

**CITY OF HART
OCEANA COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2025



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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, 2025, 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, 2025, 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.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, and Statement No. 102, *Certain Risk Disclosures*. Our opinions are not modified with respect to this matter.

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, the other supplementary information 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 January 7, 2026, on our consideration of City of Hart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Hart's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hart's internal control over financial reporting and compliance.

Maner Costerian PC

January 7, 2026

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, 2025. 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 \$32,476,082 (excluding component units).
- Governmental activities net position was \$7,510,954.
- Business-type activities net position was \$24,965,128.
- Component Unit net position was \$227,169.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,401,754 with \$1,440,709 being restricted or committed for specific purposes.
- The General Fund realized \$307,661 more in revenues and other financing sources than anticipated for the fiscal year. General Fund expenditures and other financing uses were \$533,190 more than appropriated.
- Overall, the General Fund's fund balance increased by \$134,523 to \$234,750.
- Net position in the Hydro, Sewer, and Water funds ended the year at \$9,724,582, \$11,716,656, and \$3,523,890, respectively.

Capital and Long-term Obligation Activities:

- Total long-term obligations for the primary government were \$4,042,191, a net increase of \$1,252,524 from the prior year.
- The City remains well below its authorized legal debt limit.
- Total net capital assets for the primary government was \$30,744,622 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 2024/2025. 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, 2025, compared to the prior year:

	Governmental Activities		Business-type Activities		Totals	
	June 30 2025	June 30 2024*	June 30 2025	June 30 2024*	June 30 2025	June 30 2024*
ASSETS						
Current and other assets	\$ 1,596,436	\$ 1,739,292	\$ 6,806,878	\$ 6,775,264	\$ 8,403,314	\$ 8,514,556
Capital assets, net	6,638,069	5,816,827	24,106,553	19,083,242	30,744,622	24,900,069
TOTAL ASSETS	8,234,505	7,556,119	30,913,431	25,858,506	39,147,936	33,414,625
DEFERRED OUTFLOWS	17,650	18,376	21,660	22,550	39,310	40,926
LIABILITIES						
Current liabilities	355,635	369,375	2,419,727	1,450,864	2,775,362	1,820,239
Noncurrent liabilities	202,121	32,744	3,325,118	2,316,936	3,527,239	2,349,680
TOTAL LIABILITIES	557,756	402,119	5,744,845	3,767,800	6,302,601	4,169,919
DEFERRED INFLOWS	183,445	341,887	225,118	419,556	408,563	761,443
NET POSITION						
Net investment in capital assets	6,467,582	5,737,447	20,663,185	16,616,822	27,130,767	22,354,269
Restricted	1,274,275	1,431,661	10,736	-	1,285,011	1,431,661
Unrestricted	(230,903)	(338,619)	4,291,207	5,076,878	4,060,304	4,738,259
TOTAL NET POSITION	\$ 7,510,954	\$ 6,830,489	\$ 24,965,128	\$ 21,693,700	\$ 32,476,082	\$ 28,524,189

*The amounts as of June 30, 2024, have not been updated for the adoption of GASB Statement No. 101.

Net Position of the City's Governmental and Business-type activities at year-end total about \$32.5 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 \$3,938,204. Current and noncurrent liabilities increased by \$2,132,682. Long-term obligations increased during the fiscal year totaled \$1,252,524. Total assets increased \$5,733,311. Total assets of about \$39.1 million are rich in comparison to liabilities of roughly \$6.3 million.

CITY OF HART
MANAGEMENT'S DISCUSSION AND ANALYSIS

This table summarizes the change in the City's net position at June 30, 2025, compared to prior year:

	Governmental Activities		Business-type Activities		Totals	
	June 30 2025	2024*	June 30 2025	2024*	June 30 2025	2024*
REVENUES						
Program Revenues						
Charges for services	\$ 621,847	\$ 544,028	\$ 8,153,079	\$ 7,796,894	\$ 8,774,926	\$ 8,340,922
Operating grants and contributions	511,980	661,846	4,579,384	1,501,574	5,091,364	2,163,420
Capital grants and contributions	27,202	27,484	-	-	27,202	27,484
General Revenues						
Property taxes	1,026,032	971,854	-	-	1,026,032	971,854
State shared revenue	358,873	346,750	-	-	358,873	346,750
Interest	130,310	94,744	26,717	18,898	157,027	113,642
Sale of capital assets	-	-	-	12,600	-	12,600
Other	188,216	123,713	69,405	93,567	257,621	217,280
Transfers	<u>553,093</u>	<u>282,040</u>	<u>(553,093)</u>	<u>(282,040)</u>	-	-
TOTAL REVENUES	3,417,553	3,052,459	12,275,492	9,141,493	15,693,045	12,193,952
EXPENSES						
General Government	407,397	414,116	-	-	407,397	414,116
Public Safety	849,790	806,324	-	-	849,790	806,324
Public Works	900,782	983,063	-	-	900,782	983,063
Community and						
Economic Development	205,911	177,718	-	-	205,911	177,718
Recreation and Culture	322,259	264,669	-	-	322,259	264,669
Interest on long-term debt	3,840	-	-	-	3,840	-
Hydro	-	-	6,077,959	5,240,130	6,077,959	5,240,130
Sewer	-	-	2,534,091	2,757,002	2,534,091	2,757,002
Water	-	-	<u>452,812</u>	<u>650,959</u>	<u>452,812</u>	<u>650,959</u>
TOTAL EXPENSES	2,689,979	2,645,890	9,064,862	8,648,091	11,754,841	11,293,981
Change in Net Position	727,574	406,569	3,210,630	493,402	3,938,204	899,971
Net Position, Beginning	<u>6,783,380</u>	<u>6,423,920</u>	<u>21,754,498</u>	<u>21,200,298</u>	<u>28,537,878</u>	<u>27,624,218</u>
Net Position, Ending	\$ 7,510,954	\$ 6,830,489	\$ 24,965,128	\$ 21,693,700	\$ 32,476,082	\$ 28,524,189

*The amounts as of June 30, 2024, have not been updated for the adoption of GASB Statement No. 101.

Governmental Activities

The result of 2024/2025 governmental activity was an increase of \$727,574 in net position to \$7,510,954. Of the total governmental activities' net position, \$6,467,582 is invested in capital assets less related debt, \$1,274,275 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 (\$230,903) is listed as unrestricted.

Governmental activities revenues and transfers increased \$365,094, or 12% from the prior year. The three largest revenue categories were property taxes at approximately 30%, operating grants and contributions at approximately 15%, and charges for services at approximately 18%. The City levied three property tax millages for the year ended June 30, 2025, one being for general government operations at 12.4733 mills, which is not assigned to any particular activity; one for roads at 1.9672 mills; and one for cemetery activities at 0.4925 mills. Operating grants and contributions, such as Act 51 (MTF) revenue, are the third largest source of governmental activity revenue. Charges for services are the second largest source of governmental activity revenue.

CITY OF HART
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities expenses increased by \$44,089, or approximately 2%. Public works is the largest governmental activity, expending approximately 33% of the governmental activities total. Public safety and general government are the next largest areas, expending approximately 32% and 15%, respectively, of the governmental activities total. Large expenditures were not planned for fiscal year 2024/2025, resulting in a minimal increase in expenses as a result of efficiency measures offset by inflation.

The City's net position increased by \$727,574 as a result of operations during fiscal year 2024/2025, in comparison to \$406,569 in 2023/2024, largely from efficiency measures and growth in overall revenues.

