

City of Hartford

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2022**

City of Hartford
City Officials
December 31, 2022

Mayor:

Arden Jones

Governing Board:

Travis Kuehl

Mark Brenneman

Mark O'Hara

Chris Woslager

Jake Jass

Cindy Matson

Finance Officer:

Karen Wilber

City of Hartford
Table of Contents

	Page
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	1-2
Schedule of Prior Audit Findings -----	3
Schedule of Current Audit Findings -----	4
Independent Auditor’s Report -----	5-7
Financial Statements	
Statement of Net Position-----	8
Statement of Activities-----	9
Balance Sheet – Governmental Funds -----	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position-----	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds -----	12-13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities -----	14
Statement of Net Position – Proprietary Funds-----	15
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds -----	16
Statement of Cash Flows – Proprietary Funds -----	17-18
Notes to the Financial Statements -----	19-45
Required Supplementary Information -----	46
Budgetary Comparison Schedules-Budgetary Basis General Fund -----	47-48
Notes to the Budgetary Comparison Schedules -----	49
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset) -----	50
Schedule of the City’s Contributions (SDRS) -----	51
Notes to the Required Supplementary Information – Pension Schedules -----	52-53
Supplementary Information -----	54
Combining Balance Sheet – Nonmajor Governmental Funds -----	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances of Nonmajor Governmental Funds -----	56



**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Governing Board
Hartford, South Dakota

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hartford, South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 9, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hartford’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hartford’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hartford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit. The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in blue ink that reads "CIO of Elk Point". The signature is written in a cursive, slightly slanted style.

Elk Point, South Dakota
November 9, 2023

City of Hartford
Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Schedule of Prior Audit Findings

Audit Finding Number 2021-001 – Lack of Segregation of Duties

Repeat Finding from Prior Years: Yes

Finding Summary: We know that the City has a limited number of office personnel, and accordingly, does not have adequate accounting controls in the revenue, expenditure, and payroll functions because of a lack of segregation of duties.

Status: Ongoing. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct matters that may result.

City of Hartford
Schedule of Current Audit Findings
For the Year Ended December 31, 2022

Schedule of Current Audit Findings

Audit Finding Number 2022-001 – Lack of Segregation of Duties

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The City of Hartford has limited number of office personnel, and accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of lack of segregation of duties. This is a continuing audit comment.

Cause: The City has insufficient number of staff to adequately separate duties.

Effect: As a result, a misappropriation of assets and errors could occur in the financial reporting process and not be detected.

Recommendation: Although it is recognized that the number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the City officials exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding and recommendations. They will monitor internal controls by reviewing all bills presented for payment, and review budget to actual reports. A council member will review cash reconciliations.



Independent Auditor's Report

City Council
City of Hartford
Hartford, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hartford, South Dakota, as of and for the year ended December 31, 2022, and the related notes to the financial statements. These financial statements collectively comprise the City of Hartford'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, each major fund, and the aggregate remaining fund information of the City of Hartford, South Dakota as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the 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 (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards (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 the City of Hartford 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 unmodified audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 misstatements, 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 the City of Hartford, South Dakota'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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of the City of Hartford, South Dakota'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hartford, South Dakota'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 Budgetary Comparison Schedules, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and Schedule of the City's Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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.

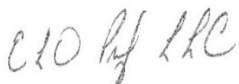
The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 9, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the City'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 the City's internal control over financial reporting and compliance.



Elk Point, South Dakota
November 9, 2023

City of Hartford
Statement of Net Position
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 3,492,381	\$ 1,544,980	\$ 5,037,361
Investments	--	27,819	27,819
Accounts receivable, net	176,731	108,353	285,084
Inventories	75,544	53,431	128,975
Restricted assets:			
Cash	--	67,811	67,811
Net pension asset	2,500	--	2,500
Capital assets:			
Land	3,769,766	1,106,698	4,876,464
Other capital assets, net of depreciation	10,475,268	3,542,165	14,017,433
Total Assets	17,992,190	6,451,257	24,443,447
Deferred Outflows of Resources:			
Deferred connection fee	--	329,773	329,773
Pension related deferred outflows	226,888	--	226,888
Total Deferred Outflows of Resources	226,888	329,773	556,661
Liabilities:			
Accounts payable and other current liabilities	214,709	108,452	323,161
Other current liabilities	11,824	--	11,824
Noncurrent liabilities:			
Due within one year	390,580	351,767	742,347
Due in more than one year	2,495,899	3,166,335	5,662,234
Total Liabilities	3,113,012	3,626,554	6,739,566
Deferred Inflows of Resources:			
Pension related deferred inflows	150,162	--	150,162
Net Position:			
Net investment in capital assets	11,474,945	1,141,070	12,616,015
Restricted for:			
Park	59,590	--	59,590
Capital Outlay	929,675	--	929,675
Meter Deposits	--	87,208	87,208
SDRS pension purposes	79,226	--	79,226
Unrestricted	2,412,468	1,926,198	4,338,666
Total Net Position	\$ 14,955,904	\$ 3,154,476	\$ 18,110,380

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Statement of Activities
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 788,682	\$ 267,285	\$ 363,693	\$ --	\$ (157,704)	\$ --	\$ (157,704)
Public safety	490,092	32,923	--	--	(457,169)	--	(457,169)
Public works	1,007,900	162,484	--	--	(845,416)	--	(845,416)
Health and welfare	2,696	--	15,753	--	13,057	--	13,057
Culture and recreation	436,834	35,924	--	--	(400,910)	--	(400,910)
Conservation and development	446,086	--	--	--	(446,086)	--	(446,086)
Interest on long-term debt	84,639	--	--	--	(84,639)	--	(84,639)
Total Governmental Activities	3,256,929	498,616	379,446	--	(2,378,867)	--	(2,378,867)
Business-type Activities:							
Water	912,860	889,127	--	--	--	(23,733)	(23,733)
Sewer	287,257	644,599	--	--	--	357,342	357,342
Total Business-Type Activities	1,200,117	1,533,726	--	--	--	333,609	333,609
Total Primary Government	\$ 4,457,046	\$ 2,032,342	\$ 379,446	\$ --	(2,378,867)	333,609	(2,045,258)
General Revenues:							
Taxes:							
Property tax					1,558,369	--	1,558,369
Sales tax					1,616,700	--	1,616,700
State shared revenues					109,285	--	109,285
County shared revenues					30,170	--	30,170
Unrestricted investment earnings					7,487	1,823	9,310
Miscellaneous revenue					139,112	--	139,112
Transfers					533,389	(533,389)	--
Total General Revenues and Transfers					3,994,512	(531,566)	3,462,946
Change in Net position					1,615,645	(197,957)	1,417,688
Net Position-Beginning of Year					13,340,259	3,352,433	16,692,692
Net Position-End of Year					\$ 14,955,904	\$ 3,154,476	\$ 18,110,380

