

**CITY OF HART
OCEANA COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2024

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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, 2024, 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, 2024, 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 23, 2024, 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.

Maney Costeiran PC

December 23, 2024

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, 2024. 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 \$28,524,189 (excluding component units).
- Governmental activities net position was \$6,830,489.
- Business-type activities net position was \$21,693,700.
- Component Unit net position was \$341,671.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,555,168 with \$1,590,528 being restricted or committed for specific purposes.
- The General Fund realized \$160,425 less in revenues and other financing sources than anticipated for the fiscal year. General Fund expenditures and other financing uses were \$34,589 less than appropriated.
- Overall, the General Fund's fund balance decreased by \$75,958 to \$100,227.
- Net position in the Hydro, Sewer, and Water funds ended the year at \$10,542,388, \$7,706,650, and \$3,462,662, respectively.

Capital and Long-term Obligation Activities:

- Total long-term obligations for the primary government were \$2,803,509, a net increase of \$1,858,071 from the prior year.
- The City remains well below its authorized legal debt limit.
- Total net capital assets for the primary government was \$24,900,069 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.

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.

CITY OF HART MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2023/2024. All changes in net position are reported based on the period for which the underlying events giving rise to the change occur, 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.
- 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.

CITY OF HART MANAGEMENT'S DISCUSSION AND ANALYSIS

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.
- ***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 details provided in the government-wide and fund financial statements. The Notes can be found beginning on page 25 of this report.

CITY OF HART MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2024, compared to the prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2024	2023	2024	2023	2024	2023
ASSETS						
Current and other assets	\$ 1,739,292	\$ 1,634,030	\$ 6,775,264	\$ 6,748,038	\$ 8,514,556	\$ 8,382,068
Capital assets	5,816,827	5,723,035	19,083,242	16,249,922	24,900,069	21,972,957
TOTAL ASSETS	7,556,119	7,357,065	25,858,506	22,997,960	33,414,625	30,355,025
DEFERRED OUTFLOWS	18,376	51,067	22,550	70,147	40,926	121,214
LIABILITIES						
Current liabilities	369,375	298,990	1,450,864	572,000	1,820,239	870,990
Noncurrent liabilities	32,744	186,371	2,316,936	610,583	2,349,680	796,954
TOTAL LIABILITIES	402,119	485,361	3,767,800	1,182,583	4,169,919	1,667,944
DEFERRED INFLOWS	341,887	498,851	419,556	685,226	761,443	1,184,077
NET POSITION						
Net investment in capital assets	5,737,447	5,560,857	16,616,822	15,742,458	22,354,269	21,303,315
Restricted	1,431,661	1,263,479	-	-	1,431,661	1,263,479
Unrestricted	(338,619)	(400,416)	5,076,878	5,457,840	4,738,259	5,057,424
TOTAL NET POSITION	\$ 6,830,489	\$ 6,423,920	\$ 21,693,700	\$ 21,200,298	\$ 28,524,189	\$ 27,624,218

Net Position of the City's Governmental and Business-type activities at year-end total about \$28.5 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 \$899,971. Current and noncurrent liabilities increased by \$2,501,975. Long-term obligations increased during the fiscal year totaled \$1,858,071. Total assets increased \$3,059,600. Total assets of about \$33.4 million are rich in comparison to liabilities of roughly \$4.2 million.

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

This table summarizes the change in the City's net position at June 30, 2024, compared to prior year:

	Governmental Activities June 30		Business-type Activities June 30		Totals June 30	
	2024	2023	2024	2023	2024	2023
REVENUES						
Program Revenues						
Charges for services	\$ 544,028	\$ 423,139	\$ 7,796,894	\$ 8,661,919	\$ 8,340,922	\$ 9,085,058
Operating grants and contributions	661,846	833,840	1,501,574	824,615	2,163,420	1,658,455
Capital grants and contributions	27,484	30,022	-	-	27,484	30,022
General Revenues						
Property taxes	971,854	1,003,987	-	-	971,854	1,003,987
State shared revenue	346,750	262,306	-	-	346,750	262,306
Interest	94,744	44,522	18,898	11,185	113,642	55,707
Sale of capital assets	-	7,099	12,600	-	12,600	7,099
Other	123,713	54,158	93,567	116,958	217,280	171,116
Transfers	282,040	282,040	(282,040)	(282,040)	-	-
TOTAL REVENUES	3,052,459	2,941,113	9,141,493	9,332,637	12,193,952	12,273,750
EXPENSES						
General Government	414,116	288,602	-	-	414,116	288,602
Public Safety	806,324	686,515	-	-	806,324	686,515
Public Works	983,063	1,019,507	-	-	983,063	1,019,507
Community and Economic Development	177,718	221,349	-	-	177,718	221,349
Recreation and Culture	264,669	260,153	-	-	264,669	260,153
Interest on long-term debt	-	8,689	-	-	-	8,689
Hydro	-	-	5,240,130	5,616,825	5,240,130	5,616,825
Sewer	-	-	2,757,002	2,655,063	2,757,002	2,655,063
Water	-	-	650,959	356,610	650,959	356,610
TOTAL EXPENSES	2,645,890	2,484,815	8,648,091	8,628,498	11,293,981	11,113,313
Change in Net Position	406,569	456,298	493,402	704,139	899,971	1,160,437
Net Position, Beginning	6,423,920	5,967,622	21,200,298	20,496,159	27,624,218	26,463,781
Net Position, Ending	<u>\$ 6,830,489</u>	<u>\$ 6,423,920</u>	<u>\$ 21,693,700</u>	<u>\$ 21,200,298</u>	<u>\$ 28,524,189</u>	<u>\$ 27,624,218</u>

Governmental Activities

The result of 2023/2024 governmental activity was an increase of \$406,569 in net position to \$6,830,489. Of the total governmental activities' net position, \$5,737,447 is invested in capital assets less related debt, \$1,431,661 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 (\$338,619) is listed as unrestricted.

Governmental activities revenues increased \$111,346, or 4% from the prior year. The three largest revenue categories were property taxes at approximately 32%, operating grants and contributions at approximately 22%, and charges for services at approximately 18%. 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.

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

Governmental activities expenses increased by \$161,075, or 6% due to hiring a parks and recreation manager to oversee operations. Public works is the largest governmental activity, expending approximately 37% of the governmental activities total. General government and public safety are the next largest areas, expending approximately 16% and 30%, respectively, of the governmental activities total. Large expenditures are not planned for fiscal year 24-25, resulting in decreased expenses, in anticipation of growth of revenue related to the park campground.

The City's net position increased by \$406,569 as a result of operations during fiscal year 2023/2024, down from an increase of \$456,298 in 2022/2023, largely from efficiency measures and growth in overall revenues and property construction and investment.

Business-type Activities

Net position in business-type activities increased by \$493,402 during 2023/2024. Of the business-type activities' net position, \$16,616,822 is invested in capital assets, less related debt. The balance of \$5,076,878 is listed as unrestricted, having no legal commitment. Total revenues decreased \$191,144, or approximately 2% due to efficiency measures from the City's industrial partners. Total expenses increased \$19,593, or less than 1% as the result of an increase in electricity purchased to supply city commercial and efficiency measures from industrial companies as well as overall inflationary costs.

