

**CITY OF HART  
OCEANA COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS  
(with required and other supplementary information)**

**YEAR ENDED JUNE 30, 2023**



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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Hart, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hart, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Hart's basic financial statements as listed in the table of contents.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hart, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Hart and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hart's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hart's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hart's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hart's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of City of Hart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Hart's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hart's internal control over financial reporting and compliance.

*Maner Costerman PC*

December 21, 2023

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of the City of Hart's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2023. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net position was \$27,624,218 (excluding component units).
- Governmental activities net position was \$6,423,920.
- Business-type activities net position was \$21,200,298.
- Component Unit net position was \$157,790.

**Fund Level:**

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,517,247 with \$1,263,479 being restricted or committed for specific purposes.
- The General Fund realized \$428,152 more in revenues and other financing sources than anticipated for the fiscal year. General Fund expenditures and other financing uses were \$338,030 less than appropriated.
- Overall, the General Fund's fund balance increased by \$6,979 to \$176,185.
- Net position in the Hydro, Sewer, and Water funds ended the year at \$10,643,713, \$8,237,433, and \$2,319,152, respectively.

**Capital and Long-term Obligation Activities:**

- Total long-term obligations for the primary government were \$945,438, a net increase of \$467,336 from the prior year.
- The City remains well below its authorized legal debt limit.
- Total net capital assets for the primary government was \$21,972,957 and included land, hydro system, sewer system, water system, and infrastructure, as well as various vehicles, equipment, land improvements, and buildings and improvements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditor's Report*; 2) *Management's Discussion and Analysis*; 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparison for the General Fund and pension/OPEB information, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and component unit funds.

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-wide Financial Statements (Reporting the City as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question: "Is the City, in its entirety, better or worse off as a result of this fiscal year's activities?" These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned*, and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position (page 14) presents all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, recording the difference between them as "net position". Over time, increases or decreases in net position measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the City's net position changed during 2022/2023. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee compensated absences.

Both statements report the following activities:

- **Governmental Activities** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, law enforcement, economic development, street improvements, recreation activities, and other City wide elected official operations and blended component units are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Hydro Fund, the Water Fund, and the Sewer Fund are examples of these activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. The Tax Increment Finance Authority is included as the sole discretely presented component unit.

As stated previously, the government-wide financial statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, the statements include reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds. Capital assets and depreciation expense are reported on the government-wide financial statements.

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Capital outlay spending results in capital assets on the government-wide financial statements but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts accrued for vacation and longevity payments (compensated absences, OPEB), etc. appear as liabilities on the government-wide financial statements; however, they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide financial statements but are recorded as other financing sources on the fund financial statements.

**Fund Financial Statements (Reporting the City's Major Funds)**

The fund financial statements, which begin on page 16, provide information on the City's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) Statement No. 34 in separate columns. Statement No. 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, total revenues or total expenditures/expenses that equal at least 10% of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds 5% of those categories for governmental and enterprise funds combined. The major funds for City of Hart include the General Fund, the Hydro Fund, the Sewer Fund, and the Water Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the City charges customers a fee is generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer Fund. *Internal Services Funds* are the other type, but the City currently does not have any of these fund types.

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- **Fiduciary Funds** - The City acts as a trustee or fiduciary in certain instances. The City's fiduciary activities are reported in the separate Statement of Net Position and Statement of Changes in Net Position on pages 23 and 24, respectively. These funds, which include the Other Post-Employment Benefits fiduciary component unit, are reported using the accrual basis of accounting. The government-wide financial statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 25 of this report.

**Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes budgetary comparison schedules for the General Fund and pension/OPEB information.

**Other Supplementary Information**

Other Supplementary Information includes combining financial statements for nonmajor governmental, fiduciary, and component unit funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**The City as a Whole**

This table shows in a condensed format, the City's net position at June 30, 2023, compared to the prior year:

	Governmental Activities		Business-type Activities		Totals	
	June 30 2023	2022	June 30 2023	2022	June 30 2023	2022
<b>ASSETS</b>						
Current and other assets	\$ 1,634,030	\$ 1,874,068	\$ 6,748,038	\$ 7,601,003	\$ 8,382,068	\$ 9,475,071
Capital assets	5,723,035	5,513,110	16,249,922	14,344,929	21,972,957	19,858,039
<b>TOTAL ASSETS</b>	<b>7,357,065</b>	<b>7,387,178</b>	<b>22,997,960</b>	<b>21,945,932</b>	<b>30,355,025</b>	<b>29,333,110</b>
<b>DEFERRED OUTFLOWS</b>	<b>51,067</b>	<b>93,421</b>	<b>70,147</b>	<b>114,503</b>	<b>121,214</b>	<b>207,924</b>
<b>LIABILITIES</b>						
Current liabilities	298,990	489,016	572,000	512,372	870,990	1,001,388
Noncurrent liabilities	186,371	350,993	610,583	227,059	796,954	578,052
<b>TOTAL LIABILITIES</b>	<b>485,361</b>	<b>840,009</b>	<b>1,182,583</b>	<b>739,431</b>	<b>1,667,944</b>	<b>1,579,440</b>
<b>DEFERRED INFLOWS</b>	<b>498,851</b>	<b>672,968</b>	<b>685,226</b>	<b>824,845</b>	<b>1,184,077</b>	<b>1,497,813</b>
<b>NET POSITION</b>						
Net investment in capital assets	5,560,857	5,271,666	15,742,458	14,344,929	21,303,315	19,616,595
Restricted	1,263,479	1,256,158	-	-	1,263,479	1,256,158
Unrestricted	(400,416)	(560,202)	5,457,840	6,151,230	5,057,424	5,591,028
<b>TOTAL NET POSITION</b>	<b>\$ 6,423,920</b>	<b>\$ 5,967,622</b>	<b>\$ 21,200,298</b>	<b>\$ 20,496,159</b>	<b>\$ 27,624,218</b>	<b>\$ 26,463,781</b>

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Net Position** of the City's Governmental and Business-type activities at year-end total about \$27.6 million. This includes cash, investments, receivables, and capital assets less liabilities, both current and noncurrent. Overall, the City realized an increase in net position of \$1,160,437. Current and noncurrent liabilities increased by \$88,504. Long-term obligations increased during the fiscal year totaled \$218,902. Total assets increased \$1,021,915. Total assets of about \$30.4 million are rich in comparison to liabilities of roughly \$1.7 million.

This table summarizes the change in the City's net position at June 30, 2023, compared to prior year:

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
Program Revenues						
Charges for services	\$ 423,139	\$ 444,834	\$ 8,661,919	\$ 7,888,874	\$ 9,085,058	\$ 8,333,708
Operating grants and contributions	833,840	481,924	824,615	-	1,658,455	481,924
Capital grants and contributions	30,022	-	-	-	30,022	-
General Revenues						
Property taxes	1,003,987	962,954	-	-	1,003,987	962,954
Local community stabilization	-	67,933	-	-	-	67,933
State shared revenue	262,306	257,339	-	-	262,306	257,339
Interest	44,522	154	11,185	2,122	55,707	2,276
Sale of capital assets	7,099	10,000	-	-	7,099	10,000
Other	54,158	5,417	116,958	103,765	171,116	109,182
Transfers	282,040	281,950	(282,040)	(281,950)	-	-
<b>TOTAL REVENUES</b>	<b>2,941,113</b>	<b>2,512,505</b>	<b>9,332,637</b>	<b>7,712,811</b>	<b>12,273,750</b>	<b>10,225,316</b>
<b>EXPENSES</b>						
General Government	288,602	159,219	-	-	288,602	159,219
Public Safety	686,515	621,555	-	-	686,515	621,555
Public Works	1,019,507	1,106,923	-	-	1,019,507	1,106,923
Community and						
Economic Development	221,349	154,251	-	-	221,349	154,251
Recreation and Culture	260,153	250,151	-	-	260,153	250,151
Interest on long-term debt	8,689	13,116	-	-	8,689	13,116
Hydro	-	-	5,616,825	4,981,302	5,616,825	4,981,302
Sewer	-	-	2,655,063	2,042,909	2,655,063	2,042,909
Water	-	-	356,610	388,418	356,610	388,418
<b>TOTAL EXPENSES</b>	<b>2,484,815</b>	<b>2,305,215</b>	<b>8,628,498</b>	<b>7,412,629</b>	<b>11,113,313</b>	<b>9,717,844</b>
Change in Net Position	456,298	207,290	704,139	300,182	1,160,437	507,472
Net Position, Beginning	5,967,622	5,760,332	20,496,159	20,195,977	26,463,781	25,956,309
Net Position, Ending	<b>\$ 6,423,920</b>	<b>\$ 5,967,622</b>	<b>\$ 21,200,298</b>	<b>\$ 20,496,159</b>	<b>\$ 27,624,218</b>	<b>\$ 26,463,781</b>

### **Governmental Activities**

The result of 2022/2023 governmental activity was an increase of \$456,298 in net position to \$6,423,920. Of the total governmental activities' net position, \$5,560,857 is invested in capital assets less related debt, \$1,263,479 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The remaining net position of (\$400,416) is listed as unrestricted.

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental activities revenues increased \$428,608, or 17% from the prior year. The three largest revenue categories were property taxes at approximately 34%, operating grants and contributions at approximately 28%, and charges for services at approximately 15%. The City levied three property tax millages for the year ended June 30, 2023, one being for general government operations at 12.6364 mills, which is not assigned to any particular activity; one for roads at 1.9930 mills; and one for cemetery activities at 0.4990 mills. Operating grants and contributions, such as Act 51 (MTF) revenue, are the second largest source of governmental activity revenue. Charges for services are the third largest source of governmental activity revenue.

Governmental activities expenses increased by \$179,600, or 8% due primarily to changes in other post-employment benefits resulting from significant changes in experience and assumptions. Public works is the largest governmental activity, expending approximately 52% of the governmental activities total. General government and public safety are the next largest areas, expending approximately 6% and 25%, respectively, of the governmental activities total. Large expenditures are not planned for fiscal year 23-24, resulting in decreased expenses, in anticipation of growth to the unrestricted general fund balance.

The City's net position increased by \$456,298 as a result of operations during fiscal year 2022/2023, up from an increase of \$207,290 in 2021/2022, largely from efficiency measures and growth in overall revenues.

