

HARTFORD FIRE BOARD

VAN BUREN COUNTY, MICHIGAN

FINANCIAL STATEMENTS

For the year ended
June 30, 2020

HARTFORD FIRE BOARD
Table of Contents
For the year ended June 30, 2020

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position 11

Statement of Activities 12

Fund Financial Statements:

Governmental Funds:

Balance Sheet 13

Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position 14

Statement of Revenues, Expenditures and Change in Fund Balance 15

Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance of Governmental Funds
to the Statement of Activities 16

Notes to Basic Financial Statements 18

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund 31

Notes to Required Supplementary Information 32

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

January 26, 2021

To the Fire Board
Hartford Fire Board
Van Buren County, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Hartford Fire Board (the "Board") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board'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. 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 of the Hartford Fire Board as of June 30, 2020, and the respective changes in financial position 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 major fund budget to actual schedules 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.

Hungerford Nichols

Certified Public Accountants
St. Joseph, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

HARTFORD FIRE BOARD
Management's Discussion and Analysis
June 30, 2020

Overview

The Hartford Fire Board (the "Board"), has presented its financial statements in conformity with standards set by the Governmental Accounting Standards Board (GASB). The intent of these standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Fire Board's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Board. The standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Board's financial status. Through this comprehensive reporting of assets and liabilities, the reader will have a greater understanding of the Board's financial health.

The discussion and analysis of financial performance provides an overview of the Board's financial activities for the year ended June 30, 2020. Please read it in conjunction with the Fire Board's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2020:

- The assets of the Board exceeded its liabilities at the close of the year by \$1,498,253 (net position).
- The Operating Fund finished the year with an ending fund balance of \$296,494.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Board in more detail than the government-wide financial statements by providing information about the Board's fund.

HARTFORD FIRE BOARD
Management's Discussion and Analysis
June 30, 2020

The Hartford Fire Board as a Whole

The following table shows, in a condensed format, the net position as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Assets		
Current assets	\$ 301,205	\$ 689,462
Capital assets	1,210,561	754,421
Total Assets	<u>1,511,766</u>	<u>1,443,883</u>
Liabilities		
Current liabilities	6,471	15,422
Noncurrent liabilities	7,042	6,354
Total Liabilities	<u>13,513</u>	<u>21,776</u>
Net Position		
Net investment in capital assets	1,210,561	754,421
Unrestricted	287,692	667,686
Total Net Position	<u>\$ 1,498,253</u>	<u>\$ 1,422,107</u>

The following table shows the changes in net position during the year ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Revenues		
Program revenue		
Charges for Services	\$ 5,107	\$ 6,506
Operating grants and contributions	353,975	281,742
General revenue		
Investment earnings	21,687	22,635
Other revenue	12,224	18,908
Total Revenue	<u>392,993</u>	<u>329,791</u>
Program Expenses		
Public safety	<u>325,334</u>	<u>461,837</u>
Change in Net Position	<u>\$ 67,659</u>	<u>\$ (132,046)</u>

HARTFORD FIRE BOARD
Management's Discussion and Analysis
June 30, 2020

Governmental Activities

The Board's governmental revenues totaled \$392,993 with the greatest revenue source being operating grants and contributions, which make up approximately 90.07% of total governmental revenue. The Board saw an increase in revenue for the year ended June 30, 2020, primarily due to increases in contributions from the participating municipalities.

The Board incurred expenses of \$325,334 during the year, which represents a decrease of \$136,503 from the prior year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

The Hartford Fire Board's Fund

The analysis of the Board's fund begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the individual fund, not the Board as a whole. The Board's Board of Directors creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Board's only fund for the year ended June 30, 2020, was the General (Operating) Fund.

The General Fund pays for the Board's governmental services. The sole service provided during the fiscal period was public safety, which incurred expenditures of \$780,615, an increase of \$391,175 from the previous year.

General Fund Budgetary Highlights

The Board adopts an annual budget for the General Fund. A budgetary comparison statement has been provided as required supplementary information to demonstrate compliance with this budget.

Over the course of the fiscal year, the members of the Board made minor revisions to the General Fund budget. The Board ended the year expecting a decrease of fund balance in the amount of \$558,492. Actual revenues were \$117,740 more than anticipated as the Board realized more contributions in the current year. Total expenditures were less than anticipated by approximately \$53,130 during the current year.

Capital Assets

At the end of the fiscal year, the Board had \$1,210,561 invested in land, buildings, equipment, and emergency service vehicles (net of accumulated depreciation). Significant capital additions consisted of the completion of a deposit on a new fire truck during the current year. See Note D to the financial statements for additional information related to capital assets.