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Balance Sheet – Governmental Funds
December 31, 2022

	<u>Capital Projects</u>					<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Western Ave Sewer Project</u>	<u>9th Street Project</u>	<u>Mudt/6th Street Project</u>	<u>WWTF Project</u>		
Assets:							
Cash and cash equivalents	\$ 2,564,012	\$ 93,732	\$ 580,909	\$ 47,648	\$ --	\$ 206,080	\$ 3,492,381
Taxes receivable:							
Delinquent	45,387	--	--	--	--	--	45,387
Accounts receivable	1,253	--	--	--	--	--	1,253
Due from government	126,800	--	--	--	--	3,291	130,091
Due from other fund	23,335	--	--	--	--	--	23,335
Supply inventory	75,544	--	--	--	--	--	75,544
Total Assets	<u>\$ 2,836,331</u>	<u>\$ 93,732</u>	<u>\$ 580,909</u>	<u>\$ 47,648</u>	<u>\$ --</u>	<u>\$ 209,371</u>	<u>\$ 3,767,991</u>
Liabilities and Fund Balances:							
Accounts payable	\$ 78,748	\$ --	\$ --	\$ 1,985	\$ 133,976	\$ --	\$ 214,709
Accrued wages payable	11,824	--	--	--	--	--	11,824
Due to other funds	--	--	--	--	23,335	--	23,335
Total Liabilities	<u>90,572</u>	<u>--</u>	<u>--</u>	<u>1,985</u>	<u>157,311</u>	<u>--</u>	<u>249,868</u>
Deferred Inflows of Resources:							
Property taxes	45,387	--	--	--	--	--	45,387
Total Deferred Inflows of Resources	<u>45,387</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>45,387</u>
Fund Balances:							
Nonspendable							
Inventory	75,544	--	--	--	--	--	75,544
Restricted							
Park	59,590	--	--	--	--	--	59,590
Capital projects	--	93,732	580,909	45,663	--	209,371	929,675
Unassigned	2,565,238	--	--	--	(157,311)	--	2,407,927
Total Fund Balances	<u>2,700,372</u>	<u>93,732</u>	<u>580,909</u>	<u>45,663</u>	<u>(157,311)</u>	<u>209,371</u>	<u>3,472,736</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,836,331</u>	<u>\$ 93,732</u>	<u>\$ 580,909</u>	<u>\$ 47,648</u>	<u>\$ --</u>	<u>\$ 209,371</u>	<u>\$ 3,767,991</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2022

Total Fund Balances - Government Funds \$ 3,472,736

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

Net pension asset reported in governmental activities is not an available resource and therefore is not reported in the funds. 2,500

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 14,245,034

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 226,888

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Accrued Leave	(116,390)	
Notes Payable	(1,103,567)	
Revenue Bonds Payable	<u>(1,666,522)</u>	(2,886,479)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are not deferred in the funds. 45,387

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. (150,162)

Net Position - Governmental Funds \$ 14,955,904

City of Hartford
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2022

	<u>Capital Projects</u>					<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Western Ave Sewer Project</u>	<u>9th Street Project</u>	<u>Mudt/6th Street Project</u>	<u>WWTF Project</u>		
Revenues:							
Taxes							
General property taxes	\$ 1,538,975	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,538,975
General sales taxes	1,525,696	--	--	--	--	91,004	1,616,700
Business sales taxes	24,673	--	--	--	--	--	24,673
Excise tax	(9,049)	--	--	--	--	--	(9,049)
Penalties and interest	3,770	--	--	--	--	--	3,770
Licenses and permits	267,285	--	--	--	--	--	267,285
Intergovernmental revenue							
Federal grants	53,275	--	--	--	--	306,665	359,940
State grants	3,753	--	--	--	--	--	3,753
State shared revenues							
Bank franchise tax	61,767	--	--	--	--	--	61,767
Liquor tax reversion	23,502	--	--	--	--	--	23,502
Motor vehicles licenses	24,016	--	--	--	--	--	24,016
County shared revenues							
County road tax	25,796	--	--	--	--	--	25,796
Wheel tax	4,374	--	--	--	--	--	4,374
Charges for goods and services							
Public safety	27,773	--	--	--	--	--	27,773
Highways and streets	144,310	--	--	--	--	--	144,310
Culture and recreation	35,924	--	--	--	--	--	35,924
Fines and forfeits							
Court fines and costs	5,150	--	--	--	--	--	5,150
Miscellaneous revenue							
Investment earnings	6,325	--	562	241	55	304	7,487
Rentals	58,150	--	--	--	--	--	58,150
Insurance claims	26,616	--	--	--	--	--	26,616
Special assessments	--	--	17,182	--	--	992	18,174
Contributions	42,148	--	--	--	--	--	42,148
Other	18,091	--	--	--	--	--	18,091
Total Revenue	<u>\$ 3,912,320</u>	<u>\$ --</u>	<u>\$ 17,744</u>	<u>\$ 241</u>	<u>\$ 55</u>	<u>\$ 398,965</u>	<u>\$ 4,329,325</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
For the Year Ended December 31, 2022 (Continued)

