

CITY OF HARTFORD

VAN BUREN COUNTY, MICHIGAN

FINANCIAL STATEMENTS

For the year ended
June 30, 2020

CITY OF HARTFORD
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For the year ended June 30, 2020

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FINANCIAL SECTION

City of Hartford
List of Elected and Appointed Officials
June 30, 2020

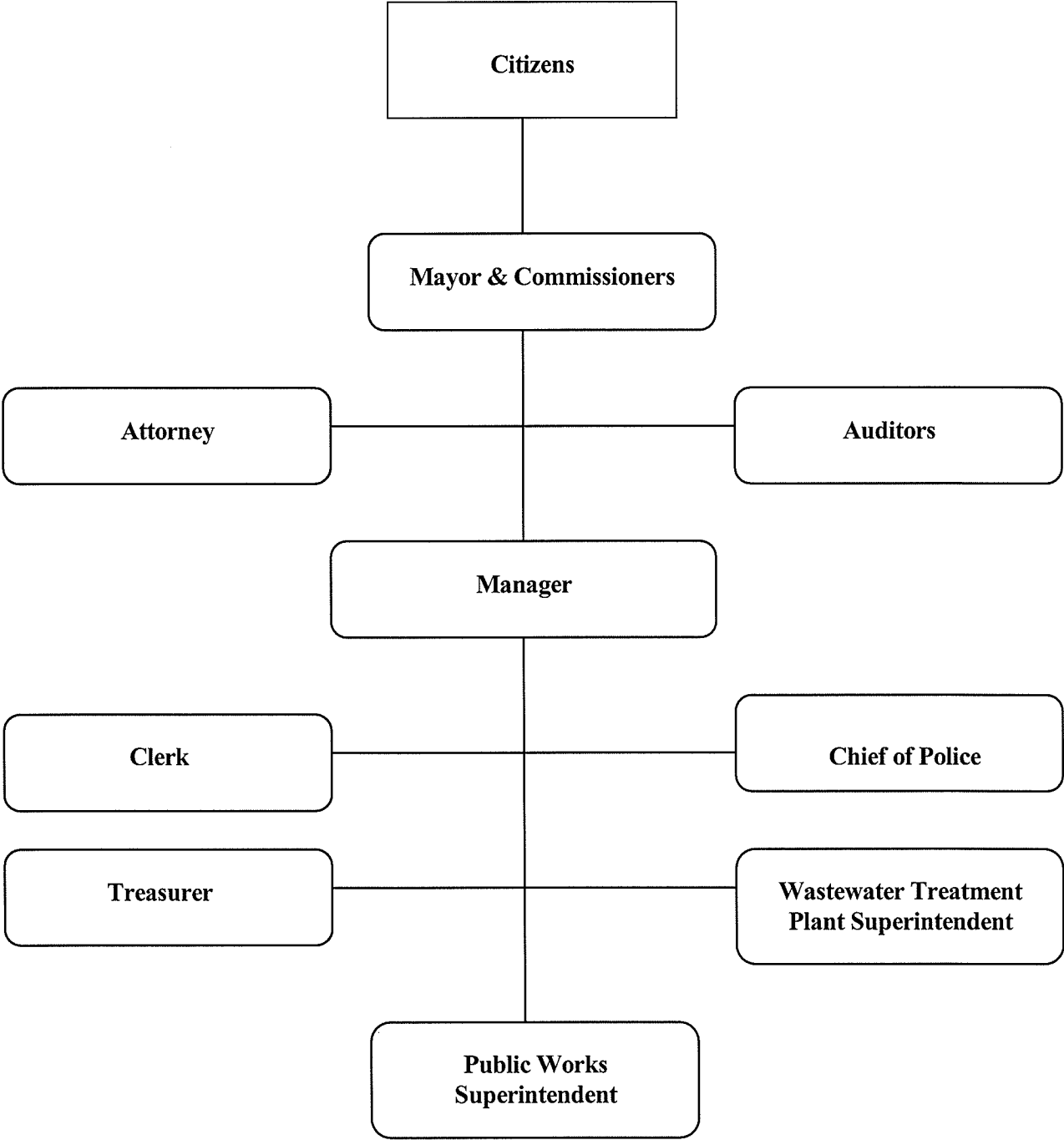
Elected Officials

Mayor	Rick Hall
Mayor Pro-Tem	John Miller
City Commissioner	Dennis Goss
City Commissioner	Terry Tibbs
City Commissioner	Hellen Sullivan
City Commissioner	Frank Dockter
City Commissioner	Ron Burleson

Appointed Officials

City Manager	Yemi Akinwale
City Clerk	RoxAnn Rodney-Isbrecht
City Treasurer	Pam Shultz
Chief of Police	Tressa Beltran
Public Works Superintendent	Dan Staunton
Wastewater Treatment Plant Operator	Tom Strand

**CITY OF HARTFORD
ORGANIZATIONAL CHART**





INDEPENDENT AUDITOR'S REPORT

January 27, 2021

To the City Council
City of Hartford
Van Buren County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hartford (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hartford as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-15 and 57-59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the City's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hungerford Nichols

Certified Public Accountants
St. Joseph, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Hartford (the "City"), 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, 2020. To make this report more readable and easier to understand we will discuss what Management considers the financial highlights and the items with the most impact on this fiscal year's financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hartford's basic financial statements. The City's basic financial statements 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 required supplementary information and 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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, which although legally separate, 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 17 through 20 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. Reconciliations between the governmental activities statements and the government-wide statements can be found on pages 23 and 27.

The City of Hartford maintains seven individual governmental funds. Of these seven funds, four are *special revenue funds* and two are *capital projects funds*. *Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. *Capital projects funds* are used to account for the acquisition or construction of major capital facilities or infrastructure by a governmental unit. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Major Street Fund, which are considered major funds. Data from the other five 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* on pages 67 through 70.

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 21 through 26 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 29 through 34 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 35 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 36 through 54 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 67 through 70.

Government-Wide Financial Analysis

As noted earlier, net position 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 \$9,919,031 at the close of the most recent fiscal year.

Referencing the chart below, (67.4% or \$6,684,935) 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 \$882,958 (8.9%) of the City's net position represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted assets* (23.7% or \$2,351,138) 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 position, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF HARTFORD Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,391,299	\$ 1,870,645	\$ 776,888	\$ 731,190	\$ 3,168,187	\$ 2,601,835
Noncurrent assets	3,521,250	3,703,414	6,677,973	7,006,078	10,199,223	10,709,492
Total Assets	5,912,549	5,574,059	7,454,861	7,737,268	13,367,410	13,311,327
Other liabilities	524,163	116,259	138,551	212,068	662,714	328,327
Long-term liabilities outstanding	700,443	701,075	2,085,222	2,177,136	2,785,665	2,878,211
Total Liabilities	1,224,606	817,334	2,223,773	2,389,204	3,448,379	3,206,538
Net Position						
Investment in capital assets net of related debt	2,173,123	2,304,029	4,511,812	4,749,437	6,684,935	7,053,466
Restricted assets	882,958	719,373	-	-	882,958	719,373
Unrestricted assets	1,631,862	1,733,323	719,276	598,627	2,351,138	2,331,950
Total Net Position	\$ 4,687,943	\$ 4,756,725	\$ 5,231,088	\$ 5,348,064	\$ 9,919,031	\$ 10,104,789

There was a decrease of \$185,758 in total net position for the 2019-20 fiscal year. The net investment in capital assets decreased by \$368,531; restricted assets increased by \$163,585 for the year; and unrestricted assets increased by \$19,188 this fiscal year. Unrestricted assets include cash and cash equivalents, investments, and receivables or the amount that may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HARTFORD
Changes in Net Position