Current Economic Factors

As a result of the continued spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact revenue. The potential financial impact and duration of impact is unknown at this time. Overall revenue in 2020-2021 are anticipated to rise compared to 2019-2020 following the historical trend of increased call volume. Expenditures are expected to increase, except for capital outlay which is expected to decrease.

HARTFORD FIRE BOARD
Management's Discussion and Analysis
June 30, 2020

Contacting the Hartford Fire Board's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Board's finances and demonstrates the Board's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Hartford Fire Board, 436 E. Main Street, Hartford, MI 49057 or at (269) 621-4707.

BASIC FINANCIAL STATEMENTS

HARTFORD FIRE BOARD
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Current Assets	
Cash equivalents and deposits	\$ 186,698
Investments	80,094
Accounts receivable	27,290
Due from other governmental units	7,123
Total Current Assets	301,205
Noncurrent Assets	
Capital assets	
Nondepreciable	535,007
Depreciable, net of accumulated depreciation	675,554
Total Noncurrent Assets	1,210,561
Total Assets	1,511,766
Liabilities	
Current Liabilities	
Accrued payroll liabilities	2,799
Current portion of compensated absences	1,760
Total Current Liabilities	6,471
Noncurrent Liabilities	
Compensated absences	7,042
Total Noncurrent Liabilities	7,042
Total Liabilities	13,513
Net Position	
Net investment in capital assets	1,210,561
Unrestricted	287,692
Total Net Position	\$ 1,498,253

HARTFORD FIRE BOARD
Statement of Activities
For the year ended June 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities				
Public Safety	\$ 325,334	\$ 5,107	\$ 353,975	\$ 33,748
Total Governmental Activities	<u>\$ 325,334</u>	<u>\$ 5,107</u>	<u>\$ 353,975</u>	<u>33,748</u>
	General Revenues			
	Investment income			21,687
	Other revenue			<u>12,224</u>
	Total General Revenues			<u>33,911</u>
	Change in Net Position			<u>67,659</u>
	Net Position, Beginning of Year			1,422,107
	Prior period adjustment			<u>8,487</u>
	Net Position, Beginning of Year, as Restated			<u>1,430,594</u>
	Net Position, End of Year			<u>\$ 1,498,253</u>

HARTFORD FIRE BOARD
Governmental Funds
Balance Sheet
June 30, 2020

	General Fund
Assets	
Cash equivalents and deposits	\$ 186,698
Investments	80,094
Accounts receivable	27,290
Due from other governmental units	<u>7,123</u>
Total Assets	<u>\$ 301,205</u>
Liabilities and Fund Balance	
Liabilities	
Accrued liabilities	<u>\$ 2,799</u>
Total Liabilities	<u>4,711</u>
Fund Balance	
Assigned:	
Equipment	164,899
Budget appropriation	2,387
Unassigned	<u>129,208</u>
Total Fund Balance	<u>296,494</u>
Total Liabilities and Fund Balance	<u>\$ 301,205</u>

HARTFORD FIRE BOARD
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

Fund balance of governmental funds \$ 296,494

Amounts reported for *governmental activities* 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.

Total cost of capital assets	\$ 2,226,659	
Accumulated depreciation	<u>(1,016,098)</u>	
		1,210,561

Compensated absences are not due and payable in the current period and are not reported in the funds. (8,802)

Net position of governmental activities \$ 1,498,253

HARTFORD FIRE BOARD
Governmental Funds
Statement of Revenues, Expenditures, and Change in Fund Balance
June 30, 2020

	General Fund
Revenues	
Contributions from local units	\$ 353,975
Investment income	21,687
Refunds and reimbursements	10,578
Charges for services	5,107
Miscellaneous	1,646
	392,993
 Expenditures	
Public safety	255,973
Capital outlay	524,642
	780,615
	 (387,622)
	675,629
Prior period adjustment	8,487
Fund Balance, Beginning of Year, as Restated	684,116
 Fund Balance, End of Year	 \$ 296,494

HARTFORD FIRE BOARD
Reconciliation of the Statement of Revenues, Expenditures and
Change in Fund Balance of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2020

Net change in fund balance - total governmental funds \$ (387,622)

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

Governmental funds report capital outlays as expenditures. However, in 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	\$ 524,642	
Depreciation expense	<u>(68,502)</u>	456,140

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 earned exceeded the amount paid.