FINANCIAL ANALYSIS OF THE CITY'S GOVERNMENTAL FUNDS

As the City completed 2023/2024, its governmental funds reported *combined* fund balances of \$1,555,168. This net increase of \$37,921 was primarily due to unanticipated over of the public safety staff and parks related expenditures. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance 6/30/24	\$ 100,227	\$ 1,454,941
Fund Balance 6/30/23	\$ 176,185	\$ 1,341,062
Net Change	\$ (75,958)	\$ 113,879

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, 2024, the General Fund reported a fund balance of \$100,227. This decrease of approximately 43% is the result of unanticipated overtime of the public safety staff, and an increase of parks related expenditures. Fiscal years 2025 and 2026 are anticipated to bring in additional efficiency measures, new tax revenues, and new parks department revenue to further bolster unrestricted General Fund balances.

CITY OF HART MANAGEMENT'S DISCUSSION AND ANALYSIS

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 did not amend the total amounts for revenues or expenditures during the fiscal year. The City's actual revenues and other financing sources totaled \$2,013,973; \$160,425 less than the final amended budget. Actual operational expenditures and other financing uses for 2023/2024 were \$2,099,465; \$34,589 less than the final amended budget.

Hydro Fund

As of June 30, 2024, the Hydro Fund reported a total net position of \$10,524,388, with \$5,750,805 being considered an investment in capital assets, net of related debt. Net position decreased \$119,325 during 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, 2024, the Sewer Fund reported a total net position of \$7,706,650, with \$7,646,606 being considered an investment in capital assets, net of related debt. Net position decreased \$23,319 during 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, 2024, the Water Fund reported a total net position of \$3,462,662, with \$3,219,411 being considered an investment in capital assets, net of related debt. Net position increased \$636,046 during the fiscal year. Significant factors concerning the change have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets - At the end of Fiscal Year 2023/2024, the City had invested \$24,900,069 for the primary government, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$26,907,856 for the primary government. Depreciation charges for the fiscal year totaled \$1,496,661 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
- Replacement of water meters and EMI meter reading
- Asset management on water service line
- Wastewater system improvements

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

Net Book Value of capital assets at June 30, 2024, was as follows:

	<u>June 30, 2023</u>	<u>Change</u>	<u>June 30, 2024</u>
Primary Government			
Governmental Activities			
Land	\$ 197,173	\$ -	\$ 197,173
Construction in progress	77,387	268,900	346,287
Land improvements, net	902,383	(57,818)	844,565
Buildings and improvements, net	567,709	(27,752)	539,957
Vehicles and equipment, net	561,553	(11,824)	549,729
Infrastructure, net	3,416,830	(77,714)	3,339,116
Business-type Activities			
Land	722,165	-	722,165
Construction in progress	1,060,748	2,618,270	3,679,018
Land improvements, net	393,565	(20,306)	373,259
Furniture and equipment, net	529,546	17,345	546,891
Hydro system, net	4,695,370	(224,072)	4,471,298
Sewer system, net	7,210,454	(54,106)	7,156,348
Water system, net	1,638,074	496,189	2,134,263
Capital assets, net	<u>\$ 21,972,957</u>	<u>\$ 2,927,112</u>	<u>\$ 24,900,069</u>

Long-term Obligations - As of June 30, 2024, the City had \$2,545,800 in debt outstanding for the primary government, plus an additional \$257,709 related to compensated absences. This level of net obligation is \$1,858,071 more than the obligation recorded as of June 30, 2023.

	<u>June 30, 2023</u>	<u>Change</u>	<u>June 30, 2024</u>
Primary Government			
Governmental Activities			
Notes from direct borrowings and direct placements	\$ 162,178	\$ (82,798)	\$ 79,380
Compensated absences	131,328	(415)	130,913
Business-type Activities			
General obligation bonds	507,464	1,958,956	2,466,420
Compensated absences	144,468	(17,672)	126,796
Total Primary Government	<u>\$ 945,438</u>	<u>\$ 1,858,071</u>	<u>\$ 2,803,509</u>

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

CITY OF HART MANAGEMENT'S DISCUSSION AND ANALYSIS

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 short and longer term budget outlook, to identify future challenges and focus on growing the General Funds unrestricted fund balance.
- Continue work with West Shore Community College to support deployment of college campus on South State Street and assist neighboring property owners in preparing for new economic investment around the new college site.

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, 2024

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(TIFA)
ASSETS				
Current assets				
Pooled cash, cash equivalents, and investments	\$ 1,504,640	\$ 3,981,410	\$ 5,486,050	\$ 386,615
Accounts receivable, net	138,951	861,830	1,000,781	247
Internal balances	69	(69)	-	-
Due from other governmental units	65,086	1,302,404	1,367,490	-
Inventory	-	426,273	426,273	-
Prepays	30,546	29,477	60,023	-
Total current assets	1,739,292	6,601,325	8,340,617	386,862
Noncurrent assets				
Deposits with Michigan Public Power Agency	-	173,939	173,939	-
Capital assets not being depreciated/amortized	543,460	4,401,183	4,944,643	19,895
Capital assets being depreciated/amortized, net	5,273,367	14,682,059	19,955,426	-
Total noncurrent assets	5,816,827	19,257,181	25,074,008	19,895
TOTAL ASSETS	7,556,119	25,858,506	33,414,625	406,757
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to OPEB	18,376	22,550	40,926	-
LIABILITIES				
Current liabilities				
Accounts payable	143,223	1,109,173	1,252,396	65,086
Accrued liabilities	40,901	55,961	96,862	-
Current portion of compensated absences	105,871	118,230	224,101	-
Current portion of long-term obligations	79,380	167,500	246,880	-
Total current liabilities	369,375	1,450,864	1,820,239	65,086
Noncurrent liabilities				
Noncurrent portion of compensated absences	25,042	8,566	33,608	-
Noncurrent portion of long-term obligations	-	2,298,920	2,298,920	-
Net other post-employment benefit liability	7,702	9,450	17,152	-
Total noncurrent liabilities	32,744	2,316,936	2,349,680	-
TOTAL LIABILITIES	402,119	3,767,800	4,169,919	65,086
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	341,887	419,556	761,443	-
NET POSITION				
Net investment in capital assets	5,737,447	16,616,822	22,354,269	19,895
Restricted				
Streets	1,251,012	-	1,251,012	-
Cemetery	8,678	-	8,678	-
Historic district	171,971	-	171,971	-
Unrestricted	(338,619)	5,076,878	4,738,259	321,776
TOTAL NET POSITION	\$ 6,830,489	\$ 21,693,700	\$ 28,524,189	\$ 341,671

See accompanying notes to financial statements.

