

City of Hartford

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

**For the Year Ended
December 31, 2023**

City of Hartford
City Officials
December 31, 2023

Mayor:

Arden Jones

Governing Board:

Travis Kuehl

Mark Brenneman

Shaun Boen

Chris Woslager

Jake Jass

Cindy Matson

Finance Officer:

Karen Wilber

City of Hartford
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**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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated July 23, 2024.

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 2023-001 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 LLC". The signature is written in a cursive, slightly slanted style.

Elk Point, South Dakota
July 23, 2024

City of Hartford
Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Schedule of Prior Audit Findings

Audit Finding Number 2022-001 – 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, 2023

Schedule of Current Audit Findings

Audit Finding Number 2023-001 – Internal Control Finding

The City of Hartford does not have an adequate segregation of duties for revenues resulting in a decreased reliability of reported financial data and increased potential for the loss of public assets.

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, 2023, 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, 2023, 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.

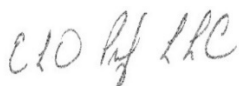
The City has omitted the Management’s Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is 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 July 23, 2024, 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
July 23, 2024

City of Hartford
Statement of Net Position
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,621,962	\$ 1,874,526	\$ 4,496,488
Investments	--	70,000	70,000
Accounts receivable, net	2,351,481	108,353	2,459,834
Inventories	79,406	46,703	126,109
Restricted assets:			
Cash	--	93,141	93,141
Net pension asset	2,707	--	2,707
Capital assets:			
Land	1,051,033	1,106,698	2,157,731
Other capital assets, net of depreciation	17,906,742	3,367,731	21,274,473
Total Assets	24,013,331	6,667,152	30,680,483
Deferred Outflows of Resources:			
Deferred connection fee	--	329,773	329,773
Pension related deferred outflows	209,488	--	209,488
Total Deferred Outflows of Resources	209,488	329,773	539,261
Liabilities:			
Accounts payable	1,801,499	23,848	1,825,347
Other current liabilities	2,284,230	93,141	2,377,371
Unearned revenue	125	--	125
Noncurrent liabilities:			
Due within one year	300,761	292,823	593,584
Due in more than one year	2,210,359	4,177,238	6,387,597
Total Liabilities	6,596,974	4,587,050	11,184,024
Deferred Inflows of Resources:			
Pension related deferred inflows	140,019	--	140,019
Net Position:			
Net investment in capital assets	16,578,266	1,318,402	17,896,668
Restricted for:			
Park	59,590	--	59,590
Capital Outlay	724,549	--	724,549
Meter Deposits	--	93,141	93,141
SDRS pension purposes	72,176	--	72,176
Unrestricted	51,245	998,332	1,049,577
Total Net Position	\$ 17,485,826	\$ 2,409,875	\$ 19,895,701

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, 2023

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	\$ 935,839	\$ 143,080	\$ 77,281	\$ --	\$ (715,478)	\$ --	\$ (715,478)
Public safety	512,647	42,204	--	--	(470,443)	--	(470,443)
Public works	880,569	219,812	--	--	(660,757)	--	(660,757)
Health and welfare	1,294	--	--	--	(1,294)	--	(1,294)
Culture and recreation	567,591	48,860	--	--	(518,731)	--	(518,731)
Conservation and development	477,049	--	--	--	(477,049)	--	(477,049)
Interest on long-term debt	81,855	--	--	--	(81,855)	--	(81,855)
Total Governmental Activities	3,456,844	453,956	77,281	--	(2,925,607)	--	(2,925,607)
Business-type Activities:							
Water	582,658	975,077	--	--	--	392,419	392,419
Sewer	480,935	1,003,049	--	--	--	522,114	522,114
Total Business-Type Activities	1,063,593	1,978,126	--	--	--	914,533	914,533
Total Primary Government	\$ 4,520,437	\$ 2,432,082	\$ 77,281	\$ --	(2,925,607)	914,533	(2,011,074)
General Revenues:							
Taxes:							
Property tax					1,660,218	--	1,660,218
Sales tax					1,643,913	--	1,643,913
State shared revenues					119,765	--	119,765
County shared revenues					31,061	--	31,061
Unrestricted investment earnings					109,358	1,834	111,192
Miscellaneous revenue					230,246	--	230,246
Transfers					1,660,968	(1,660,968)	--
Total General Revenues and Transfers					5,455,529	(1,659,134)	3,796,395
Change in Net Position					2,529,922	(744,601)	1,785,321
Net Position-Beginning of Year					14,955,904	3,154,476	18,110,380
Net Position-End of Year					\$ 17,485,826	\$ 2,409,875	\$ 19,895,701