	Governmental		Business-Type		Total	
	2020	2019	2020	2019	2020	2019
Revenue:						
Program Revenue:						
Charges for services	\$ 414,987	\$ 395,797	\$ 905,293	\$ 818,451	\$ 1,320,280	\$ 1,214,248
General Revenue:						
Taxes	421,632	466,516	54,229	60,366	475,861	526,882
State-shared revenue	637,919	886,177	-	-	637,919	886,177
Interest	28,520	33,290	11,539	13,144	40,059	46,434
Other	112,694	161,114	15,258	16,742	127,952	177,856
Unrealized gain	18,656	23,607	8,683	10,987	27,339	34,594
Loss on sale of assets	(7,769)	-	-	-	(7,769)	-
Gain on investments - joint venture	33,830	17,123	-	-	33,830	17,123
Transfers	(12,956)	(238,594)	12,956	238,594	-	-
Total Revenue	1,647,513	1,745,030	1,007,958	1,158,284	2,655,471	2,903,314
Expenditures:						
General government	465,541	480,836	-	-	465,541	480,836
Public safety	552,822	529,308	-	-	552,822	529,308
Public works	565,980	518,659	-	-	565,980	518,659
Other governmental activities	41,482	41,648	-	-	41,482	41,648
Interest on long-term debt	28,690	29,388	-	-	28,690	29,388
Sewer	-	-	741,947	710,758	741,947	710,758
Water	-	-	382,987	387,283	382,987	387,283
Total Expenditures	1,654,515	1,599,839	1,124,934	1,098,041	2,779,449	2,697,880
Change in Net Position	(7,002)	145,191	(116,976)	60,243	(123,978)	205,434
Net Position, Beginning of Year	4,756,725	4,611,534	5,348,064	5,287,821	10,104,789	9,899,355
Prior Period Adjustment	(61,780)	-	-	-	(61,780)	-
Net Position, Beginning of Year, as Restated	4,694,945	4,571,040	5,348,064	5,287,821	10,043,009	9,858,861
Net Position, End of Year	\$ 4,687,943	\$ 4,756,725	\$ 5,231,088	\$ 5,348,064	\$ 9,919,031	\$ 10,104,789

Governmental Activities - The condensed statement of changes in net position on page 10 shows the effect of the City government's activities and decisions on both the Governmental and the Business-Type assets. In the Governmental funds, net position decreased by \$106,855. Note on the chart shown on page 10 that key elements of this decrease are as follows:

Revenue - Governmental activities revenue decreased by \$197,370
Charges for services increased by \$19,190
Taxes decreased by \$44,884
State-shared revenue decreased by \$248,258
Interest decreased by \$4,770
Unrealized gain on investments decreased by \$4,951
Loss on sale of assets was \$7,769
Gain on investment in joint venture was \$33,830

Expenditures - Governmental activities increased by \$54,676
General government decreased by \$15,295
Public safety increased by \$23,514
Public works increased by \$47,321
Other governmental activities decreased by \$166
Interest on long-term debt decreased by \$698

Business-Type Activities - Business-type (for water and sewer service) activities decreased the City of Hartford's net position by \$116,976. Note that on the condensed statement of changes in net position, page 10, that key elements of this decrease are as follows:

Revenue - Total revenue from business-type activities decreased by \$150,326
Charges for services (water/sewer bills) increased by \$86,842
Taxes on millage decreased by \$6,137
Interest revenue decreased by \$1,605
Other revenue decreased by \$1,484

Expense - Business-type activities expense increased by \$26,893, with the Sewer Fund showing an increase of \$31,189 in expenses, and the Water Fund a decrease of \$4,296.

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 \$1,887,878, an increase of \$105,323 in comparison with the prior year. This includes \$1,059,356 (56.11%) assigned or restricted for special revenue, \$64,191 (3.40%) assigned or restricted for public safety, \$222,834 (11.80%) for budget appropriations, \$250,000 (13.24%) for capital projects, and \$23,169 (1.23%) non-spendable, leaving \$268,328 (14.22%) unassigned.

The General Fund is the chief operating fund of the City of Hartford. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$268,328. As a measure of the General Fund's liquidity it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned General Fund balance represents 23.96% of total General Fund expenditures plus transfers to other funds, and total General Fund balance represents 62.19% of total General Fund expenditures plus transfers. Fund balance of the City's General Fund decreased by \$98,047 during the current fiscal year. Key factors in this decrease are as follows:

- General fund revenue decreased by \$55,194 from last fiscal year; tax revenue decreased by \$41,519; charges for services increased by \$5,875; interest and rentals decreased by \$8,152; and state revenue decreased by \$13,678.
- General fund expenditures increased by \$39,115 from last fiscal year. Public safety increased by \$26,716 while general government increased by \$9,315; public works increased by \$5,921; community and economic development increased by \$4,443 and recreation and culture decreased by \$4,609.
- Unrealized gain on investment of \$18,656 versus last fiscal year's gain of \$23,607.

Since the General Fund is the chief operating fund, it has the largest amount of expenditures of any governmental fund. Please note on page 25 of the financial report, that the total expenditures for the General Fund are \$1,182,275 or 77.56% of all governmental funds. The expenditures are divided into several categories for easy comparison from fund to fund.

The general government category includes all general services of the City such as the clerk's, treasurer's and assessing offices, the administration of the City including the City manager's office, and the City Council. Public works category is the general maintenance of City property. 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 pages 29 through 34 in this report.

Unrestricted net position of the Water and Sewer Funds at the end of the year amounted to \$719,276. The total change in net position for both funds was \$22,264 and \$(139,240), respectively. Total net investment in capital assets decreased by \$237,625. The total decrease in net investment in capital assets for both funds is \$94,349 and \$143,276, 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 small. The actual revenue received was \$6,649 less than the final budget and \$7,195 more in appropriations was spent than the final budget.

On page 57 of this report, the original budget, the final budget, and actual amounts for the General Fund are given and compared.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 is \$9,450,096 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, office equipment, vehicles, machinery and equipment, utility systems, and other non-depreciable capital assets. The total decrease in the City's investment in capital assets (net of depreciation) for the current fiscal year was \$482,319 or a 4.9% decrease.

Capital Assets (Net of Depreciation and Net of Related Debt)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 135,861	\$ 135,861	\$ 149,333	\$ 149,333	\$ 285,194	\$ 285,194
Construction in process	-	10,000	-	-	-	10,000
Land improvements	319,686	319,686	-	-	319,686	319,686
Buildings and improvements	1,130,203	1,130,203	3,200,854	3,181,354	4,331,057	4,311,557
Office equipment	86,740	86,740	-	-	86,740	86,740
Vehicles	128,729	156,479	-	-	128,729	156,479
Machinery and equipment	537,296	512,395	2,757,799	2,744,843	3,295,095	3,257,238
Infrastructure	2,795,743	2,789,798	-	-	2,795,743	2,789,798
Utility systems	-	-	6,069,331	6,069,331	6,069,331	6,069,331
Total assets	5,134,258	5,141,162	12,177,317	12,144,861	17,311,575	17,286,023
Less depreciation	(2,362,135)	(2,214,825)	(5,499,344)	(5,138,783)	(7,861,479)	(7,353,608)
Net of depreciation	2,772,123	2,926,337	6,677,973	7,006,078	9,450,096	9,932,415
Related debt	(599,000)	(622,308)	(2,166,161)	(2,256,641)	(2,765,161)	(2,878,949)
Net of Related Debt	\$ 2,173,123	\$ 2,304,029	\$ 4,511,812	\$ 4,749,437	\$ 6,684,935	\$ 7,053,466

As you can see on the above chart, capital assets for the governmental activities decreased by \$154,214 compared to last fiscal year. Long-term debt decreased by \$23,308 leaving a net decrease in capital assets after related debt of \$130,906.

The business-type activities' capital assets decreased by \$328,105 (net of depreciation), and related debt decreased by \$90,480 leaving a net decrease in business-type activities' capital assets of \$237,625.

The total of both governmental and business-type activities decreased the City's net position (net of depreciation and related debt) by \$368,531.

Additional information on the City's capital assets can be found in Note E on pages 48 and 49 of this report.

Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 599,000	\$ 614,000	\$ 2,081,483	\$ 2,115,579	\$ 2,680,483	\$ 2,729,579
Revenue bonds	-	-	30,000	60,000	30,000	60,000
Installment loans	-	8,308	54,678	81,062	54,678	89,370
Compensated absences	117,443	102,075	11,173	10,975	128,616	113,050
Total	\$ 716,443	\$ 724,383	\$ 2,177,334	\$ 2,267,616	\$ 2,893,777	\$ 2,991,999

Long-Term Debt - At the end of the current fiscal year, the City of Hartford had total bonded debt outstanding of \$2,680,483. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) and installment loans. The City's total long-term debt decreased by \$98,222 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10% of its total assessed valuation. The current debt limitation for the City of Hartford is \$3,448,647 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 pages 21 and 22 of this report, but are included in the *Statement of Net Position* found on page 17 of this report. On page 23 of this report the *Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities* 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 F on pages 50 to 52 of this report.