**CITY OF HART
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit (TIFA)
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 414,116	\$ 130,493	\$ 88,821	\$ -	\$ (194,802)	\$ -	\$ (194,802)	\$ -
Public safety	806,324	5,676	2,136	-	(798,512)	-	(798,512)	-
Public works	983,063	235,637	514,868	27,484	(205,074)	-	(205,074)	-
Community and economic development	177,718	2,442	56,021	-	(119,255)	-	(119,255)	-
Recreation and culture	264,669	169,780	-	-	(94,889)	-	(94,889)	-
Total governmental activities	2,645,890	544,028	661,846	27,484	(1,412,532)	-	(1,412,532)	-
Business-type activities								
Hydro	5,240,130	5,273,427	-	-	-	33,297	33,297	-
Sewer	2,757,002	2,104,024	-	659,357	-	6,379	6,379	-
Water	650,959	419,443	45,586	796,631	-	610,701	610,701	-
Total business-type activities	8,648,091	7,796,894	45,586	1,455,988	-	650,377	650,377	-
Total primary government	\$ 11,293,981	\$ 8,340,922	\$ 707,432	\$ 1,483,472	(1,412,532)	650,377	(762,155)	-
Component unit								
Tax Increment Finance Authority	\$ 147,020	\$ -	\$ 25,970	\$ -	-	-	-	(121,050)
General revenues								
Property taxes					971,854	-	971,854	292,999
State shared revenue					346,750	-	346,750	-
Investment earnings					94,744	18,898	113,642	1,008
Gain on sale of capital assets					-	12,600	12,600	-
Miscellaneous					123,713	93,567	217,280	10,924
Transfers					282,040	(282,040)	-	-
Total general revenues and transfers					1,819,101	(156,975)	1,662,126	304,931
Change in net position					406,569	493,402	899,971	183,881
Net position, beginning of the year					6,423,920	21,200,298	27,624,218	157,790
Net position, end of the year					\$ 6,830,489	\$ 21,693,700	\$ 28,524,189	\$ 341,671

See accompanying notes to financial statements.

**CITY OF HART
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024**

	General	Nonmajor Governmental Funds	Total
ASSETS			
Pooled cash, cash equivalents, and investments	\$ 78,641	\$ 1,425,999	\$ 1,504,640
Accounts receivable, net	113,980	24,971	138,951
Due from other funds	69	160,518	160,587
Due from other governmental units	65,086	-	65,086
Prepaid expenses	30,106	440	30,546
	<u>30,106</u>	<u>440</u>	<u>30,546</u>
TOTAL ASSETS	<u><u>\$ 287,882</u></u>	<u><u>\$ 1,611,928</u></u>	<u><u>\$ 1,899,810</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 32,094	\$ 111,129	\$ 143,223
Accrued liabilities	34,426	6,475	40,901
Due to other funds	121,135	39,383	160,518
	<u>121,135</u>	<u>39,383</u>	<u>160,518</u>
TOTAL LIABILITIES	<u>187,655</u>	<u>156,987</u>	<u>344,642</u>
FUND BALANCES			
Nonspendable			
Prepays	30,106	440	30,546
Restricted			
Streets	-	1,251,012	1,251,012
Cemetery	-	8,678	8,678
Historic district	-	171,971	171,971
Committed			
Public works	-	80,587	80,587
H.E.A.R.T.	78,280	-	78,280
Unassigned	(8,159)	(57,747)	(65,906)
	<u>(8,159)</u>	<u>(57,747)</u>	<u>(65,906)</u>
TOTAL FUND BALANCES	<u>100,227</u>	<u>1,454,941</u>	<u>1,555,168</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 287,882</u></u>	<u><u>\$ 1,611,928</u></u>	<u><u>\$ 1,899,810</u></u>

See accompanying notes to financial statements.

**CITY OF HART
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total fund balances - governmental funds \$ 1,555,168

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	\$ 10,032,566	
Accumulated depreciation is	<u>(4,215,739)</u>	
Capital assets, net		5,816,827

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. In addition, resources related to changes of assumptions, differences between expected and actual experience, and net differences between projected and actual plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	18,376	
Deferred inflows of resources related to OPEB	<u>(341,887)</u>	
		(323,511)

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	(79,380)	
Compensated absences	(130,913)	
Net other post-employment benefit liability	<u>(7,702)</u>	
		<u>(217,995)</u>

Net position of governmental activities \$ 6,830,489

**CITY OF HART
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024**

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 888,286	\$ 113,745	\$ 1,002,031
Special assessments	-	27,484	27,484
Licenses and permits	27,474	-	27,474
Intergovernmental	421,526	618,967	1,040,493
Charges for services	223,581	170,080	393,661
Fines and forfeits	200	-	200
Interest and rents	105,459	313	105,772
Other	183,530	-	183,530
	<u>1,850,056</u>	<u>930,589</u>	<u>2,780,645</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	408,085	-	408,085
Public safety	773,839	-	773,839
Public works	736,959	137,032	873,991
Community and economic development	128,313	-	128,313
Recreation and culture	15,443	228,699	244,142
Capital outlay	-	508,439	508,439
Debt service	87,955	-	87,955
	<u>2,150,594</u>	<u>874,170</u>	<u>3,024,764</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(300,538)</u>	<u>56,419</u>	<u>(244,119)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	234,380	165,460	399,840
Transfers out	<u>(9,800)</u>	<u>(108,000)</u>	<u>(117,800)</u>
	<u>224,580</u>	<u>57,460</u>	<u>282,040</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(75,958)	113,879	37,921
Fund balances, beginning of year	<u>176,185</u>	<u>1,341,062</u>	<u>1,517,247</u>
Fund balances, end of year	<u>\$ 100,227</u>	<u>\$ 1,454,941</u>	<u>\$ 1,555,168</u>

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, 2024

Net change in fund balances - total governmental funds **\$ 37,921**

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	\$ 548,663	
Depreciation/amortization expense	<u>(454,871)</u>	
Excess of capital outlay over depreciation/amortization		93,792

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. These amounts consist of:

Repayment of long-term obligations	82,798
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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:

Decrease in compensated absences	415	
(Decrease) in deferred outflows of resources related to OPEB	(32,691)	
Decrease in deferred inflows of resources related to OPEB	156,964	
Decrease in net other post-employment benefit liability	<u>67,370</u>	
		<u>192,058</u>

