>1,065</u>
 TOTAL DEBT SERVICE	 <u>\$ 19,800</u>	 <u>\$ 8,300</u>	 <u>\$ 11,500</u>
 TOTAL EXPENDITURES	 <u>\$ 901,220</u>	 <u>\$ 859,635</u>	 <u>\$ 41,585</u>

**CITY OF HARTFORD  
GENERAL FUND  
Statement of Other Financing Sources and Uses - Budget and Actual  
For the Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>Uses</b>			
Operating transfer to Sidewalk Fund	\$ 3,000	\$ 3,000	\$ -
Operating transfer to Replacement Fund	30,400	32,000	(1,600)
Operating transfer to Major Street Fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>
 TOTAL USES	 <u>\$ 43,400</u>	 <u>\$ 45,000</u>	 <u>\$ (1,600)</u>

**CITY OF HARTFORD  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2007**

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 1	\$ 1,787	\$ 11,387	\$ 17,753	\$ 30,928
Due from other governmental units	7,468	-	-	-	7,468
Due from other funds	<u>67,124</u>	<u>-</u>	<u>52,743</u>	<u>-</u>	<u>119,867</u>
TOTAL ASSETS	<u>\$ 74,593</u>	<u>\$ 1,787</u>	<u>\$ 64,130</u>	<u>\$ 17,753</u>	<u>\$ 158,263</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 1,224	\$ -	\$ 1,224
Due to other funds	<u>21,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,232</u>
Total Liabilities	<u>\$ 21,232</u>	<u>\$ -</u>	<u>\$ 1,224</u>	<u>\$ -</u>	<u>\$ 22,456</u>
<b>Fund Balance</b>					
Unreserved - undesignated	<u>\$ 53,361</u>	<u>\$ 1,787</u>	<u>\$ 62,906</u>	<u>\$ 17,753</u>	<u>\$ 135,807</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 74,593</u>	<u>\$ 1,787</u>	<u>\$ 64,130</u>	<u>\$ 17,753</u>	<u>\$ 158,263</u>

**CITY OF HARTFORD**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2007**

	<u>Local Street</u>	<u>Sidewalk</u>	<u>Building Department</u>	<u>Building Authority</u>	<u>Total</u>
<b>Revenues</b>					
State revenue	\$ 45,803	\$ -	\$ -	\$ -	\$ 45,803
Rent revenue	-	-	-	50,000	50,000
Permits and fees	-	-	26,896	-	26,896
Miscellaneous revenue	<u>2,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,652</u>
 Total Revenues	 <u>\$ 48,455</u>	 <u>\$ -</u>	 <u>\$ 26,896</u>	 <u>\$ 50,000</u>	 <u>\$ 125,351</u>
<b>Expenditures</b>					
Routine maintenance	\$ 44,069	\$ -	\$ -	\$ -	\$ 44,069
Traffic services	630	-	-	-	630
Improvements	1,875	3,000	-	-	4,875
Winter maintenance	19,122	-	-	-	19,122
Building department	-	-	34,046	-	34,046
Professional fees	2,000	-	-	-	2,000
Debt service:					
Principal	-	-	-	9,000	9,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,934</u>	<u>35,934</u>
 Total Expenditures	 <u>\$ 67,696</u>	 <u>\$ 3,000</u>	 <u>\$ 34,046</u>	 <u>\$ 44,934</u>	 <u>\$ 149,676</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (19,241)</u>	 <u>\$ (3,000)</u>	 <u>\$ (7,150)</u>	 <u>\$ 5,066</u>	 <u>\$ (24,325)</u>
<b>Other Financing Sources</b>					
Operating transfers in	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,000</u>
 Total Other Financing Sources	 <u>\$ -</u>	 <u>\$ 3,000</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,000</u>
 Net Change in Fund Balance	 <u>\$ (19,241)</u>	 <u>\$ -</u>	 <u>\$ (7,150)</u>	 <u>\$ 5,066</u>	 <u>\$ (21,325)</u>
 Fund Balances - July 1, 2006	 <u>72,602</u>	 <u>1,787</u>	 <u>70,056</u>	 <u>12,687</u>	 <u>157,132</u>
 FUND BALANCES - JUNE 30, 2007	 <u>\$ 53,361</u>	 <u>\$ 1,787</u>	 <u>\$ 62,906</u>	 <u>\$ 17,753</u>	 <u>\$ 135,807</u>