Business-type Activities

Net position in business-type activities increased by \$3,210,630 during 2024/2025. Of the business-type activities' net position, \$20,663,185 is invested in capital assets, less related debt, and \$10,736 is reported as restricted. The balance of \$4,291,207 is listed as unrestricted, having no legal commitment. Total revenues increased \$3,133,999, or approximately 34% due to efficiency measures from the City's industrial partners. Total expenses increased \$416,771, or approximately 5% 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 2024/2025, its governmental funds reported *combined* fund balances of \$1,401,754. This net decrease of \$153,414 was primarily due to significant public works (street) related expenditures. The net changes are summarized in the following chart:

	General Fund	Nonmajor Governmental Funds
Fund Balance 6/30/25	\$ 234,750	\$ 1,167,004
Fund Balance 6/30/24	\$ 100,227	\$ 1,454,941
Net Change	\$ 134,523	\$ (287,937)

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, 2025, the General Fund reported a fund balance of \$234,750. This increase of approximately 134% is the result of receiving additional property taxes, investment earnings, and state shared revenue.

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 amended amounts for revenues or expenditures during the fiscal year as additional information became available to the City. The City's actual revenues and other financing sources totaled \$2,385,600; \$307,661 more than the final amended budget. Actual operational expenditures and other financing uses for 2024/2025 were \$2,254,633; \$533,190 less than the final amended budget.

Hydro Fund

As of June 30, 2025, the Hydro Fund reported a total net position of \$9,724,582, with \$5,677,249 being considered an investment in capital assets, net of related debt, and \$7,073 considered restricted. Net position decreased \$759,544 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, 2025, the Sewer Fund reported a total net position of \$11,716,656, with \$11,864,987 being considered an investment in capital assets, net of related debt, and \$2,940 considered restricted. Net position increased \$3,903,490 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, 2025, the Water Fund reported a total net position of \$3,523,890, with \$3,120,949 being considered an investment in capital assets, net of related debt, and \$723 considered restricted. Net position increased \$66,684 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 2024/2025, the City had invested \$30,744,622 for the primary government, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$28,380,713 for the primary government. Depreciation charges for the fiscal year totaled \$1,543,349 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
- Volvo loader and dump truck
- Irrigation system improvements to the historic district
- 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, 2025, was as follows:

	<u>June 30, 2024</u>	<u>Change</u>	<u>June 30, 2025</u>
Primary Government			
Governmental Activities			
Land	\$ 197,173	\$ -	\$ 197,173
Construction in progress	346,287	540,719	887,006
Land improvements, net	844,565	(38,796)	805,769
Buildings and improvements, net	539,957	(27,752)	512,205
Vehicles and equipment, net	549,729	87,364	637,093
Infrastructure, net	3,339,116	259,707	3,598,823
Business-type Activities			
Land	722,165	-	722,165
Construction in progress	3,679,018	4,203,501	7,882,519
Land improvements, net	373,259	(20,306)	352,953
Furniture and equipment, net	546,891	183,334	730,225
Hydro system, net	4,471,298	(267,449)	4,203,849
Sewer system, net	7,156,348	1,046,507	8,202,855
Water system, net	<u>2,134,263</u>	<u>(122,276)</u>	<u>2,011,987</u>
Capital assets, net	<u><u>\$ 24,900,069</u></u>	<u><u>\$ 5,844,553</u></u>	<u><u>\$ 30,744,622</u></u>

Long-term Obligations - As of June 30, 2025, the City had \$3,613,855 in debt outstanding for the primary government, plus an additional \$428,336 related to compensated absences. This level of net obligation is \$1,252,524 more than the obligation recorded as of June 30, 2024.

	<u>Restated</u>		
	<u>June 30, 2024</u>	<u>Change</u>	<u>June 30, 2025</u>
Primary Government			
Governmental Activities			
Notes from direct borrowings and direct placements	\$ 79,380	\$ 91,107	\$ 170,487
Compensated absences	178,022	23,314	201,336
Business-type Activities			
General obligation bonds	2,331,420	1,111,948	3,443,368
Compensated absences	<u>200,845</u>	<u>26,155</u>	<u>227,000</u>
Total Primary Government	<u><u>\$ 2,789,667</u></u>	<u><u>\$ 1,252,524</u></u>	<u><u>\$ 4,042,191</u></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, 2025

	Primary Government			Component Unit (TIFA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Pooled cash, cash equivalents, and investments	\$ 1,143,963	\$ 2,954,193	\$ 4,098,156	\$ 283,137
Accounts receivable, net	130,725	999,414	1,130,139	947
Internal balances	183,784	(183,784)	-	-
Due from other governmental units	129,215	2,321,638	2,450,853	-
Inventory	-	517,989	517,989	-
Total current assets	<u>1,587,687</u>	<u>6,609,450</u>	<u>8,197,137</u>	<u>284,084</u>
Noncurrent assets				
Deposits with Michigan Public Power Agency	-	186,692	186,692	-
Capital assets not being depreciated/amortized	1,084,179	8,604,684	9,688,863	19,895
Capital assets being depreciated/amortized, net	5,553,890	15,501,869	21,055,759	-
Net other post-employment benefits asset	8,749	10,736	19,485	-
Total noncurrent assets	<u>6,646,818</u>	<u>24,303,981</u>	<u>30,950,799</u>	<u>19,895</u>
TOTAL ASSETS	<u>8,234,505</u>	<u>30,913,431</u>	<u>39,147,936</u>	<u>303,979</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to OPEB	<u>17,650</u>	<u>21,660</u>	<u>39,310</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	144,917	2,019,310	2,164,227	-
Accrued liabilities	41,016	55,167	96,183	-
Due to other governmental units	-	-	-	76,810
Current portion of compensated absences	151,003	170,250	321,253	-
Current portion of long-term obligations	18,699	175,000	193,699	-
Total current liabilities	<u>355,635</u>	<u>2,419,727</u>	<u>2,775,362</u>	<u>76,810</u>
Noncurrent liabilities				
Noncurrent portion of compensated absences	50,333	56,750	107,083	-
Noncurrent portion of long-term obligations	151,788	3,268,368	3,420,156	-
Total noncurrent liabilities	<u>202,121</u>	<u>3,325,118</u>	<u>3,527,239</u>	<u>-</u>
TOTAL LIABILITIES	<u>557,756</u>	<u>5,744,845</u>	<u>6,302,601</u>	<u>76,810</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	<u>183,445</u>	<u>225,118</u>	<u>408,563</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	6,467,582	20,663,185	27,130,767	19,895
Restricted				
Streets	1,059,921	-	1,059,921	-
Cemetery	7,706	-	7,706	-
Historic district	197,899	-	197,899	-
OPEB	8,749	10,736	19,485	-
Unrestricted	(230,903)	4,291,207	4,060,304	207,274
TOTAL NET POSITION	<u>\$ 7,510,954</u>	<u>\$ 24,965,128</u>	<u>\$ 32,476,082</u>	<u>\$ 227,169</u>

See accompanying notes to financial statements.