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

City of Hartford
Balance Sheet – Governmental Funds
December 31, 2023

	<u>Capital Projects</u>			Total Governmental Funds
	<u>General Fund</u>	<u>WWTF Project</u>	<u>Other Governmental Funds</u>	
Assets:				
Cash and cash equivalents	\$ 1,876,354	\$ --	\$ 745,608	\$ 2,621,962
Taxes receivable:				
Delinquent	45,387	--	--	45,387
Accounts receivable	1,253	--	--	1,253
Due from government	29,747	--	2,688	32,435
Due from other fund	2,272,406	--	--	2,272,406
Supply inventory	79,406	--	--	79,406
Total Assets	<u>\$ 4,304,553</u>	<u>\$ --</u>	<u>\$ 748,296</u>	<u>\$ 5,052,849</u>
Liabilities and Fund Balances:				
Accounts payable	\$ 50,584	\$ 1,727,168	\$ 23,747	\$ 1,801,499
Accrued wages payable	11,824	--	--	11,824
Due to other funds	--	2,272,406	--	2,272,406
Unearned revenue	125	--	--	125
Total Liabilities	<u>62,533</u>	<u>3,999,574</u>	<u>23,747</u>	<u>4,085,854</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>45,387</u>
Fund Balances:				
Nonspendable				
Inventory	79,406	--	--	79,406
Restricted				
Park	59,590	--	--	59,590
Capital projects	--	--	724,549	724,549
Unassigned	4,057,637	(3,999,574)	--	58,063
Total Fund Balances	<u>4,196,633</u>	<u>(3,999,574)</u>	<u>724,549</u>	<u>921,608</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,304,553</u>	<u>\$ --</u>	<u>\$ 748,296</u>	<u>\$ 5,052,849</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, 2023

Total Fund Balances - Government Funds \$ 921,608

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. 2,707

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 18,957,775

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. 209,488

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	(131,611)	
Notes Payable	(952,830)	
Revenue Bonds Payable	<u>(1,426,679)</u>	(2,511,120)

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. (140,019)

Net Position - Governmental Funds \$ 17,485,826

City of Hartford

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2023

	<u>Capital Projects</u>		Other	Total
	<u>General Fund</u>	<u>WWTF Project</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues:				
Taxes				
General property taxes	\$ 1,652,993	\$ --	\$ --	\$ 1,652,993
General sales taxes	1,533,143	--	110,770	1,643,913
Business sales taxes	461	--	--	461
Excise tax	4,973	--	--	4,973
Penalties and interest	1,791	--	--	1,791
Licenses and permits	143,080	--	--	143,080
Intergovernmental revenue				
Federal grants	73,713	--	--	73,713
State grants	3,568	--	--	3,568
State shared revenues				
Bank franchise tax	71,879	--	--	71,879
Liquor tax reversion	23,054	--	--	23,054
Motor vehicles licenses	24,832	--	--	24,832
County shared revenues				
County road tax	26,524	--	--	26,524
Wheel tax	4,537	--	--	4,537
Charges for goods and services				
Public safety	38,792	--	--	38,792
Highways and streets	219,812	--	--	219,812
Culture and recreation	48,860	--	--	48,860
Fines and forfeits				
Court fines and costs	3,412	--	--	3,412
Miscellaneous revenue				
Investment earnings	108,527	--	831	109,358
Rentals	333,358	--	--	333,358
Insurance claims	70	--	--	70
Contributions	15,411	--	--	15,411
Other	31,194	--	--	31,194
Total Revenue	<u>\$ 4,363,984</u>	<u>\$ --</u>	<u>\$ 111,601</u>	<u>\$ 4,475,585</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, 2023 (Continued)