**Business-type Activities**

Net position in business-type activities increased by \$704,139 during 2022/2023. Of the business-type activities' net position, \$15,742,458 is invested in capital assets, less related debt. The balance of \$5,457,840 is listed as unrestricted, having no legal commitment. Total revenues increased \$1,619,826, or approximately 21% due mainly to rapid growth of city commercial and industrial growth increasing electric, water, and sewer system usage. Total expenses increased \$754,894, or approximately 11% as the result of an increase in electricity purchased to supply city commercial and industrial companies as well as overall inflationary costs.

**FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS**

As the City completed 2022/2023, its governmental funds reported *combined* fund balances of \$1,517,247. This net decrease of \$37,270 was primarily due to the City spending in the Major Street fund for a large project in the second half of the summer of 2023. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance 6/30/23	\$ 176,185	\$ 1,341,062
Fund Balance 6/30/22	\$ 169,206	\$ 1,385,311
Net Change	\$ 6,979	\$ (44,249)

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**General Fund**

The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Council policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2023, the General Fund reported a fund balance of \$176,185. This increase of approximately 4% is the result of increases in revenue offset by the purchase of a new police department patrol vehicle, replacement of legacy city networking gear necessary to meet State Law Enforcement Information Network (LEIN) compliance, and improvements made to the Department of Public Works building. Fiscal year 24 and 25 are anticipated to bring additional efficiency measures and new tax revenue to further bolster unrestricted General Fund balances.

**General Fund Budgetary Highlights**

The City of Hart's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is routinely amended as needed during the course of the year to reflect changing operational demands and is maintained separately from the H.E.A.R.T. fund that is combined with the General Fund for reporting purposes.

The City decreased the budgeted revenues and other financing sources by \$300,000 during the fiscal year. The City's actual revenues and other financing sources totaled \$2,206,091; \$428,152 more than the final amended budget.

The City's appropriated expenditures and other financing uses were increased by \$60,916 during the fiscal year as additional information became available. Actual operational expenditures and other financing uses for 2022/2023 were \$2,172,409; \$338,030 less than the final amended budget.

**Hydro Fund**

As of June 30, 2023, the Hydro Fund reported a total net position of \$10,643,713, with \$5,993,066 being considered an investment in capital assets, net of related debt. The decrease in net position of \$11,191 for the fiscal year. Significant factors concerning the change have already been addressed in the discussion of the City's business-type activities.

**Sewer Fund**

As of June 30, 2023, the Sewer Fund reported a total net position of \$8,237,433, with \$8,385,272 being considered an investment in capital assets, net of related debt. The increase in net position of \$512,071 for the fiscal year. Significant factors concerning the change have already been addressed in the discussion of the City's business-type activities.

**Water Fund**

As of June 30, 2023, the Water Fund reported a total net position of \$2,319,152, with \$1,364,120 being considered an investment in capital assets, net of related debt. The increase in net position of \$203,259 for the fiscal year. Significant factors concerning the change have already been addressed in the discussion of the City's business-type activities.

**CITY OF HART**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets and Debt Administration**

**Capital Assets** - At the end of Fiscal Year 2022/2023, the City had invested \$21,972,957 for the primary government, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$25,438,660 for the primary government. Depreciation charges for the fiscal year totaled \$1,397,172 for the primary government. Additional information related to capital assets is detailed in Note 5 of the Financial Statements.

The net increase in the City's investment in capital assets for the governmental and business-type activities in the current year was a result of the following:

- Dryden and Wood Street reconstruction
- Hanson and Wigton Street reconstruction
- Hart dam stairway and erosion improvement
- Wastewater system improvements

Net Book Value of capital assets at June 30, 2023, was as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 197,173	\$ 722,165	\$ 919,338
Construction in progress	77,387	1,060,748	1,138,135
Buildings and improvements, net	567,709	-	567,709
Land improvements, net	902,383	393,565	1,295,948
Vehicles, furniture, and equipment, net	561,553	529,546	1,091,099
Infrastructure, net	3,416,830	-	3,416,830
Hydro system, net	-	4,695,370	4,695,370
Sewer system, net	-	7,210,454	7,210,454
Water system, net	-	1,638,074	1,638,074
 Capital assets, net	 \$ 5,723,035	 \$ 16,249,922	 \$ 21,972,957

**Long-term Obligations** - As of June 30, 2023, the City had \$945,438 in debt outstanding for the primary government. This level of net obligation is \$467,336 more than the obligation recorded as of June 30, 2022.

	June 30, 2022	Change	June 30, 2023
<b>Primary Government</b>			
<b>Governmental Activities</b>			
Notes from direct borrowings and direct placements	\$ 241,444	\$ (79,266)	\$ 162,178
Compensated absences	100,586	30,742	131,328
 <b>Business-type Activities</b>			
General obligation bonds	-	507,464	507,464
Compensated absences	<u>136,072</u>	<u>8,396</u>	<u>144,468</u>
 <b>Total Primary Government</b>	 <u>\$ 478,102</u>	 <u>\$ 467,336</u>	 <u>\$ 945,438</u>

**CITY OF HART  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A more detailed discussion of the City's long-term debt obligations is presented in Note 6 to the financial statements.

**City of Hart Government Economic Outlook**

- Execute \$300,000 Michigan DNR Grant to improve Veteran's Memorial Park.
- Continue to work with local stake holders to build new housing, addressing deficiencies in the city residential stock as identified in a 2023 housing study.
- Complete wastewater system improvements in FY 24 and 25, through the use of State Revolving Fund loans, including some principal forgiveness grant dollars and partially funded by USDA \$2.8 million infrastructure grant.
- New properties were annexed into the City of Hart in 2023 that are anticipated to increase tax revenue beginning in 2024.
- Continue annual enterprise fund rate studies to ensure city energy, water, and wastewater systems remain fiscally sustainable.
- Work to establish 3, 5, and 10 year budget outlook, to identify future challenges and aid in year over year decision making.

**Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Manager's office.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF HART**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Primary Government			Component Unit (TIFA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Pooled cash, cash equivalents, and investments	\$ 1,317,098	\$ 4,349,182	\$ 5,666,280	\$ 146,987
Accounts receivable, net	108,244	1,163,861	1,272,105	-
Due from other governmental units	208,688	701,386	910,074	-
Inventory	-	348,991	348,991	-
Prepays	-	16,500	16,500	-
Total current assets	<u>1,634,030</u>	<u>6,579,920</u>	<u>8,213,950</u>	<u>146,987</u>
Noncurrent assets				
Deposits with Michigan Public Power Agency	-	168,118	168,118	-
Capital assets not being depreciated/amortized	274,560	1,782,913	2,057,473	19,010
Capital assets being depreciated/amortized, net	5,448,475	14,467,009	19,915,484	-
Total noncurrent assets	<u>5,723,035</u>	<u>16,418,040</u>	<u>22,141,075</u>	<u>19,010</u>
<b>TOTAL ASSETS</b>	<b><u>7,357,065</u></b>	<b><u>22,997,960</u></b>	<b><u>30,355,025</u></b>	<b><u>165,997</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to OPEB	<u>51,067</u>	<u>70,147</u>	<u>121,214</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	82,333	374,035	456,368	8,207
Accrued liabilities	34,450	53,497	87,947	-
Current portion of compensated absences	99,409	144,468	243,877	-
Current portion of long-term obligations	82,798	-	82,798	-
Total current liabilities	<u>298,990</u>	<u>572,000</u>	<u>870,990</u>	<u>8,207</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	31,919	-	31,919	-
Noncurrent portion of long-term obligations	79,380	507,464	586,844	-
Net other post-employment benefit liability	75,072	103,119	178,191	-
Total noncurrent liabilities	<u>186,371</u>	<u>610,583</u>	<u>796,954</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>485,361</u></b>	<b><u>1,182,583</u></b>	<b><u>1,667,944</u></b>	<b><u>8,207</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to OPEB	<u>498,851</u>	<u>685,226</u>	<u>1,184,077</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,560,857	15,742,458	21,303,315	19,010
Restricted				
Streets	1,116,449	-	1,116,449	-
Cemetery	3,847	-	3,847	-
Historic district	143,183	-	143,183	-
Unrestricted	(400,416)	5,457,840	5,057,424	138,780
<b>TOTAL NET POSITION</b>	<b><u>\$ 6,423,920</u></b>	<b><u>\$ 21,200,298</u></b>	<b><u>\$ 27,624,218</u></b>	<b><u>\$ 157,790</u></b>

See accompanying notes to financial statements.

**CITY OF HART**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (TIFA)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-type Activities	Total		
<b>Primary government</b>									
Governmental activities									
General government	\$ 288,602	\$ 80,026	\$ 147,996	\$ -	\$ (60,580)	\$ -	\$ (60,580)	\$ -	
Public safety	686,515	8,167	218,662	-	(459,686)	-	(459,686)	-	
Public works	1,019,507	214,814	317,860	30,022	(456,811)	-	(456,811)	-	
Community and economic development	221,349	4,450	149,322	-	(67,577)	-	(67,577)	-	
Recreation and culture	260,153	115,682	-	-	(144,471)	-	(144,471)	-	
Interest and fees on long-term debt	8,689	-	-	-	(8,689)	-	(8,689)	-	
Total governmental activities	<u>2,484,815</u>	<u>423,139</u>	<u>833,840</u>	<u>30,022</u>	<u>(1,197,814)</u>	<u>-</u>	<u>(1,197,814)</u>	<u>-</u>	
Business-type activities									
Hydro	5,616,825	5,762,652	-	-	-	145,827	145,827	-	
Sewer	2,655,063	2,363,601	-	824,615	-	533,153	533,153	-	
Water	356,610	535,666	-	-	-	179,056	179,056	-	
Total business-type activities	<u>8,628,498</u>	<u>8,661,919</u>	<u>-</u>	<u>824,615</u>	<u>-</u>	<u>858,036</u>	<u>858,036</u>	<u>-</u>	
Total primary government	<u>\$ 11,113,313</u>	<u>\$ 9,085,058</u>	<u>\$ 833,840</u>	<u>\$ 854,637</u>	<u>(1,197,814)</u>	<u>858,036</u>	<u>(339,778)</u>	<u>-</u>	
<b>Component units</b>									
Tax Increment Finance Authority	<u>\$ 245,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,439)</u>	
General revenues									
Property taxes					1,003,987	-	1,003,987	99,268	
State shared revenue					262,306	-	262,306	-	
Investment earnings					44,522	11,185	55,707	85	
Sale of capital assets					7,099	-	7,099	-	
Miscellaneous					54,158	116,958	171,116	700	
Transfers					282,040	(282,040)	-	-	
Total general revenues and transfers					<u>1,654,112</u>	<u>(153,897)</u>	<u>1,500,215</u>	<u>100,053</u>	
Change in net position					456,298	704,139	1,160,437	(145,386)	
Net position, beginning of the year					<u>5,967,622</u>	<u>20,496,159</u>	<u>26,463,781</u>	<u>303,176</u>	
Net position, end of the year					<u>\$ 6,423,920</u>	<u>\$ 21,200,298</u>	<u>\$ 27,624,218</u>	<u>\$ 157,790</u>	

See accompanying notes to financial statements.