CITY OF HART
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (TIFA)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 407,397	\$ 176,172	\$ 100,300	\$ -	\$ (130,925)	\$ -	\$ (130,925)	\$ -
Public safety	849,790	3,663	2,241	-	(843,886)	-	(843,886)	-
Public works	900,782	249,637	359,098	27,202	(264,845)	-	(264,845)	-
Community and economic development	205,911	4,008	50,341	-	(151,562)	-	(151,562)	-
Recreation and culture	322,259	188,367	-	-	(133,892)	-	(133,892)	-
Interest on long-term debt	3,840	-	-	-	(3,840)	-	(3,840)	-
Total governmental activities	<u>2,689,979</u>	<u>621,847</u>	<u>511,980</u>	<u>27,202</u>	<u>(1,528,950)</u>	<u>-</u>	<u>(1,528,950)</u>	<u>-</u>
Business-type activities								
Hydro	6,077,959	5,472,825	-	-	-	(605,134)	(605,134)	-
Sewer	2,534,091	2,235,964	-	4,534,097	-	4,235,970	4,235,970	-
Water	452,812	444,290	-	45,287	-	36,765	36,765	-
Total business-type activities	<u>9,064,862</u>	<u>8,153,079</u>	<u>-</u>	<u>4,579,384</u>	<u>-</u>	<u>3,667,601</u>	<u>3,667,601</u>	<u>-</u>
Total primary government	<u>\$ 11,754,841</u>	<u>\$ 8,774,926</u>	<u>\$ 511,980</u>	<u>\$ 4,606,586</u>	<u>(1,528,950)</u>	<u>3,667,601</u>	<u>2,138,651</u>	<u>-</u>
Component unit								
Tax Increment Finance Authority	<u>\$ 432,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(432,132)</u>
General revenues								
Property taxes					1,026,032	-	1,026,032	293,655
State shared revenue					358,873	-	358,873	-
Investment earnings					130,310	26,717	157,027	12,882
Miscellaneous					188,216	69,405	257,621	11,093
Transfers					553,093	(553,093)	-	-
Total general revenues and transfers					<u>2,256,524</u>	<u>(456,971)</u>	<u>1,799,553</u>	<u>317,630</u>
Change in net position					<u>727,574</u>	<u>3,210,630</u>	<u>3,938,204</u>	<u>(114,502)</u>
Net position, beginning of year, as previously reported					<u>6,830,489</u>	<u>21,693,700</u>	<u>28,524,189</u>	<u>341,671</u>
Adjustment to beginning net position					<u>(47,109)</u>	<u>60,798</u>	<u>13,689</u>	<u>-</u>
Net position, beginning of year, as restated					<u>6,783,380</u>	<u>21,754,498</u>	<u>28,537,878</u>	<u>341,671</u>
Net position, end of the year					<u>\$ 7,510,954</u>	<u>\$ 24,965,128</u>	<u>\$ 32,476,082</u>	<u>\$ 227,169</u>

See accompanying notes to financial statements.

CITY OF HART
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025

	General	Nonmajor Governmental Funds	Total
ASSETS			
Pooled cash, cash equivalents, and investments	\$ 210,026	\$ 933,937	\$ 1,143,963
Accounts receivable, net	130,725	-	130,725
Due from other funds	-	568,176	568,176
Due from other governmental units	<u>76,810</u>	<u>52,405</u>	<u>129,215</u>
TOTAL ASSETS	<u>\$ 417,561</u>	<u>\$ 1,554,518</u>	<u>\$ 1,972,079</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 61,044	\$ 83,873	\$ 144,917
Accrued liabilities	34,498	6,518	41,016
Due to other funds	<u>87,269</u>	<u>297,123</u>	<u>384,392</u>
TOTAL LIABILITIES	<u>182,811</u>	<u>387,514</u>	<u>570,325</u>
FUND BALANCES			
Restricted			
Streets	-	1,059,921	1,059,921
Cemetery	-	7,706	7,706
Historic district	-	197,899	197,899
Committed			
Public works	-	77,319	77,319
H.E.A.R.T.	97,864	-	97,864
Unassigned	<u>136,886</u>	<u>(175,841)</u>	<u>(38,955)</u>
TOTAL FUND BALANCES	<u>234,750</u>	<u>1,167,004</u>	<u>1,401,754</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 417,561</u>	<u>\$ 1,554,518</u>	<u>\$ 1,972,079</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, 2025

Total fund balances - governmental funds \$ 1,401,754

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	\$ 11,232,792
Accumulated depreciation is	<u>(4,594,723)</u>
Capital assets, net	6,638,069

Some assets are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net other post-employment benefit asset	8,749
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Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net OPEB asset 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	17,650
Deferred inflows of resources related to OPEB	<u>(183,445)</u>
	(165,795)

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	(170,487)
Compensated absences	<u>(201,336)</u>
	(371,823)

Net position of governmental activities \$ 7,510,954

CITY OF HART
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

	General	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 935,308	\$ 122,185	\$ 1,057,493
Special assessments	-	27,202	27,202
Licenses and permits	24,317	-	24,317
Intergovernmental	476,306	473,385	949,691
Charges for services	231,882	185,877	417,759
Fines and forfeits	570	-	570
Interest and rents	172,575	8,035	180,610
Other	<u>196,950</u>	<u>9,868</u>	<u>206,818</u>
TOTAL REVENUES	<u>2,037,908</u>	<u>826,552</u>	<u>2,864,460</u>
EXPENDITURES			
Current			
General government	341,636	-	341,636
Public safety	760,318	-	760,318
Public works	944,094	1,089,816	2,033,910
Community and economic development	132,204	-	132,204
Recreation and culture	36,980	346,630	383,610
Capital outlay	-	6,556	6,556
Debt service	<u>94,848</u>	<u>-</u>	<u>94,848</u>
TOTAL EXPENDITURES	<u>2,310,080</u>	<u>1,443,002</u>	<u>3,753,082</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(272,172)</u>	<u>(616,450)</u>	<u>(888,622)</u>
OTHER FINANCING SOURCES (USES)			
Note issued	182,115	-	182,115
Transfers in	234,380	442,313	676,693
Transfers out	<u>(9,800)</u>	<u>(113,800)</u>	<u>(123,600)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>406,695</u>	<u>328,513</u>	<u>735,208</u>
NET CHANGE IN FUND BALANCES	<u>134,523</u>	<u>(287,937)</u>	<u>(153,414)</u>
Fund balances, beginning of year	<u>100,227</u>	<u>1,454,941</u>	<u>1,555,168</u>
Fund balances, end of year	<u>\$ 234,750</u>	<u>\$ 1,167,004</u>	<u>\$ 1,401,754</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, 2025

Net change in fund balances - total governmental funds \$ (153,414)

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	\$ 1,341,210
Disposal of capital assets	(70,492)
Depreciation/amortization expense	<u>(449,476)</u>
Excess of capital outlay over depreciation/amortization and disposals	821,242

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:

Note proceeds	(182,115)
Repayment of long-term obligations	<u>91,008</u>
	(91,107)

Some items reported in the statement of activities do not result in the use of or provide current financial resources and therefore are reported differently than in the governmental funds. These activities consist of:

(Increase) in compensated absences	(23,314)
(Decrease) in deferred outflows of resources related to OPEB	(726)
Decrease in deferred inflows of resources related to OPEB	158,442
Decrease in net other post-employment benefits liability	7,702
Increase in net other post-employment benefits asset	<u>8,749</u>
	150,853

Change in net position of governmental activities \$ 727,574

CITY OF HART
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025

	Business-type Activities			
	Hydro	Sewer	Water	Total
ASSETS				
Current assets				
Pooled cash, cash equivalents, and investments	\$ 2,509,549	\$ -	\$ 444,644	\$ 2,954,193
Accounts receivables, net	714,436	235,682	49,296	999,414
Due from other funds	868,983	87,269	-	956,252
Due from other governmental units	-	2,272,612	49,026	2,321,638
Inventory	363,453	109,322	45,214	517,989
 Total current assets	 4,456,421	 2,704,885	 588,180	 7,749,486
Noncurrent assets				
Deposits with Michigan Public Power Agency	186,692	-	-	186,692
Capital assets not being depreciated	472,590	7,035,761	1,096,333	8,604,684
Capital assets being depreciated, net	5,204,659	8,272,594	2,024,616	15,501,869
Net OPEB asset	7,073	2,940	723	10,736
 Total noncurrent assets	 5,871,014	 15,311,295	 3,121,672	 24,303,981
 TOTAL ASSETS	 10,327,435	 18,016,180	 3,709,852	 32,053,467
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to OPEB	14,270	5,932	1,458	21,660
LIABILITIES				
Current liabilities				
Accounts payable	314,249	1,557,802	147,259	2,019,310
Accrued liabilities	37,566	14,598	3,003	55,167
Due to other funds	-	1,140,036	-	1,140,036
Current portion of compensated absences	87,750	66,000	16,500	170,250
Current portion of long-term debt	-	175,000	-	175,000
 Total current liabilities	 439,565	 2,953,436	 166,762	 3,559,763
Noncurrent liabilities				
Noncurrent portion of compensated absences	29,250	22,000	5,500	56,750
Noncurrent portion of long-term debt	-	3,268,368	-	3,268,368
 Total noncurrent liabilities	 29,250	 3,290,368	 5,500	 3,325,118
 TOTAL LIABILITIES	 468,815	 6,243,804	 172,262	 6,884,881
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	148,308	61,652	15,158	225,118
NET POSITION				
Net investment in capital assets	5,677,249	11,864,987	3,120,949	20,663,185
Restricted for OPEB	7,073	2,940	723	10,736
Unrestricted	4,040,260	(151,271)	402,218	4,291,207
 TOTAL NET POSITION	 \$ 9,724,582	 \$ 11,716,656	 \$ 3,523,890	 \$ 24,965,128