(859)

Change in net position of governmental activities **\$ 67,659**

NOTES TO BASIC FINANCIAL STATEMENTS

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hartford Fire Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

1. Reporting Entity

Hartford Fire Board (the "Board") has been supported by the City of Hartford and Hartford Township since 1973. The Board is considered a Municipal Emergency Service Fire Board as provided in the Urban Cooperation Act (P.A. 7 of 1967 and P.A. 33 of 1951). The Board is governed by a six-member board; each municipality appoints two members to the Board for six-year terms, and the four appointed members select a fifth member to serve a six-year term. The Fire Chief is an ex-officio, non-voting member of the Board and oversees the day-to-day operations of the Board.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Board's reporting entity, and which organizations are legally separate component units of the Board. Based on the application of the criteria, the Board does not contain any component units and the Board is included as a component unit in the City of Hartford and Hartford Township's financial statements.

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 Board as a whole. The reported information includes all of the nonfiduciary activities of the Board. The Board does not allocate indirect costs. These statements are to distinguish between the *governmental* and *business-type activities* of the Board. *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. The Board does not have any *business-type activities*.

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 Board's net position is reported in three parts: invested in capital assets, net of related debt; 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*.

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

The Board reports the following major governmental funds:

The *General Fund* is the Board'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.

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

Government-wide 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. 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 Change in Fund Balance. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Change in Fund Balance 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 Board considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. 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.

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

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

4. Budgets and Budgetary Accounting

The budget presented in the financial statements was prepared on the same basis as the accounting basis used to reflect actual results. The General Fund is subject to legal budgetary accounting controls and is budgeted annually. The Board utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- An operating budget is developed at the beginning of each fiscal year by the Fire Chief.
- The completed budget is then presented to the Board at the Hartford Fire Board's annual meeting with a public hearing prior to the meeting, at which time taxpayer comments and recommendations are heard. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- Prior to July 1, the budget is legally enacted on a departmental (activity) basis through passage of an appropriations resolution.
- The budget may only be amended by action of the Board.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- Budget amounts are reported in the financial statements as originally adopted and as amended by the Board.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level for the General Fund.

5. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and machinery and equipment are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$10,000 are capitalized. 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.

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

Building and improvements, machinery and equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Machinery and equipment	7 years
Vehicles	7-25 years

6. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

7. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, 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 refunding and bond issuance costs) are now reported as deferred outflows of resources. Items previously reported as liabilities (i.e. acquisitions of net assets (property taxes and special assessments) that are applicable to a future reporting period) are now reported as deferred inflows of resources. The Board does not have deferred outflows or inflows of resources.

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

8. Fund Balance

The Board 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.
- **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 (the Board). 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.

9. 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.

HARTFORD FIRE BOARD
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 per the Statement of Net Position:

Governmental Activities	\$ 186,698
-------------------------	------------

HARTFORD FIRE BOARD
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. TCF Bank was the sole depository utilized by the Board during the year.

June 30, 2020 balances are detailed as follows:

Cash equivalents	\$ 136,690
Deposits	<u>50,008</u>
Total	<u>\$ 186,698</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Board's cash equivalents and deposits may not be returned to the Board. Protection of the Board's cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. As of June 30, 2020, the Board's deposits were federally insured for \$186,773.

Fair Value

The Board 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 Board as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 80,094	\$ -	\$ -	\$ 80,094

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have a policy for custodial credit risk. At June 30, 2020, approximately \$80,094 of investment securities were held by investment companies.

HARTFORD FIRE BOARD
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 Board'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 Board'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 Board'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:

	Fair Market Value	Less Than One Year	One to Five Years	More than Five years	Credit Rating
Mutual Funds	\$ 80,094	\$ 80,094	\$ -	\$ -	Various

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

NOTE D - CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Governmental Activities				
Nondepreciable capital assets:				
Land	\$ 10,365	\$ -	\$ -	\$ 10,365
Construction in progress	-	524,642	-	524,642
Total nondepreciable capital assets	10,365	\$ 524,642	\$ -	535,007
Depreciable capital assets:				
Building and improvements	176,039	\$ -	\$ -	176,039
Vehicles	1,402,113	-	-	1,402,113
Machinery and equipment	113,500	-	-	113,500
Total depreciable capital assets	1,691,652	\$ -	\$ -	1,691,652
Less: accumulated depreciation for:				
Building and improvements	(103,395)	\$ (4,303)	\$ -	(107,698)
Vehicles	(741,361)	(60,646)	-	(802,007)
Machinery and equipment	(102,840)	(3,553)	-	(106,393)
Total accumulated depreciation	(947,596)	\$ (68,502)	\$ -	(1,016,098)
Total depreciable capital assets, net of accumulated depreciation	744,056			675,554
Governmental Activities Total Capital Assets, Net of Accumulated Depreciation	\$ 754,421			\$ 1,210,561