Financial Highlights

Capital Projects

There are currently ninety-eight proposed preventive and regular capital projects involving the City's water systems that have a total cost of \$11,338,000 over a twenty-year period. Of this total, forty-eight of the proposed projects are for the Waste Water System at a cost of \$6,216,000, twenty-nine are for the Water System at a cost of \$3,272,000, and twenty-one are for the Storm Water System at a cost of \$1,850,000.

The proposed revenue to pay for these projects will come from a combination of rate increases, grants, and loans. The City's ability to maintain these facilities gives the City economic stability necessary to retain and expand the City's tax base.

Economic Factors and Next Year's Budgets and Rates

COVID -19 coronavirus has created a major challenge for the City in terms of maintaining several infrastructure projects that were originally deferred. The unexpected economic impact will put the City further behind in our attempt to address these issues. The overall State economic condition is so unstable, it looks like the State may not be able to fulfill its fiscal obligation to us as a community. While we have prioritized these projects and applied for various grants, it is still very difficult to implement these projects without the standard revenue from the State to meet the matching requirements for these projects. The available stimulus money from the Federal government has so many conditions attached to it, that it could not be used for what we need it for. It could take a few years before we can get back to fiscal health that would sustain us for the future.

All of these factors have been considered when making the 2020-2021 budgets. Some line items, such as the State Shared Revenue, Interest Income, and Health Insurance Benefits will be monitored and Budget Amendments made accordingly.

During the current Fiscal year, unassigned Fund Balance in the General Fund decreased by \$98,047; the fund balance at the end of 2019-2020 fiscal year is \$763,287. The City has appropriated \$222,834 for spending in the 2020-2021 fiscal year budget for the General Fund. In all other funds, the City's budget includes a decrease of \$74,598 for the next fiscal year.

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 62 to 65 in this report.

Request for Information

This financial report is designed to provide a general overview of the City of Hartford's finances for all those with interest in the City's finances. Questions concerning any 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.

BASIC FINANCIAL STATEMENTS

CITY OF HARTFORD
Statement of Net Position
June 30, 2020

	<u>Primary Government</u>			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets				
Current Assets				
Cash equivalents and deposits	\$ 781,803	\$ 189,077	\$ 970,880	\$ 2,774
Investments	956,328	428,649	1,384,977	-
Accounts receivable	3,486	149,744	153,230	-
Due from other funds	496,389	1,425	497,814	-
Due from other governments	130,124	-	130,124	-
Prepaid expense	23,169	7,993	31,162	-
Total Current Assets	2,391,299	776,888	3,168,187	2,774
Noncurrent Assets				
Investment in joint venture	749,127	-	749,127	-
Capital assets:				
Nondepreciable	135,861	149,333	285,194	-
Depreciable, net of accumulated depreciation	2,636,262	6,528,640	9,164,902	-
Total Noncurrent Assets	3,521,250	6,677,973	10,199,223	-
Total Assets	5,912,549	7,454,861	13,367,410	2,774

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current Liabilities				
Accounts payable	\$ 5,572	\$ 4,054	\$ 9,626	\$ -
Due to other funds	485,073	-	485,073	-
Payroll liabilities	12,776	2,052	14,828	-
Accrued interest	4,742	16,033	20,775	-
Customer deposits	-	24,300	24,300	-
Current portion of long-term debt	16,000	92,112	108,112	-
Total Current Liabilities	524,163	138,551	662,714	-
Noncurrent Liabilities				
Compensated absences	117,443	11,173	128,616	-
Long-term debt	583,000	2,074,049	2,657,049	-
Total Noncurrent Liabilities	700,443	2,085,222	2,785,665	-
Total Liabilities	1,224,606	2,223,773	3,448,379	-
Net Position				
Net investment in capital assets	2,173,123	4,511,812	6,684,935	-
Restricted	882,958	-	882,958	-
Unrestricted	1,631,862	719,276	2,351,138	2,774
Total Net Position	\$ 4,687,943	\$ 5,231,088	\$ 9,919,031	\$ 2,774

CITY OF HARTFORD
Statement of Activities
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 465,541	\$ 206,062	\$ -	\$ -
Public safety	552,822	81,316	-	-
Public works	565,980	127,609	-	-
Community and economic development	19,330	-	-	-
Recreation and culture	22,152	-	-	-
Interest on long-term debt	28,690	-	-	-
Total Governmental Activities	1,654,515	414,987	-	-
Business-Type Activities				
Water fund	382,987	395,174	-	-
Sewer fund	741,947	510,119	-	-
Total Business-Type Activities	1,124,934	905,293	-	-
Total Primary Government	\$ 2,779,449	\$ 1,320,280	\$ -	\$ -
Component Unit				
Downtown Development Authority	\$ 11,085	\$ -	\$ -	\$ -
Total Component Unit	\$ 11,085	\$ -	\$ -	\$ -

General Revenues

Property taxes
State revenue
Interest
Other revenue
Loss on sale of fixed assets
Gain on investment in joint venture
Unrealized gain on investments
Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year
Prior Period Adjustment
Net Position, Beginning of Year, as Restated

Net Position, End of Year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (259,479)	\$ -	\$ (259,479)	\$ -
(471,506)	-	(471,506)	-
(438,371)	-	(438,371)	-
(19,330)	-	(19,330)	-
(22,152)	-	(22,152)	-
(28,690)	-	(28,690)	-
(1,239,528)	-	(1,239,528)	-
-	12,187	12,187	-
-	(231,828)	(231,828)	-
-	(219,641)	(219,641)	-
(1,239,528)	(219,641)	(1,459,169)	-
-	-	-	(11,085)
-	-	-	(11,085)
421,632	54,229	475,861	11,217
637,919	-	637,919	-
28,520	11,539	40,059	7
112,694	15,258	127,952	-
(7,769)	-	(7,769)	-
33,830	-	33,830	-
18,656	8,683	27,339	-
(12,956)	12,956	-	-
1,232,526	102,665	1,335,191	11,224
(7,002)	(116,976)	(123,978)	139
4,756,725	5,348,064	10,104,789	2,635
(61,780)	-	(61,780)	-
4,694,945	5,348,064	10,043,009	2,635
\$ 4,687,943	\$ 5,231,088	\$ 9,919,031	\$ 2,774

CITY OF HARTFORD
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Major Street Fund
Assets		
Cash equivalents and deposits	\$ 186,731	\$ 208,905
Investments	956,328	-
Accounts receivable	2,111	-
Due from other funds	11,316	476,740
Due from other governments	86,566	31,977
Prepaid expenditures	22,125	522
Total Assets	\$ 1,265,177	\$ 718,144
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,041	\$ 1,295
Due to other funds	485,073	-
Payroll liabilities	12,776	-
Total Liabilities	501,890	1,295
Fund Balances		
Nonspendable:		
Prepaid expenditures	22,125	522
Restricted for:		
Public safety	-	-
Special revenue	-	716,327
Assigned for:		
Budget appropriations	222,834	-
Special revenue	-	-
Capital projects	250,000	-
Unassigned for:		
General Fund	268,328	-
Total Fund Balances	763,287	716,849
Total Liabilities and Fund Balances	\$ 1,265,177	\$ 718,144

Other Governmental Funds	Total Governmental Funds
\$ 386,167	\$ 781,803
-	956,328
1,375	3,486
8,333	496,389
11,581	130,124
522	23,169
<hr/>	
<u>\$ 407,978</u>	<u>\$ 2,391,299</u>

\$ 236	\$ 5,572
-	485,073
-	12,776
<hr/>	
236	503,421

522	23,169
64,191	64,191
102,440	818,767
-	222,834
240,589	240,589
-	250,000
-	268,328
<hr/>	
407,742	1,887,878
<hr/>	
<u>\$ 407,978</u>	<u>\$ 2,391,299</u>