	<u>Capital Projects</u>		Other Governmental Funds	Total Governmental Funds
	General Fund	WWTF Project		
Expenditures:				
Current:				
General government:				
Legislative	\$ 26,263	\$ --	\$ --	\$ 26,263
Executive administration	720	--	--	720
Elections	71	--	--	71
Legal	16,857	--	--	16,857
Financial administration	491,180	--	--	491,180
Planning and zoning	130,035	--	--	130,035
Public safety:				
Police	295,758	--	--	295,758
Fire	133,625	--	--	133,625
Public works:				
Highways and streets	610,860	--	--	610,860
Sanitation	--	2,189	--	2,189
Health and welfare:				
Health	1,294	--	--	1,294
Culture and recreation:				
Recreation	156,154	--	--	156,154
Parks	300,869	--	--	300,869
Conservation and development:				
Economic development and assistance (industrial development)	362,557	--	114,492	477,049
Debt service	472,435	--	--	472,435
Capital outlay	337,744	5,141,774	233,536	5,713,054
Total Expenditures	<u>3,336,422</u>	<u>5,143,963</u>	<u>348,028</u>	<u>8,828,413</u>
Excess of Revenues Over (Under)				
Expenditures	<u>1,027,562</u>	<u>(5,143,963)</u>	<u>(236,427)</u>	<u>(4,352,828)</u>
Other Financing Sources:				
Transfers in	647,245	1,301,700	678,546	2,627,491
Transfers out	<u>(178,546)</u>	<u>--</u>	<u>(647,245)</u>	<u>(825,791)</u>
Total Other Financing Sources	<u>468,699</u>	<u>1,301,700</u>	<u>31,301</u>	<u>1,801,700</u>
Net Change in Fund Balance	1,496,261	(3,842,263)	(205,126)	(2,551,128)
Fund Balances- Beginning of Year	<u>2,700,372</u>	<u>(157,311)</u>	<u>929,675</u>	<u>3,472,736</u>
Fund Balances - End of Year	<u>\$ 4,196,633</u>	<u>\$ (3,999,574)</u>	<u>\$ 724,549</u>	<u>\$ 921,608</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, 2023

Net Change in Fund Balances - Total Government Funds \$ (2,551,128)

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. 5,713,054

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. (850,526)

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. (149,787)

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. 390,580

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds. (7,050)

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures. (15,221)

Change in Net Position of Governmental Activities \$ 2,529,922

City of Hartford
Statement of Net Position – Proprietary Funds
December 31, 2023

	Enterprise Funds		Totals
	Water Fund	Sewer Fund	
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 873,270	\$ 1,001,256	\$ 1,874,526
Certificate of Deposit	70,000	--	70,000
Accounts receivable, net	55,608	52,745	108,353
Inventory for resale	8,800	--	8,800
Supply inventory	26,376	11,527	37,903
Total Current Assets	<u>1,034,054</u>	<u>1,065,528</u>	<u>2,099,582</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	93,141	--	93,141
Capital assets:			
Land	127,385	979,313	1,106,698
Buildings	9,837	559,837	569,674
Improvements other than buildings	4,123,270	6,224,298	10,347,568
Machinery and equipment	208,174	357,624	565,798
Accumulated depreciation	(3,381,375)	(4,925,609)	(8,306,984)
Construction in Progress	28,030	163,645	191,675
Total Capital Assets:	<u>1,115,321</u>	<u>3,359,108</u>	<u>4,474,429</u>
Total Noncurrent Assets	<u>1,208,462</u>	<u>3,359,108</u>	<u>4,567,570</u>
Total Assets	<u>2,242,516</u>	<u>4,424,636</u>	<u>6,667,152</u>
Deferred Outflows of Resources:			
Deferred Connection Fee	329,773	--	329,773
Liabilities:			
Current Liabilities:			
Accounts payable	16,508	5,681	22,189
Accrued wages	810	849	1,659
Customer deposits	93,141	--	93,141
Current portion of long term debt	69,825	222,998	292,823
Total Current Liabilities	<u>180,284</u>	<u>229,528</u>	<u>409,812</u>
Noncurrent Liabilities:			
Bonds payable:			
Revenue	165,622	3,999,282	4,164,904
Accrued leave payable	6,167	6,167	12,334
Total Noncurrent Liabilities	<u>171,789</u>	<u>4,005,449</u>	<u>4,177,238</u>
Total Liabilities	<u>352,073</u>	<u>4,234,977</u>	<u>4,587,050</u>
Net Position:			
Net investment in capital assets	879,874	438,528	1,318,402
Restricted net position restricted for:			
Customer deposits	93,141	--	93,141
Unrestricted net position	1,247,201	(248,869)	998,332
Total Net Position	<u>\$ 2,220,216</u>	<u>\$ 189,659</u>	<u>\$ 2,409,875</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, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues:			
Charges for goods and services	\$ 964,827	\$ 1,003,049	\$ 1,967,876
Other	10,250	--	10,250
Total Operating Revenues	<u>975,077</u>	<u>1,003,049</u>	<u>1,978,126</u>
Operating Expenses:			
Personal services	84,655	179,997	264,652
Other current expense	296,197	--	296,197
Materials	48,576	--	48,576
Depreciation	142,946	200,314	343,260
Total Operating Expenses	<u>572,374</u>	<u>380,311</u>	<u>952,685</u>
Operating Income (Loss)	<u>402,703</u>	<u>622,738</u>	<u>1,025,441</u>
Nonoperating Revenues:			
Investment earnings	1,143	691	1,834
Interest expense	<u>(10,284)</u>	<u>(100,624)</u>	<u>(110,908)</u>
Total Nonoperating Revenue	<u>(9,141)</u>	<u>(99,933)</u>	<u>(109,074)</u>
Net Income (Loss) Before Contributions and Transfers	<u>393,562</u>	<u>522,805</u>	<u>916,367</u>
Capital contributions	--	140,732	140,732
Transfers out	<u>(500,000)</u>	<u>(1,301,700)</u>	<u>(1,801,700)</u>
Net Change in Net Position	(106,438)	(638,163)	(744,601)
Net Position - Beginning of Year	<u>2,326,654</u>	<u>827,822</u>	<u>3,154,476</u>
Net Position - End of Year	<u><u>\$ 2,220,216</u></u>	<u><u>\$ 189,659</u></u>	<u><u>\$ 2,409,875</u></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, 2023