Depreciation expense was charged to the Board as follows:

General government	<u>\$ 68,502</u>
--------------------	------------------

HARTFORD FIRE BOARD
Notes to Basic Financial Statements
June 30, 2020

NOTE E - LONG-TERM OBLIGATIONS

Compensated absences at June 30, 2020 consist of the following:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Accumulated unused vacation days which are payable upon termination of employment	\$ 7,943	\$ 2,732	\$ 1,873	\$ 8,802	\$ 1,760
Total Compensated Absences	<u>\$ 7,943</u>	<u>\$ 2,732</u>	<u>\$ 1,873</u>	<u>\$ 8,802</u>	<u>\$ 1,760</u>

NOTE F - DEFINED CONTRIBUTION RETIREMENT PLAN

The Board contributes to a defined contribution plan covering all eligible employees in accordance with the provisions of the Internal Revenue Code Section 457. Funds are paid to the City of Hartford and invested in the 457 plan sponsored by the City for its employees. The pension plan is available to all full-time employees of the Board after 6 months of employment. The Board contributes 6% of each eligible employee's salary to the retirement plan.

During the year ended June 30, 2020, the Board contributed \$2,922 to the plan.

NOTE G - RISK MANAGEMENT

The Board is exposed to various risks of loss related from property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Board has purchased commercial insurance for property loss, employee medical benefits, worker's compensation, and errors and omissions. There has been no settled claims that have exceeded coverage amounts for the past three years.

NOTE H - RISKS AND UNCERTAINTIES

During the fiscal year the start of the global COVID-19 pandemic began. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. It is uncertain as to the full magnitude that the pandemic will have on the Board's financial condition and its access to State and Local funding. The Board is actively monitoring the situation.

NOTE I - PRIOR PERIOD ADJUSTMENT

The financial statements for the year ended June 30, 2019 have been restated in order to adjust for its accrued liabilities, which were overstated. The effect of this change increased net position and General Fund fund balance by \$8,487.

REQUIRED SUPPLEMENTARY INFORMATION

HARTFORD FIRE BOARD
General Fund
Budgetary Comparison Schedule
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions from local units:				
City of Hartford	\$ -	\$ 107,100	\$ 144,527	\$ 37,427
Hartford Township	-	160,649	209,448	48,799
Refunds and reimbursements	-	-	10,578	10,578
Investment income	-	-	21,687	21,687
Charges for services	-	-	5,107	5,107
Miscellaneous	-	7,504	1,646	(5,858)
Total Revenues	-	275,253	392,993	117,740
Expenditures				
Public Safety:				
Salaries and wages	134,944	147,198	127,720	19,478
Payroll taxes	14,000	14,000	9,654	4,346
Fringe benefits	9,200	18,531	22,309	(3,778)
Professional services	7,000	11,000	8,000	3,000
Utilities	11,250	13,283	12,137	1,146
Repairs and maintenance:				
building	3,250	6,064	3,619	2,445
vehicles	16,900	25,362	18,831	6,531
equipment	13,850	13,850	9,818	4,032
Insurance	25,595	25,595	21,148	4,447
Training	4,700	4,800	1,619	3,181
Testing and physicals	14,700	14,785	11,029	3,756
Dues and subscriptions	3,300	4,296	3,120	1,176
Office expenses	3,360	4,527	2,667	1,860
Fees and Service Charges	250	362	425	(63)
Fuel	5,200	5,200	3,635	1,565
Other	250	250	242	8
Capital outlay:				
Vehicles	-	524,642	524,642	-
Total Expenditures	267,749	833,745	780,615	53,130
Change in Fund Balance	(267,749)	(558,492)	(387,622)	170,870
Fund Balance, Beginning of Year	675,629	675,629	675,629	-
Prior period adjustment	8,487	8,487	8,487	-
Fund Balance, Beginning of Year, as Restated	684,116	684,116	684,116	-
Fund Balance, End of Year	\$ 416,367	\$ 125,624	\$ 296,494	\$ 170,870

HARTFORD FIRE BOARD
Notes to Required Supplementary Information
June 30, 2020

Budget information

The annual budget is prepared by the Fire Chief and adopted by the Board; subsequent amendments are approved by the Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. The budget as adopted is presented in the required supplementary information, and includes expenditure budget overruns.

Excess of Expenditures over Appropriations in Budgeted Funds

As of June 30, 2020 the Board had the following expenditures over budget:

	Amended Budget	Actual	Actual Over Budget
General Fund			
Fringe benefits	\$ 18,531	\$ 22,309	\$ (3,778)
Fees and service charges	362	425	(63)