CITY OF HARTFORD
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Fund balances of governmental funds	\$ 1,887,878
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$5,134,258 and accumulated depreciation is \$2,362,135 in the governmental funds.	2,772,123
The City's investment in joint ventures are not current financial resources and therefore are not reported in the governmental funds.	749,127
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds.	(716,443)
Accrued interest is not recorded until due and payable in governmental funds. Interest expense is recognized in the year it is paid, not due and payable.	<u>(4,742)</u>
Net position of governmental activities	<u><u>\$ 4,687,943</u></u>

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CITY OF HARTFORD
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2020

	General Fund	Major Street Fund
Revenues		
Taxes	\$ 403,291	\$ -
Tax administration fee	18,341	-
State revenue	314,787	234,636
Charges for services	47,462	-
Interest and rentals	155,904	-
Administrative	158,600	-
Other revenue	12,187	1,418
Total Revenues	1,110,572	236,054
Expenditures		
Current:		
General government	423,219	-
Public safety	514,108	-
Public works	217,022	140,539
Community and economic development	19,330	-
Recreation and culture	8,596	-
Capital outlay:		
General government	-	-
Public safety	-	-
Public works	-	-
Debt service:		
Principal	-	-
Interest	-	-
Total Expenditures	1,182,275	140,539
Excess (Deficiency) of Revenues Over Expenditures	(71,703)	95,515
Other Financing Sources (Uses)		
Unrealized gain (loss) on investments	18,656	-
Transfers in	-	35,000
Transfers out	(45,000)	-
Total Other Financing Sources (Uses)	(26,344)	35,000
Net Change in Fund Balances	(98,047)	130,515
Fund Balances, Beginning of Year	861,334	586,334
Fund Balances, End of Year	\$ 763,287	\$ 716,849

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 403,291
-	18,341
88,496	637,919
31,316	78,778
50,225	206,129
-	158,600
107,289	120,894
<u>277,326</u>	<u>1,623,952</u>
9	423,228
15,849	529,957
73,725	431,286
-	19,330
-	8,596
7,607	7,607
38,141	38,141
14,067	14,067
23,308	23,308
28,809	28,809
<u>201,515</u>	<u>1,524,329</u>
<u>75,811</u>	<u>99,623</u>
-	18,656
10,000	45,000
(12,956)	(57,956)
<u>(2,956)</u>	<u>5,700</u>
72,855	105,323
<u>334,887</u>	<u>1,782,555</u>
<u>\$ 407,742</u>	<u>\$ 1,887,878</u>

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, 2020

Net change in fund balances - total governmental funds \$ 105,323

Amounts reported for *governmental activities* in the statement of activities are different because:

Capital assets used in governmental activities are not financial resources the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	65,135
Depreciation	(203,380)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. 23,308

In the statement of net position, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This year the amount of the benefits paid exceeded the amount earned. (15,368)

Interest on long-term liabilities in the statement of activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues regardless of when it is paid. 119

The City's investment in its joint venture is not a current financial resource and therefore is not reported in the governmental funds.

Change in value of investment in joint venture	33,830
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In the statement of activities, only the gain or loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (15,969)

Change in net position of governmental activities **\$ (7,002)**

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CITY OF HARTFORD
Statement of Net Position
Proprietary Funds
June 30, 2020

	Water Fund	Sewer Fund	Total
Assets			
Current Assets			
Cash equivalents and deposits	\$ 26,847	\$ 162,230	\$ 189,077
Investments	126,288	302,361	428,649
Accounts receivable	56,223	93,521	149,744
Due from other funds	1,425	-	1,425
Prepaid expense	2,516	5,477	7,993
Total Current Assets	213,299	563,589	776,888
Noncurrent Assets			
Capital assets:			
Nondepreciable	8,620	140,713	149,333
Depreciable, net of accumulated depreciation	2,706,495	3,822,145	6,528,640
Total Noncurrent Assets	2,715,115	3,962,858	6,677,973
Total Assets	2,928,414	4,526,447	7,454,861

	Water Fund	Sewer Fund	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,412	\$ 2,642	\$ 4,054
Accrued payroll liabilities	-	2,052	2,052
Accrued interest	581	15,452	16,033
Customer deposit	24,300	-	24,300
Current portion of long-term debt	43,612	48,500	92,112
Total Current Liabilities	69,905	68,646	138,551
Noncurrent Liabilities			
Compensated absences	-	11,173	11,173
Long-term debt	28,049	2,046,000	2,074,049
Total Noncurrent Liabilities	28,049	2,057,173	2,085,222
Total Liabilities	97,954	2,125,819	2,223,773
Net Position			
Net investment in capital assets	2,643,454	1,868,358	4,511,812
Unrestricted	187,006	532,270	719,276
Total Net Position	\$ 2,830,460	\$ 2,400,628	\$ 5,231,088

CITY OF HARTFORD
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2020

	Water Fund	Sewer Fund	Total
Operating Revenues			
Property taxes	\$ -	\$ 54,229	\$ 54,229
Charges for services	357,147	493,122	850,269
Penalties	11,117	16,997	28,114
Rentals	26,910	-	26,910
Miscellaneous	3,914	11,344	15,258
Total Operating Revenues	399,088	575,692	974,780
Operating Expenses			
Salaries and wages	36,074	108,975	145,049
Payroll taxes	2,413	7,940	10,353
Benefits	20,601	34,574	55,175
Postage	2,860	2,860	5,720
Supplies	9,798	52,027	61,825
Contractual services	7,658	46,309	53,967
Professional fees	2,100	5,000	7,100
Telephone	1,900	5,030	6,930
Utilities	16,825	31,578	48,403
Repairs and maintenance	19,820	29,000	48,820
Rental	60,139	29,800	89,939
Insurance and bonds	3,598	8,013	11,611
Deferred compensation	2,095	-	2,095
Depreciation	137,329	223,232	360,561
Administrative fee	53,000	87,000	140,000
Miscellaneous	3,844	8,075	11,919
Total Operating Expenses	380,054	679,413	1,059,467
Operating Income (Loss)	19,034	(103,721)	(84,687)

CITY OF HARTFORD
Statement of Revenues, Expenses and Changes in Net Position (Continued)
Proprietary Funds
For the year ended June 30, 2020

	Water Fund	Sewer Fund	Total
Nonoperating Revenue (Expense)			
Unrealized gain on investments	\$ 2,556	\$ 6,127	\$ 8,683
Interest income	3,607	7,932	11,539
Interest expense	(2,933)	(62,534)	(65,467)
Total Nonoperating Revenue (Expense)	<u>3,230</u>	<u>(48,475)</u>	<u>(45,245)</u>
Gain (Loss) Before Transfers	22,264	(152,196)	(129,932)
Other Financing Sources (Uses)			
Transfers in	-	12,956	12,956
Total Other Financing Sources (Uses)	<u>-</u>	<u>12,956</u>	<u>12,956</u>
Change in Net Position	22,264	(139,240)	(116,976)
Total Net Position, Beginning of Year	<u>2,808,196</u>	<u>2,539,868</u>	<u>5,348,064</u>
Total Net Position, End of Year	<u>\$ 2,830,460</u>	<u>\$ 2,400,628</u>	<u>\$ 5,231,088</u>

CITY OF HARTFORD
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Cash receipts from customers and taxpayers	\$ 394,456	\$ 570,735	\$ 965,191
Payments to employees	(59,088)	(150,705)	(209,793)
Payments for interfund services	(169,776)	165,364	(4,412)
Payments to suppliers	(183,617)	(306,779)	(490,396)
Cash receipts from customer deposits	1,619	-	1,619
Net Cash Provided by (used for) Operating Activities	(16,406)	278,615	262,209
Cash Flows From Noncapital Financing Activities			
Transfer from other funds	-	12,956	12,956
Net Cash Provided by Noncapital Financing Activities	-	12,956	12,956
Cash Flows From Capital and Related Financing Activities			
Principal paid	(42,980)	(47,500)	(90,480)
Interest paid on debt	(3,288)	(62,903)	(66,191)
Purchase of fixed assets	-	(32,456)	(32,456)
Net Cash Used for Capital and Related Financing Activities	(46,268)	(142,859)	(189,127)
Cash Flows From Investing Activities			
Investments purchased	(3,211)	(7,684)	(10,895)
Investment from interest income	3,607	7,932	11,539
Net Cash Provided by Investing Activities	396	248	644
Net Change in Cash and Cash Equivalents	(62,278)	148,960	86,682
Balances, Beginning of Year	89,125	13,270	102,395
Balances, End of Year	\$ 26,847	\$ 162,230	\$ 189,077