See accompanying notes to financial statements.

CITY OF HART
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2025

	Business-type Activities			
	Hydro	Sewer	Water	Total
OPERATING REVENUES				
Charges for services	\$ 5,472,825	\$ 2,235,964	\$ 444,290	\$ 8,153,079
Other	8,773	16,853	43,779	69,405
TOTAL OPERATING REVENUES	5,481,598	2,252,817	488,069	8,222,484
OPERATING EXPENSES				
Operating expenses	5,699,420	1,945,213	326,356	7,970,989
Depreciation	378,539	588,878	126,456	1,093,873
TOTAL OPERATING EXPENSES	6,077,959	2,534,091	452,812	9,064,862
OPERATING INCOME (LOSS)	(596,361)	(281,274)	35,257	(842,378)
NONOPERATING REVENUES				
Interest earned	24,407	2,310	-	26,717
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(571,954)	(278,964)	35,257	(815,661)
Capital contributions	-	4,534,097	45,287	4,579,384
Transfers out	(187,590)	(351,643)	(13,860)	(553,093)
CHANGE IN NET POSITION	(759,544)	3,903,490	66,684	3,210,630
Net position, beginning of the year, as previously stated	10,524,388	7,706,650	3,462,662	21,693,700
Adjustment to beginning net position	(40,262)	106,516	(5,456)	60,798
Net position, beginning of the year, as restated	10,484,126	7,813,166	3,457,206	21,754,498
Net position, end of year	\$ 9,724,582	\$ 11,716,656	\$ 3,523,890	\$ 24,965,128

See accompanying notes to financial statements.

CITY OF HART
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

	Business-type Activities				Total
	Hydro	Sewer	Water		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 5,346,925	\$ 316,518	\$ 1,389,470	\$ 7,052,913	
Cash paid to vendors	(4,889,100)	(659,159)	(404,557)	(5,952,816)	
Cash paid to/for employees	(849,235)	(418,770)	(90,796)	(1,358,801)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(391,410)	(761,411)	894,117	(258,704)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt (payment) of interfunds	(603,665)	701,055	(466,768)	(369,378)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental	-	4,534,097	45,287	4,579,384	
Capital purchases	(304,984)	(5,784,208)	(27,992)	(6,117,184)	
Proceeds from long-term debt	-	1,284,448	-	1,284,448	
Principal paid on long-term debt	-	(172,500)	-	(172,500)	
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(304,984)	(138,163)	17,295	(425,852)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	24,407	2,310	-	26,717	
NET INCREASE (DECREASE) IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS	(1,275,652)	(196,209)	444,644	(1,027,217)	
Pooled cash, cash equivalents, and investments, beginning of year	3,785,201	196,209	-	3,981,410	
Pooled cash, cash equivalents, and investments, end of year	\$ 2,509,549	\$ -	\$ 444,644	\$ 2,954,193	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (596,361)	\$ (281,274)	\$ 35,257	\$ (842,378)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	378,539	588,878	126,456	1,093,873	
(Increase) decrease in:					
Accounts receivable, net	(121,920)	(22,651)	6,987	(137,584)	
Due from other governmental units	-	(1,913,648)	894,414	(1,019,234)	
Inventory	(97,306)	5,590	-	(91,716)	
Prepays	18,918	7,039	3,520	29,477	
Deposits with Michigan Public Power Agency	(12,753)	-	-	(12,753)	
Net OPEB asset	(7,073)	(2,940)	(723)	(10,736)	
Deferred outflows of resources related to OPEB	586	244	60	890	
Increase (decrease) in:					
Accounts payable	164,220	904,129	(158,212)	910,137	
Accrued liabilities	(2,937)	2,057	86	(794)	
Compensated absences	18,999	7,003	-	26,002	
Net OPEB liability	(6,226)	(2,588)	(636)	(9,450)	
Deferred inflows of resources related to OPEB	(128,096)	(53,250)	(13,092)	(194,438)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (391,410)	\$ (761,411)	\$ 894,117	\$ (258,704)	

See accompanying notes to financial statements.

CITY OF HART
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Other Post- Employment Benefits Trust Fund	Custodial Fund
ASSETS		Current Tax Collection
Investments	<u>\$ 1,203,003</u>	<u>\$ -</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION		
Held in trust for benefits	<u>\$ 1,203,003</u>	<u>\$ -</u>

CITY OF HART
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025

	Other Post- Employment Benefits Trust Fund	Custodial Fund
	Current Tax Collections	
ADDITIONS		
Contributions		
Employer	\$ 32,779	\$ -
Property tax collection for other governmental units	-	3,011,710
Investment earnings	<u>106,538</u>	<u>-</u>
TOTAL ADDITIONS	<u>139,317</u>	<u>3,011,710</u>
DEDUCTIONS		
Administrative expenses	2,400	-
Benefit payments	32,779	-
Property tax distributions to other governmental units	-	<u>3,011,710</u>
TOTAL DEDUCTIONS	<u>35,179</u>	<u>3,011,710</u>
CHANGE IN NET POSITION	104,138	-
Net position, beginning of year	<u>1,098,865</u>	<u>-</u>
Net position, end of year	<u>\$ 1,203,003</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, 2025.

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, 2025, the City's contributions to the Hart Area Fire Administrative Board were \$54,406.

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 fiduciary 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.

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 2024 levy of 12.4733 mills. For the year ended June 30, 2025, the City levied \$12.4733 per \$1,000 of taxable valuation for general governmental services, \$1.9672 per \$1,000 for roads, and \$0.4925 per \$1,000 for cemetery. The total taxable value for the 2024 levy for property within the City was \$60,000,271.

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. Land and construction in progress, if any, are not depreciated. 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

The City recognizes a compensated absences liability for leave time that (1) has been earned for services previously rendered by employees, (2) accumulated and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. This amount has been recorded as a liability in the Statement of Net Position.

Paid time off is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee. The liability for compensated absences included salary-related benefits, where applicable. Upon termination, an employee receives payment for the balance of unused paid time off, which has been credited to the employee.

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/(asset) 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/(asset), 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/(asset) 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 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 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:

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, cash equivalents, 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, 2025.

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 4,098,156	\$ 283,137	\$ -	\$ 4,381,293
Investments - noncurrent	-	-	1,203,003	1,203,003
Deposits with MPPA	<u>186,692</u>	<u>-</u>	<u>-</u>	<u>186,692</u>
	<u>\$ 4,284,848</u>	<u>\$ 283,137</u>	<u>\$ 1,203,003</u>	<u>\$ 5,770,988</u>

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2025, the City had cash, cash equivalents, and investments summarized by the following categorization:

Deposits	
Checking and savings	\$ 3,768,054
Certification of deposit	215,248
Petty cash	650
Investment	1,600,344
Deposits with MPPA	<u>186,692</u>
	<u><u>\$ 5,770,988</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, 2025, \$2,951,041 of the City's bank balance of \$4,075,219 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Deposits reported on the balance sheet include \$186,692 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.