Change in net position of governmental activities	<u>\$ 406,569</u>
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**CITY OF HART
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Business-type Activities			
	Hydro	Sewer	Water	Total
ASSETS				
Current assets				
Pooled cash, cash equivalents, and investments	\$ 3,785,201	\$ 196,209	\$ -	\$ 3,981,410
Accounts receivables, net	592,516	213,031	56,283	861,830
Due from other funds	452,908	-	-	452,908
Due from other governmental units	-	358,964	943,440	1,302,404
Inventory	266,147	114,912	45,214	426,273
Prepays	18,918	7,039	3,520	29,477
Total current assets	5,115,690	890,155	1,048,457	7,054,302
Noncurrent assets				
Deposits with Michigan Public Power Agency	173,939	-	-	173,939
Capital assets not being depreciated	441,355	2,883,064	1,076,764	4,401,183
Capital assets being depreciated, net	5,309,450	7,229,962	2,142,647	14,682,059
Total noncurrent assets	5,924,744	10,113,026	3,219,411	19,257,181
TOTAL ASSETS	11,040,434	11,003,181	4,267,868	26,311,483
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to OPEB	14,856	6,176	1,518	22,550
LIABILITIES				
Current liabilities				
Accounts payable	150,029	653,673	305,471	1,109,173
Accrued liabilities	40,503	12,541	2,917	55,961
Due to other funds	-	69	452,908	452,977
Current portion of compensated absences	53,839	48,966	15,425	118,230
Current portion of long-term debt	-	167,500	-	167,500
Total current liabilities	244,371	882,749	776,721	1,903,841
Noncurrent liabilities				
Noncurrent portion of compensated absences	3,901	3,548	1,117	8,566
Noncurrent portion of long-term debt	-	2,298,920	-	2,298,920
Net OPEB liability	6,226	2,588	636	9,450
Total noncurrent liabilities	10,127	2,305,056	1,753	2,316,936
TOTAL LIABILITIES	254,498	3,187,805	778,474	4,220,777
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	276,404	114,902	28,250	419,556
NET POSITION				
Net investment in capital assets	5,750,805	7,646,606	3,219,411	16,616,822
Unrestricted	4,773,583	60,044	243,251	5,076,878
TOTAL NET POSITION	\$ 10,524,388	\$ 7,706,650	\$ 3,462,662	\$ 21,693,700

See accompanying notes to financial statements.

**CITY OF HART
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2024**

	Business-type Activities			
	Hydro	Sewer	Water	Total
OPERATING REVENUES				
Charges for services	\$ 5,273,427	\$ 2,104,024	\$ 419,443	\$ 7,796,894
Other	3,470	50,892	39,205	93,567
TOTAL OPERATING REVENUES	5,276,897	2,154,916	458,648	7,890,461
OPERATING EXPENSES				
Operating expenses	4,883,301	2,192,832	530,168	7,606,301
Depreciation	356,829	564,170	120,791	1,041,790
TOTAL OPERATING EXPENSES	5,240,130	2,757,002	650,959	8,648,091
OPERATING INCOME (LOSS)	36,767	(602,086)	(192,311)	(757,630)
NONOPERATING REVENUES				
Intergovernmental	-	-	45,586	45,586
Gain on sale of capital assets	12,600	-	-	12,600
Interest earned	18,898	-	-	18,898
TOTAL NONOPERATING REVENUES	31,498	-	45,586	77,084
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	68,265	(602,086)	(146,725)	(680,546)
Capital contributions	-	659,357	796,631	1,455,988
Transfers out	(187,590)	(80,590)	(13,860)	(282,040)
CHANGE IN NET POSITION	(119,325)	(23,319)	636,046	493,402
Net position, beginning of year, as previously stated	10,643,713	8,237,433	2,319,152	21,200,298
Adjustments to beginning net position	-	(507,464)	507,464	-
Net position, beginning of the year, as restated	10,643,713	7,729,969	2,826,616	21,200,298
Net position, end of year	\$ 10,524,388	\$ 7,706,650	\$ 3,462,662	\$ 21,693,700

See accompanying notes to financial statements.

**CITY OF HART
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

	Business-type Activities			
	Hydro	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 5,450,337	\$ 2,078,410	\$ 56,906	\$ 7,585,653
Cash paid to vendors	(4,296,128)	(1,455,961)	(157,785)	(5,909,874)
Cash paid to/for employees	(849,625)	(419,900)	(108,973)	(1,378,498)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	304,584	202,549	(209,852)	297,281
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Receipt (payment) of interfunds	(307,984)	(413,035)	439,048	(281,971)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Intergovernmental	-	659,357	842,217	1,501,574
Proceeds from sale of capital assets	12,600	-	-	12,600
Capital purchases	(114,568)	(2,291,924)	(1,468,618)	(3,875,110)
Proceeds from long-term debt	-	1,958,956	-	1,958,956
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(101,968)	326,389	(626,401)	(401,980)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	18,898	-	-	18,898
NET INCREASE (DECREASE) IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS	(86,470)	115,903	(397,205)	(367,772)
Pooled cash, cash equivalents, and investments, beginning of year	3,871,671	80,306	397,205	4,349,182
Pooled cash, cash equivalents, and investments, end of year	<u>\$ 3,785,201</u>	<u>\$ 196,209</u>	<u>\$ -</u>	<u>\$ 3,981,410</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 36,767	\$ (602,086)	\$ (192,311)	\$ (757,630)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	356,829	564,170	120,791	1,041,790
(Increase) decrease in:				
Accounts receivable, net	179,261	88,536	34,234	302,031
Due from other governmental units	-	(165,042)	(435,976)	(601,018)
Inventory	(27,164)	(44,598)	(5,520)	(77,282)
Prepays	(18,918)	9,461	(3,520)	(12,977)
Deposits with Michigan Public Power Agency	(5,821)	-	-	(5,821)
Deferred outflows of resources related to OPEB	31,957	12,976	2,664	47,597
Increase (decrease) in:				
Accounts payable	11,837	436,484	286,817	735,138
Accrued liabilities	1,809	100	555	2,464
Compensated absences	(18,495)	296	527	(17,672)
Net OPEB liability	(62,591)	(25,566)	(5,512)	(93,669)
Deferred inflows of resources related to OPEB	(180,887)	(72,182)	(12,601)	(265,670)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 304,584	\$ 202,549	\$ (209,852)	\$ 297,281

See accompanying notes to financial statements.

**CITY OF HART
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

	Other Post- Employment Benefits Trust Fund	Custodial Fund Current Tax Collection
ASSETS		
Investments	\$ 1,098,865	\$ -
LIABILITIES	-	-
NET POSITION		
Held in trust for benefits	\$ 1,098,865	\$ -

**CITY OF HART
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2024**

	Other Post- Employment Benefits Trust Fund	Custodial Fund Current Tax Collections
ADDITIONS		
Contributions		
Employer	\$ 146,491	\$ -
Property tax collection for other governmental units	-	2,873,210
Investment earnings	91,792	-
	<u>238,283</u>	<u>2,873,210</u>
TOTAL ADDITIONS		
	<u>238,283</u>	<u>2,873,210</u>
DEDUCTIONS		
Administrative expenses	1,977	-
Benefit payments	46,491	-
Property tax distributions to other governmental units	-	2,873,210
	<u>48,468</u>	<u>2,873,210</u>
TOTAL DEDUCTIONS		
	<u>48,468</u>	<u>2,873,210</u>
CHANGE IN NET POSITION	189,815	-
Net position, beginning of year	909,050	-
	<u>909,050</u>	<u>-</u>
Net position, end of year	<u>\$ 1,098,865</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**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 had no activity for the year ended June 30, 2024.

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, 2024, the City's contributions to the Hart Area Fire Administrative Board were \$51,582.

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 2023 levy of 12.6364 mills. For the year ended June 30, 2024, 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 2023 levy for property within the City was \$54,406,055.