CITY OF HARTFORD
Statement of Cash Flows (Continued)
Proprietary Fund
For the year ended June 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ 19,034	\$ (103,721)	\$ (84,687)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization expenses	137,329	223,232	360,561
(Increase) decrease in:			
Accounts receivable	(4,632)	(4,957)	(9,589)
Due from other funds	199,007	374,459	573,466
Increase (decrease) in:			
Accounts payable	20	(2,087)	(2,067)
Payroll liabilities	-	586	586
Due to other funds	(368,783)	(209,095)	(577,878)
Compensated absences	-	198	198
Customer deposits	1,619	-	1,619
Total adjustments	(35,440)	382,336	346,896
Net Cash Provided by (Used for) Operating Activities	\$ (16,406)	\$ 278,615	\$ 262,209

CITY OF HARTFORD
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash equivalents and deposits	\$ 21,145
Accounts receivable	<u>52</u>
Total Assets	<u>\$ 21,197</u>
Liabilities	
Accounts payable	\$ 6,889
Due to other funds	12,741
Due to other governments	1,563
Undistributed receipts	<u>4</u>
Total Liabilities	<u>\$ 21,197</u>

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the City of Hartford, Michigan (the "City"), 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.

1. Scope of Reporting Entity

The City 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.

As required by generally accepted accounting principles (GAAP), these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The City's component units and joint ventures are as follows:

Component Units

The Downtown Development Authority (DDA) has been included in the City's financial statements as a discretely presented component unit due to the following items:

- City appoints governing board
- City approves budget of the Authority
- City must approve any tax levy of the Authority
- Surplus funds existing at termination of the Authority vest to the City

The City of Hartford Building Authority has been included in the City's financial statements as a blended component unit because its sole purpose was to build City Hall and it continues to make the related debt payments. It is governed by a three-member board appointed by the City Council.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

Jointly Governed Organizations

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

The following is audited financial information from the Hartford Fire Board's Governmental Fund as of and for the year ended June 30, 2020 with a report dated January, 2021. Separate financial statements are available through the Michigan Department of Treasury's website.

Total assets	\$ 1,511,766
Total liabilities	13,513
Net position	1,498,253
Total revenue and other financing sources	392,993
Total expenditures	325,334
Increase in net position	67,659

The **Hartford Public Library** is disclosed as a jointly governed organization because it is jointly governed with Hartford Township but does not have an ongoing financial interest or ongoing financial responsibility. The City is entitled to the rights and privileges of three voting board members. The Library was formed to provide library services to the surrounding communities.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. The City does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the City. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

The Statement of Net Position is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The City 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 that are required to be accounted for in another fund.

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

The City 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 reports the following fiduciary funds:

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.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are 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 revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

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. The principal operating revenues of the water and sewer enterprise funds are charges for services. Operating expenses for the enterprise funds include wages, benefits, supplies, utilities, charges for services 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, then unrestricted as they are needed.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

4. Budgets and Budgetary Accounting

At an April meeting, the Manager submits to the City Commission a proposed operating budget for the fiscal 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 July 1, 2019, the budget is legally enacted on a summary budget basis through passage of a resolution.

5. 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. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	25-50 years
Machinery and equipment	5-15 years
Vehicles	3-12 years
Infrastructure	10-40 years
Land improvements	15-25 years
Office equipment	5-10 years
Utility systems	10-40 years

6. Long-term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund types in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported as the total amount of bonds issued.

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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

7. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

The Statement of Net Position includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. Items previously reported as assets (i.e. losses on bond refundings and bond issuance costs) are now reported as deferred outflows of resources and current year expenditures, respectively. Items previously reported as liabilities (i.e. acquisitions of net assets (property taxes, special assessments) that are applicable to a future reporting period) are now reported as deferred inflows of resources.

8. 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.

9. Fund Balance

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable - resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted - resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

- Committed - resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Trustees). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.
- Assigned - resources that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes.
- Unassigned - unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed or assigned.

10. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

11. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

12. 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 Basic Financial Statements
June 30, 2020

NOTE B - CASH EQUIVALENTS, DEPOSITS AND INVESTMENTS

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Municipality in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Municipality in Michigan.

Balances at June 30, 2020 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents and deposits, and investments per the Statement of Net Position

Governmental and business-type activities \$ 2,358,631

Cash equivalents, deposits, and investments of Fiduciary Funds:

Agency Funds \$ 21,145

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the City during the year are detailed as follows:

1. Chemical Bank
2. Honor Credit Union
3. Sturgis Bank

June 30, 2020 balances are detailed as follows:

Cash equivalents	\$ 723,103
Deposits	271,696
Investments	<u>1,384,977</u>
Total	<u>\$ 2,379,776</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's cash equivalents and deposits may not be returned to the City. Protection of the City cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the City's cash equivalents and deposits was \$994,799, with a corresponding bank balance of \$1,002,044. Of the bank balance, \$691,669 was covered by federal depository insurance and \$310,375 was 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 June 30, 2020, approximately \$1,384,977 of investment securities were held by investment companies.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

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. At June 30, 2020, the weighted average maturities of investment were as follows:

Type of Investment	Fair Value	Maturity Less Than One Year	One to Five Years	Ten Plus Years	Credit Rating
Mutual Funds	\$ 1,384,977	\$ 1,384,977	\$ -	\$ -	

¹ The Authority's fixed income mutual funds are invested in multiple securities of which the allocation of investment grade credit ratings are as follows for the year ended June 30, 2020:

<u>Credit Rating</u>	
AAA	52%
AA	37%
A	8%
BBB	1%
Other	2%
Total	<u>100%</u>

Concentration of Credit Risk

The City does not have a policy for concentration of credit risk. As of June 30, 2020, 100% of the City's investments are all in mutual funds.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

NOTE C - INVESTMENTS MEASURED AT FAIR VALUE

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2020:

Type of Investment	Level 1	Level 2	Level 3
Mutual Funds	\$ 1,384,977	\$ -	\$ -

NOTE D - INTERFUND RECEIVABLES/PAYABLES

Amounts due from/to other funds representing reimbursement of expenditures due at June 30, 2020 are detailed as follows:

		Due to				
		General Fund	Major Street Fund	Water Fund	Building Authority Fund	Total
Due from	General Fund	\$ -	\$ 476,740	\$ -	\$ 8,333	\$ 485,073
	Current Tax Fund	11,316	-	1,425	-	12,741
	Total	\$ 11,316	\$ 476,740	\$ 1,425	\$ 8,333	\$ 497,814

Amounts transferred from/to other funds representing reimbursement of expenditures at June 30, 2020 are detailed as follows:

		Transfer from		
		General Fund	Comprehensive Improvement Fund	Total
Transfer to	Major Street Fund	\$ 35,000	\$ -	\$ 35,000
	Comprehensive Improvement Fund	10,000	-	10,000
	Sewer Fund	-	12,956	12,956
	Total	\$ 45,000	\$ 12,956	\$ 57,956

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 135,861	\$ -	\$ -	\$ 135,861
Construction in process	10,000	-	(10,000)	-
Total Nondepreciable Capital Assets	145,861	\$ -	\$ (10,000)	135,861
Depreciable Capital Assets:				
Land improvements	319,686	\$ -	\$ -	319,686
Buildings and improvements	1,130,203	-	-	1,130,203
Machinery and equipment	512,395	35,346	(10,445)	537,296
Office equipment	86,740	-	-	86,740
Vehicles	156,479	33,844	(61,594)	128,729
Infrastructure	2,789,798	5,945	-	2,795,743
Total Depreciable Capital Assets	4,995,301	\$ 75,135	\$ (72,039)	4,998,397
Less Accumulated Depreciation for:				
Land improvements	(293,134)	\$ (3,319)	\$ -	(296,453)
Buildings and improvements	(386,848)	(28,725)	-	(415,573)
Machinery and equipment	(371,078)	(27,191)	10,445	(387,824)
Office equipment	(65,578)	(4,985)	-	(70,563)
Vehicles	(111,344)	(16,029)	45,625	(81,748)
Infrastructure	(986,843)	(123,131)	-	(1,109,974)
Total Accumulated Depreciation	(2,214,825)	\$ (203,380)	\$ 56,070	(2,362,135)
Total Depreciable Capital Assets, Net of Accumulated Depreciation	2,780,476			2,636,262
Governmental Activities Total Capital Assets, Net of Accumulated Depreciation	\$ 2,926,337			\$ 2,772,123