	Capital Projects					Other Governmental Funds	Total Governmental Funds
	General Fund	Western Ave Sewer Project	9th Street Project	Mudt/6th Street Project	WWTF Project		
Expenditures:							
Current:							
General government:							
Legislative	\$ 29,259	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 29,259
Executive administration	182,219	--	--	--	--	--	182,219
Elections	42	--	--	--	--	--	42
Legal	16,900	--	--	--	--	--	16,900
Financial administration	276,087	--	--	--	--	--	276,087
Planning and zoning	49,545	--	--	--	--	--	49,545
Public safety:							
Police	287,302	--	--	--	--	--	287,302
Fire	130,500	--	--	--	--	--	130,500
Public works:							
Highways and streets	640,105	--	--	--	--	--	640,105
Sanitation	--	82	--	500	--	--	582
Health and welfare:							
Health	2,696	--	--	--	--	--	2,696
Culture and recreation:							
Recreation	95,172	--	--	--	--	--	95,172
Parks	238,609	--	--	--	--	--	238,609
Library	3,600	--	--	--	--	--	3,600
Conservation and development:							
Economic development and assistance (industrial development)	370,496	--	--	--	--	75,590	446,086
Debt service	452,440	--	--	--	--	--	452,440
Capital outlay	438,972	--	--	1,823,490	764,061	--	3,026,523
Total Expenditures	<u>3,213,944</u>	<u>82</u>	<u>--</u>	<u>1,823,990</u>	<u>764,061</u>	<u>75,590</u>	<u>5,877,667</u>
Excess of Revenues Over (Under) Expenditures	<u>698,376</u>	<u>(82)</u>	<u>17,744</u>	<u>(1,823,749)</u>	<u>(764,006)</u>	<u>323,375</u>	<u>(1,548,342)</u>
Other Financing Sources:							
Transfers in	155,822	1,582,716	--	1,219,412	606,695	--	3,564,645
Transfers out	(848,556)	(1,420,183)	--	--	--	(762,517)	(3,031,256)
Long-term debt issued	--	--	--	650,000	--	--	650,000
Total Other Financing Sources	<u>(692,734)</u>	<u>162,533</u>	<u>--</u>	<u>1,869,412</u>	<u>606,695</u>	<u>(762,517)</u>	<u>1,183,389</u>
Net Change in Fund Balance	5,642	162,451	17,744	45,663	(157,311)	(439,142)	(364,953)
Fund Balances- Beginning of Year	<u>2,694,730</u>	<u>(68,719)</u>	<u>563,165</u>	<u>--</u>	<u>--</u>	<u>648,513</u>	<u>3,837,689</u>
Fund Balances - End of Year	<u>\$ 2,700,372</u>	<u>\$ 93,732</u>	<u>\$ 580,909</u>	<u>\$ 45,663</u>	<u>\$ (157,311)</u>	<u>\$ 209,371</u>	<u>\$ 3,472,736</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
 to the Statement of Activities
 For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Government Funds \$ (364,953)

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements. 3,026,523

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (765,027)

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental assets are reflected, regardless of whether a gain or a loss is realized. (5,893)

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. 367,801

The issuance of long-term debt is an other financing source in the fund statements but an increase in the long-term liabilities on the government wide statements. (650,000)

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. 18,281

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (11,087)

Change in Net Position of Governmental Activities \$ 1,615,645

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Statement of Net Position – Proprietary Funds
December 31, 2022

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,033,405	\$ 511,575	\$ 1,544,980
Certificate of Deposit	27,819	--	27,819
Accounts receivable, net	55,608	52,745	108,353
Inventory for resale	8,800		8,800
Supply inventory	28,910	15,721	44,631
Total Current Assets	<u>1,154,542</u>	<u>580,041</u>	<u>1,734,583</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	67,811	--	67,811
Capital assets:			
Land	127,385	979,313	1,106,698
Buildings	9,837	559,837	569,674
Improvements other than buildings	4,123,270	4,663,383	8,786,653
Machinery and equipment	195,392	344,842	540,234
Accumulated depreciation	(3,238,429)	(4,725,295)	(7,963,724)
Construction in Progress	25,500	1,583,828	1,609,328
Total Capital Assets:	<u>1,242,955</u>	<u>3,405,908</u>	<u>4,648,863</u>
Total Noncurrent Assets	<u>1,310,766</u>	<u>3,405,908</u>	<u>4,716,674</u>
Total Assets	<u>2,465,308</u>	<u>3,985,949</u>	<u>6,451,257</u>
Deferred Outflows of Resources:			
Deferred Connection Fee	<u>329,773</u>	<u>--</u>	<u>329,773</u>
Liabilities:			
Current Liabilities:			
Accounts payable	15,171	4,414	19,585
Accrued wages	810	849	1,659
Customer deposits	87,208	--	87,208
Current portion of long term debt	124,637	227,130	351,767
Total Current Liabilities	<u>227,826</u>	<u>232,393</u>	<u>460,219</u>
Noncurrent Liabilities:			
Bonds payable:			
Revenue	235,446	2,920,580	3,156,026
Accrued leave payable	5,155	5,154	10,309
Total Noncurrent Liabilities	<u>240,601</u>	<u>2,925,734</u>	<u>3,166,335</u>
Total Liabilities	<u>468,427</u>	<u>3,158,127</u>	<u>3,626,554</u>
Net Position:			
Net investment in capital assets	882,872	258,198	1,141,070
Restricted net position restricted for:			
Customer deposits	87,208	--	87,208
Unrestricted net position	<u>1,356,574</u>	<u>569,624</u>	<u>1,926,198</u>
Total Net Position	<u>\$ 2,326,654</u>	<u>\$ 827,822</u>	<u>\$ 3,154,476</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for goods and services	\$ 879,052	\$ 644,599	\$ 1,523,651
Other	10,075	--	10,075
	<u>889,127</u>	<u>644,599</u>	<u>1,533,726</u>
Operating Expenses:			
Personal services	90,809	61,966	152,775
Other current expense	268,523	--	268,523
Materials	279,127	--	279,127
Amortization	103,990	--	103,990
Depreciation	156,021	173,546	329,567
Total Operating Expenses	<u>898,470</u>	<u>235,512</u>	<u>1,133,982</u>
Operating Income (Loss)	<u>(9,343)</u>	<u>409,087</u>	<u>399,744</u>
Nonoperating Revenues:			
Investment earnings	1,267	556	1,823
Interest expense	(14,390)	(51,745)	(66,135)
Total Nonoperating Revenue	<u>(13,123)</u>	<u>(51,189)</u>	<u>(64,312)</u>
Net Income (Loss) Before Contributions and Transfers	<u>(22,466)</u>	<u>357,898</u>	<u>335,432</u>
Capital contributions	--	1,420,183	1,420,183
Transfers out	(375,856)	(1,577,716)	(1,953,572)
Net Change in Net Position	(398,322)	200,365	(197,957)
Net Position - Beginning of Year	<u>2,724,976</u>	<u>627,457</u>	<u>3,352,433</u>
Net Position - End of Year	<u>\$ 2,326,654</u>	<u>\$ 827,822</u>	<u>\$ 3,154,476</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2022