Investment Type	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating
Michigan CLASS Investment Pool	<u>\$ 397,341</u>	<u>0.1068</u>	AAm

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, 2025, 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, 2025, 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	\$ 212,778	\$ -	No restrictions	None
FIDUCIARY FUNDS				
MERS total market portfolio	1,203,003	-	No restrictions	None
COMPONENT UNIT				
Michigan CLASS Investment Pool	184,563	-	No restrictions	None
	<u><u>\$ 1,600,344</u></u>	<u><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, 2025.

	Due From Other Funds				Total	
	Nonmajor Governmental Funds	Proprietary Funds				
		Hydro Fund	Sewer Fund			
Due To Other Funds						
Governmental Funds						
General Fund	\$ -	\$ -	\$ 87,269	\$ 87,269		
Nonmajor governmental funds	<u>297,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,123</u>	
Total Governmental Funds	<u>297,123</u>	<u>-</u>	<u>87,269</u>	<u>384,392</u>		
Proprietary Funds						
Sewer Fund	<u>271,053</u>	<u>868,983</u>	<u>-</u>	<u>-</u>	<u>1,140,036</u>	
Total	<u>\$ 568,176</u>	<u>\$ 868,983</u>	<u>\$ 87,269</u>	<u>\$ 1,524,428</u>		

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.

	Transfers In				
	Governmental Funds				
	General Fund	Nonmajor Governmental Funds	Total		
Transfers Out					
Governmental Funds					
General Fund	\$ -	\$ 9,800	\$ 9,800		
Nonmajor governmental funds	<u>-</u>	<u>113,800</u>	<u>113,800</u>		
Total Governmental Funds	<u>-</u>	<u>123,600</u>	<u>123,600</u>		
Proprietary Funds					
Hydro Fund	156,600	30,990	187,590		
Sewer Fund	66,370	285,273	351,643		
Water Fund	<u>11,410</u>	<u>2,450</u>	<u>13,860</u>		
Total Proprietary Funds	<u>234,380</u>	<u>318,713</u>	<u>553,093</u>		
Total	<u>\$ 234,380</u>	<u>\$ 442,313</u>	<u>\$ 676,693</u>		

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, 2025, was as follows:

	Balance July 1, 2024	Additions	Deletions	Reclassifications	Balance June 30, 2025
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 197,173	\$ -	\$ -	\$ -	\$ 197,173
Construction in progress	346,287	540,719	-	-	887,006
Subtotal	<u>543,460</u>	<u>540,719</u>	<u>-</u>	<u>-</u>	<u>1,084,179</u>
Capital assets being depreciated/amortized					
Land improvements	1,343,343	19,022	-	-	1,362,365
Buildings and improvements	1,224,871	-	-	-	1,224,871
Vehicles and equipment	1,070,553	253,186	(140,984)	205,500	1,388,255
Vehicles and equipment - right to use	205,500	-	-	(205,500)	-
Infrastructure	5,644,839	528,283	-	-	6,173,122
Subtotal	<u>9,489,106</u>	<u>800,491</u>	<u>(140,984)</u>	<u>-</u>	<u>10,148,613</u>
Less accumulated depreciation/amortization for:					
Land improvements	(498,778)	(57,818)	-	-	(556,596)
Buildings and improvements	(684,914)	(27,752)	-	-	(712,666)
Vehicles and equipment	(642,740)	(77,913)	70,492	(101,001)	(751,162)
Vehicles and equipment - right to use	(83,584)	(17,417)	-	101,001	-
Infrastructure	(2,305,723)	(268,576)	-	-	(2,574,299)
Subtotal	<u>(4,215,739)</u>	<u>(449,476)</u>	<u>70,492</u>	<u>-</u>	<u>(4,594,723)</u>
Net capital assets being depreciated/amortization	<u>5,273,367</u>	<u>351,015</u>	<u>(70,492)</u>	<u>-</u>	<u>5,553,890</u>
Capital assets, net	<u>\$ 5,816,827</u>	<u>\$ 891,734</u>	<u>\$ (70,492)</u>	<u>\$ -</u>	<u>\$ 6,638,069</u>

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

	Balance July 1, 2024	Additions	Deletions	Reclassifications	Balance June 30, 2025
Business-type Activities					
Capital assets not being depreciated					
Land	\$ 722,165	\$ -	\$ -	\$ -	\$ 722,165
Construction in progress	3,679,018	5,827,512	-	(1,624,011)	7,882,519
Subtotal	4,401,183	5,827,512	-	(1,624,011)	8,604,684
Capital assets being depreciated					
Land improvements	406,130	-	-	-	406,130
Furniture and equipment	1,318,869	289,672	-	-	1,608,541
Hydro system	12,054,155	-	-	-	12,054,155
Sewer system	17,885,292	-	-	1,624,011	19,509,303
Water system	5,709,730	-	-	-	5,709,730
Subtotal	37,374,176	289,672	-	1,624,011	39,287,859
Less accumulated depreciation for:					
Land improvements	(32,871)	(20,306)	-	-	(53,177)
Furniture and equipment	(771,978)	(106,338)	-	-	(878,316)
Hydro system	(7,582,857)	(267,449)	-	-	(7,850,306)
Sewer system	(10,728,944)	(577,504)	-	-	(11,306,448)
Water system	(3,575,467)	(122,276)	-	-	(3,697,743)
Subtotal	(22,692,117)	(1,093,873)	-	-	(23,785,990)
Net capital assets being depreciated	14,682,059	(804,201)	-	1,624,011	15,501,869
Capital assets, net	<u>\$ 19,083,242</u>	<u>\$ 5,023,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,106,553</u>

Depreciation/amortization expense was charged to the following activities:

	Governmental Activities	Business-type Activities
General government	\$ 75,348	\$ -
Public safety	147,200	-
Public works	178,799	-
Community and economic development	45,470	-
Recreation and culture	2,659	-
Hydro	-	378,539
Sewer	-	588,878
Water	-	126,456
Total depreciation/amortization expense	<u>\$ 449,476</u>	<u>\$ 1,093,873</u>

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Component Unit				
Capital assets not being depreciated				
Land	<u>\$ 19,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,895</u>

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, 2025.

	Restated Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Notes from direct borrowings and direct placements					
Loader contracts payable	\$ 68,345	\$ 182,115	\$ (79,973)	\$ 170,487	\$ 18,699
Street sweeper lease payable	11,035	-	(11,035)	-	-
Compensated absences*	<u>178,022</u>	<u>23,314</u>	<u>-</u>	<u>201,336</u>	<u>151,003</u>
Total governmental activities	<u>257,402</u>	<u>205,429</u>	<u>(91,008)</u>	<u>371,823</u>	<u>169,702</u>
Business-type activities					
Revenue bonds					
2022 Sewer System Revenue Bonds	2,231,420	-	(140,000)	2,091,420	140,000
2023 Sewer System Revenue Bonds, Series A	50,000	-	-	50,000	-
2023 Sewer System Revenue Bonds, Series B	50,000	1,284,448	(32,500)	1,301,948	35,000
Compensated absences*	<u>200,845</u>	<u>26,155</u>	<u>-</u>	<u>227,000</u>	<u>170,250</u>
Total business-type activities	<u>2,532,265</u>	<u>1,310,603</u>	<u>(172,500)</u>	<u>3,670,368</u>	<u>345,250</u>
Total primary government	<u>\$ 2,789,667</u>	<u>\$ 1,516,032</u>	<u>\$ (263,508)</u>	<u>\$ 4,042,191</u>	<u>\$ 514,952</u>

*The change in compensated absences liability is presented as a net change.