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:

Land improvements	20-25 years
Buildings and improvements	20-40 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, 2024, 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, and differences between projected and actual plan investment earnings. 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, 2024.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,486,050	\$ 386,615	\$ -	\$ 5,872,665
Investments - noncurrent	-	-	1,098,865	1,098,865
Deposits with MPPA	173,939	-	-	173,939
	<u>\$ 5,659,989</u>	<u>\$ 386,615</u>	<u>\$ 1,098,865</u>	<u>\$ 7,145,469</u>

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2024, the City had cash, cash equivalents, and investments summarized by the following categorization:

Deposits	
Checking and savings	\$ 2,574,606
Certification of deposit	1,043,470
Petty cash	650
Investment	3,352,804
Deposits with MPPA	<u>173,939</u>
	<u><u>\$ 7,145,469</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, 2024, \$2,611,434 of the City's bank balance of \$3,694,282 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Deposits reported on the balance sheet include \$173,939 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>
Michigan CLASS Investment Pool	<u>\$ 2,253,939</u>	<u>0.0822</u>	AAAm

One day maturity equals 0.0027, one year equals 1.00.

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, 2024, the City's investments subject to rating are noted above.

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 interest in Michigan CLASS investment pool which invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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, 2024, 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
PRIMARY GOVERNMENT				
Michigan CLASS Investment Pool	\$ 2,077,931	\$ -	No restrictions	None
FIDUCIARY FUNDS				
MERS total market portfolio	1,098,865	-	No restrictions	None
COMPONENT UNIT				
Michigan CLASS Investment Pool	176,008	-	No restrictions	None
	<u>\$ 3,352,804</u>	<u>\$ -</u>		

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at June 30, 2024.

	Due From Other Funds		
	Governmental Funds		Proprietary Funds
	General Fund	Nonmajor Governmental Funds	Hydro Fund
			Total
Due To Other Funds			
Governmental Funds			
General Fund	\$ -	\$ 121,135	\$ -
Nonmajor governmental funds	-	39,383	-
Total Governmental Funds	-	160,518	-
Enterprise Funds			
Sewer Fund	69	-	-
Water Fund	-	-	452,908
Total Enterprise Funds	69	-	452,908
Total	\$ 69	\$ 160,518	\$ 452,908
			\$ 613,495

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	-	108,000	108,000
Total Governmental Funds	-	117,800	117,800
Proprietary Funds			
Hydro Fund	156,600	30,990	187,590
Sewer Fund	66,370	14,220	80,590
Water Fund	11,410	2,450	13,860
Total Proprietary Funds	234,380	47,660	282,040
Total	\$ 234,380	\$ 165,460	\$ 399,840

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERFUND TRANSFERS (continued)

Transfers are used to: (1) move revenues from the fund is required to collect them to fund that is required or allowed to expend them; (2) move receipts restricted or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) used unrestricted revenues collected in the General Fund to finance various program accounted for in other funds in accordance with budgetary authorizations. Significant transfers that occurred during the fiscal year were related to transfers to the General Fund to cover administrative charges and transfers within nonmajor governmental funds for the preservation of the local street system and to reimburse operating expenses.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 197,173	\$ -	\$ -	\$ 197,173
Construction in progress	77,387	268,900	-	346,287
Subtotal	274,560	268,900	-	543,460
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	990,329	80,224	-	1,070,553
Vehicles and equipment - right to use	205,500	-	-	205,500
Infrastructure	5,445,300	199,539	-	5,644,839
Subtotal	9,209,343	279,763	-	9,489,106
Less accumulated depreciation/amortization for:				
Land improvements	(440,960)	(57,818)	-	(498,778)
Buildings and improvements	(657,162)	(27,752)	-	(684,914)
Vehicles and equipment	(568,109)	(74,631)	-	(642,740)
Vehicles and equipment - right to use	(66,167)	(17,417)	-	(83,584)
Infrastructure	(2,028,470)	(277,253)	-	(2,305,723)
Subtotal	(3,760,868)	(454,871)	-	(4,215,739)
Net capital assets being depreciated/amortization	5,448,475	(175,108)	-	5,273,367
Capital assets, net	\$ 5,723,035	\$ 93,792	\$ -	\$ 5,816,827

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

	Balance July 1, 2023	Additions	Deletions	Reclassifications	Balance June 30, 2024
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 722,165	\$ -	\$ -	\$ -	\$ 722,165
Construction in progress	1,060,748	3,730,402	-	(1,112,132)	3,679,018
Subtotal	1,782,913	3,730,402	-	(1,112,132)	4,401,183
Capital assets being depreciated					
Land improvements	406,130	-	-	-	406,130
Furniture and equipment	1,246,160	100,174	(27,465)	-	1,318,869
Hydro system	12,009,621	44,534	-	-	12,054,155
Sewer system	17,386,443	-	-	498,849	17,885,292
Water system	5,096,447	-	-	613,283	5,709,730
Subtotal	36,144,801	144,708	(27,465)	1,112,132	37,374,176
Less accumulated depreciation for:					
Land improvements	(12,565)	(20,306)	-	-	(32,871)
Furniture and equipment	(716,614)	(82,829)	27,465	-	(771,978)
Hydro system	(7,314,251)	(268,606)	-	-	(7,582,857)
Sewer system	(10,175,989)	(552,955)	-	-	(10,728,944)
Water system	(3,458,373)	(117,094)	-	-	(3,575,467)
Subtotal	(21,677,792)	(1,041,790)	27,465	-	(22,692,117)
Net capital assets being depreciated	14,467,009	(897,082)	-	1,112,132	14,682,059
Capital assets, net	\$ 16,249,922	\$ 2,833,320	\$ -	\$ -	\$ 19,083,242

Depreciation/amortization expense was charged to the following activities:

	Governmental Activities	Business-type Activities
General government	\$ 76,462	\$ -
Public safety	148,967	-
Public works	180,736	-
Community and economic development	46,016	-
Recreation and culture	2,690	-
Hydro	-	356,829
Sewer	-	564,170
Water	-	120,791
Total depreciation/amortization expense	\$ 454,871	\$ 1,041,790

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
Component Unit				
Capital assets not being depreciated				
Land	\$ 19,010	\$ 885	\$ -	\$ 19,895

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

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, 2024.

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Notes from direct borrowings and direct placements					
Loader contract payable	\$ 83,713	\$ -	\$ (15,368)	\$ 68,345	\$ 68,345
Street sweeper lease payable	78,465	-	(67,430)	11,035	11,035
Compensated absences	131,328	105,792	(106,207)	130,913	105,871
	<u>293,506</u>	<u>105,792</u>	<u>(189,005)</u>	<u>210,293</u>	<u>185,251</u>
Total governmental activities					
Business-type activities					
General obligation bonds					
2022 Sewer System Revenue Bonds	507,464	1,858,956	-	2,366,420	135,000
2023 Sewer System Revenue Bonds, Series A	-	50,000	-	50,000	-
2022 Sewer System Revenue Bonds, Series B	-	50,000	-	50,000	32,500
Compensated absences	144,468	117,036	(134,708)	126,796	118,230
	<u>651,932</u>	<u>2,075,992</u>	<u>(134,708)</u>	<u>2,593,216</u>	<u>285,730</u>
Total business-type activities					
Total primary government	<u>\$ 945,438</u>	<u>\$ 2,181,784</u>	<u>\$ (323,713)</u>	<u>\$ 2,803,509</u>	<u>\$ 470,981</u>

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 a quarterly installment of \$69,000 on 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.