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2020</u>
Business-Type Activities				
Nondepreciable Capital Assets:				
Land and improvements	\$ 149,333	\$ -	\$ -	\$ 149,333
Total Nondepreciable Capital Assets	<u>149,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>149,333</u>
Depreciable Capital Assets:				
Buildings and improvements	3,181,354	\$ 19,500	\$ -	3,200,854
Equipment	2,744,843	12,956	-	2,757,799
Utility systems	6,069,331	-	-	6,069,331
Total Depreciable Capital Assets	<u>11,995,528</u>	<u>\$ 32,456</u>	<u>\$ -</u>	<u>12,027,984</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(1,546,214)	\$ (91,063)	\$ -	(1,637,277)
Equipment	(1,341,199)	(102,101)	-	(1,443,300)
Utility systems	(2,251,370)	(167,397)	-	(2,418,767)
Total Accumulated Depreciation	<u>(5,138,783)</u>	<u>\$ (360,561)</u>	<u>\$ -</u>	<u>(5,499,344)</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>6,856,745</u>			<u>6,528,640</u>
Business-Type Activities Total Capital				
Assets, Net of Accumulated Depreciation	<u>\$ 7,006,078</u>			<u>\$ 6,677,973</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

Governmental Functions	
General government	\$ 50,593
Public safety	19,975
Public works	119,256
Recreation and culture	<u>13,556</u>
Total	<u>\$ 203,380</u>
Business-Type Functions	
Water	\$ 137,329
Sewer	<u>223,232</u>
Total	<u>\$ 360,561</u>

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

NOTE F - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2020 is comprised of the following individual issues:

	Balance July 1, 2019	Additions	Debt Retired	Balance June 30, 2020	Due Within One Year
Governmental Activities - Primary Activities					
Bonds					
\$732,000 2001 Building Authority Bonds, Series A, due in annual installments of \$9,000 to \$45,000 through November 1, 2042, plus interest at 4.75%.	\$ 571,000	\$ -	\$ 14,000	\$ 557,000	\$ 15,000
\$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%.	43,000	-	1,000	42,000	1,000
Total Bonds Payable	614,000	-	15,000	599,000	16,000
Notes					
\$33,231 the City's portion for repairs to the Hartford Fire Station (equally divided between the City of Hartford and Hartford Township) due in annual installments of \$8,308 with no interest due through October 17, 2020.	8,308	-	8,308	-	-
Compensated Absences	102,075	15,368	-	117,443	-
Total Primary Government	\$ 724,383	\$ 15,368	\$ 23,308	\$ 716,443	\$ 16,000

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

Business-Type Activities	July 1, 2019	Additions	Debt Retired	June 30, 2020	Due Within One Year
Bonds					
\$425,000 1999 Water Supply and Sewage Disposal System Bonds due in annual installments of \$20,000 to \$30,000 through November 1, 2020, plus interest at 5.0% to 5.3%.	\$ 60,000	\$ -	\$ 30,000	\$ 30,000	\$ 30,000
\$1,361,000 2014 Sanitary Sewer Revenue Bonds, Series A, due in annual installments of \$19,000 to \$54,000 through October 1, 2054, plus interest at 2.75%. To date, only \$1,342,000 bond proceeds have been distributed.	1,281,000	-	21,000	1,260,000	22,000
\$880,000 2014 Sanitary Sewer Revenue Bonds, Series B, due in annual installments of \$11,000 to \$37,000 through October 1, 2054, plus interest at 3.25%. To date, \$858,000 bond proceeds have been distributed.	834,000	-	13,000	821,000	13,000
Bond issuance premiums	579	-	96	483	96
Total Bonds Payable	2,175,579	-	64,096	2,111,483	65,096
Notes					
\$180,584 Act 99 Installment Purchase, Series 2015 for water meter purchase due in annual installments of \$24,006 to \$27,661 plus interest of 2.39% through March 1, 2022.	81,062	-	26,384	54,678	27,016
Compensated Absences	10,975	198	-	11,173	-
Total Business-Type Activities	\$ 2,267,616	\$ 198	\$ 90,480	\$ 2,177,334	\$ 92,112

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

The annual requirement to amortize all applicable debt outstanding as of June 30, 2020 is as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 16,000	\$ 28,074	\$ 92,016	\$ 62,920
2022	16,000	27,313	62,662	60,452
2023	18,000	26,505	37,000	58,734
2024	19,000	25,627	38,000	57,633
2025	20,000	24,701	39,000	56,502
2026-2030	112,000	108,162	213,000	264,337
2031-2035	141,000	78,497	246,000	230,642
2036-2040	175,000	40,686	287,000	191,497
2041-2045	82,000	4,086	331,000	146,007
2046-2050	-	-	383,000	93,491
2051-2055	-	-	437,000	30,410
Total	\$ 599,000	\$ 363,651	\$ 2,165,678	\$ 1,252,625

NOTE G - STEWARDSHIP, ACCOUNTABILITY, AND COMPLIANCES

The City incurred budgeted expenditures at June 30, 2020 exceeding actual amounts as follows:

	Final Budget	Actual Expenditures	Over Budget
General Fund:			
General government	\$ 418,080	\$ 423,219	\$ 5,139
Public works	215,500	217,022	1,522
Recreation and culture	7,900	8,596	696
Major Street:			
Traffic services	30,250	30,256	6
Winter maintenance	13,000	13,039	39
Professional fees	52,400	52,503	103

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

NOTE H - RISK MANAGEMENT

The City carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past three fiscal years.

NOTE I - 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 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 not subject to the claims of the general creditors of the City. Therefore, the City is not required to account for the deferred compensation plan. The City contributes 4% or 6% to the deferred compensation plans, depending on the employee contract.

NOTE J - LEASE AGREEMENT

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

NOTE K - FUND BALANCE DISCLOSURES

Budget Appropriations - For the fiscal year ending June 30, 2021, the General Fund budget was approved with expenditures exceeding revenues by \$222,834. In the current year, these amounts have been classified as Assigned Fund Balance in the General Fund.

CITY OF HARTFORD
Notes to Basic Financial Statements
June 30, 2020

NOTE L - RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition.

The City’s operations are heavily dependent on the ability to raise property taxes. Additionally, access to grants from federal and state governments may decrease or may not be available depending on appropriations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, this may hinder the ability of the City to meet the needs of its constituents. It may also lead to the Government seeking debt forbearance and additional sources of debt. As such, the financial condition and liquidity of the City may be negatively impacted for the fiscal year 2021.