PRIMARY GOVERNMENT

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

GOVERNMENTAL ACTIVITIES

\$182,115 2025 Volvo Wheel Loader Obligation contract dated March 1, 2025 due in a quarterly installments of \$7,124, including interest of 3.83%; through March 2030.

The agreement is secured by the real property purchased. \$ 170,487

Compensated absences	<u>201,336</u>
	<u><u>\$ 371,823</u></u>

The City's outstanding obligation from direct borrowings and direct placements contain provisions that in an event of default, either by (1) unable to make principal or interest payment (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impair. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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, 2025. The future annual requirements will be disclosed when a final amortization schedule has been set.	\$ 2,091,420
\$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, 2025. 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, 2025. The future annual requirements will be disclosed when a final amortization schedule has been set.	1,301,948
Compensated absences	227,000
	<u><u>\$ 3,670,368</u></u>

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

Year Ending June 30,	Governmental Activities			Business-type Activities	
	Note from Direct Borrowing and Direct Placements		Interest	Revenue Bonds	
	Principal	Interest		Principal	Interest
2026	\$ 18,699	\$ 9,797		\$ 175,000	\$ 81,281
2027	19,845	8,652		335,000	193,781
2028	21,060	7,436		335,000	187,594
2029	22,350	6,146		350,000	181,313
2030	88,533	3,716		355,000	174,844
2031-2035	-	-		1,860,000	772,688
2036	-	-		33,368	15,573
	<u><u>\$ 170,487</u></u>	<u><u>\$ 35,747</u></u>		<u><u>\$ 3,443,368</u></u>	<u><u>\$ 1,607,074</u></u>

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for service previously rendered by employees, (2) accumulated and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, multiple types of leave qualify for recognition as a compensated absences liability, including salary related benefits, has been accrued on the Statement of Net Position.

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, 2025, the City's total contributions to the 401(a) plan were \$126,177.

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.

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Plan Participants

At the June 30, 2025 valuation date, the following employees were covered by the benefit terms:

Retirees and beneficiaries	11
Active employees	<u>25</u>
Total participants	<u><u>36</u></u>

Contributions

For the year ended June 30, 2025, the City made payments of \$32,779 for post-employment health benefits. 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) asset, 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 Asset

The net OPEB asset of the City was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions

The total OPEB liability in the June 30, 2025 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	6.93%, including inflation
20-year Aa Municipal bond rate	4.81%
Mortality	Public general and public safety 2016 employee and healthy retiree, headcount weighted with IRS 2024 adjusted MP-2021 improvement scale
Medical Inflation	Pre-65: 7.50% graded down 0.25% per year to 4.50% Post-65: 5.75% graded down 0.25% per year to 4.50%
Dental	3.00%
Vision	3.00%

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	60.0%	4.50%
Global fixed income	20.0%	2.16%
Private assets	20.0%	6.50%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 6.93%.

Changes in Assumptions

- Mortality rates updated from Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted to Public General and Public Safety 2016 Employee and Healthy Retiree, Headcount weighted.
- Medical trend updated such that the initial trend increased by 0.25% rather than decreasing by the anticipated 0.25%.
- Discount rate update from 7.00% to 6.93%.

Changes in Benefits

There were no changes in benefit terms during the plan year ending June 30, 2025.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flow used to determine the discount rate assumed that the City will first use assets to pay benefits and then pay benefits on a pay-as-you-go basis. 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 through 0 – the cross-over point. 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"), projected benefits were discounts 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. The 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/(Asset)

The change in the net OPEB liability/(asset) for the year ended June 30, 2025, is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2024	<u>\$ 1,116,017</u>	<u>\$ 1,098,865</u>	<u>\$ 17,152</u>
Changes for the year			
Service cost	21,297	-	21,297
Interest on total OPEB liability	78,465	-	78,465
Changes in experience	(32,033)	-	(32,033)
Changes in assumptions	32,551	-	32,551
Contributions/benefits payments made from operating funds	-	32,779	(32,779)
Net investment income	-	106,538	(106,538)
Benefit payments (including refunds)	(32,779)	(32,779)	-
Administrative expense	-	(2,400)	2,400
Net changes	<u>67,501</u>	<u>104,138</u>	<u>(36,637)</u>
Balances as of June 30, 2025	<u>\$ 1,183,518</u>	<u>\$ 1,203,003</u>	<u>\$ (19,485)</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	<u>\$ 126,429</u>	<u>\$ (19,485)</u>	<u>\$ (140,654)</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	<u>\$ (158,322)</u>	<u>\$ (19,485)</u>	<u>\$ 151,857</u>

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, 2025, the City recognized OPEB benefit of \$355,122. At June 30, 2025, 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	\$ -	\$ 329,612
Changes in assumptions	39,310	59,530
Investment earnings (gains)/losses	- <hr/>	19,421 <hr/>
Total	<hr/> \$ 39,310	<hr/> \$ 408,563

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

<u>Year Ending June 30,</u>	<u>OPEB Expense (Benefit)</u>
2026	\$ (259,755)
2027	(71,598)
2028	(30,505)
2029	(7,523)
2030	78
Thereafter	<hr/> 50
	<hr/> <u>\$ (369,253)</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 4.80% 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, 2025, the City recognized expenses totaling \$3,084,981 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:

<u>Year Ending June 30,</u>	<u>Fremont (AFEC)</u>	
	<u>Debt Service</u>	
2026	\$ 57,088	
2027	57,136	
2028	57,122	
2029	57,184	
2030	57,177	
2031-2035	285,619	
2036-2040	285,542	
2041-2045	<u>171,298</u>	
 Total	 <u>\$ 1,028,166</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 10 - CONTRACTUAL COMMITMENTS (continued)

The City has entered into contracts for its clean water system improvement project that were not completed at June 30, 2025. The total contractual commitments outstanding at June 30, 2025, totaled \$7,277,530. Future revenue, debt proceeds, and net position are expected to be sufficient to cover these commitments.

NOTE 11 - FUND BALANCE DEFICIT

As of June 30, 2025, the City's Parks Fund reported a fund balance deficit of \$175,841. As of June 30, 2025, the City's Sewer Fund reported a deficit unrestricted net position of \$151,271.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 12 - 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.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

NOTE 13 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2025, the City implemented GASB Statement No. 101, *Compensated absences*, and Statement No. 102, *Certain Risk Disclosures*. The following is a summary of the new pronouncements:

GASB Statement No. 101, *Compensated Absences*, 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.

GASB Statement No. 102, *Certain Risk Disclosures*, 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.