**CITY OF HARTFORD  
NONMAJOR CAPITAL PROJECTS FUNDS  
Combining Balance Sheet  
June 30, 2007**

	<b>Property Replacement <u>Fund</u></b>	<b>East Main Street Reconstruction <u>Fund</u></b>	<b>Safe Route to School <u>Fund</u></b>	<b><u>Total</u></b>
<b>Assets</b>				
Current assets				
Cash	\$ 21,114	\$ -	\$ -	\$ 21,114
Due from other funds	<u>43,172</u>	<u>-</u>	<u>-</u>	<u>43,172</u>
TOTAL CURRENT ASSETS	<u>\$ 64,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,286</u>
<b>Fund Equity</b>				
Fund balance:				
Unreserved	<u>\$ 64,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,286</u>
Total Fund Equity	<u>\$ 64,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,286</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 64,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,286</u>

**CITY OF HARTFORD**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2007**

	<b>Property Replacement Fund</b>	<b>East Main Street Reconstruction Fund</b>	<b>Safe Route To School Fund</b>	<b>Total</b>
<b>Revenues</b>				
Federal grant	\$ -	\$ 33,224	\$ -	\$ 33,224
Total Revenues	<u>\$ -</u>	<u>\$ 33,224</u>	<u>\$ -</u>	<u>\$ 33,224</u>
<b>Expenditures</b>				
Capital outlay:				
General government	\$ 9,575	\$ -	\$ -	\$ 9,575
Public safety	25,320	-	2,063	27,383
Public works	4,000	41,054	-	45,054
Debt service:				
Principal	8,000	-	-	8,000
Interest	4,084	-	-	4,084
Total Expenditures	<u>\$ 50,979</u>	<u>\$ 41,054</u>	<u>\$ 2,063</u>	<u>\$ 94,096</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (50,979)</u>	<u>\$ (7,830)</u>	<u>\$ (2,063)</u>	<u>\$ (60,872)</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in (out)	\$ 32,000	\$ 7,830	\$ 2,063	\$ 41,893
Sale of assets	6,500	-	-	6,500
Total Other Financing Sources (Uses)	<u>\$ 38,500</u>	<u>\$ 7,830</u>	<u>\$ 2,063</u>	<u>\$ 48,393</u>
Net Change in Fund Balance	\$ (12,479)	\$ -	\$ -	\$ (12,479)
Fund Balances - July 1, 2006	<u>76,765</u>	<u>-</u>	<u>-</u>	<u>76,765</u>
FUND BALANCES - JUNE 30, 2007	<u>\$ 64,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,286</u>

**CITY OF HARTFORD**  
**AGENCY FUNDS**  
**Statement of Changes in Assets and Liabilities**  
**Trust and Agency Fund**  
**For the Year Ended June 30, 2007**

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Assets</b>				
Cash	\$ 371	\$ 3,305	\$ 2,903	\$ 773
TOTAL ASSETS	<u>\$ 371</u>	<u>\$ 3,305</u>	<u>\$ 2,903</u>	<u>\$ 773</u>
 <b>Liabilities and Fund Balance</b>				
Due to employees	\$ 176	\$ 214	\$ 38	\$ 352
Due to recreation fund	8	-	-	8
Due to general fund	-	226	-	226
Due to other governmental units	25	2,865	2,865	25
Memorial fund	<u>162</u>	<u>-</u>	<u>-</u>	<u>162</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 371</u>	<u>\$ 3,305</u>	<u>\$ 2,903</u>	<u>\$ 773</u>

**CITY OF HARTFORD**  
**AGENCY FUNDS**  
**Statement of Changes in Assets and Liabilities**  
**Current Tax Fund**  
**For the Year Ended June 30, 2007**

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Assets</b>				
Cash	\$ 50	\$ 1,307,134	\$ 1,247,853	\$ 59,331
TOTAL ASSETS	<u>\$ 50</u>	<u>\$ 1,307,134</u>	<u>\$ 1,247,853</u>	<u>\$ 59,331</u>
 <b>Liabilities</b>				
Due to other funds	\$ -	\$ 446,185	\$ 387,832	\$ 58,353
Due to other governmental units	<u>50</u>	<u>2,114,480</u>	<u>2,113,552</u>	<u>978</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 50</u>	<u>\$ 2,560,665</u>	<u>\$ 2,501,384</u>	<u>\$ 59,331</u>