**CITY OF HART**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2023**

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Pooled cash, cash equivalents, and investments	\$ 69,525	\$ 1,247,573	\$ 1,317,098
Accounts receivable, net	45,982	62,262	108,244
Due from other governmental units	<u>157,949</u>	<u>50,739</u>	<u>208,688</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 273,456</u></b>	<b><u>\$ 1,360,574</u></b>	<b><u>\$ 1,634,030</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 63,755	\$ 18,578	\$ 82,333
Accrued liabilities	<u>33,516</u>	<u>934</u>	<u>34,450</u>
<b>TOTAL LIABILITIES</b>	<b><u>97,271</u></b>	<b><u>19,512</u></b>	<b><u>116,783</u></b>
<b>FUND BALANCES</b>			
Restricted			
Streets	-	1,116,449	1,116,449
Cemetery	-	3,847	3,847
Historic district	-	143,183	143,183
Committed			
Public works	-	65,256	65,256
Parks	-	12,327	12,327
H.E.A.R.T.	84,774	-	84,774
Unassigned	<u>91,411</u>	<u>-</u>	<u>91,411</u>
<b>TOTAL FUND BALANCES</b>	<b><u>176,185</u></b>	<b><u>1,341,062</u></b>	<b><u>1,517,247</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 273,456</u></b>	<b><u>\$ 1,360,574</u></b>	<b><u>\$ 1,634,030</u></b>

See accompanying notes to financial statements.

**CITY OF HART**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

**Total fund balances - governmental funds** \$ 1,517,247

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 9,483,903
Accumulated depreciation is	<u>(3,760,868)</u>
Capital assets, net	
	5,723,035

Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net OPEB liability as of the measurement date. Contributions subsequent to the measurement date will be deferred in the statement of net position, when applicable. In addition, resources related to changes of assumptions, differences between expected and actual experience, net differences between projected and actual plan investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	51,067
Deferred inflows of resources related to OPEB	<u>(498,851)</u>
(447,784)	

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Notes from direct borrowings and direct placements	(162,178)
Compensated absences	<u>(131,328)</u>
Net other post-employment benefit liability	<u>(75,072)</u>
(368,578)	

**Net position of governmental activities** \$ 6,423,920

**CITY OF HART**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2023**

	General	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 910,972	\$ 119,715	\$ 1,030,687
Special assessments	-	30,022	30,022
Licenses and permits	27,596	-	27,596
Intergovernmental	550,948	540,183	1,091,131
Charges for services	219,221	115,682	334,903
Fines and forfeits	835	-	835
Interest and rents	41,870	5,377	47,247
Other	<u>96,643</u>	<u>9</u>	<u>96,652</u>
<b>TOTAL REVENUES</b>	<b><u>1,848,085</u></b>	<b><u>810,988</u></b>	<b><u>2,659,073</u></b>
<b>EXPENDITURES</b>			
Current			
General government	408,384	-	408,384
Public safety	648,027	-	648,027
Public works	710,462	110,873	821,335
Community and economic development	200,174	-	200,174
Recreation and culture	11,701	200,956	212,657
Capital outlay	220,335	379,516	599,851
Debt service	<u>87,955</u>	<u>-</u>	<u>87,955</u>
<b>TOTAL EXPENDITURES</b>	<b><u>2,287,038</u></b>	<b><u>691,345</u></b>	<b><u>2,978,383</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(438,953)</u></b>	<b><u>119,643</u></b>	<b><u>(319,310)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	455,732	162,460	618,192
Transfers out	<u>(9,800)</u>	<u>(326,352)</u>	<u>(336,152)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>445,932</u></b>	<b><u>(163,892)</u></b>	<b><u>282,040</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>6,979</u></b>	<b><u>(44,249)</u></b>	<b><u>(37,270)</u></b>
Fund balances, beginning of year	<u>169,206</u>	<u>1,385,311</u>	<u>1,554,517</u>
Fund balances, end of year	<b><u>\$ 176,185</u></b>	<b><u>\$ 1,341,062</u></b>	<b><u>\$ 1,517,247</u></b>

See accompanying notes to financial statements.

**CITY OF HART**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

**Net change in fund balances - total governmental funds** \$ (37,270)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense. In the current period, these amounts are:

Capital outlay	\$ 635,350
Depreciation/amortization expense	<u>(425,425)</u>
Capital outlay over depreciation/amortization expense	209,925

Transactions related to long-term obligations are reported as other financing sources and expenditures in governmental funds, but the borrowings increase long-term liabilities and repayments reduce long-term liabilities in the statement of net position. The City issued additional debt during the current year. In the current year, these amounts consist of:

Repayment of long-term obligations	79,266
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Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

(Increase) in compensated absences	(30,742)
(Decrease) in deferred outflows of resources related to OPEB	(42,354)
Decrease in deferred inflows of resources related to OPEB	174,117
Decrease in net other post-employment benefit liability	<u>103,356</u>
	<u>204,377</u>

**Change in net position of governmental activities** \$ 456,298

**CITY OF HART**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	Business-type Activities			
	Hydro	Sewer	Water	Total
<b>ASSETS</b>				
<b>Current assets</b>				
Pooled cash, cash equivalents, and investments	\$ 3,871,671	\$ 80,306	\$ 397,205	\$ 4,349,182
Accounts receivables, net	771,777	301,567	90,517	1,163,861
Due from other funds	332,514	-	-	332,514
Due from other governmental units	-	193,922	507,464	701,386
Inventory	238,983	70,314	39,694	348,991
Prepays	-	16,500	-	16,500
<b>Total current assets</b>	<u>5,214,945</u>	<u>662,609</u>	<u>1,034,880</u>	<u>6,912,434</u>
<b>Noncurrent assets</b>				
Deposits with Michigan Public Power Agency	168,118	-	-	168,118
Capital assets not being depreciated	426,995	1,134,489	221,429	1,782,913
Capital assets being depreciated, net	5,566,071	7,250,783	1,650,155	14,467,009
<b>Total noncurrent assets</b>	<u>6,161,184</u>	<u>8,385,272</u>	<u>1,871,584</u>	<u>16,418,040</u>
<b>TOTAL ASSETS</b>	<u>11,376,129</u>	<u>9,047,881</u>	<u>2,906,464</u>	<u>23,330,474</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to OPEB	<u>46,813</u>	<u>19,152</u>	<u>4,182</u>	<u>70,147</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	138,192	217,189	18,654	374,035
Accrued liabilities	38,694	12,441	2,362	53,497
Due to other funds	-	332,514	-	332,514
Current portion of compensated absences	76,235	52,218	16,015	144,468
<b>Total current liabilities</b>	<u>253,121</u>	<u>614,362</u>	<u>37,031</u>	<u>904,514</u>
<b>Noncurrent liabilities</b>				
Noncurrent portion of long-term debt	-	-	507,464	507,464
Net other post-employment benefit liability	68,817	28,154	6,148	103,119
<b>TOTAL LIABILITIES</b>	<u>321,938</u>	<u>642,516</u>	<u>550,643</u>	<u>1,515,097</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to OPEB	<u>457,291</u>	<u>187,084</u>	<u>40,851</u>	<u>685,226</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,993,066	8,385,272	1,364,120	15,742,458
Unrestricted	4,650,647	(147,839)	955,032	5,457,840
<b>TOTAL NET POSITION</b>	<u>\$ 10,643,713</u>	<u>\$ 8,237,433</u>	<u>\$ 2,319,152</u>	<u>\$ 21,200,298</u>

See accompanying notes to financial statements.

**CITY OF HART**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

	Business-type Activities			
	Hydro	Sewer	Water	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,762,652	\$ 2,363,601	\$ 535,666	\$ 8,661,919
Other	19,387	59,508	38,063	116,958
<b>TOTAL OPERATING REVENUES</b>	<b>5,782,039</b>	<b>2,423,109</b>	<b>573,729</b>	<b>8,778,877</b>
<b>OPERATING EXPENSES</b>				
Operating expenses	5,277,683	2,132,664	246,404	7,656,751
Depreciation	339,142	522,399	110,206	971,747
<b>TOTAL OPERATING EXPENSES</b>	<b>5,616,825</b>	<b>2,655,063</b>	<b>356,610</b>	<b>8,628,498</b>
<b>OPERATING INCOME (LOSS)</b>	<b>165,214</b>	<b>(231,954)</b>	<b>217,119</b>	<b>150,379</b>
<b>NONOPERATING REVENUES</b>				
Intergovernmental	-	824,615	-	824,615
Interest earned	11,185	-	-	11,185
<b>TOTAL NONOPERATING REVENUES</b>	<b>11,185</b>	<b>824,615</b>	<b>-</b>	<b>835,800</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>176,399</b>	<b>592,661</b>	<b>217,119</b>	<b>986,179</b>
<b>TRANSFERS</b>				
Transfers out	<b>(187,590)</b>	<b>(80,590)</b>	<b>(13,860)</b>	<b>(282,040)</b>
<b>CHANGE IN NET POSITION</b>	<b>(11,191)</b>	<b>512,071</b>	<b>203,259</b>	<b>704,139</b>
Net position, beginning of year	<b>10,654,904</b>	<b>7,725,362</b>	<b>2,115,893</b>	<b>20,496,159</b>
Net position, end of year	<b>\$ 10,643,713</b>	<b>\$ 8,237,433</b>	<b>\$ 2,319,152</b>	<b>\$ 21,200,298</b>

See accompanying notes to financial statements.