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipt from customers	\$ 903,611	\$ 643,690	\$ 1,547,301
Payments to suppliers	(546,281)	(2,772)	(549,053)
Payments to employees	(91,269)	(62,214)	(153,483)
Net Cash Provided (Used) by Operating Activities:	<u>266,061</u>	<u>578,704</u>	<u>844,765</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to other funds	<u>(375,856)</u>	<u>(1,577,716)</u>	<u>(1,953,572)</u>
Net Cash Provided (Used) by Noncapital Financing Activities:	<u>(375,856)</u>	<u>(1,577,716)</u>	<u>(1,953,572)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(25,500)	(28,657)	(54,157)
Proceeds from long term debt	--	1,334,000	1,334,000
Payments on long term debt	(120,530)	(246,103)	(366,633)
Debt interest paid	(14,390)	(51,745)	(66,135)
Net Cash (Used) by Capital and Related Financing Activities:	<u>(160,420)</u>	<u>1,007,495</u>	<u>847,075</u>
Cash Flows from Investing Activities:			
Interest earnings	<u>1,267</u>	<u>556</u>	<u>1,823</u>
Net Cash Provided (Used) by Investing Activities	<u>1,267</u>	<u>556</u>	<u>1,823</u>
Net Increase in Cash and Cash Equivalents	(268,948)	9,039	(259,909)
Cash and Cash Equivalents - Beginning of Year	<u>1,330,172</u>	<u>502,536</u>	<u>1,832,708</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,061,224</u>	<u>\$ 511,575</u>	<u>\$ 1,572,799</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2022 (Continued)

Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by

Operating Activities:

Operating income (loss)	\$	(9,343)	\$	409,087	\$	399,744
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provided by operating activities:						
Depreciation expense		156,021		173,546		329,567
Amortization expense		103,990		--		103,990
(Increase) decrease in:						
Inventories		13,053		(909)		12,144
Increase (decrease) in:						
Accounts and other payables		1,369		(2,772)		(1,403)
Accrued wages and leave payable		(460)		(248)		(708)
Deposits		1,431		--		1,431
		<u>1,431</u>		<u>--</u>		<u>1,431</u>
Cash Flows Provided by Operating Activities	\$	266,061	\$	578,704	\$	844,765

Noncash Capital Activities

Purchase of capital assets by governmental activities	\$	--	\$	1,420,183	\$	--
---	----	----	----	-----------	----	----

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

The reporting entity of the City of Hartford consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility), those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City's financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

3rd Penny Sales Tax Fund – A fund established by SDCL 10-52A used to pay for promotion of the city. It is financed by a gross receipts tax on bars, restaurants and motels. This is not a major fund.

American Rescue Plant Act Fund – A fund established to use COVID funds issued to the city. This is not a major fund.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

The Capital Project Funds maintained by the City during 2022 as non-major funds were the "Vandemark St. Fund", "Mickelson Road Fund", and the "Sports Complex Fund". The purpose of these funds were to construct selected park, street, infrastructure and recreation improvements. The projects were funded by transfer from the General Fund.

The 9th Street Fund is a Capital Project Fund. The purpose of the fund is to make improvements to 9th Street. This is a major fund.

The Western Avenue Sewer fund is a Capital Project Fund initiated in 2020. The purpose of the fund is to make sewer improvements on Western Avenue. This is a major fund.

The Mudt/6th Street Fund is a Capital Project Fund initiated in 2022. The purpose of the fund is to make improvement to Mudt and 6th Street. This is a major fund.

The WWTF Fund is a Capital Project Fund initiated in 2022. The purpose of the fund is to make improvements to the WWTF. This is a major fund.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources:

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary fund types.

Basis of Accounting:

Government-Wide Financial Statements

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of Hartford is 30 days. The revenues which are accrued at December 31, 2022 are amounts due from the county and state interest.

Under the modified accrual basis of accounting, receivables may be measured but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund types 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.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns.

e. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with term to maturity at a date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6.

f. Capital Assets:

Capital assets include land, buildings, machinery, and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in government-wide or fund financial statements.

Government-Wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend to useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost and classified as “Improvements other than Buildings”.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP. Capital assets used in business-type activities/proprietary fund operations, construction-period interest is also not capitalized; this is in accordance with USGAAP.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/A mortization Method	Estimated Useful Life
*Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 50,000	Straight-line	20-100 years
Buildings	25,000	Straight-line	15-50 years
Machinery and equipment	5,000	Straight-line	4-20 years

*Land, an inexhaustible capital asset, is not depreciated

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of revenue bonds, state revolving loans, promissory notes, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

l. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between “non-spendable,” “restricted,” “committed,” “assigned” and “unassigned” components. Proprietary fund equity is classified the same as in the government-wide financial statements.

m. Application of Net Position:

It is the City’s policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

n. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

City of Hartford
Notes to the Financial Statements
December 31, 2022

1. Summary of Significant Accounting Policies: (Continued)

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the City Council.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

o. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. City contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

City of Hartford
Notes to the Financial Statements
December 31, 2022

2. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

Investments – In General, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2022, the City did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State Law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from deposits and investments to the fund making the investment.

3. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Fund	Amount:	Purpose:
Water Fund	\$ 67,811	Customer deposits
Total	\$ 67,811	

4. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

City of Hartford
Notes to the Financial Statements
December 31, 2022

5. Inventory:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-Wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are offset by a nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. Property Taxes:

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

City of Hartford
Notes to the Financial Statements
December 31, 2022

7. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	<u>Balance 12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized				
Land	\$ 1,045,681	\$ 5,352	\$ --	\$ 1,051,033
Construction in progress	292,357	2,687,675	261,299	2,718,733
Total, not being depreciated/amortized	<u>1,338,038</u>	<u>2,693,027</u>	<u>261,299</u>	<u>3,769,766</u>
Capital assets, being depreciated/amortized				
Buildings	504,326	25,233	--	529,559
Improvements	14,982,260	498,548	4,561	15,476,247
Machinery & Equipment	1,452,198	71,014	36,587	1,486,625
Total, being depreciated/amortized	<u>16,938,784</u>	<u>594,795</u>	<u>41,148</u>	<u>17,492,431</u>
Less accumulated depreciation/amortization for:				
Buildings	332,577	10,778	--	343,355
Improvements	4,853,012	648,554	4,561	5,497,005
Machinery & Equipment	1,101,802	105,695	30,694	1,176,803
Total accumulated depreciation/amortization	<u>6,287,391</u>	<u>765,027</u>	<u>35,255</u>	<u>7,017,163</u>
Capital Assets Net	<u>\$ 11,989,431</u>	<u>\$ 2,522,795</u>	<u>\$ 267,192</u>	<u>\$ 14,245,034</u>

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 237,158
Public safety	61,203
Public works	367,213
Culture and recreation	99,453
	<u>\$ 765,027</u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

7. Changes in Capital Assets: (Continued)

Construction Work in Progress at December 31, 2022 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 6/30/2022</u>	<u>Committed</u>
<u>Governmental Activities</u>			
Waste Water Treatment Facility (WWTF)	\$ 927,706	\$ 804,242	\$ 123,464
Western Ave. Interchange Approach	70,953	70,953	--
Swenson Park Storm Shelter/Concession Building	13,494	13,494	--
Phase 6 Bike Trail	6,554	6,554	--
6th & Mundt Ave Improvement Project	1,823,490	1,823,490	--
Total Governmental Activities	<u>2,842,197</u>	<u>2,718,733</u>	<u>123,464</u>
<u>Business-Type Activities</u>			
Hwy 38 Watermain Extension	25,500	25,500	--
Waste Water Treatment Facility (WWTF)	163,650	163,650	--
Western Ave Sanitary Sewer Extension	1,460,365	1,420,178	40,187
Total Governmental Activities	<u>1,649,515</u>	<u>1,609,328</u>	<u>40,187</u>
Total Work in Progress	<u>\$ 4,491,712</u>	<u>\$ 4,328,061</u>	<u>\$ 163,651</u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

7. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2022 is as follows: (Continued)

	<u>Balance 12/31/2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2022</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,106,698	\$ --	\$ --	\$ 1,106,698
CWIP	134,988	1,474,340	--	1,609,328
Total, not being depreciated	<u>1,241,686</u>	<u>1,474,340</u>	<u>--</u>	<u>2,716,026</u>
Capital assets, being depreciated/amortized:				
Buildings	569,674	--	--	569,674
Improvements	8,786,653	--	--	8,786,653
Machinery & Equipment	549,609	--	9,375	540,234
Total, being depreciated	<u>9,905,936</u>	<u>--</u>	<u>9,375</u>	<u>9,896,561</u>
Less accumulated depreciation/amortization for:				
Buildings	340,069	11,394	--	351,463
Improvements	7,003,676	269,486	--	7,273,162
Machinery & Equipment	299,787	48,687	9,375	339,099
Total accumulated depreciation	<u>7,643,532</u>	<u>329,567</u>	<u>9,375</u>	<u>7,963,724</u>
Capital Assets Net	<u>\$ 3,504,090</u>	<u>\$ 1,144,773</u>	<u>\$ --</u>	<u>\$ 4,648,863</u>

Depreciation/Amortization expense was charged to functions as follows:

Water	\$ 156,021
Sewer	<u>173,546</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 329,567</u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

8. Long-Term Debt:

A summary of changes in long-term debt for the year ended December 31, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Government Activities:					
Bonds Payable:					
Revenue	\$ 1,901,685	\$ --	\$ 235,163	\$ 1,666,522	\$ 239,843
Revolving Loans	13,557	--	13,557	--	--
Notes Payable	572,648	650,000	119,081	1,103,567	150,737
Total Debt	<u>2,487,890</u>	<u>650,000</u>	<u>367,801</u>	<u>2,770,089</u>	<u>390,580</u>
Accrued Leave	<u>105,303</u>	<u>69,786</u>	<u>58,699</u>	<u>116,390</u>	<u>--</u>
Total Governmental Activities	<u>2,593,193</u>	<u>719,786</u>	<u>426,500</u>	<u>2,886,479</u>	<u>390,580</u>
Business-Type Activities:					
Revolving Loans	2,175,451	1,334,000	248,142	3,261,309	230,133
Notes Payable	364,975	--	118,491	246,484	121,634
Total Debt	<u>2,540,426</u>	<u>1,334,000</u>	<u>366,633</u>	<u>3,507,793</u>	<u>351,767</u>
Accrued Leave	<u>11,319</u>	<u>8,646</u>	<u>9,656</u>	<u>10,309</u>	<u>--</u>
Total Business-Type Activities	<u>2,551,745</u>	<u>1,342,646</u>	<u>376,289</u>	<u>3,518,102</u>	<u>351,767</u>
Total Primary Government	<u><u>\$ 5,144,938</u></u>	<u><u>\$ 2,062,432</u></u>	<u><u>\$ 802,789</u></u>	<u><u>\$ 6,404,581</u></u>	<u><u>\$ 742,347</u></u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

8. Long-Term Debt: (Continued)

Debt payable at December 31, 2022, is comprised of the following:

Governmental Activities:

Revenue Bonds:

Sales Tax Revenue Bond, Series 2013 Sports complex project	3.25% fixed interest rate; matures and final payment due January, 2023. This debt is serviced by the General Fund.	\$ 90,301
Sales Tax Revenue Bond, Series 2014	3.15% fixed interest rate; matures and final payment due November 1, 2025. This debt is serviced by the General Fund.	246,221
Sales Tax Revenue Bond, Series 2019 Vandemark Ave project	2.38% fixed interest rate; matures and final payment due December 1, 2038. This debt is serviced by the General Fund.	<u>1,330,000</u>
Total Revenue Bond Debt		<u>1,666,522</u>
Promissory Notes:		
Reliabank Dakota Note	3.77% fixed; matures and final payment due July 1, 2038. This debt is serviced by the General Fund.	547,212
Reliabank Dakota Note	3.11% fixed; matures and final payment due April 1, 2024. This debt is serviced by the General Fund.	<u>556,355</u>
Total Promissory Note Debt		<u>1,103,567</u>
Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2022. This debt is serviced by the General Fund.	<u>116,390</u>
Total Governmental Activities Debt		<u>\$ 2,886,479</u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

8. Long-Term Debt: (Continued)

Debt payable at December 31, 2022, is comprised of the following: (Continued)

Business-type Activities:

State Revolving Fund (SRF) Loans:

Series 2005 State Revolving Fund	3.25%; matures April 15, 2027. This debt will be repaid from the Water Fund.	\$ 303,047
Series 2003 State Revolving Fund	3.5%; matures January 1, 2024. This debt will be repaid from the Water Fund.	57,035
Series 2007 State Revolving Fund	3.25%; matures January 15, 2028. This debt will be repaid from the Sewer Fund.	186,591
Series 2003 State Revolving Fund	3.5%; matures January 15, 2024. This debt will be repaid from the Sewer Fund.	38,334
Series 2017 State Revolving Fund	2.5%; matures January 15, 2049. This debt will be repaid from the Sewer Fund.	1,342,302
Series 2022 State Revolving Fund	2.75%; matures November 15, 2053. This debt will be repaid from the Sewer Fund.	<u>1,334,000</u>
Total State Revolving Fund Debt		<u>3,261,309</u>

Promissory Note:

Reliabank Dakota Note	2.59% fixed; matures and final payment due January 1, 2025. This debt is serviced by the Sewer Fund.	<u>246,484</u>
Total Promissory Note		<u>246,484</u>

Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2022. This debt is serviced by the proprietary fund making the payroll payment.	<u>10,309</u>
Total Business Activity Debt		<u>3,518,102</u>

Grand Total		<u><u>\$ 6,404,581</u></u>
-------------	--	----------------------------

City of Hartford
Notes to the Financial Statements
December 31, 2022

8. Long-Term Debt: (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2022, except for compensated absences are as follows:

Business-Type Activities

Years Ending

Dec. 31,	Revolving Loan Funds		Promissory Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 230,133	\$ 125,038	\$ 121,634	\$ 5,273	\$ 351,767	\$ 130,311
2024	167,973	80,181	124,850	2,057	292,823	82,238
2025	173,059	75,095	--	--	173,059	75,095
2026	178,300	69,854	--	--	178,300	69,854
2027	125,760	64,920	--	--	125,760	64,920
2028-2032	419,075	286,775	--	--	419,075	286,775
2033-2037	447,267	231,802	--	--	447,267	231,802
2038-2042	509,405	169,665	--	--	509,405	169,665
2043-2047	580,197	98,872	--	--	580,197	98,872
2048-2032	365,802	31,799	--	--	365,802	31,799
2033-2037	64,338	1,110	--	--	64,338	1,110
Total	<u>\$ 3,261,309</u>	<u>\$ 1,235,111</u>	<u>\$ 246,484</u>	<u>\$ 7,330</u>	<u>\$ 3,507,793</u>	<u>\$ 1,242,441</u>

Governmental Activities

Years Ending

Dec. 31,	Revenue Bonds		Promissory Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 239,844	\$ 44,297	\$ 150,736	\$ 36,608	\$ 390,580	\$ 80,905
2024	152,047	37,827	155,633	31,712	307,680	69,539
2025	154,632	34,157	160,881	26,464	315,513	60,621
2026	70,000	30,406	166,210	21,134	236,210	51,540
2027	75,000	28,306	65,588	16,467	140,588	44,773
2028-2032	405,000	106,731	172,573	62,217	577,573	168,948
2033-2037	470,000	47,681	208,795	25,995	678,795	73,676
2038-2042	100,000	2,500	23,150	329	123,150	2,829
Total	<u>\$ 1,666,523</u>	<u>\$ 331,905</u>	<u>\$ 1,103,566</u>	<u>\$ 220,926</u>	<u>\$ 2,770,089</u>	<u>\$ 552,831</u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

8. Long-Term Debt: (Continued)

Utilities Revenues Pledged:

The City has pledged future water, electric, telephone and cable customer revenues:

The City has pledged future water customers' revenues, to repay \$1,924,513 in water system loans issued in 2003 and 2005. Proceed from the loans provided financing for the construction of water system infrastructure.

The loans are payable solely from water customer net revenues and are payable through 2027. Annual principal and interest payment on the bonds are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$383,974. Principal and interest paid for the current year and total customer net revenues were \$120,530 and \$889,052, respectively.

The city has also pledged future sewer customers' net revenues to repay \$4,693,664 in sewer system loans issued in 2001, 2002, 2003, 2007, 2017, and 2022. Proceed from the loans provided financing for the construction of sewer system improvements.

The loans are payable solely from sewer customer net revenues and are payable through 2053. Annual principal and interest payments on the bonds are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,901,227. Principal and interest paid for the current year and total customer net revenues were \$170,944 and \$644,509, respectively.

9. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2022 was as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Park	\$ 59,590	\$ --	\$ 59,590
Facility replacement	929,675	--	929,675
Customer deposits	--	87,208	87,208
SDRS pension purposes	79,226	--	79,226
Total	<u>\$ 1,068,491</u>	<u>\$ 87,208</u>	<u>\$ 1,155,699</u>

These balances are restricted due to federal grant and statutory requirements.