CITY OF HART
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - RESTATEMENT OF BEGINNING NET POSITION

During the 2025 fiscal year, a change in accounting principles for the adoption and implementation of GASB Statement No. 101 and a correction of an error, related to an overstatement of long-term debt, resulted in adjustments and a restatement of beginning net position as follows:

	Reporting Units Affected by Restatement of Beginning Balances				
	Governmental Activities	Business-type Activities	Hydro Fund	Sewer Fund	Water Fund
Beginning net position, as previously reported	\$ 6,830,489	\$ 21,693,700	\$ 10,524,388	\$ 7,706,650	\$ 3,462,662
Change in accounting principle	(47,109)	(74,202)	(40,262)	(28,484)	(5,456)
Correction of an error	-	135,000	-	135,000	-
Beginning net position, as restated	<u>\$ 6,783,380</u>	<u>\$ 21,754,498</u>	<u>\$ 10,484,126</u>	<u>\$ 7,813,166</u>	<u>\$ 3,457,206</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HART
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP)
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 939,327	\$ 939,327	\$ 935,308	\$ (4,019)
Licenses and permits	35,200	35,200	24,317	(10,883)
Intergovernmental				
State	582,162	582,162	366,882	(215,280)
Local	44,000	44,000	63,530	19,530
Charges for services	222,300	222,300	231,882	9,582
Fines and forfeits	200	200	570	370
Interest and rents	7,250	7,250	170,121	162,871
Other				
Contributions	6,000	6,000	7,657	1,657
Miscellaneous	2,000	2,000	138,896	136,896
Reimbursements	17,120	17,120	41,942	24,822
TOTAL REVENUES	1,855,559	1,855,559	1,981,105	125,546
EXPENDITURES				
Current				
General government				
City Council	20,100	20,100	19,878	222
Administrative	322,700	322,500	210,746	111,754
Elections	2,600	2,600	5,349	(2,749)
Assessor	37,640	37,640	41,750	(4,110)
Attorney	50,000	50,000	25,230	24,770
City hall and grounds	60,580	60,580	38,683	21,897
Total general government	493,620	493,420	341,636	151,784
Public safety				
Police	726,285	782,285	705,912	76,373
Fire Board	49,196	49,196	54,406	(5,210)
Total public safety	775,481	831,481	760,318	71,163
Public works				
Department of public works	633,392	895,092	685,690	209,402
Solid waste	216,000	216,000	233,654	(17,654)
Street lighting	11,526	11,526	12,000	(474)
Cemetery	12,247	12,247	12,750	(503)
Total public works	873,165	1,134,865	944,094	190,771

CITY OF HART
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (NON-GAAP) (continued)
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Community and economic development				
Planning commission	\$ 4,000	\$ 4,000	\$ 5,047	\$ (1,047)
H.E.A.R.T.	<u>128,679</u>	<u>128,679</u>	<u>61,910</u>	<u>66,769</u>
Total community and economic development	<u>132,679</u>	<u>132,679</u>	<u>66,957</u>	<u>65,722</u>
Recreation and culture				
Parks and recreation	86,978	88,178	36,980	51,198
Debt service	<u>87,600</u>	<u>87,600</u>	<u>94,848</u>	<u>(7,248)</u>
TOTAL EXPENDITURES	<u>2,449,523</u>	<u>2,768,223</u>	<u>2,244,833</u>	<u>523,390</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(593,964)</u>	<u>(912,664)</u>	<u>(263,728)</u>	<u>648,936</u>
OTHER FINANCING SOURCES (USES)				
Note issued	-	-	182,115	182,115
Transfers in	222,380	222,380	222,380	-
Transfers out	-	-	(9,800)	(9,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>222,380</u>	<u>222,380</u>	<u>394,695</u>	<u>172,315</u>
NET CHANGE IN FUND BALANCE	(371,584)	(690,284)	130,967	821,251
Fund balance, beginning of year	<u>5,919</u>	<u>5,919</u>	<u>5,919</u>	-
Fund balance, end of year	<u>\$ (365,665)</u>	<u>\$ (684,365)</u>	<u>\$ 136,886</u>	<u>\$ 821,251</u>

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 21,297	\$ 23,259	\$ 18,705	\$ 18,640	\$ 53,888	\$ 100,607	\$ 90,236	\$ 87,235
Interest on total OPEB liability	78,465	76,108	80,799	77,870	142,747	120,637	98,801	102,916
Difference between expected and actual experience	(32,033)	(13,080)	(127,074)	(11,336)	(1,254,788)	(43,425)	(79,549)	(37,199)
Changes of assumptions	32,551	(11,020)	(4,424)	43,637	(274,236)	(831,621)	143,510	294,774
Benefit payments (including refunds)	(32,779)	(46,491)	(32,676)	(35,433)	(32,676)	(26,896)	(33,140)	(34,344)
Net change in total OPEB liability	67,501	28,776	(64,670)	93,378	(1,365,065)	(680,698)	219,858	413,382
Total OPEB liability, beginning	<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>	<u>\$ 2,471,056</u>
Total OPEB liability, ending	<u>\$ 1,183,518</u>	<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	32,779	46,491	32,676	35,433	32,676	26,896	33,140	34,344
Net investment income	106,538	91,792	55,771	(59,808)	135,329	10,189	9,555	18,252
Benefit payments (including refunds)	(32,779)	(46,491)	(32,676)	(35,433)	(32,676)	(26,896)	(33,140)	(34,344)
Administrative expense	(2,400)	(1,977)	(1,420)	(1,265)	(996)	(823)	(736)	(603)
Net change in plan fiduciary net position	104,138	189,815	154,351	38,927	234,333	109,366	108,819	87,549
Plan fiduciary net position, beginning	<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>	<u>\$ 175,705</u>
Plan fiduciary net position, ending	<u>\$ 1,203,003</u>	<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/(asset)	<u>\$ (19,485)</u>	<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	102%	98%	84%	66%	68%	20%	12%	9%
Covered payroll	\$ 2,066,571	\$ 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	-0.9%	1%	9%	23%	20%	127%	169%	207%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 25,560	\$ 50,323	\$ 70,368	\$ 60,978	\$ 289,130	\$ 398,949	\$ 436,919	\$ 383,902
Contributions in relation to the actuarially determined contribution	<u>32,779</u>	<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>\$ (7,219)</u>	<u>\$ (96,168)</u>	<u>\$ (62,308)</u>	<u>\$ (74,455)</u>	<u>\$ 156,454</u>	<u>\$ 272,053</u>	<u>\$ 303,779</u>	<u>\$ 279,658</u>
Covered payroll	\$ 2,066,571	\$ 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	2%	7%	7%	8%	8%	8%	8%	8%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	9.46%	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, 2025, 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			
Elections	\$ 2,600	\$ 5,349	\$ 2,749
Assessor	37,640	41,750	4,110
Public safety			
Fire Board	49,196	54,406	5,210
Public works			
Solid waste	216,000	233,654	17,654
Street lighting	11,526	12,000	474
Cemetery	12,247	12,750	503
Community and economic development			
Planning commission	4,000	5,047	1,047
Debt service	87,600	94,848	7,248
Transfers out	-	9,800	9,800

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)	\$ 130,967
To adjust for revenues related to various activities accounted for in a separate fund	56,803
To adjust for expenditures related to various activities accounted for in a separate fund	(65,247)
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>\$ 134,523</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, 2025
Measurement date: June 30, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level percentage of pay
Remaining amortization period:	7 years
Investment rate of return:	6.93% (including inflation)
20-year Aa Municipal Bond Rate:	4.81%
Salary growth:	5.00%
Inflation rate:	2.50%
Mortality:	Public general and public safety 2016 employee and healthy retiree, headcount weighted with IRS 2024 adjusted scale MP-2021 improvement scale
Medical Inflation:	Pre-65: 7.50% graded down by 0.25% per year to 4.50% Post-65: 5.75% graded down by 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 during the plan years presented.	
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
	2025	Mortality rates updated from Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted to Public General and Public Safety 2016 Employee and Healthy Retiree, Headcount weighted
		Medical trend updated such that the initial trend increases by .25% rather than decreasing by the anticipated .25%
		Discount rate updated from 7.00% to 6.93%

OTHER SUPPLEMENTARY INFORMATION

CITY OF HART
GENERAL FUND
COMBINING BALANCE SHEET
JUNE 30, 2025

	<u>General</u>	<u>H.E.A.R.T.</u>	<u>Total</u>
ASSETS			
Pooled cash, cash equivalents, and investments	\$ 111,896	\$ 98,130	\$ 210,026
Accounts receivable, net	130,725	-	130,725
Due from other governmental units	76,810	-	76,810
TOTAL ASSETS	\$ 319,431	\$ 98,130	\$ 417,561
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 60,778	\$ 266	\$ 61,044
Accrued liabilities	34,498	-	34,498
Due to other funds	87,269	-	87,269
TOTAL LIABILITIES	182,545	266	182,811
FUND BALANCES			
Committed	-	97,864	97,864
Unassigned	136,886	-	136,886
TOTAL FUND BALANCES	136,886	97,864	234,750
TOTAL LIABILITIES AND FUND BALANCES	\$ 319,431	\$ 98,130	\$ 417,561