**CITY OF HART**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2023**

	Business-type Activities				Total
	Hydro	Sewer	Water		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 5,751,934	\$ 2,342,422	\$ 515,104	\$ 8,609,460	
Cash paid to vendors	(5,175,855)	(2,087,074)	(250,438)	(7,513,367)	
Cash paid to employees	(93,069)	(92,376)	(13,906)	(199,351)	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>483,010</b>	<b>162,972</b>	<b>250,760</b>	<b>896,742</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Receipt (payment) of interfunds	(520,104)	251,924	(13,860)	(282,040)	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Intergovernmental	-	630,693	-	630,693	
Capital purchases	(505,238)	(2,015,086)	(356,416)	(2,876,740)	
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(505,238)</b>	<b>(1,384,393)</b>	<b>(356,416)</b>	<b>(2,246,047)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	11,185	-	-	11,185	
<b>NET DECREASE IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS</b>	<b>(531,147)</b>	<b>(969,497)</b>	<b>(119,516)</b>	<b>(1,620,160)</b>	
Pooled cash, cash equivalents, and investments, beginning of year	4,402,818	1,049,803	516,721	5,969,342	
Pooled cash, cash equivalents, and investments, end of year	<b>\$ 3,871,671</b>	<b>\$ 80,306</b>	<b>\$ 397,205</b>	<b>\$ 4,349,182</b>	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 165,214	\$ (231,954)	\$ 217,119	\$ 150,379	
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	339,142	522,399	110,206	971,747	
(Increase) decrease in:					
Accounts receivable	(23,459)	(80,687)	(36,723)	(140,869)	
Inventory	101,828	(7,321)	(4,034)	90,473	
Prepays	-	(16,500)	-	(16,500)	
Deposits with Michigan Public Power Agency	1,087	-	-	1,087	
Deferred outflows of resources related to OPEB	25,627	15,405	3,324	44,356	
Increase (decrease) in:					
Accounts payable	(7,733)	69,411	(21,902)	39,776	
Accrued liabilities	5,987	(3,123)	278	3,142	
Compensated absences	9,436	(4,943)	3,903	8,396	
Net other post-employment benefit liability	(69,572)	(37,863)	(8,191)	(115,626)	
Deferred inflows of resources related to OPEB	(64,547)	(61,852)	(13,220)	(139,619)	
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 483,010</b>	<b>\$ 162,972</b>	<b>\$ 250,760</b>	<b>\$ 896,742</b>	

See accompanying notes to financial statements.

**CITY OF HART**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2023**

	Other Post- Employment Benefits Trust Fund	Custodial Fund
ASSETS		
Investments	<u>\$ 909,050</u>	\$ -
LIABILITIES	- <hr/>	- <hr/>
NET POSITION		
Held in trust for benefits	<u>\$ 909,050</u>	<u>\$ -</u>

**CITY OF HART**  
**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

	Other Post- Employment Benefits Trust Fund	Custodial Fund
	Current Tax Collections	
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 132,676	\$ -
Property tax collection for other governmental units	-	2,534,159
Investment earnings	<u>55,771</u>	<u>-</u>
<b>TOTAL ADDITIONS</b>	<b><u>188,447</u></b>	<b><u>2,534,159</u></b>
<b>DEDUCTIONS</b>		
Administrative expenses	1,420	-
Benefit payments	32,676	-
Property tax distributions to other governmental units	<u>-</u>	<u>2,534,159</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>34,096</u></b>	<b><u>2,534,159</u></b>
<b>CHANGE IN NET POSITION</b>	<b>154,351</b>	-
Net position, beginning of year	<u>754,699</u>	<u>-</u>
Net position, end of year	<b><u>\$ 909,050</u></b>	<b><u>\$ -</u></b>

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hart (the City) is located in Oceana County, Michigan, and has a population of approximately 1,990. The City of Hart operates with a City Manager/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has seven City Council members who are elected at large for overlapping four-year terms. The Council appoints the City Manager, Clerk-Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

**Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City (primary government), and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. All component units are included in the City's audited financial statements and are not audited separately.

**Discretely Presented Component Units**

Component units are reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for the entities or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component unit:

The Tax Increment Finance Authority (TIFA) board consists of members appointed by the City Council. The budget must also be approved by the City Council, and the City has the ability to influence the operations of the TIFA. The TIFA's financial statements are not issued separately and are included in the City's audited financial statements.

**Fiduciary Component Unit**

The Other Post-Employment Benefits Trust Fund was established to account for the assets set aside to fund the City of Hart Retiree Medical Plan. The primary purpose of the Plan is to provide the necessary funding for the other post-employment (healthcare) benefits provided to eligible retired City employees and their beneficiaries during retirement. The Plan is administered by the City of Hart. The assets of the Plan are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purpose prior to the satisfaction of all liabilities. The assets are protected from any of the City's creditors.

**CITY OF HART  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Blended Component Unit

City of Hart Building Authority - The Building Authority is governed by a board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as a part of the City's operations because its sole purpose is to finance and construct the City's public buildings. The legal liability for the general obligation portion of the Authority's debt remains with the City. The Authority is reported as a debt service fund.

Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two or more participants that maintain joint control, financial interest, and financial responsibility.

Hart Area Fire Administrative Board - The City of Hart is a member of the Hart Area Fire Administrative Board, which was organized to provide fire protection for its member units. It is comprised of four governmental units governed by a board composed of representatives from each of the respective member units. This joint venture is financed through contributions from each participating unit based upon that unit's state taxable value of property. The City does not report an equity interest in this joint venture in these financial statements because the City does not have an explicit and measurable right to the joint venture's resources. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. For the year ended June 30, 2023, the City's contributions to the Hart Area Fire Administrative Board were \$49,991.

Audited financial statements can be obtained from the Hart Area Fire Administrative Board, PO Box 125, Hart, MI 49420.

Michigan Public Power Agency (MPPA) - The City is a member of this Agency and the details related to the City's involvement with the MPPA is detailed in the Contractual Commitment note reported later in the notes to the financial statements.

Jointly Governed Organizations

The City participates in the following activities which are considered to be jointly governed organizations in relation to the City, due to there being no ongoing financial interest or responsibility:

Hart Area Public Library - Under Public Act 24 of 1989, the City of Hart, in conjunction with the Township of Hart, created the Hart Area Public Library, which is considered a District Library. The Hart Area Public Library board is composed of three members appointed by each of the two municipalities. The City and Township collect and distribute property taxes that are levied by the Library. Financial statements of the Library can be obtained from their administrative offices. The City has no financial responsibility to the Library.

Hart Cemetery Commission - The Hart Cemetery Commission is a governmental entity formed by the City of Hart and Township of Hart to handle cemetery related activities in the area. The Board of the Commissioners is made up of five members, two appointed by the City and two appointed by the Township, for two-year terms. The fifth member is appointed annually in the odd number year by the Township and the even number year by the City. The City's accountability does not extend beyond making general appointments. Audited financial statements are available from the Commission.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following *Major Governmental Fund*:

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

The City reports the following *Major Enterprise Funds*:

- a. The *Hydro Fund* is used to account for the operations required to provide electrical services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The *Sewer Fund* is used to account for the operations required to provide sewer services for the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- c. The *Water Fund* is used to account for the operations required to provide water services for the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

FUND FINANCIAL STATEMENTS (continued)

Additionally, the City reports the following *Fund Types*:

- a. *Special Revenue Funds* are used to account for revenue sources that are restricted or committed to expenditures for specific purposes other than capital projects or permanent funds.
- b. *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. *Component Units Fiduciary Funds* are used to account for the assets held in a trustee capacity. The Other Post-Employment Benefits Trust Fund accounts for the assets held by the Municipal Employees' Retirement System (MERS) to fund future medical insurance for eligible retirees and their beneficiaries.
- d. *Custodial Funds* account for assets held by the City as a custodian for other governments, private organizations, or individuals. The City's *Custodial Fund* is the *Current Tax Collection Fund*.

**Measurement Focus**

The government-wide, proprietary, and private purpose trust funds financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds' present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and unearned revenue. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting (continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the City to disburse fiduciary resources.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Budgets and Budgetary Accounting**

The General Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. On the Council meeting nearest but no later than the second Council meeting in April, the City Manager submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A budget study session is conducted in May, with the City Manager and Department Heads presenting their budgets to the City Council and addressing any questions or concerns of the Council.
- c. A Public Hearing is conducted to obtain taxpayers' comments by the end of May.
- d. Prior to July 1, the budget is legally adopted with passage by Council vote.
- e. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- f. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.

**CITY OF HART  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash, Cash Equivalents, and Investments**

The City pools cash resources of various primary government funds in order to facilitate the management of cash, cash equivalents, and investments. Cash, cash equivalents, and investments applicable to a particular fund is readily identifiable. The balances in the pooled cash, cash equivalents, and investments accounts are available to meet current operating requirements. Pooled cash, cash equivalents, and investments include amounts in demand deposits, savings accounts, as well as temporary investments in certificates of deposit, money markets, and petty cash. These cash pools have the general characteristics of demand deposit accounts in that deposits and withdrawals may be made at any time without prior notice or penalty, in most instances.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of 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 which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

**Receivables**

Receivables consists of amounts due from individuals/entities for various charges for services, special assessments, and other amounts owed to the City at year-end net of an allowance for doubtful accounts, when applicable.

**CITY OF HART  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various programs, grants, and services provided.

Inventories

Inventories are valued at the lower of cost or market utilizing the first-in first-out (FIFO) method. Inventories in the enterprise funds consist of Hydro, Sewer, and Water system parts and supplies.

Prepays

Prepaid expenditures, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance, when applicable, which indicates they do not constitute "available spendable resources" even though they are a component of fund balance.