City of Hartford
Notes to the Financial Statements
December 31, 2022

10. Interfund Transfers:

Interfund transfers for the year ended December 31, 2022 were as follows:

Transfer from Western Avenue Sewer Project Fund to Sewer Fund.	\$ 1,420,183
Transfer from Sewer Fund to Western Avenue Sewer Project Fund for Long Term Debt Proceeds.	\$ 1,334,000
Transfer from Sports Complex Project Fund to General Fund to close out Capital Projects Fund.	\$ 155,822
Transfer from ARPA Fund to WWTF Capital Project Fund to close out ARPA Fund.	\$ 606,695
Transfer from Water Fund to Mudt/6th Street Project Fund.	\$ 375,856
Transfer from General Fund to Western Avenue Sewer Project Fund.	\$ 5,000
Transfer from General Fund to Mudt/6th Street Project Fund.	\$ 843,556
Transfer from Sewer Fund to Western Avenue Sewer Project Fund.	\$ 243,716

11. Pension Plan:

Plan Information:

All employees, working for more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.

City of Hartford
Notes to the Financial Statements
December 31, 2022

11. Pension Plan: (Continued)

Benefits Provided:

SDRS has four classes of employees, Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouse of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

City of Hartford
Notes to the Financial Statements
December 31, 2022

11. Pension Plan: (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A members, 6% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2022, 2021, and 2020 equal to the required contributions each year as follows:

2022	\$	40,389
2021		34,970
2020		31,542

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2022, and reported by the City as of December 31, 2022 are as follows:

Proportionate share of pension benefits	\$ 3,734,128
Less proportionate share of total pension restricted for pension benefits	<u>3,736,628</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,500)</u></u>

At December 31, 2022, the City reported an asset of (\$2,500) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the plan relative to the contributions of all participating entities. As of June 30, 2022, the City's proportion was 0.02645200%, which is an increase of 0.0020250% from its proportion measured as of June 30, 2021.

City of Hartford
Notes to the Financial Statements
December 31, 2022

11. Pension Plan: (Continued)

For the year ended December 31, 2022 the City recognized a reduction of pension expense of (\$18,280). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 47,587	\$ 163
Changes in assumption	158,885	139,241
Net Difference between projected and actual earnings on pension plan investments	--	5,991
Changes in proportion and difference between City contributions and proportionate share of contributions	7	4,767
City contributions subsequent to the measurement date	20,408	--
Total Revenues	\$ 226,887	\$ 150,162

\$20,408 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2023	\$ 14,035
2024	33,595
2025	(40,490)
2026	49,178
Total	\$ 56,318

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.5% and real returns of 4%
Future COLAs	2.10%

City of Hartford
Notes to the Financial Statements
December 31, 2022

11. Pension Plan: (Continued)

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above.

Public Safety Retirees: PubS-2010; 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e. the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.) The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Global equity	58.0%	3.7%
Fixed income	30.0%	1.1%
Real estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	<u>100%</u>	<u>2.7%</u>

City of Hartford
Notes to the Financial Statements
December 31, 2022

11. Pension Plan: (Continued)

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if all were calculated using a discount rate that is 1 – percentage point lower (5.50%) or 1 – percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 519,077	\$ (2,500)	\$ (428,766)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

12. Risk Management:

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2022, the City managed its risks as follows:

Employee Health Insurance:

The City purchases employee health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

12. Risk Management: (Continued)

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile and general liability.

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing member with such a partial refund because the departing member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing member pursuant to the revised IGC.

The City carries a \$100 deductible for the automobile comprehensive coverage and \$250 deductible for the automobile collision coverage, \$500 deductible for official's liability and \$2,000 for Law Enforcement liabilities.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years

Worker's Compensation:

The city joined the South Dakota City League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on the behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance, which covers up to an additional \$2,000,000 per individual per incident.

City of Hartford
Notes to the Financial Statements
December 31, 2022

12. Risk Management: (Continued)

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The city provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

During the year ended December 31, 2022, no claims were filed for unemployment benefits. At December 31, 2022, no claims were outstanding.

13. Significant Contingencies-Litigation:

At December 31, 2022, the City of Hartford was not involved in any litigation.

Required Supplementary Information

City of Hartford
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 1,558,203	\$ 1,558,203	\$ 1,538,975	\$ (19,228)
General sales and use tax	1,200,000	1,200,000	1,525,696	325,696
Business sales tax revenue	20,000	20,000	24,673	4,673
Excise tax	3,550	3,550	(9,049)	(12,599)
Penalties and interest on taxes	3,500	3,500	3,770	270
Licenses and permits	60,744	60,744	267,285	206,541
Intergovernmental:				
Federal grants	662,603	662,603	53,275	(609,328)
State grants	190,410	190,410	3,753	(186,657)
State shared revenues				
Bank franchise tax	60,000	60,000	61,767	1,767
Liquor tax reversion	19,000	19,000	23,502	4,502
Motor vehicle licenses (5%)	22,000	22,000	24,016	2,016
County Shared Revenue:				
County road tax (25%)	24,000	24,000	25,796	1,796
County wheel tax	4,000	4,000	4,374	374
Charges for Goods and Services:				
Public safety	28,000	28,000	27,773	(227)
Highway and streets	142,920	142,920	144,310	1,390
Culture and recreation	29,000	29,000	35,924	6,924
Fines and Forfeits:				
Court fines and costs	8,000	8,000	5,150	(2,850)
Miscellaneous Revenue:				
Investment earnings	303	303	6,325	6,022
Rentals	54,133	54,133	58,150	4,017
Insurance claims	--	--	26,616	26,616
Contributions and donations	30,410	30,410	42,148	11,738
Other	7,600	7,600	18,091	10,491
Total Revenues	<u>\$ 4,128,376</u>	<u>\$ 4,128,376</u>	<u>\$ 3,912,320</u>	<u>\$ (216,056)</u>