\$ 68,345

\$195,000 2021 Elgin Street Sweeper contract dated July 23, 2021, due in monthly installments 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.

11,035

Compensated absences

130,913

\$ 210,293

**CITY OF HART
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

PRIMARY GOVERNMENT (continued)

BUSINESS-TYPE ACTIVITIES

\$3,070,000 Sewer System Revenue Bonds dated September 20, 2022, with interest of 1.875%, payable 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, 2024. The future annual requirements will be disclosed when a final amortization schedule has been set.

\$ 2,366,420

\$6,175,000 Sewer System Revenue Bonds, Series A dated August 9, 2023, with interest of 1.875%, payable 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, 2024. The future annual requirements will be disclosed when a final amortization schedule has been set.

50,000

\$1,432,500 Sewer System Revenue Bonds, Series B dated August 9, 2023, with interest of 1.875%, payable 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, 2024. The future annual requirements will be disclosed when a final amortization schedule has been set.

50,000

Compensated absences

126,796

\$ 2,593,216

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
2025	\$ 79,380	\$ 1,220
Year Ending June 30,	Business-type Activities	
	General Obligation Bonds	
	Principal	Interest
2025	\$ 167,500	\$ 46,245
2026	157,500	43,105
2027	190,000	40,152
2028	145,000	36,589
2029	145,000	33,870
2030-2034	775,000	31,152
2035-2039	850,000	16,620
2040	36,420	683
	<u>\$ 2,466,420</u>	<u>\$ 248,416</u>

**CITY OF HART
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

PRIMARY GOVERNMENT (continued)

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, 2024, the City's total contributions to the 401(a) plan were \$112,472.

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.

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, 2024 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>

**CITY OF HART
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Contributions

For the year ended June 30, 2024, the City made payments of \$146,491 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, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024 valuation was determined using the following assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary growth rate	5.00%
Investment rate of return	7.00%, including inflation
20-year Aa Municipal bond rate	4.21%
Mortality	Public general and public safety 2010 employee and healthy retiree, headcount-weighted with IRS 2024 adjusted MP-2021 improvement scale
Medical Inflation	Pre-65: 7.25% for two years, then graded down 0.25% per year to 4.50% Post-65: 5.50% for two years, then graded down 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.

**CITY OF HART
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	60.0%	4.50%
Global fixed income	20.0%	2.00%
Private assets	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

- Mortality improvement scale updated.
- Medical trends updated.

Changes in Benefits

There were no changes in benefits during the plan year ending June 30, 2024.

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 as needed to keep the plan fully funded. 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.

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2024, is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2023	\$ 1,087,241	\$ 909,050	\$ 178,191
Changes for the year			
Service cost	23,259	-	23,259
Interest on total OPEB liability	76,108	-	76,108
Changes in experience	(13,080)	-	(13,080)
Changes in assumptions	(11,020)	-	(11,020)
Employer contributions	-	100,000	(100,000)
Contributions/benefits payments made			
from operating funds	-	46,491	(46,491)
Net investment income	-	91,792	(91,792)
Benefit payments (including refunds)	(46,491)	(46,491)	-
Administrative expense	-	(1,977)	1,977
Net changes	28,776	189,815	(161,039)
Balances as of June 30, 2024	\$ 1,116,017	\$ 1,098,865	\$ 17,152

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:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 131,970	\$ 17,152	\$ (79,937)

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:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ (101,956)	\$ 17,152	\$ 160,595

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended June 30, 2024, the City recognized OPEB benefit of \$356,894. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 550,931
Changes in assumptions	40,351	210,512
Investment earnings (gains)/losses	<u>575</u>	<u>-</u>
Total	<u><u>\$ 40,926</u></u>	<u><u>\$ 761,443</u></u>

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

Year Ending June 30,	OPEB Expense
2025	\$ (374,585)
2026	(253,893)
2027	(65,736)
2028	(24,643)
2029	<u>(1,660)</u>
	<u><u>\$ (720,517)</u></u>

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.

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

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, 2024, the City recognized expenses totaling \$3,038,603 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.

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

Year Ending June 30,	Fremont (AFEC) Debt Service
2025	\$ 57,122
2026	17,088
2027	57,136
2028	57,122
2029	57,184
2030-2034	285,646
2035-2039	285,577
2040-2044	228,413
Total	<u>\$ 1,045,288</u>

Debt service requirements for 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.

**CITY OF HART
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - FUND BALANCE DEFICIT

As of June 30, 2024, the City's Park fund reported a fund balance deficit of \$57,747.

NOTE 12 - ADJUSTMENTS TO BEGINNING NET POSITION

During the fiscal year 2024, changes to or within the financial reporting entity as a result of error corrections to long-term debt resulted in restatements of beginning net position as follows:

	Reporting Units Affected by Restatement of Beginning Balances	
	Sewer Fund	Water Fund
Beginning net position, as previously reported	\$ 8,237,433	\$ 2,319,152
Error correction	(507,464)	507,464
Beginning net position, as restated	<u>\$ 7,729,969</u>	<u>\$ 2,826,616</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2024, the City implemented GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*

Summary: 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 periods, (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.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 but 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.

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

**CITY OF HART
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HART
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 955,095	\$ 955,095	\$ 888,286	\$ (66,809)
Licenses and permits	30,300	30,300	27,474	(2,826)
Intergovernmental				
State	613,398	613,398	347,459	(265,939)
Local	65,000	65,000	63,530	(1,470)
Charges for services	221,750	221,750	223,581	1,831
Fines and forfeits	700	700	200	(500)
Interest and rents	52,725	52,725	105,459	52,734
Other				
Contributions	6,000	6,000	7,951	1,951
Miscellaneous	3,000	3,000	99,013	96,013
Reimbursements	4,050	4,050	28,640	24,590
TOTAL REVENUES	1,952,018	1,952,018	1,791,593	(160,425)
EXPENDITURES				
Current				
General government				
City Council	17,300	17,300	24,276	(6,976)
Administrative	274,855	274,855	255,038	19,817
Elections	5,600	5,600	4,535	1,065
Assessor	36,600	36,600	41,495	(4,895)
Attorney	50,000	50,000	57,620	(7,620)
City hall and grounds	48,240	48,240	25,121	23,119
Total general government	432,595	432,595	408,085	24,510
Public safety				
Police	598,820	598,820	722,257	(123,437)
Fire Board	61,000	61,000	51,582	9,418
Total public safety	659,820	659,820	773,839	(114,019)
Public works				
Department of public works	501,388	501,388	482,946	18,442
Solid waste	216,000	216,000	224,013	(8,013)
Street lighting	12,000	12,000	13,000	(1,000)
Cemetery	17,000	17,000	17,000	-
Total public works	746,388	746,388	736,959	9,429