Property Tax

The City bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City on July 1 and December 1 and are payable without penalty through September 14 and February 14, respectively. All real property taxes not paid to the City by August 31 are turned over to the Oceana County Treasurer for collection. The Oceana County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent property taxes receivable is retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 15.0000 mills (\$15.0000 per \$1,000 of taxable valuation) for general governmental services. The operating millage had a maximum allowable millage after roll-back for the 2022 levy of 12.6364 mills. For the year ended June 30, 2023, the City levied \$12.6364 per \$1,000 of taxable valuation for general governmental services, \$1.9930 per \$1,000 for roads, and \$0.4990 per \$1,000 for cemetery. The total taxable value for the 2022 levy for property within the City was \$51,582,971.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the applicable funds and/or activities of the financial statements as noted. The City does not have a formal capital asset policy in place but in practice the City considers capital assets as assets with an initial individual cost of \$5,000 or more, depending on the type of asset, and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated acquisition cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Right to use assets of the City are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20-40 years
Land improvements	20-25 years
Vehicles, furniture, and equipment	5-25 years
Vehicles and equipment – Right to Use	10 years
Utility systems	5-50 years
Infrastructure	20 years

Compensated Absences

City employees are granted earned time off in varying amounts according to service length. In the event of termination, an employee is paid for accumulated earned time off at a percentage governed by the applicable labor contract in effect at the time. Employees with more accumulated than allowed as of June 30 of each year have the overage paid out at a prescribed percentage by the City. All employees with accumulated earned time off at June 30, 2023, were vested and the total due to them, along with related payroll taxes, is recorded in the government-wide and proprietary fund financial statements, as applicable.

Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year are reported as current liabilities with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases

The City is a lessee for a noncancelable lease of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities that are considered material and have an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Other Post-Employment Benefits

The City offers retiree healthcare benefits to its employees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows of resources and deferred inflows of resources which correspond to the City's net OPEB liability and are related to differences, when applicable, between expected and actual experience, changes in assumptions, differences between projected and actual plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Tax Abatements

The City's tax revenues have been reduced by tax abatements throughout the City. Management has determined these amounts to be immaterial to the financial statements.

Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which preclude their use for unrestricted purposes.

Details of Fund Balance Classifications

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. The following are the five classifications of fund balance under this standard:

*Nonspendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Details of Fund Balance Classifications (continued)

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter in which fund the deficit occurs.

Fund Balance Classification Policies and Procedures

The formal action that is required to be taken to establish a fund balance commitment is a resolution by the City Council, the highest level of decision-making authority, of the City.

For assigned fund balance, the City has not approved a policy indicating who is authorized to assign amounts to a specific purpose. In the absence of such a policy, this authority is retained by the governing body.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Estimates

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

The cash and investments referred to below have been reported on the financial statements based upon criteria disclosed in Note 1. The following summarizes the categories of these amounts as of June 30, 2023.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,576,122	\$ 146,987	\$ -	\$ 5,723,109
Investments - noncurrent	90,158	-	909,050	999,208
Deposits with MPPA	<u>168,118</u>	<u>-</u>	<u>-</u>	<u>168,118</u>
	<u>\$ 5,834,398</u>	<u>\$ 146,987</u>	<u>\$ 909,050</u>	<u>\$ 6,890,435</u>

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

As of June 30, 2023, the City had cash, cash equivalents, and investments summarized by the following categorization:

Deposits	
Checking	\$ 5,519,005
Savings	203,654
Certification of deposit	90,158
Petty cash	450
Investment	909,050
Deposits with MPPA	<u>168,118</u>
	<u><u>\$ 6,890,435</u></u>

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2023, \$6,524,625 of the City's bank balance of \$7,175,923 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Deposits reported on the balance sheet include \$168,118 held in trust at Fifth Third bank for Michigan Public Power Agency (MPPA). The City of Hart is a participant in the joint venture that is the MPPA and is the actual asset owner of these funds held in trust. These funds are reported as Deposits with Michigan Public Power Agency on the face of the financial statements.

**Custodial Credit Risk - Investments**

For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business.

**Interest Rate Risk**

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of June 30, 2023, the City did not hold any investments that were subject to rating.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in MERS where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

At the year ended June 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment Type	Fair Value	Unfunded Commitments	Frequency, if Eligible	Redemption Notice Period
<b>FIDUCIARY FUNDS</b>				
MERS total market portfolio	<u>\$ 909,050</u>	<u>\$ -</u>	No restrictions	None

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details primary government interfund receivables and payables at June 30, 2023.

Due to	Due from
Enterprise Fund	<u>Enterprise Fund</u>
Hydro Fund	<u>Sewer Fund</u>

  

Enterprise Fund	<u>Due from</u>
Hydro Fund	<u>Enterprise Fund</u>
	<u>Sewer Fund</u>

  

Enterprise Fund	<u>Due from</u>
Hydro Fund	<u>Enterprise Fund</u>
	<u>Sewer Fund</u>

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (continued)**

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

**NOTE 4 - INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, enterprise funds, and component units have been eliminated.

	Transfer In				
	Governmental Funds				
	General Fund	Nonmajor Governmental Funds	Total		
Transfer Out					
Governmental Funds					
General Fund	\$ -	\$ 9,800	\$ 9,800		
Nonmajor governmental funds	<u>221,352</u>	<u>105,000</u>	<u>326,352</u>		
Total Governmental Funds	<u>221,352</u>	<u>114,800</u>	<u>336,152</u>		
Enterprise Funds					
Hydro Fund	156,600	30,990	187,590		
Sewer Fund	66,370	14,220	80,590		
Water Fund	<u>11,410</u>	<u>2,450</u>	<u>13,860</u>		
Total Enterprise Funds	<u>234,380</u>	<u>47,660</u>	<u>282,040</u>		
Total	<u>\$ 455,732</u>	<u>\$ 162,460</u>	<u>\$ 618,192</u>		

The transfers to the General Fund were to cover administrative charges. The transfers to the nonmajor governmental fund were to reimburse operating expenses.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Restated Balance July 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2023
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 119,751	\$ 77,422	\$ -	\$ 197,173
Construction in progress	191,689	379,515	(493,817)	77,387
Subtotal	<u>311,440</u>	<u>456,937</u>	<u>(493,817)</u>	<u>274,560</u>
Capital assets being depreciated/amortized				
Land improvements	1,343,343	-	-	1,343,343
Buildings and improvements	1,224,871	-	-	1,224,871
Vehicles and equipment	838,234	178,413	(26,318)	990,329
Vehicles and equipment - right to use	205,500	-	-	205,500
Infrastructure	4,951,483	493,817	-	5,445,300
Subtotal	<u>8,563,431</u>	<u>672,230</u>	<u>(26,318)</u>	<u>9,209,343</u>
Less accumulated depreciation/amortization for:				
Land improvements	(383,142)	(57,818)	-	(440,960)
Buildings and improvements	(629,410)	(27,752)	-	(657,162)
Vehicles and equipment	(529,851)	(64,576)	26,318	(568,109)
Vehicles and equipment - right to use	(48,750)	(17,417)	-	(66,167)
Infrastructure	(1,770,608)	(257,862)	-	(2,028,470)
Subtotal	<u>(3,361,761)</u>	<u>(425,425)</u>	<u>26,318</u>	<u>(3,760,868)</u>
Net capital assets being depreciated/amortization	<u>5,201,670</u>	<u>246,805</u>	<u>-</u>	<u>5,448,475</u>
Capital assets, net	<u><u>\$ 5,513,110</u></u>	<u><u>\$ 703,742</u></u>	<u><u>\$ (493,817)</u></u>	<u><u>\$ 5,723,035</u></u>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 722,165	\$ -	\$ -	\$ 722,165
Construction in progress	664,023	1,210,511	(813,786)	1,060,748
Subtotal	<u>1,386,188</u>	<u>1,210,511</u>	<u>(813,786)</u>	<u>1,782,913</u>
Capital assets being depreciated				
Land improvements	16,967	389,163	-	406,130
Furniture and equipment	1,198,078	48,082	-	1,246,160
Hydro system	11,961,865	47,756	-	12,009,621
Sewer system	15,717,822	1,668,621	-	17,386,443
Water system	4,770,054	326,393	-	5,096,447
Subtotal	<u>33,664,786</u>	<u>2,480,015</u>	<u>-</u>	<u>36,144,801</u>
Less accumulated depreciation for:				
Land improvements	(3,817)	(8,748)	-	(12,565)
Furniture and equipment	(636,542)	(80,072)	-	(716,614)
Hydro system	(7,049,485)	(264,766)	-	(7,314,251)
Sewer system	(9,664,156)	(511,833)	-	(10,175,989)
Water system	(3,352,045)	(106,328)	-	(3,458,373)
Subtotal	<u>(20,706,045)</u>	<u>(971,747)</u>	<u>-</u>	<u>(21,677,792)</u>
Net capital assets being depreciated	<u><u>12,958,741</u></u>	<u><u>1,508,268</u></u>	<u><u>-</u></u>	<u><u>14,467,009</u></u>
Capital assets, net	<u><u>\$ 14,344,929</u></u>	<u><u>\$ 2,718,779</u></u>	<u><u>\$ (813,786)</u></u>	<u><u>\$ 16,249,922</u></u>

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - CAPITAL ASSETS (continued)**

Depreciation/amortization expense was charged to the following activities:

	Governmental Activities	Business-type Activities
General government	\$ 64,153	\$ -
Public safety	141,694	-
Public works	181,671	-
Community and economic development	34,564	-
Recreation and culture	3,343	-
Hydro	-	339,142
Sewer	-	522,399
Water	-	110,206
 Total depreciation/amortization expense	 <u>\$ 425,425</u>	 <u>\$ 971,747</u>
 Component Unit	 <u>Balance July 1, 2022</u>	 <u>Additions</u>
Capital assets not being depreciated	 <u>Land</u>	 <u>Deletions</u>
	 <u>\$ -</u>	 <u>\$ 19,010</u>
	 <u>Balance June 30, 2023</u>	 <u>\$ 19,010</u>

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations (including current portion) of the City for the year ended June 30, 2023.