CITY OF HART
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

	General	H.E.A.R.T.	Total
REVENUES			
Taxes	\$ 935,308	\$ -	\$ 935,308
Licenses and permits	24,317	-	24,317
Intergovernmental	430,412	45,894	476,306
Charges for services	231,882	-	231,882
Fines and forfeits	570	-	570
Interest and rents	170,121	2,454	172,575
Other	188,495	8,455	196,950
TOTAL REVENUES	1,981,105	56,803	2,037,908
EXPENDITURES			
Current			
General government	341,636	-	341,636
Public safety	760,318	-	760,318
Public works	944,094	-	944,094
Community and economic development	66,957	65,247	132,204
Recreation and culture	36,980	-	36,980
Debt service	94,848	-	94,848
TOTAL EXPENDITURES	2,244,833	65,247	2,310,080
EXCESS OF REVENUES (UNDER) EXPENDITURES	(263,728)	(8,444)	(272,172)
OTHER FINANCING SOURCES (USES)			
Note issued	182,115	-	182,115
Transfers in	222,380	12,000	234,380
Transfers out	(9,800)	-	(9,800)
TOTAL OTHER FINANCING SOURCES (USES)	394,695	12,000	406,695
NET CHANGE IN FUND BALANCES	130,967	3,556	134,523
Fund balances, beginning of year	5,919	94,308	100,227
Fund balances, end of year	\$ 136,886	\$ 97,864	\$ 234,750

CITY OF HART
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2025

	Special Revenue									Total
	Major Streets	Local Streets	Street Improvements	Park	Cemetery	Hart Lake Improvement	Hart-Montague Trail	Historic District Commission	Historic District Operations	
ASSETS										
Pooled cash and cash equivalents	\$ 577,888	\$ -	\$ 71,536	\$ -	\$ 7,706	\$ 68,957	\$ 8,362	\$ 8,981	\$ 190,507	\$ 933,937
Due from other funds	297,123	271,053	-	-	-	-	-	-	-	568,176
Due from other governmental units	37,337	15,068	-	-	-	-	-	-	-	52,405
TOTAL ASSETS	\$ 912,348	\$ 286,121	\$ 71,536	\$ -	\$ 7,706	\$ 68,957	\$ 8,362	\$ 8,981	\$ 190,507	\$ 1,554,518
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$ -	\$ 69,251	\$ -	\$ 13,043	\$ -	\$ -	\$ -	\$ 277	\$ 1,302	\$ 83,873
Accrued liabilities	-	-	-	6,508	-	-	-	-	10	6,518
Due to other funds	-	140,833	-	156,290	-	-	-	-	-	297,123
TOTAL LIABILITIES	-	210,084	-	175,841	-	-	-	277	1,312	387,514
FUND BALANCES										
Restricted										
Streets	912,348	76,037	71,536	-	-	-	-	-	-	1,059,921
Cemetery	-	-	-	-	7,706	-	-	-	-	7,706
Historic district	-	-	-	-	-	-	-	8,704	189,195	197,899
Committed										
Public works	-	-	-	-	-	68,957	8,362	-	-	77,319
Unassigned	-	-	-	(175,841)	-	-	-	-	-	(175,841)
TOTAL FUND BALANCES	912,348	76,037	71,536	(175,841)	7,706	68,957	8,362	8,704	189,195	1,167,004
TOTAL LIABILITIES AND FUND BALANCES	\$ 912,348	\$ 286,121	\$ 71,536	\$ -	\$ 7,706	\$ 68,957	\$ 8,362	\$ 8,981	\$ 190,507	\$ 1,554,518

CITY OF HART
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2025

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	\$ -	\$ -	\$ 97,722	\$ -	\$ 24,463	\$ -	\$ -	\$ -	\$ -	\$ 122,185	
Special assessments	-	-	-	-	-	27,202	-	-	-	27,202	
Intergovernmental											
State	232,856	99,750	19,755	-	4,946	-	-	-	-	357,307	
Local	116,078	-	-	-	-	-	-	-	-	116,078	
Charges for services	-	-	-	185,877	-	-	-	-	-	185,877	
Interest	-	-	-	7,375	-	660	-	-	-	8,035	
Miscellaneous	-	-	-	46	-	-	-	7,378	2,444	9,868	
TOTAL REVENUES	348,934	99,750	117,477	193,298	29,409	27,862	-	7,378	2,444	826,552	
EXPENDITURES											
Current											
Public works	464,599	465,706	98,000	-	30,381	31,130	-	-	-	1,089,816	
Recreation and culture	-	-	-	305,276	-	-	-	19,300	22,054	346,630	
Capital outlay	-	-	-	6,556	-	-	-	-	-	6,556	
TOTAL EXPENDITURES	464,599	465,706	98,000	311,832	30,381	31,130	-	19,300	22,054	1,443,002	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(115,665)	(365,956)	19,477	(118,534)	(972)	(3,268)	-	(11,922)	(19,610)	(616,450)	
OTHER FINANCING SOURCES (USES)											
Transfers in	-	384,853	-	-	-	-	-	-	57,460	442,313	
Transfers out	(113,800)	-	-	-	-	-	-	-	-	(113,800)	
TOTAL OTHER FINANCING SOURCES (USES)	(113,800)	384,853	-	-	-	-	-	-	57,460	328,513	
NET CHANGE IN FUND BALANCES	(229,465)	18,897	19,477	(118,534)	(972)	(3,268)	-	(11,922)	37,850	(287,937)	
Fund balances (deficit), beginning of year	1,141,813	57,140	52,059	(57,307)	8,678	72,225	8,362	20,626	151,345	1,454,941	
Fund balances (deficit), end of year	\$ 912,348	\$ 76,037	\$ 71,536	\$ (175,841)	\$ 7,706	\$ 68,957	\$ 8,362	\$ 8,704	\$ 189,195	\$ 1,167,004	

CITY OF HART
COMPONENT UNIT FUND - TAX INCREMENT FINANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2025

ASSETS	
Cash and cash equivalents	\$ 283,137
Account receivables	<u>947</u>
 TOTAL ASSETS	 <u><u>\$ 284,084</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Due to other governmental units	\$ 76,810
 FUND BALANCE	
Unassigned	<u>207,274</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 284,084</u></u>

CITY OF HART
RECONCILIATION OF THE COMPONENT UNIT BALANCE SHEET TO
THE STATEMENT OF NET POSITION - TAX INCREMENT FINANCE AUTHORITY
JUNE 30, 2025

Total fund balance - component unit \$ 207,274

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 19,895

Net position of governmental activities \$ 227,169

CITY OF HART
COMPONENT UNIT FUND - TAX INCREMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2025

REVENUES	
Taxes	\$ 293,655
Interest	12,882
Other	<u>11,093</u>
 TOTAL REVENUES	 <u>317,630</u>
EXPENDITURES	
Current	
Community and economic development	<u>432,132</u>
 NET CHANGE IN FUND BALANCE	 (114,502)
Fund balance, beginning of year	<u>321,776</u>
Fund balance, end of year	<u>\$ 207,274</u>

Note: Reconciliations of the statement of revenues, expenditures, and changes in fund balances to the statement of activities for the component units are not required as the net changes in fund balances were equal to the changes in net position for the year ended June 30, 2025.