**CITY OF HARTFORD**  
**Schedule of 1987 Water Supply Revenue Bonds, Series A**  
**June 30, 2007**

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u>		<u>Principal Due</u> <u>January 1</u>	<u>Balance</u>
			<u>July 1</u>	<u>January 1</u>		
2008	6.125%	\$ 13,338	\$ 4,169	\$ 4,169	\$ 5,000	\$ 110,000
2009	6.125	12,976	3,988	3,988	5,000	105,000
2010	6.125	12,612	3,806	3,806	5,000	100,000
2011	6.125	12,250	3,625	3,625	5,000	95,000
2012	6.125	11,888	3,444	3,444	5,000	90,000
2013	6.125	11,526	3,263	3,263	5,000	85,000
2014	6.125	11,162	3,081	3,081	5,000	80,000
2015	6.125	10,800	2,900	2,900	5,000	75,000
2016	6.125	10,434	2,717	2,717	5,000	70,000
2017	6.125	10,076	2,538	2,538	5,000	65,000
2018	6.125	9,712	2,356	2,356	5,000	60,000
2019	6.125	9,350	2,175	2,175	5,000	55,000
2020	6.125	8,988	1,994	1,994	5,000	50,000
2021	6.125	8,624	1,812	1,812	5,000	45,000
2022	6.125	8,262	1,631	1,631	5,000	40,000
2023	6.125	7,900	1,450	1,450	5,000	35,000
2024	6.125	7,538	1,269	1,269	5,000	30,000
2025	6.125	12,174	1,087	1,087	10,000	20,000
2026	6.125	11,450	725	725	10,000	10,000
2027	6.125	10,724	362	362	10,000	-
		<u>\$ 211,784</u>	<u>\$ 48,392</u>	<u>\$ 48,392</u>	<u>\$ 115,000</u>	

**CITY OF HARTFORD**  
**Schedule of 1987 Water Supply Revenue Bonds, Series B**  
**June 30, 2007**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest Due</u>		<u>Principal Due January 1</u>	<u>Balance</u>
			<u>July 1</u>	<u>January 1</u>		
2008	5.75%	\$ 4,358	\$ 1,179	\$ 1,179	\$ 2,000	\$ 39,000
2009	5.75	4,242	1,121	1,121	2,000	37,000
2010	5.75	4,128	1,064	1,064	2,000	35,000
2011	5.75	4,012	1,006	1,006	2,000	33,000
2012	5.75	3,898	949	949	2,000	31,000
2013	5.75	3,782	891	891	2,000	29,000
2014	5.75	3,668	834	834	2,000	27,000
2015	5.75	3,552	776	776	2,000	25,000
2016	5.75	3,438	719	719	2,000	23,000
2017	5.75	3,322	661	661	2,000	21,000
2018	5.75	3,208	604	604	2,000	19,000
2019	5.75	3,092	546	546	2,000	17,000
2020	5.75	2,978	489	489	2,000	15,000
2021	5.75	2,862	431	431	2,000	13,000
2022	5.75	2,748	374	374	2,000	11,000
2023	5.75	2,632	316	316	2,000	9,000
2024	5.75	2,518	259	259	2,000	7,000
2025	5.75	2,402	201	201	2,000	5,000
2026	5.75	2,288	144	144	2,000	3,000
2027	5.75	3,172	86	86	3,000	-
		<u>\$ 66,300</u>	<u>\$ 12,650</u>	<u>\$ 12,650</u>	<u>\$ 41,000</u>	

**CITY OF HARTFORD**  
**Schedule of Unlimited Tax General Obligation Bonds**  
**June 30, 2007**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due</b>		<b>Principal Due October 1</b>	<b>Balance</b>
			<b>October 1</b>	<b>April 1</b>		
2008	5.50%	\$ 33,585	\$ 7,068	\$ 6,517	\$ 20,000	\$ 220,000
2009	5.60	32,475	6,517	5,958	20,000	200,000
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	36,067	1,067	-	35,000	-
		<u>\$ 310,980</u>	<u>\$ 39,024</u>	<u>\$ 31,956</u>	<u>\$ 240,000</u>	

**CITY OF HARTFORD**  
**Schedule of 1999 Michigan Transportation Fund Bonds**  
**June 30, 2007**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due</b>		<b>Principal Due August 1</b>	<b>Balance</b>
			<b>August 1</b>	<b>February 1</b>		
2008	5.00%	\$ 21,915	\$ 3,645	\$ 3,270	\$ 15,000	\$ 130,000
2009	5.00	21,165	3,270	2,895	15,000	115,000
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	20,510	510	-	20,000	-
		<u>\$ 176,155</u>	<u>\$ 17,400</u>	<u>\$ 13,755</u>	<u>\$ 145,000</u>	

**CITY OF HARTFORD**  
**Schedule of 1999 Water Supply and Sewage Disposal System Bonds**  
**June 30, 2007**

<b>Year Ended</b> <b>June 30,</b>	<b>Interest</b> <b>Rate</b>	<b>Annual</b> <b>Debt Service</b>	<b>Interest Due</b>		<b>Principal Due</b> <b>November 1</b>	<b>Balance</b>
			<b>November 1</b>	<b>May 1</b>		
2008	5.00%	\$ 31,933	\$ 8,654	\$ 8,279	\$ 15,000	\$ 325,000
2009	5.00	31,183	8,279	7,904	15,000	310,000
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>\$ 475,660</u>	<u>\$ 72,157</u>	<u>\$ 63,503</u>	<u>\$ 340,000</u>	