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Notes from direct borrowings and direct placements	\$ 98,506	\$ -	\$ (14,793)	\$ 83,713	\$ 15,368
Loader contract payable	142,938	-	(64,473)	78,465	67,430
Street sweeper lease payable	100,586	106,881	(76,139)	131,328	99,409
Compensated absences					
Total governmental activities	342,030	106,881	(155,405)	293,506	182,207
Business-type Activities					
Notes from direct borrowings and direct placements	-	507,464	-	507,464	-
2022 SRF Water Utilities Bonds	136,072	152,816	(144,420)	144,468	144,468
Compensated absences					
Total business-type activities	136,072	660,280	(144,420)	651,932	144,468
Total Primary Government	<u>\$ 478,102</u>	<u>\$ 767,161</u>	<u>\$ (299,825)</u>	<u>\$ 945,438</u>	<u>\$ 326,675</u>

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

**PRIMARY GOVERNMENT**

Significant details regarding outstanding long-term obligations (including current portion) are presented below:

**GOVERNMENTAL ACTIVITIES**

\$140,984 2019 Front End Loader Obligation contract dated October 1, 2019, due in quarterly installments ranging from \$4,589 to \$69,000 through October 1, 2024, including interest of 3.83%. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redeliver any or all equipment and collateral.

\$ 83,713

\$195,000 2021 Elgin Street Sweeper contract dated July 23, 2021, due in monthly installments ranging of \$5,800 through August 4, 2024, including interest of 4.50%. The agreement is secured by the real property purchased. The agreement contains provisions that in an event of default the lender has various options including declaring the entire unpaid balance due immediately, sue for any unpaid balance plus the purchase option of future payments and residual and interest, charge interest at a rate of 1.50% per month from the date of default until paid, and/or require immediately return of real property.

78,465

Compensated absences

131,328

\$ 293,506

**BUSINESS-TYPE ACTIVITIES**

\$3,070,000 State Revolving Fund Water Utilities Bonds dated September 20, 2022, due in annual installments ranging from \$135,000 to \$190,000 from April 1, 2024, through April 1, 2042, with interest of 1.875%, payment semi-annually. Since a final amortization schedule has not been set and the bonds have not been fully drawn down, the City has only reported the amount drawn down as long-term debt at June 30, 2023. The future annual requirements will be disclosed when a final amortization schedule has been set.

\$ 507,464

Compensated absences

144,468

\$ 651,932

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - LONG-TERM OBLIGATIONS (continued)**

**PRIMARY GOVERNMENT (continued)**

The annual requirements to pay principal and interest outstanding for the long-term obligations are as follows:

Year Ending June 30,	Governmental Activities		
	Note from Direct Borrowing and Direct Placements		
	Principal	Interest	
2024	\$ 82,798	\$ 5,158	
2025	79,380	719	
Total	<u>\$ 162,178</u>	<u>\$ 5,877</u>	

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused earned time off liabilities. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the applicable financial statements.

**NOTE 7 - RETIREMENT PLAN**

The City provides benefits to all of its full-time employees through a defined contribution benefits plan administered by Alerus called the City of Hart 401(a) Money Purchase Plan. In a defined contribution plan, benefits depend solely on the amounts contributed to the plan plus investment earnings. Salaried and hourly employees who have obtained the age of 21 and have completed six months of service are eligible to participate in the plan. Employees are required to contribute 3% of their annual compensation. The City offers a deferred compensation 457 plan as well as the 401(a) plan and employees may contribute to the 457 plan and are fully vested immediately. The City does not contribute to the 457 plan. Employees are fully vested in the 401(a) plan after five years of service, but they cannot contribute more to the 401(a) plan than 3% of their annual compensation.

During the year ended June 30, 2023, the City's total contributions to the 401(a) plan were \$115,151.

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The City of Hart Retiree Medical Plan (the "Plan") is a single employer plan established by the City of Hart. The City provides certain retiree medical benefits as other post-employment benefits (OPEB) to all eligible employees in accordance with labor agreements and/or personnel policies. Benefit provisions are established, and the plan is managed at the direction of the City Council and can be amended at their discretion. The Plan does not issue a separate stand-alone financial statement and the City does not report the trust fund within its financial statements.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

**Benefits Provided**

The City pays the full cost of coverage for these benefits for employees up to certain limits as defined by the Plan. The employees must contribute the balance of premiums not paid by the employer in accordance with plan provisions. Expenditures for postemployment benefits are recognized when claims are paid.

**Summary of Plan Participants**

At the June 30, 2023 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	9
Active employees	<u>19</u>
Total participants	<u><u>28</u></u>

**Contributions**

For the year ended June 30, 2023, the City made payments of \$132,676 for post-employment health benefits which includes \$100,000 that was contributed to an irrevocable trust with MERS Retiree Health Funding Vehicle during the current year. The City of Hart Retiree Medical Plan was established and is being funded under the authority of the City Council and in accordance with labor agreements and/or personnel policies. The Plan's funding policy is that the plan sponsor will make annual contributions of \$25,000. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the Plan.

**Summary of Significant Accounting Policies**

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported for the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net OPEB Liability**

The net OPEB liability of the City was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2023 valuation was determined using the following assumptions applied to all periods included in the measurement:

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Actuarial Assumptions (continued)

Inflation	2.50%
Salary growth rate	5.00%
Investment rate of return	7.00%, including inflation, net of investment expense
20-year Aa Municipal bond rate	4.13%
Mortality	Public general and public safety 2010 employee and healthy retiree, headcount-weighted with MP-2021 improvement scale
Medical Inflation	Pre-65 is 7.25% graded 0.25% per year to 4.50% Medicare eligible is 5.50% graded 0.25% per year to 4.50%
Dental	3.00%
Vision	3.00%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	60.0%	4.50%
Global fixed income	20.0%	2.00%
Private investments	20.0%	7.00%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 7.00%.

Changes in Assumptions

Salary scale updated from 2.90% to 5.00%.  
Medical trends updated.

Changes in Benefits

There were no changes in benefits during the plan year ending June 30, 2023.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the City will make annual contributions to the retirement health funding vehicle of \$25,000 through 2027 while continuing to make retiree benefit payments from general operating funds. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2023, is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2022	\$ 1,151,911	\$ 754,699	\$ 397,212
<b>Changes for the year</b>			
Service cost	18,705	-	18,705
Interest on total OPEB liability	80,799	-	80,799
Changes in experience	(127,074)	-	(127,074)
Changes in assumptions	(4,424)	-	(4,424)
Employer contributions	-	100,000	(100,000)
Contributions/benefits payments made from operating funds	-	32,676	(32,676)
Net investment income	-	55,771	(55,771)
Benefit payments (including refunds)	(32,676)	(32,676)	-
Administrative expense	-	(1,420)	1,420
 Net changes	 (64,670)	 154,351	 (219,021)
Balances as of June 30, 2023	 \$ 1,087,241	 \$ 909,050	 \$ 178,191

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)**

Sensitivity of the Net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 292,792</u>	<u>\$ 178,191</u>	<u>\$ 81,389</u>

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 68,908</u>	<u>\$ 178,191</u>	<u>\$ 309,656</u>

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB benefit of \$313,371. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 791,366
Changes in assumptions	90,904	392,711
Investment earnings (gains)/losses	<u>30,310</u>	<u>-</u>
Total	<u>\$ 121,214</u>	<u>\$ 1,184,077</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2024	\$ (384,540)
2025	(364,452)
2026	(243,760)
2027	(55,603)
2028	<u>(14,508)</u>
	<u><u>\$ (1,062,863)</u></u>

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required in the past three years.

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, crime, bonding, data breach, sewage system overflows, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. State pool members' limits of coverage (per occurrence) are detailed in their policy agreements with the Authority. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required in the past three years.

**NOTE 10 - CONTRACTUAL COMMITMENTS**

The City entered into a joint venture, the Michigan Public Power Agency (MPPA), with 15 other municipal electrical systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation, and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing MI 48917.

Under the joint venture, the City has entered into Power Sales Contracts and Project Support Contracts. These contracts provide for the City to purchase from MPPA 5.27% of MPPA's 4.8% ownership in Consumers Energy's Campbell Unit No. 3, which became operational in September 1980, and 2.74% of the energy generated by MPPA's 5.16% ownership in the American Mutual Power (AMP) Fremont Energy Center (AFEC), which became operational in June 2012. The contract required the City to purchase approximately 2.1 megawatts of power in 1995 and thereafter for the Campbell project. In addition, the contract relating to the Fremont project requires the City to purchase approximately .95 megawatts of power in 2013 and thereafter.

For the year ended June 30, 2023, the City recognized expenses totaling \$3,357,391 under the terms of the contracts. Under the terms of its contracts, the City must make minimum annual payments equal to its share of debt service and its share of the fixed operating costs of Consumers Energy's Campbell Unit No. 3, and AMP's Fremont Energy Center Project (AFEC). The estimated required payments presented below assume no early calls or refinancing of existing revenue bonds and 3.0% annual inflation of fixed operating costs.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - CONTRACTUAL COMMITMENTS (continued)**

A summary of estimated future transactions with MPPA for debt service is as follows:

<u>Year Ending June 30,</u>	<u>Fremont (AFEC)</u>
	<u>Debt Service</u>
2024	\$ 57,171
2025	57,122
2026	57,088
2027	57,136
2028	57,122
2029-2033	285,708
2034-2038	285,536
2039-2043	<u>285,576</u>
 Total	 <u>\$ 1,142,459</u>

Debt service requirements for the Campbell project expired during the fiscal year 2023 and the Fremont project expires during the fiscal year 2043. The above amounts exclude fixed operating costs for the same period as the debt service as those cannot be estimated at year-end. The contracts for the City's commitment for fixed operating costs extend beyond these dates are dependent upon the use of the facilities.

The joint venture is a result of an ongoing financial responsibility. The City did not have an initial equity interest and does not participate in net income or loss.

**NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, which was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the City's financial statement after the adoption of GASB Statement No. 96.

**CITY OF HART**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**NOTE 13 - SUBSEQUENT EVENTS**

On August 28, 2023, the City was approved to receive \$10,800,000 of eligible project costs to improve the City's sewer utility system. The amount approved is split between an American Rescue Plan State Revolving Fund (ARP-SRF) Grant for \$4,005,000 and a Clean Water State Revolving Fund (CWSRF) loan for \$6,175,000 with the final grant and loan amounts being determined at the completion of the project. Future anticipated user charges are expected to be sufficient to cover this commitment.