City of Hartford
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2022 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government:				
Mayor & council	\$ 37,463	\$ 37,463	\$ 29,259	\$ 8,204
Elections	1,035	1,035	42	993
Executive Admin	175,450	175,450	182,219	(6,769)
Financial administration	277,147	281,147	276,087	5,060
Legal	25,000	25,000	16,900	8,100
General Government Building	73,504	105,289	100,699	4,590
Public Safety:				
Police	280,460	289,260	287,302	1,958
Fire	170,500	170,500	130,500	40,000
Public Works:				
Highways and streets	838,596	857,502	713,612	143,890
Health and Welfare:				
Health	2,800	3,800	2,696	1,104
Culture and Recreation:				
Recreation	231,235	234,945	155,027	79,918
Parks	1,547,429	1,547,429	492,471	1,054,958
Libraries	3,600	3,600	3,600	--
Conservation and Development:				
Economic Development and Assistance	502,771	516,091	371,090	145,001
Debt Service	347,089	452,440	452,440	--
Contingency	50,000	17,910	--	17,910
Total Expenditures	<u>4,564,079</u>	<u>4,718,861</u>	<u>3,213,944</u>	<u>1,504,917</u>
Excess of Revenues Over Expenditures	<u>(435,703)</u>	<u>(590,485)</u>	<u>698,376</u>	<u>1,288,861</u>
Other Financing Sources:				
Transfers in	204,753	204,753	155,822	(48,931)
Transfers (out)	<u>(140,000)</u>	<u>(848,556)</u>	<u>(848,556)</u>	<u>--</u>
Total Other Financing Sources	<u>64,753</u>	<u>(643,803)</u>	<u>(692,734)</u>	<u>(48,931)</u>
Net Changes in Fund Balance	(370,950)	(1,234,288)	5,642	1,239,930
Fund Balance, Beginning of Year	<u>2,694,730</u>	<u>2,694,730</u>	<u>2,694,730</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 2,323,780</u>	<u>\$ 1,460,442</u>	<u>\$ 2,700,372</u>	<u>\$ 1,239,930</u>

City of Hartford
Notes to the Required Supplementary Information
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget
For the Year Ended December 31, 2022

Note 1. Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/City Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/City Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board/City Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/City Commission.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP).

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified accrual basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

City of Hartford
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Years Ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.2645200%	0.0244270%	0.0239681%	0.0225246%	0.0208820%	0.0205098%	0.0183443%	0.0197192%	0.0200140%
City's proportionate share of net pension liability (asset)	\$ (2,500)	\$ (187,069)	\$ (1,041)	\$ (2,387)	\$ (487)	\$ (1,861)	\$ 61,965	\$ (83,635)	\$ (144,193)
City's covered-employee payroll	<u>631,639</u>	<u>554,315</u>	<u>525,693</u>	<u>521,432</u>	<u>442,366</u>	<u>431,529</u>	<u>372,316</u>	<u>359,682</u>	<u>351,600</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.40%	-33.75%	-0.20%	-0.46%	-0.11%	-0.43%	16.64%	-23.25%	-41.01%
Plan fiduciary net position as a percentage of the total pension benefit	100.10%	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%	107.30%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Hartford
Schedule of the City's Contributions (SDRS)
As of December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 40,389	\$ 34,970	\$ 31,542	\$ 31,286	\$ 26,542	\$ 25,892	\$ 22,339	\$ 21,581
Contributions in relation to the contractually required contribution	<u>40,389</u>	<u>34,970</u>	<u>31,542</u>	<u>31,286</u>	<u>26,542</u>	<u>25,892</u>	<u>22,339</u>	<u>21,581</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 673,751	\$ 582,838	\$ 525,693	\$ 521,432	\$ 442,366	\$ 431,529	\$ 372,316	\$ 359,682
Contributions as a percentage of covered-employee payroll	5.99%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

**GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Hartford

Notes to Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions As of December 31,

Changes from Prior Valuation:

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes:

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes:

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

City of Hartford

Notes to Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions As of December 31, (Continued)

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Actuarial Method Changes:

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part other reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

Supplementary Information

City of Hartford
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue		Capital Projects			Total Nonmajor Governmental Funds
	ARPA Fund	3rd Penny Sales Tax Fund	Mickelson Road Project	Vandenmark Street Project	Sports Complex Project	
Assets:						
Cash and cash equivalents	\$ --	\$ 140,133	\$ 64,954	\$ 993	\$ --	\$ 206,080
Due from governments	--	3,291	--	--	--	3,291
Total Assets	<u>--</u>	<u>143,424</u>	<u>64,954</u>	<u>993</u>	<u>--</u>	<u>209,371</u>
Liabilities and Fund Balances:						
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:						
Restricted	<u>--</u>	<u>143,424</u>	<u>64,954</u>	<u>993</u>	<u>--</u>	<u>209,371</u>
Total Fund Balances	<u>--</u>	<u>143,424</u>	<u>64,954</u>	<u>993</u>	<u>--</u>	<u>209,371</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ --</u>	<u>\$ 143,424</u>	<u>\$ 64,954</u>	<u>\$ 993</u>	<u>\$ --</u>	<u>\$ 209,371</u>

City of Hartford
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2022

	Special Revenue		Capital Projects			Total Governmental Funds
	ARPA Fund	3rd Penny Sales Tax Fund	Mickelson Road Project	Vandenmark Street Project	Sports Complex Project	
Revenues:						
Taxes						
General sales taxes	\$ --	\$ 91,004	\$ --	\$ --	\$ --	\$ 91,004
Intergovernmental revenue						
Federal grants	306,665	--	--	--	--	306,665
Miscellaneous revenue						
Investment earnings	135	106	62	1	--	304
Special assessments	--	--	--	992	--	992
Total Revenue	306,800	91,110	62	993	--	398,965
Expenditures:						
Conservation and development:						
Economic development and assistance (industrial development)	--	75,590	--	--	--	75,590
Total Expenditures	--	75,590	--	--	--	75,590
Excess of Revenues Over (Under)						
Expenditures	306,800	15,520	62	993	--	323,375
Other Financing Sources:						
Transfers out	(606,695)	--	--	--	(155,822)	(762,517)
Total Other Financing Sources	(606,695)	--	--	--	(155,822)	(762,517)
Net Change in Fund Balance	(299,895)	15,520	62	993	(155,822)	(439,142)
Fund Balances- Beginning of Year	299,895	127,904	64,892	--	155,822	648,513
Fund Balances - End of Year	\$ --	\$ 143,424	\$ 64,954	\$ 993	\$ --	\$ 209,371