**CITY OF HART
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP) (continued)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Community and economic development				
Planning commission	\$ 10,000	\$ 10,000	\$ 9,226	\$ 774
H.E.A.R.T.	119,351	119,351	58,158	61,193
Total community and economic development	129,351	129,351	67,384	61,967
Recreation and culture				
Parks and recreation	68,500	68,500	15,443	53,057
Debt service	87,600	87,600	87,955	(355)
TOTAL EXPENDITURES	2,124,254	2,124,254	2,089,665	34,589
EXCESS OF REVENUES (UNDER) EXPENDITURES	(172,236)	(172,236)	(298,072)	(125,836)
OTHER FINANCING SOURCES (USES)				
Transfers in	222,380	222,380	222,380	-
Transfers out	(9,800)	(9,800)	(9,800)	-
TOTAL OTHER FINANCING SOURCES (USES)	212,580	212,580	212,580	-
NET CHANGE IN FUND BALANCE	40,344	40,344	(85,492)	(125,836)
Fund balance, beginning of year	91,411	91,411	91,411	-
Fund balance, end of year	\$ 131,755	\$ 131,755	\$ 5,919	\$ (125,836)

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Service cost	\$ 23,259	\$ 18,705	\$ 18,640	\$ 53,888	\$ 100,607	\$ 90,236	\$ 87,235
Interest on total OPEB liability	76,108	80,799	77,870	142,747	120,637	98,801	102,916
Difference between expected and actual experience	(13,080)	(127,074)	(11,336)	(1,254,788)	(43,425)	(79,549)	(37,199)
Changes of assumptions	(11,020)	(4,424)	43,637	(274,236)	(831,621)	143,510	294,774
Benefit payments (including refunds)	(46,491)	(32,676)	(35,433)	(32,676)	(26,896)	(33,140)	(34,344)
Net change in total OPEB liability	28,776	(64,670)	93,378	(1,365,065)	(680,698)	219,858	413,382
Total OPEB liability, beginning	1,087,241	1,151,911	1,058,533	2,423,598	3,104,296	2,884,438	2,471,056
Total OPEB liability, ending	<u>\$ 1,116,017</u>	<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	\$ 100,000	\$ 69,900
Contributions/benefits payments made from operating funds	46,491	32,676	35,433	32,676	26,896	33,140	34,344
Net investment income	91,792	55,771	(59,808)	135,329	10,189	9,555	18,252
Benefit payments (including refunds)	(46,491)	(32,676)	(35,433)	(32,676)	(26,896)	(33,140)	(34,344)
Administrative expense	(1,977)	(1,420)	(1,265)	(996)	(823)	(736)	(603)
Net change in plan fiduciary net position	189,815	154,351	38,927	234,333	109,366	108,819	87,549
Plan fiduciary net position, beginning	909,050	754,699	715,772	481,439	372,073	263,254	175,705
Plan fiduciary net position, ending	<u>\$ 1,098,865</u>	<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>\$ 17,152</u>	<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	98%	84%	66%	68%	20%	12%	9%
Covered payroll	\$ 2,074,673	\$ 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	1%	9%	23%	20%	127%	169%	207%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 50,323	\$ 70,368	\$ 60,978	\$ 289,130	\$ 398,949	\$ 436,919	\$ 383,902
Contributions in relation to the actuarially determined contribution	<u>146,491</u>	<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><u>\$ (96,168)</u></u>	<u><u>\$ (62,308)</u></u>	<u><u>\$ (74,455)</u></u>	<u><u>\$ 156,454</u></u>	<u><u>\$ 272,053</u></u>	<u><u>\$ 303,779</u></u>	<u><u>\$ 279,658</u></u>
Covered payroll	\$ 2,074,673	\$ 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%	7%	8%	8%	8%	8%	8%

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

	<u>2024</u>	<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	8.95%	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 the 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, 2024, the City incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
City Council	\$ 17,300	\$ 24,276	\$ 6,976
Assessor	36,600	41,495	4,895
Attorney	50,000	57,620	7,620
Public safety			
Police	598,820	722,257	123,437
Public works			
Solid waste	216,000	224,013	8,013
Street lighting	12,000	13,000	1,000
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)	\$ (85,492)
To adjust for revenues related to various activities accounted for in a separate fund	58,463
To adjust for expenditures related to various activities accounted for in a separate fund	(60,929)
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><u>\$ (75,958)</u></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, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of pay
Remaining amortization period:	8 years
Investment rate of return:	7.00% (including inflation)
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% Post-65 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
	2024	Mortality improvement scale updated Medical trend rates updated

OTHER SUPPLEMENTARY INFORMATION

**CITY OF HART
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2024**

	<u>General</u>	<u>H.E.A.R.T.</u>	<u>Total</u>
ASSETS			
Pooled cash, cash equivalents, and investments	\$ -	\$ 78,641	\$ 78,641
Accounts receivable, net	113,980	-	113,980
Due from other funds	69	-	69
Due from other governmental units	65,086	-	65,086
Prepaid expenses	<u>14,078</u>	<u>16,028</u>	<u>30,106</u>
TOTAL ASSETS	<u><u>\$ 193,213</u></u>	<u><u>\$ 94,669</u></u>	<u><u>\$ 287,882</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 31,733	\$ 361	\$ 32,094
Accrued liabilities	34,426	-	34,426
Due to other funds	<u>121,135</u>	<u>-</u>	<u>121,135</u>
TOTAL LIABILITIES	<u>187,294</u>	<u>361</u>	<u>187,655</u>
FUND BALANCES			
Nonspendable	14,078	16,028	30,106
Committed	-	78,280	78,280
Unassigned	<u>(8,159)</u>	<u>-</u>	<u>(8,159)</u>
TOTAL FUND BALANCES	<u>5,919</u>	<u>94,308</u>	<u>100,227</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 193,213</u></u>	<u><u>\$ 94,669</u></u>	<u><u>\$ 287,882</u></u>

**CITY OF HART
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024**

	General	H.E.A.R.T.	Total
REVENUES			
Taxes	\$ 888,286	\$ -	\$ 888,286
Licenses and permits	27,474	-	27,474
Intergovernmental	410,989	10,537	421,526
Charges for services	223,581	-	223,581
Fines and forfeits	200	-	200
Interest and rents	105,459	-	105,459
Other	135,604	47,926	183,530
	<u>1,791,593</u>	<u>58,463</u>	<u>1,850,056</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	408,085	-	408,085
Public safety	773,839	-	773,839
Public works	736,959	-	736,959
Community and economic development	67,384	60,929	128,313
Recreation and culture	15,443	-	15,443
Capital outlay	-	-	-
Debt service	87,955	-	87,955
	<u>2,089,665</u>	<u>60,929</u>	<u>2,150,594</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(298,072)</u>	<u>(2,466)</u>	<u>(300,538)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	222,380	12,000	234,380
Transfers out	<u>(9,800)</u>	<u>-</u>	<u>(9,800)</u>
	<u>212,580</u>	<u>12,000</u>	<u>224,580</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(85,492)	9,534	(75,958)
Fund balances, beginning of year	<u>91,411</u>	<u>84,774</u>	<u>176,185</u>
Fund balances, end of year	<u>\$ 5,919</u>	<u>\$ 94,308</u>	<u>\$ 100,227</u>