On August 28, 2023, the City was also approved to receive \$2,865,000 of eligible project costs to improve the City's sewer utility system. The amount approved is split between an American Rescue Plan State Revolving Fund (ARP-SRF) Grant for \$1,432,500 and a Clean Water State Revolving Fund (CWSRF) loan for \$1,432,500 with the final grant and loan amounts being determined at the completion of the projects. Future anticipated special assessments are expected to be sufficient to cover this commitment.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HART**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP)**  
**YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 939,327	\$ 939,327	\$ 910,972	\$ (28,355)
Licenses and permits	35,200	35,200	27,596	(7,604)
Intergovernmental				
Federal	-	-	72,367	72,367
State	582,162	282,162	333,274	51,112
Local	57,652	57,652	88,530	30,878
Charges for services	221,300	221,300	219,221	(2,079)
Fines and forfeits	200	200	835	635
Interest and rents	4,000	4,000	41,841	37,841
Other				
Contributions	9,250	9,250	5,575	(3,675)
Miscellaneous	6,468	6,468	62,148	55,680
<b>TOTAL REVENUES</b>	<b>1,855,559</b>	<b>1,555,559</b>	<b>1,762,359</b>	<b>206,800</b>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	20,100	20,100	15,818	4,282
Administrative	322,500	322,500	260,584	61,916
Elections	4,600	4,600	7,427	(2,827)
Assessor	37,640	37,640	33,375	4,265
Attorney	50,000	50,000	61,269	(11,269)
City hall and grounds	60,580	60,580	29,911	30,669
Total general government	<b>495,420</b>	<b>495,420</b>	<b>408,384</b>	<b>87,036</b>
Public safety				
Police	641,143	659,033	598,036	60,997
Fire Board	49,196	49,196	49,991	(795)
Total public safety	<b>690,339</b>	<b>708,229</b>	<b>648,027</b>	<b>60,202</b>
Public works				
Department of public works	547,392	512,392	470,658	41,734
Solid waste	216,000	216,000	218,921	(2,921)
Street lighting	11,526	11,526	12,383	(857)
Cemetery	12,247	12,247	8,500	3,747
Total public works	<b>787,165</b>	<b>752,165</b>	<b>710,462</b>	<b>41,703</b>

**CITY OF HART**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP)(CONTINUED)**  
**YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>EXPENDITURES (continued)</b>				
Current (continued)				
Community and economic development				
Planning commission	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
H.E.A.R.T.	<u>132,679</u>	<u>132,679</u>	<u>75,745</u>	<u>56,934</u>
Total community and economic development	<u>142,679</u>	<u>142,679</u>	<u>75,745</u>	<u>66,934</u>
Recreation and culture				
Parks and recreation	25,000	25,000	11,701	13,299
Capital outlay	<u>221,320</u>	<u>299,346</u>	<u>220,335</u>	<u>79,011</u>
Debt service	<u>87,600</u>	<u>87,600</u>	<u>87,955</u>	<u>(355)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>2,449,523</u></b>	<b><u>2,510,439</u></b>	<b><u>2,162,609</u></b>	<b><u>347,830</u></b>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(593,964)</u>	<u>(954,880)</u>	<u>(400,250)</u>	<u>554,630</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	222,380	222,380	443,732	221,352
Transfers out	<u>-</u>	<u>-</u>	<u>(9,800)</u>	<u>(9,800)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>222,380</u></b>	<b><u>222,380</u></b>	<b><u>433,932</u></b>	<b><u>211,552</u></b>
NET CHANGE IN FUND BALANCE	<u>(371,584)</u>	<u>(732,500)</u>	<u>33,682</u>	<u>766,182</u>
Fund balance, beginning of year	<u>57,729</u>	<u>57,729</u>	<u>57,729</u>	<u>-</u>
Fund balance, end of year	<b><u>\$ (313,855)</u></b>	<b><u>\$ (674,771)</u></b>	<b><u>\$ 91,411</u></b>	<b><u>\$ 766,182</u></b>

**CITY OF HART**  
**SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST SIX MEASUREMENT DATES (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ 18,705	\$ 18,640	\$ 53,888	\$ 100,607	\$ 90,236	\$ 87,235
Interest on total OPEB liability	80,799	77,870	142,747	120,637	98,801	102,916
Difference between expected and actual experience	(127,074)	(11,336)	(1,254,788)	(43,425)	(79,549)	(37,199)
Changes of assumptions	(4,424)	43,637	(274,236)	(831,621)	143,510	294,774
Benefit payments (including refunds)	<u>(32,676)</u>	<u>(35,433)</u>	<u>(32,676)</u>	<u>(26,896)</u>	<u>(33,140)</u>	<u>(34,344)</u>
Net change in total OPEB liability	(64,670)	93,378	(1,365,065)	(680,698)	219,858	413,382
Total OPEB liability, beginning	<u>1,151,911</u>	<u>1,058,533</u>	<u>2,423,598</u>	<u>3,104,296</u>	<u>2,884,438</u>	<u>2,471,056</u>
Total OPEB liability, ending	<u>\$ 1,087,241</u>	<u>\$ 1,151,911</u>	<u>\$ 1,058,533</u>	<u>\$ 2,423,598</u>	<u>\$ 3,104,296</u>	<u>\$ 2,884,438</u>
Plan fiduciary net position						
Contributions - employer	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 69,900
Contributions/benefits payments made from operating funds	32,676	35,433	32,676	26,896	33,140	34,344
Net investment income	55,771	(59,808)	135,329	10,189	9,555	18,252
Benefit payments (including refunds)	(32,676)	(35,433)	(32,676)	(26,896)	(33,140)	(34,344)
Administrative expense	<u>(1,420)</u>	<u>(1,265)</u>	<u>(996)</u>	<u>(823)</u>	<u>(736)</u>	<u>(603)</u>
Net change in plan fiduciary net position	154,351	38,927	234,333	109,366	108,819	87,549
Plan fiduciary net position, beginning	<u>754,699</u>	<u>715,772</u>	<u>481,439</u>	<u>372,073</u>	<u>263,254</u>	<u>175,705</u>
Plan fiduciary net position, ending	<u>\$ 909,050</u>	<u>\$ 754,699</u>	<u>\$ 715,772</u>	<u>\$ 481,439</u>	<u>\$ 372,073</u>	<u>\$ 263,254</u>
City's net OPEB liability	<u>\$ 178,191</u>	<u>\$ 397,212</u>	<u>\$ 342,761</u>	<u>\$ 1,942,159</u>	<u>\$ 2,732,223</u>	<u>\$ 2,621,184</u>
Plan fiduciary net position as a percentage of the total OPEB liability	84%	66%	68%	20%	12%	9%
Covered payroll	\$ 1,883,019	\$ 1,737,270	\$ 1,747,903	\$ 1,533,486	\$ 1,616,312	\$ 1,268,902
City's net OPEB liability as a percentage of covered payroll	9%	23%	20%	127%	169%	207%

**CITY OF HART**  
**SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 70,368	\$ 60,978	\$ 289,130	\$ 398,949	\$ 436,919	\$ 383,902
Contributions in relation to the actuarially determined contribution	<u>132,676</u>	<u>135,433</u>	<u>132,676</u>	<u>126,896</u>	<u>133,140</u>	<u>104,244</u>
Contribution deficiency (excess)	<u>\$ (62,308)</u>	<u>\$ (74,455)</u>	<u>\$ 156,454</u>	<u>\$ 272,053</u>	<u>\$ 303,779</u>	<u>\$ 279,658</u>
Covered payroll	\$ 1,883,019	\$ 1,737,270	\$ 1,747,903	\$ 1,533,486	\$ 1,616,312	\$ 1,268,902
Contribution as a percentage of covered payroll	7%	8%	8%	8%	8%	8%

**CITY OF HART**  
**SCHEDULE OF OPEB INVESTMENTS RETURNS**  
**LAST SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**  
**(AMOUNTS WERE DETERMINED AS OF 6/30 OF EACH FISCAL YEAR)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expenses	6.53%	-8.31%	22.44%	2.19%	2.78%	8.04%

**CITY OF HART**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In required supplementary information to the financial statements, the City's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2023, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
<b>General Fund</b>			
<b>Current</b>			
<b>General government</b>			
Elections	\$ 4,600	\$ 7,427	\$ 2,827
Attorney	50,000	61,269	11,269
<b>Public safety</b>			
Fire board	49,196	49,991	795
<b>Public works</b>			
Solid waste	216,000	218,921	2,921
Street lighting	11,526	12,383	857
Debt service	87,600	87,955	355

**NOTE 2 - BUDGET/GAAP RECONCILIATION**

The City budgets the activities of the Hart Economic and Redevelopment Team (H.E.A.R.T.) separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, this fund is combined with the General Fund. The budgetary perspective difference shown in the table below reconciles the change in fund balance to the GAAP-basis basic financial statements and the detail related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ 33,682
To adjust for revenues related to various activities accounted for in a separate fund	85,726
To adjust for expenditures related to various activities accounted for in a separate fund	(124,429)
To adjust for other financing sources related to various activities accounted for in a separate fund	<u>12,000</u>
Net change in fund balance (GAAP basis)	<u>\$ 6,979</u>

**CITY OF HART**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 3 - OTHER POST-EMPLOYMENT BENEFITS PLAN**

Actuarial valuation information relative to the determination of contributions:

Valuation date: June 30, 2023  
Measurement date: June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of pay
Remaining amortization period:	10 years
Investment rate of return:	7.00% (including inflation, net of investment expense)
20-year Aa Municipal Bond Rate:	4.13%
Salary increases:	5.00%
Inflation rate:	2.50%
Mortality:	Public general and public safety 2010 employee and healthy retiree, headcount weighted with MP-2021 mortality improvement
Medical Inflation:	Pre-65 is 7.25% graded 0.25% per year to 4.50% Medicare eligible is 5.50% graded 0.25% per year to 4.50%
Dental:	3.00%
Vision:	3.00%

Plan Year

Changes in benefits	There have been no changes in benefit terms.	
Changes in assumptions	2018	Discount rate undated from 4.05% to 3.34%.
	2019	Discount rate updated from 3.34% to 3.78%. Mortality table updated from IRS table to those Based on national public employer studies.
	2020	Discount rate updated from 3.78% to 5.80%. Medical trend rates updated for post-65.
	2021	Discount rate updated from 5.80% to 7.35%. Mortality tables were updated. Medical and dental trend rates were updated.
	2022	Discount rate updated from 7.35% to 7.00%.
	2023	Salary scale updated from 2.90% to 5.00%. Medical trend rates updated.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF HART**  
**GENERAL FUND**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2023**