**CITY OF HARTFORD**  
**Schedule of Property Annexation Agreement**  
**June 30, 2007**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due February 15</b>	<b>Principal Due February 15</b>	<b>Balance</b>
2008	5.00%	\$ 2,749	\$ 1,361	\$ 1,388	\$ 8,332
2009	5.00	2,886	1,498	1,388	6,944
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>\$ 22,380</u>	<u>\$ 12,660</u>	<u>\$ 9,720</u>	

**CITY OF HARTFORD**  
**Schedule of 2001 Building Authority Bonds, Series A**  
**June 30, 2007**

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u>		<u>Principal Due</u> <u>November 1</u>	<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>		
2008	4.75%	\$ 40,918	\$ 16,554	\$ 16,364	\$ 8,000	\$ 689,000
2009	4.75	40,538	16,364	16,174	8,000	681,000
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>\$ 1,430,528</u>	<u>\$ 375,041</u>	<u>\$ 358,487</u>	<u>\$ 697,000</u>	

**CITY OF HARTFORD**  
**Schedule of 2001 Building Authority Bonds, Series B**  
**June 30, 2007**

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Annual</u> <u>Debt Service</u>	<u>Interest Due</u>		<u>Principal Due</u> <u>November 1</u>	<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>		
2008	4.75%	\$ 3,589	\$ 1,306	\$ 1,283	\$ 1,000	\$ 54,000
2009	4.75	3,542	1,283	1,259	1,000	53,000
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>\$ 106,572</u>	<u>\$ 26,439</u>	<u>\$ 25,133</u>	<u>\$ 55,000</u>	

**CITY OF HARTFORD**  
**Schedule of Economic Development Corporation Promissory Note**  
**June 30, 2007**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due</b>	<b>Principal Due</b>	<b>Balance</b>
2008	2.75%	\$ 31,792	\$ 6,863	\$ 24,929	\$ 233,945
2009	2.75	31,792	6,171	25,621	208,324
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	2.75	7,948	54	7,894	-
		<u>\$ 294,077</u>	<u>\$ 35,203</u>	<u>\$ 258,874</u>	

**CITY OF HARTFORD**  
**Schedule of Installment Note - USDA Rural Housing Service**  
**Public Safety and Public Works Vehicles**  
**June 30, 2007**

<b>Year Ended June 30,</b>	<b>Interest Rate</b>	<b>Annual Debt Service</b>	<b>Interest Due</b>		<b>Principal Due</b>	<b>Balance</b>
			<b>August 1</b>	<b>February 1</b>	<b>August 1</b>	
2008	4.125%	\$ 12,733	\$ 1,959	\$ 1,774	\$ 9,000	\$ 86,000
2009	4.125	12,362	1,774	1,588	9,000	77,000
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	12,248	248	-	12,000	-
		<u>\$ 113,709</u>	<u>\$ 10,334</u>	<u>\$ 8,375</u>	<u>\$ 95,000</u>	

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

July 30, 2007

To the City Commission  
Hartford, Michigan

In connection with our audit of the books and records of the City of Hartford for the year ended June 30, 2007, we offer the following comments and recommendations which are in addition to the significant deficiencies discussed in a separate letter.

## LEGAL COMPLIANCE

1. Expenditures exceeded amounts appropriated in the Major Street Fund -Traffic Services and General Fund - Public Works (See Note 3 to Financial Statements).

## GENERAL

1. During the audit we noted that some manual journal entry numbers were used twice. To properly account for all manual journal entries, we recommend that each entry has its own specific number and is kept in numerical order.
2. Before closing the books at year-end due care should be taken to assure that accounts payable, state aid and other various year-end annual adjustments are posted to the books.
3. During the audit we noted that the accounting department did not receive any of the gas logs for the year. We recommend that each department be required to submit a gas log of usage to the accounting department on a timely basis so it can be monitored.

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.  
Certified Public Accountants

**Right. On time.**

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

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

July 30, 2007

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

To: The City Commission of the City of Hartford

In planning and performing our audit of the financial statements of the City of Hartford as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 year we noted that significant nonrecurring general journal entries are not being reviewed and approved. We recommend that the City Manager review these general journal entries with the City Treasurer on a periodic basis. The City Manager should feel free to question any journal entries that come to his attention. The Manager should document that he has approved that specific journal entry that he has reviewed.
2. On an unannounced basis the Commission and City Manager should request a list from the bank of all bank accounts that are under the City's name and federal identification number. During the audit we noted two bank accounts that should be reviewed by the Commission. If these accounts are not meant to be under the City's federal identification number they need to be closed.

**Right. On time.**

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

In addition, we noted other matters involving the internal control and its operation that we have reported to management of the City of Hartford in a separate letter dated July 30, 2007.

This communication is intended solely for the information and use of management, 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.

Very truly yours,

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