NOTE M - RESTATEMENT OF NET POSITION

The financial statements for the year ended June 30, 2020 have been restated in order to adjust for its investment in the Hartford Fire Board. The Hartford Fire Board restated its June 30, 2019 net position. The June 30, 2020 net position of the Government-Wide Statement of Net Position was adjusted to account for the June 30, 2019 activity. The effect of this change decreased net position at June 30, 2020 by \$61,780.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARTFORD
General Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues				
Taxes	\$ 452,000	\$ 402,974	\$ 403,291	\$ 317
Tax administration fee	-	-	18,341	18,341
State revenue	307,000	313,700	314,787	1,087
Charges for services	-	33,349	47,462	14,113
Interest and rentals	190,500	201,250	155,904	(45,346)
Administration fee - other funds	158,600	158,600	158,600	-
Other revenue	-	7,348	12,187	4,839
Total Revenues	1,108,100	1,117,221	1,110,572	(6,649)
Expenditures				
Current:				
General government	457,480	418,080	423,219	(5,139)
Public safety	530,700	514,200	514,108	92
Public works	234,500	215,500	217,022	(1,522)
Community and economic development	30,000	19,400	19,330	70
Recreation and culture	7,500	7,900	8,596	(696)
Total Expenditures	1,260,180	1,175,080	1,182,275	(7,195)
Deficiency of Revenues Over Expenditures	(152,080)	(57,859)	(71,703)	(13,844)
Other Financing Uses				
Unrealized gain (loss) on investments	-	-	18,656	18,656
Transfers out	(45,000)	(45,000)	(45,000)	-
Total Other Financing Uses	(45,000)	(45,000)	(26,344)	18,656
Net Change in Fund Balance	(197,080)	(102,859)	(98,047)	4,812
Fund Balance, Beginning of Year	861,334	861,334	861,334	-
Fund Balance, End of Year	\$ 664,254	\$ 758,475	\$ 763,287	\$ 4,812

CITY OF HARTFORD
Major Street Fund
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues				
State revenue	\$ 197,560	\$ 226,560	\$ 234,636	\$ 8,076
Miscellaneous	-	-	1,418	1,418
Total Revenues	197,560	226,560	236,054	9,494
Expenditures				
Current:				
Public works				
Routine maintenance	41,050	22,850	22,339	511
Traffic services	19,850	30,250	30,256	(6)
Street construction	40,000	22,500	22,402	98
Winter maintenance	58,600	13,000	13,039	(39)
Professional fees	25,600	52,400	52,503	(103)
Debt service:				
Principal	6,900	-	-	-
Total Expenditures	192,000	141,000	140,539	461
Excess of Revenues Over Expenditures	5,560	85,560	95,515	9,955
Other Financing Sources				
Transfers in	35,000	35,000	35,000	-
Net Change in Fund Balance	40,560	120,560	130,515	9,955
Fund Balance, Beginning of Year	586,334	586,334	586,334	-
Fund Balance, End of Year	\$ 626,894	\$ 706,894	\$ 716,849	\$ 9,955

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SUPPLEMENTARY INFORMATION

CITY OF HARTFORD
Nonmajor Governmental Funds
Description of Funds
For the year ended June 30, 2020

Special Revenue Funds

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

Local Street Fund is used to account for local street repairs and maintenance.

Police Training Fund is used to account for revenues collected and monies expended for the purpose of training officers.

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

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

Comprehensive Improvement Fund is used to account for a special revenue source that will be used towards various capital improvements.

CITY OF HARTFORD
General Fund
Schedule of Revenues - Budget and Actual
June 30, 2020

	<u>Budget</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
Revenues			
Taxes	\$ 402,974	\$ 403,291	\$ 317
Tax administration fee	-	18,341	18,341
State grants unrestricted	313,700	314,787	1,087
Licenses and permits	-	420	420
Fines and forfeitures	-	2,856	2,856
Charges for services	33,349	44,186	10,837
Interest	45,500	28,295	(17,205)
Rentals	155,750	127,609	(28,141)
Administration fee - other funds	158,600	158,600	-
Miscellaneous	7,348	12,187	4,839
Total Revenues	<u>\$ 1,117,221</u>	<u>\$ 1,110,572</u>	<u>\$ (6,649)</u>

CITY OF HARTFORD
General Fund
Schedule of Expenditures - Budget and Actual
For the year ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government			
City Council:			
Personal services		\$ 9,377	
Other services and charges		<u>10,735</u>	
Total City Council	\$ 20,087	<u>20,112</u>	\$ (25)
Mayor:			
Personal services		1,873	
Other services and charges		<u>-</u>	
Total Mayor	1,884	<u>1,873</u>	11
City Manager:			
Personal services		113,318	
Other services and charges		<u>1,607</u>	
Total City Manager	114,822	<u>114,925</u>	(103)
Clerk:			
Personal services		69,495	
Other services and charges		1,941	
Capital Outlay		<u>-</u>	
Total Clerk	70,989	<u>71,436</u>	(447)
Central Supply:			
Supplies		9,964	
Other services and charges		<u>4,947</u>	
Total Central Supply	13,300	<u>14,911</u>	(1,611)
Board of Review:			
Other services and charges		<u>1,150</u>	
Total Board of Review	1,135	<u>1,150</u>	(15)

CITY OF HARTFORD
General Fund
Schedule of Expenditures - Budget and Actual
For the year ended June 30, 2020

	Budget	Actual	Variance
General Government (Continued)			
Treasurer:			
Personal services		\$ 63,411	
Supplies		344	
Other services and charges		4,164	
Total Treasurer	\$ 67,740	67,919	\$ (179)
Assessor:			
Supplies		497	
Other services and charges		16,207	
Total Assessor	16,700	16,704	(4)
Elections:			
Supplies		1,890	
Other services and charges		4,373	
Total Elections	6,323	6,263	60
Professional Services:			
Other services and charges		25,824	
Total Professional Services	24,200	25,824	(1,624)
City Hall and Grounds:			
Supplies		311	
Other services and charges		80,841	
Capital outlay		950	
Total City Hall and Grounds	80,900	82,102	(1,202)
Total General Government	418,080	423,219	(5,139)

CITY OF HARTFORD
General Fund
Schedule of Expenditures - Budget and Actual
For the year ended June 30, 2020

	Budget	Actual	Variance
Public Safety			
Police Department:			
Personal services		\$ 368,880	
Supplies		13,810	
Other services and charges		24,318	
Total Police Department	\$ 407,100	407,008	\$ 92
Fire Department:			
Other services and charges		107,100	
Total Fire Department	107,100	107,100	-
Total Public Safety	514,200	514,108	92
Public Works			
Department of Public Works:			
Personal services		170,069	
Supplies		18,699	
Other services and charges		28,254	
Total Public Works	215,500	217,022	(1,522)
Community and Economic Development			
Zoning Board:			
Personal services		14,015	
Other services and charges		5,315	
Total Community and Economic Development	19,400	19,330	70
Recreation and Culture			
Parks and Recreation:			
Other services and charges		8,596	
Total Recreation and Culture	7,900	8,596	(696)
Total Expenditures	\$ 1,175,080	\$ 1,182,275	\$ (7,195)

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CITY OF HARTFORD
Nonmajor Special Revenue Funds
Combining Balance Sheet
For the year ended June 30, 2020

	Local Street Fund	Police Training Fund	Building Department Fund
Assets			
Cash equivalents and deposits	\$ 90,859	\$ 941	\$ 62,111
Accounts receivable	-	-	1,375
Due from other funds	-	-	-
Due from other governments	11,581	-	-
Prepaid expenses	522	-	-
Total Assets	\$ 102,962	\$ 941	\$ 63,486
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 236
Total Liabilities	-	-	236
Fund Balances			
Nonspendable:			
Prepaid expenses	\$ 522	\$ -	\$ -
Restricted	102,440	941	63,250
Assigned	-	-	-
Total Fund Balances	102,962	941	63,250
Total Liabilities and Fund Balances	\$ 102,962	\$ 941	\$ 63,486

Building Authority Fund	Comprehensive Improvement Fund	Total
\$ 85,307	\$ 146,949	\$ 386,167
-	-	1,375
8,333	-	8,333
-	-	11,581
-	-	522
<u>\$ 93,640</u>	<u>\$ 146,949</u>	<u>\$ 407,978</u>

\$ -	\$ -	\$ 236
-	-	236

\$ -	\$ -	\$ 522
-	-	166,631
93,640	146,949	240,589
93,640	146,949	407,742
<u>\$ 93,640</u>	<u>\$ 146,949</u>	<u>\$ 407,978</u>

CITY OF HARTFORD
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the year ended June 30, 2020

	Local Street Fund	Police Training Fund	Building Department Fund
Revenues			
State revenue	\$ 88,496	\$ -	\$ -
Charges for services	-	-	31,316
Interest	-	-	-
Rental	-	-	-
Other revenue	2,832	-	-
Total Revenues	91,328	-	31,316
Expenditures			
Current:			
Public safety	-	-	15,849
Public works	73,725	-	-
General government	-	-	-
Capital outlay:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	73,725	-	15,849
Excess of Revenues Over Expenditures	17,603	-	15,467
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	17,603	-	15,467
Fund Balances, Beginning of Year	85,359	941	47,783
Fund Balances, End of Year	\$ 102,962	\$ 941	\$ 63,250