	General	H.E.A.R.T.	Total
<b>ASSETS</b>			
Pooled cash, cash equivalents, and investments	\$ (21,760)	\$ 91,285	\$ 69,525
Accounts receivable, net	45,982	-	45,982
Due from other governmental units	<u>157,949</u>	<u>-</u>	<u>157,949</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 182,171</u></b>	<b><u>\$ 91,285</u></b>	<b><u>\$ 273,456</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 57,244	\$ 6,511	\$ 63,755
Accrued liabilities	<u>33,516</u>	<u>-</u>	<u>33,516</u>
<b>TOTAL LIABILITIES</b>	<b><u>90,760</u></b>	<b><u>6,511</u></b>	<b><u>97,271</u></b>
<b>FUND BALANCES</b>			
Committed	-	84,774	84,774
Unassigned	<u>91,411</u>	<u>-</u>	<u>91,411</u>
<b>TOTAL FUND BALANCES</b>	<b><u>91,411</u></b>	<b><u>84,774</u></b>	<b><u>176,185</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 182,171</u></b>	<b><u>\$ 91,285</u></b>	<b><u>\$ 273,456</u></b>

**CITY OF HART**  
**GENERAL FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2023**

	General	H.E.A.R.T.	Total
<b>REVENUES</b>			
Taxes	\$ 910,972	\$ -	\$ 910,972
Licenses and permits	27,596	-	27,596
Intergovernmental	494,171	56,777	550,948
Charges for services	219,221	-	219,221
Fines and forfeits	835	-	835
Interest and rents	41,841	29	41,870
Other	67,723	28,920	96,643
<b>TOTAL REVENUES</b>	<b>1,762,359</b>	<b>85,726</b>	<b>1,848,085</b>
<b>EXPENDITURES</b>			
Current			
General government	408,384	-	408,384
Public safety	648,027	-	648,027
Public works	710,462	-	710,462
Community and economic development	75,745	124,429	200,174
Recreation and culture	11,701	-	11,701
Capital outlay	220,335	-	220,335
Debt service	87,955	-	87,955
<b>TOTAL EXPENDITURES</b>	<b>2,162,609</b>	<b>124,429</b>	<b>2,287,038</b>
<b>EXCESS OF REVENUES</b>			
<b>(UNDER) EXPENDITURES</b>	<b>(400,250)</b>	<b>(38,703)</b>	<b>(438,953)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	443,732	12,000	455,732
Transfers out	(9,800)	-	(9,800)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>433,932</b>	<b>12,000</b>	<b>445,932</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>33,682</b>	<b>(26,703)</b>	<b>6,979</b>
Fund balances, beginning of year	57,729	111,477	169,206
Fund balances, end of year	<b>\$ 91,411</b>	<b>\$ 84,774</b>	<b>\$ 176,185</b>

**CITY OF HART**  
**NONMAJOR GOVERMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2023**

	Special Revenue											Debt Service	
	Major Streets	Local Streets	Street Improvements	Park	Cemetery	Hart Lake Improvement	Hart-Montague Trail	ARPA	Historic District Commission	Historic District Operations	Library Building Authority	Total	
<b>ASSETS</b>													
Pooled cash and cash equivalents	\$ 998,905	\$ 11,190	\$ 1,154	\$ 16,811	\$ 3,847	\$ 63,082	\$ 8,362	\$ -	\$ 20,313	\$ 123,909	\$ -	\$ 1,247,573	
Accounts receivable	7,325	54,937	-	-	-	-	-	-	-	-	-	62,262	
Due from other governmental units	35,809	14,930	-	-	-	-	-	-	-	-	-	50,739	
<b>TOTAL ASSETS</b>	<b>\$ 1,042,039</b>	<b>\$ 81,057</b>	<b>\$ 1,154</b>	<b>\$ 16,811</b>	<b>\$ 3,847</b>	<b>\$ 63,082</b>	<b>\$ 8,362</b>	<b>\$ -</b>	<b>\$ 20,313</b>	<b>\$ 123,909</b>	<b>\$ -</b>	<b>\$ 1,360,574</b>	
<b>LIABILITIES</b>													
Accounts payable	\$ -	\$ 7,801	\$ -	\$ 4,409	\$ -	\$ 6,188	\$ -	\$ -	\$ -	\$ 180	\$ -	\$ 18,578	
Accrued liabilities	-	-	-	75	-	-	-	-	-	859	-	934	
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>7,801</b>	<b>-</b>	<b>4,484</b>	<b>-</b>	<b>6,188</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,039</b>	<b>-</b>	<b>19,512</b>	
<b>FUND BALANCES</b>													
Restricted													
Streets	1,042,039	73,256	1,154	-	-	-	-	-	-	-	-	-	1,116,449
Cemetery	-	-	-	-	3,847	-	-	-	-	-	-	-	3,847
Historic district	-	-	-	-	-	-	-	-	20,313	122,870	-	-	143,183
Committed													
Public works	-	-	-	-	-	56,894	8,362	-	-	-	-	-	65,256
Parks	-	-	-	12,327	-	-	-	-	-	-	-	-	12,327
<b>TOTAL FUND BALANCES</b>	<b>1,042,039</b>	<b>73,256</b>	<b>1,154</b>	<b>12,327</b>	<b>3,847</b>	<b>56,894</b>	<b>8,362</b>	<b>-</b>	<b>20,313</b>	<b>122,870</b>	<b>-</b>	<b>-</b>	<b>1,341,062</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,042,039</b>	<b>\$ 81,057</b>	<b>\$ 1,154</b>	<b>\$ 16,811</b>	<b>\$ 3,847</b>	<b>\$ 63,082</b>	<b>\$ 8,362</b>	<b>\$ -</b>	<b>\$ 20,313</b>	<b>\$ 123,909</b>	<b>\$ -</b>	<b>\$ 1,360,574</b>	

**CITY OF HART**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2023**

	Special Revenue										Debt Service		Total
	Major Streets	Local Streets	Street Improvements	Park	Cemetery	Hart Lake Improvement	Hart-Montague Trail	ARPA	Historic District Commission	Historic District Operations	Library Building Authority		
REVENUES													
Taxes	\$ -	\$ -	\$ 95,527	\$ -	\$ 24,188	\$ 30,022							\$ 119,715
Special assessments													\$ 30,022
Intergovernmental													
Federal													217,323
State	216,149	92,979	10,982		2,750								322,860
Charges for services				115,682									115,682
Interest				5,365		12							5,377
Other				9									9
<b>TOTAL REVENUES</b>	<b>216,149</b>	<b>92,979</b>	<b>106,509</b>	<b>121,056</b>	<b>26,938</b>	<b>30,034</b>	<b>-</b>	<b>217,323</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>810,988</b>
EXPENDITURES													
Current													
Public works	43,087	9,093	1,000		28,343	29,350							110,873
Recreation and culture				173,310									200,956
Capital outlay	58,096	116,420	205,000										379,516
<b>TOTAL EXPENDITURES</b>	<b>101,183</b>	<b>125,513</b>	<b>206,000</b>	<b>173,310</b>	<b>28,343</b>	<b>29,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,646</b>	<b>-</b>	<b>-</b>	<b>691,345</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	114,966	(32,534)	(99,491)	(52,254)	(1,405)	684		217,323		(27,646)			119,643
OTHER FINANCING SOURCES (USES)													
Transfers in		105,000											
Transfers out	(105,000)							(217,323)					(4,029)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(105,000)</b>	<b>105,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(217,323)</b>	<b>-</b>	<b>57,460</b>	<b>(4,029)</b>	<b>(163,892)</b>	
NET CHANGE IN FUND BALANCES	9,966	72,466	(99,491)	(52,254)	(1,405)	684					29,814	(4,029)	(44,249)
Fund balances, beginning of year	1,032,073	790	100,645	64,581	5,252	56,210	8,362		20,313	93,056	4,029		1,385,311
Fund balances, end of year	<b>\$ 1,042,039</b>	<b>\$ 73,256</b>	<b>\$ 1,154</b>	<b>\$ 12,327</b>	<b>\$ 3,847</b>	<b>\$ 56,894</b>	<b>\$ 8,362</b>	<b>\$ -</b>	<b>\$ 20,313</b>	<b>\$ 122,870</b>	<b>\$ -</b>	<b>\$ 1,341,062</b>	

**CITY OF HART**  
**COMPONENT UNIT FUND - TAX INCREMENT FINANCE AUTHORITY**  
**BALANCE SHEET**  
**JUNE 30, 2023**

ASSETS	
Cash and cash equivalents	<u>\$ 146,987</u>
LIABILITIES	
Accounts payable	<u>\$ 8,207</u>
FUND BALANCE	
Unassigned	<u>138,780</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 146,987</u>

**CITY OF HART**  
**RECONCILIATION OF THE COMPONENT UNIT BALANCE SHEET TO**  
**THE STATEMENT OF NET POSITION - TAX INCREMENT FINANCE AUTHORITY**  
**JUNE 30, 2023**

**Total fund balance - component unit** \$ 138,780

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is 19,010

**Net position of governmental activities** \$ 157,790

**CITY OF HART**  
**COMPONENT UNIT FUND - TAX INCREMENT FINANCE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2023**

REVENUES	
Taxes	\$ 99,268
Interest	85
Other	<u>700</u>
 TOTAL REVENUES	 <u>100,053</u>
EXPENDITURES	
Current	
Community and economic development	245,439
Capital outlay	<u>19,010</u>
 TOTAL EXPENDITURES	 <u>264,449</u>
NET CHANGE IN FUND BALANCE	<u>(164,396)</u>
Fund balance, beginning of year	<u>303,176</u>
Fund balance, end of year	<u>\$ 138,780</u>

**CITY OF HART**  
**RECONCILIATION OF THE COMPONENT UNIT STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE**  
**STATEMENT OF ACTIVITIES - TAX INCREMENT FINANCE AUTHORITY**  
**YEAR ENDED JUNE 30, 2023**

**Net change in fund balance - governmental fund** \$ (164,396)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay 19,010

**Change in net position of governmental activities** \$ (145,386)