**CITY OF HART
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2024**

	Special Revenue									
	Major Streets	Local Streets	Street Improvements	Park	Cemetery	Hart Lake Improvement	Hart- Montague Trail	Historic District Commission	Historic District Operations	Total
ASSETS										
Pooled cash and cash equivalents	\$ 964,776	\$ 144,090	\$ 54,826	\$ -	\$ 8,770	\$ 72,225	\$ 8,362	\$ 20,626	\$ 152,324	\$ 1,425,999
Accounts receivable	17,619	7,352	-	-	-	-	-	-	-	24,971
Due from other funds	160,518	-	-	-	-	-	-	-	-	160,518
Prepays	-	-	-	440	-	-	-	-	-	440
TOTAL ASSETS	<u>\$ 1,142,913</u>	<u>\$ 151,442</u>	<u>\$ 54,826</u>	<u>\$ 440</u>	<u>\$ 8,770</u>	<u>\$ 72,225</u>	<u>\$ 8,362</u>	<u>\$ 20,626</u>	<u>\$ 152,324</u>	<u>\$ 1,611,928</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ 1,100	\$ 94,302	\$ 2,767	\$ 12,868	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ 111,129
Accrued liabilities	-	-	-	5,496	-	-	-	-	979	6,475
Due to other funds	-	-	-	39,383	-	-	-	-	-	39,383
TOTAL LIABILITIES	<u>1,100</u>	<u>94,302</u>	<u>2,767</u>	<u>57,747</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>979</u>	<u>156,987</u>
FUND BALANCES										
Nonspendable										
Prepays	-	-	-	440	-	-	-	-	-	440
Restricted										
Streets	1,141,813	57,140	52,059	-	-	-	-	-	-	1,251,012
Cemetery	-	-	-	-	8,678	-	-	-	-	8,678
Historic district	-	-	-	-	-	-	-	20,626	151,345	171,971
Committed										
Public works	-	-	-	-	-	72,225	8,362	-	-	80,587
Unassigned	-	-	-	(57,747)	-	-	-	-	-	(57,747)
TOTAL FUND BALANCES	<u>1,141,813</u>	<u>57,140</u>	<u>52,059</u>	<u>(57,307)</u>	<u>8,678</u>	<u>72,225</u>	<u>8,362</u>	<u>20,626</u>	<u>151,345</u>	<u>1,454,941</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,142,913</u>	<u>\$ 151,442</u>	<u>\$ 54,826</u>	<u>\$ 440</u>	<u>\$ 8,770</u>	<u>\$ 72,225</u>	<u>\$ 8,362</u>	<u>\$ 20,626</u>	<u>\$ 152,324</u>	<u>\$ 1,611,928</u>

**CITY OF HART
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024**

	Special Revenue									
	Major Streets	Local Streets	Street Improvements	Park	Cemetery	Hart Lake Improvement	Hart- Montague Trail	Historic District Commission	Historic District Operations	Total
REVENUES										
Taxes	\$ -	\$ -	\$ 90,970	\$ -	\$ 22,775	\$ -	\$ -	\$ -	\$ -	\$ 113,745
Special assessments	-	-	-	-	-	27,484	-	-	-	27,484
Intergovernmental										
Federal	-	209,060	-	-	-	-	-	-	-	209,060
State	221,051	95,016	13,851	-	3,468	-	-	-	-	333,386
Local	76,521	-	-	-	-	-	-	-	-	76,521
Charges for services	-	-	-	170,080	-	-	-	-	-	170,080
Interest	-	-	-	-	-	-	-	313	-	313
TOTAL REVENUES	297,572	304,076	104,821	170,080	26,243	27,484	-	313	-	930,589
EXPENDITURES										
Current										
Public works	89,798	9,753	3,916	-	21,412	12,153	-	-	-	137,032
Recreation and culture	-	-	-	199,714	-	-	-	-	28,985	228,699
Capital outlay	-	418,439	50,000	40,000	-	-	-	-	-	508,439
TOTAL EXPENDITURES	89,798	428,192	53,916	239,714	21,412	12,153	-	-	28,985	874,170
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	207,774	(124,116)	50,905	(69,634)	4,831	15,331	-	313	(28,985)	56,419
OTHER FINANCING SOURCES (USES)										
Transfers in	-	108,000	-	-	-	-	-	-	57,460	165,460
Transfers out	(108,000)	-	-	-	-	-	-	-	-	(108,000)
TOTAL OTHER FINANCING SOURCES (USES)	(108,000)	108,000	-	-	-	-	-	-	57,460	57,460
NET CHANGE IN FUND BALANCES	99,774	(16,116)	50,905	(69,634)	4,831	15,331	-	313	28,475	113,879
Fund balances, beginning of year	1,042,039	73,256	1,154	12,327	3,847	56,894	8,362	20,313	122,870	1,341,062
Fund balances, end of year	<u>\$ 1,141,813</u>	<u>\$ 57,140</u>	<u>\$ 52,059</u>	<u>\$ (57,307)</u>	<u>\$ 8,678</u>	<u>\$ 72,225</u>	<u>\$ 8,362</u>	<u>\$ 20,626</u>	<u>\$ 151,345</u>	<u>\$ 1,454,941</u>

**CITY OF HART
COMPONENT UNIT FUND - TAX INCREMENT FINANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2024**

ASSETS	
Cash and cash equivalents	\$ 386,615
Account receivables	<u>247</u>
TOTAL ASSETS	<u>\$ 386,862</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to other governmental units	<u>\$ 65,086</u>
FUND BALANCE	
Unassigned	<u>321,776</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 386,862</u>

**CITY OF HART
RECONCILIATION OF THE COMPONENT UNIT BALANCE SHEET TO
THE STATEMENT OF NET POSITION - TAX INCREMENT FINANCE AUTHORITY
JUNE 30, 2024**

Total fund balance - component unit	\$ 321,776
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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	<u>19,895</u>
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Net position of governmental activities	<u><u>\$ 341,671</u></u>
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**CITY OF HART
 COMPONENT UNIT FUND - TAX INCREMENT FINANCE AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE
 YEAR ENDED JUNE 30, 2024**

REVENUES	
Taxes	\$ 292,999
Intergovernmental	25,970
Interest	1,008
Other	<u>10,924</u>
TOTAL REVENUES	<u>330,901</u>
EXPENDITURES	
Current	
Community and economic development	<u>147,905</u>
NET CHANGE IN FUND BALANCE	182,996
Fund balance, beginning of year	<u>138,780</u>
Fund balance, end of year	<u><u>\$ 321,776</u></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, 2024**

Net change in fund balance - governmental fund	\$	182,996
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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		885
Change in net position of governmental activities	\$	183,881