Building Authority Fund	Comprehensive Improvement Fund	Total
\$ -	\$ -	\$ 88,496
-	-	31,316
225	-	225
50,000	-	50,000
-	104,457	107,289
50,225	104,457	277,326
-	-	15,849
-	9	73,725
-	7,607	9
-	38,141	7,607
-	14,067	38,141
15,000	8,308	14,067
28,809	-	23,308
43,809	68,132	28,809
6,416	36,325	201,515
-	10,000	75,811
-	(12,956)	10,000
-	(2,956)	(12,956)
6,416	33,369	(2,956)
87,224	113,580	72,855
\$ 93,640	\$ 146,949	334,887
		\$ 407,742

CITY OF HARTFORD
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended June 30, 2020

	Current Tax Fund	Trust and Agency Fund	Total
Assets			
Cash equivalents and deposits	\$ 13,839	\$ 7,306	\$ 21,145
Accounts receivable	-	52	52
Total Assets	\$ 13,839	\$ 7,358	\$ 21,197
Liabilities			
Accounts payable	\$ -	\$ 6,889	\$ 6,889
Due to other funds	12,741	-	12,741
Due to other governments	1,098	465	1,563
Undistributed receipts	-	4	4
Total Liabilities	\$ 13,839	\$ 7,358	\$ 21,197

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series A
June 30, 2020

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
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>\$ 899,031</u>	<u>\$ 177,630</u>	<u>\$ 164,401</u>	<u>\$ 557,000</u>	

CITY OF HARTFORD
Schedule of 2001 Building Authority Bonds, Series B
June 30, 2020

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
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>\$ 63,620</u>	<u>\$ 11,309</u>	<u>\$ 10,311</u>	<u>\$ 42,000</u>	

CITY OF HARTFORD
Schedule of 1999 Water Supply and Sewage Disposal System Bonds
June 30, 2020

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due November 1	Balance
			November 1	May 1		
2021	5.30	\$ 30,795	\$ 795	\$ -	\$ 30,000	\$ -
		<u>\$ 30,795</u>	<u>\$ 795</u>	<u>\$ -</u>	<u>\$ 30,000</u>	

CITY OF HARTFORD
Schedule of 2014 Sanitary Sewer System Revenue Bonds, Series A
June 30, 2020

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			October 1	April 1	October 1	
2021	2.75	\$ 56,348	\$ 17,325	\$ 17,023	\$ 22,000	\$ 1,238,000
2022	2.75	55,743	17,023	16,720	22,000	1,216,000
2023	2.75	56,124	16,720	16,404	23,000	1,193,000
2024	2.75	56,478	16,404	16,074	24,000	1,169,000
2025	2.75	55,818	16,074	15,744	24,000	1,145,000
2026	2.75	56,144	15,744	15,400	25,000	1,120,000
2027	2.75	56,443	15,400	15,043	26,000	1,094,000
2028	2.75	55,728	15,043	14,685	26,000	1,068,000
2029	2.75	55,999	14,685	14,314	27,000	1,041,000
2030	2.75	56,243	14,314	13,929	28,000	1,013,000
2031	2.75	56,459	13,929	13,530	29,000	984,000
2032	2.75	55,661	13,530	13,131	29,000	955,000
2033	2.75	55,850	13,131	12,719	30,000	925,000
2034	2.75	56,012	12,719	12,293	31,000	894,000
2035	2.75	56,146	12,293	11,853	32,000	862,000
2036	2.75	56,252	11,853	11,399	33,000	829,000
2037	2.75	56,330	11,399	10,931	34,000	795,000
2038	2.75	56,381	10,931	10,450	35,000	760,000
2039	2.75	56,405	10,450	9,955	36,000	724,000
2040	2.75	56,401	9,955	9,446	37,000	687,000
2041	2.75	56,370	9,446	8,924	38,000	649,000
2042	2.75	56,312	8,924	8,388	39,000	610,000
2043	2.75	56,226	8,388	7,838	40,000	570,000
2044	2.75	56,112	7,838	7,274	41,000	529,000
2045	2.75	55,970	7,274	6,696	42,000	487,000
2046	2.75	55,801	6,696	6,105	43,000	444,000
2047	2.75	55,605	6,105	5,500	44,000	400,000
2048	2.75	56,368	5,500	4,868	46,000	354,000
2049	2.75	56,089	4,868	4,221	47,000	307,000
2050	2.75	55,782	4,221	3,561	48,000	259,000
2051	2.75	55,449	3,561	2,888	49,000	210,000
2052	2.75	56,074	2,888	2,186	51,000	159,000
2053	2.75	55,657	2,186	1,471	52,000	107,000
2054	2.75	56,200	1,471	729	54,000	53,000
2055	2.75	53,729	729	-	53,000	-
		<u>\$ 1,960,709</u>	<u>\$ 359,017</u>	<u>\$ 341,692</u>	<u>\$ 1,260,000</u>	

CITY OF HARTFORD
Schedule of 2014 Sanitary Sewer System Revenue Bonds, Series B
June 30, 2020

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			October 1	April 1	October 1	
2021	3.25	\$ 39,471	\$ 13,341	\$ 13,130	\$ 13,000	\$ 808,000
2022	3.25	39,049	13,130	12,919	13,000	795,000
2023	3.25	39,610	12,919	12,691	14,000	781,000
2024	3.25	39,155	12,691	12,464	14,000	767,000
2025	3.25	39,684	12,464	12,220	15,000	752,000
2026	3.25	39,196	12,220	11,976	15,000	737,000
2027	3.25	39,692	11,976	11,716	16,000	721,000
2028	3.25	39,172	11,716	11,456	16,000	705,000
2029	3.25	39,636	11,456	11,180	17,000	688,000
2030	3.25	39,084	11,180	10,904	17,000	671,000
2031	3.25	39,515	10,904	10,611	18,000	653,000
2032	3.25	38,930	10,611	10,319	18,000	635,000
2033	3.25	39,329	10,319	10,010	19,000	616,000
2034	3.25	39,695	10,010	9,685	20,000	596,000
2035	3.25	39,045	9,685	9,360	20,000	576,000
2036	3.25	39,379	9,360	9,019	21,000	555,000
2037	3.25	39,680	9,019	8,661	22,000	533,000
2038	3.25	38,965	8,661	8,304	22,000	511,000
2039	3.25	39,234	8,304	7,930	23,000	488,000
2040	3.25	39,470	7,930	7,540	24,000	464,000
2041	3.25	39,674	7,540	7,134	25,000	439,000
2042	3.25	38,862	7,134	6,728	25,000	414,000
2043	3.25	39,033	6,728	6,305	26,000	388,000
2044	3.25	39,171	6,305	5,866	27,000	361,000
2045	3.25	39,277	5,866	5,411	28,000	333,000
2046	3.25	39,351	5,411	4,940	29,000	304,000
2047	3.25	39,393	4,940	4,453	30,000	274,000
2048	3.25	39,402	4,453	3,949	31,000	243,000
2049	3.25	39,378	3,949	3,429	32,000	211,000
2050	3.25	39,322	3,429	2,893	33,000	178,000
2051	3.25	39,233	2,893	2,340	34,000	144,000
2052	3.25	39,111	2,340	1,771	35,000	109,000
2053	3.25	38,957	1,771	1,186	36,000	73,000
2054	3.25	38,771	1,186	585	37,000	36,000
2055	3.25	36,585	585	-	36,000	-
		<u>\$ 1,372,511</u>	<u>\$ 282,426</u>	<u>\$ 269,085</u>	<u>\$ 821,000</u>	

CITY OF HARTFORD
Act 99 Installment Purchase, Series 2015 - Water Meters
June 30, 2020

Year Ended June 30,	Interest Rate	Annual Debt Service	Interest Due		Principal Due	Balance
			September 1	March 1		
2021	2.39	\$ 28,322	\$ 653	\$ 653	\$ 27,016	\$ 27,662
2022	2.39	28,322	330	330	27,662	-
		<u>\$ 56,644</u>	<u>\$ 983</u>	<u>\$ 983</u>	<u>\$ 54,678</u>	