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Receipt from customers	\$ 958,214	\$ 1,007,243	\$ 1,965,457
Payments to suppliers	(343,436)	1,267	(342,169)
Payments to employees	(83,643)	(178,984)	(262,627)
Net Cash Provided (Used) by Operating Activities:	<u>531,135</u>	<u>829,526</u>	<u>1,360,661</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to other funds	(500,000)	(1,301,700)	(1,801,700)
Net Cash Provided (Used) by Noncapital Financing Activities:	<u>(500,000)</u>	<u>(1,301,700)</u>	<u>(1,801,700)</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(15,312)	(12,782)	(28,094)
Proceeds from long term debt	--	1,301,700	1,301,700
Payments on long term debt	(124,636)	(227,130)	(351,766)
Debt interest paid	(10,284)	(100,624)	(110,908)
Net Cash (Used) by Capital and Related Financing Activities:	<u>(150,232)</u>	<u>961,164</u>	<u>810,932</u>
Cash Flows from Investing Activities:			
Interest earnings	1,143	691	1,834
Net Cash Provided (Used) by Investing Activities	<u>1,143</u>	<u>691</u>	<u>1,834</u>
Net Increase in Cash and Cash Equivalents	(117,954)	489,681	371,727
Cash and Cash Equivalents - Beginning of Year	<u>1,061,224</u>	<u>511,575</u>	<u>1,572,799</u>
Cash and Cash Equivalents - End of Year	<u>\$ 943,270</u>	<u>\$ 1,001,256</u>	<u>\$ 1,944,526</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, 2023 (Continued)

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

Operating income (loss)	\$	402,703	\$	622,738	\$	1,025,441
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Provided by operating activities:						
Depreciation expense		142,946		200,314		343,260
(Increase) decrease in:						
Inventories		2,534		4,194		6,728
Increase (decrease) in:						
Accounts and other payables		1,337		1,267		2,604
Accrued wages and leave payable		1,012		1,013		2,025
Deposits		(19,397)		--		(19,397)
Cash Flows Provided by Operating Activities		<u>\$ 531,135</u>		<u>\$ 829,526</u>		<u>\$ 1,360,661</u>

Noncash Capital Activities

Purchase of capital assets by governmental activities	\$	--	\$	140,732	\$	--
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The accompanying Notes to Financial Statements are an integral part of this statement.

City of Hartford
Notes to the Financial Statements
December 31, 2023

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, 2023

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.

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 2023 as non-major funds were the "Vandemark St. Fund", "Mickelson Road Fund", "Western Avenue Sewer Fund", "9th Street Fund", "Mudt/6th Street Fund", "Oak/12th Street Fund", and the "HWY 38 Water 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 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.

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.)

1. Summary of Significant Accounting Policies: (Continued)

- 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.

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).

City of Hartford
Notes to the Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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, 2023 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:

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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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

	Capitalization Threshold	Depreciation/ Amortization 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, 2023

1. Summary of Significant Accounting Policies: (Continued)

h. Leases:

The City does not have any leases. If the City had any leases, it would recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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

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

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

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

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

i. Subscription-Based Information Technology Arrangements:

The City does not have any Subscription-Based Information Technology Arrangements (SBITAs) with vendors to use vendor-provided information technology. If the City had any, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

1. Summary of Significant Accounting Policies: (Continued)

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

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

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

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

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

j. 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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

k. 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.

l. 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.

m. 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.

n. 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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

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.

o. 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.

p. 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.

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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies: (Continued)

q. 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. Implementation of New Accounting Standard:

In 2023, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Arrangements. The implementation of this standard had no effect on beginning net position.

3. 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.

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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

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

As of December 31, 2023, 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.

4. 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	<u>\$ 93,141</u>	Customer deposits
Total	<u><u>\$ 93,141</u></u>	

5. Receivables and Payables:

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

6. 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.

City of Hartford
Notes to the Financial Statements
December 31, 2023

6. Inventory: (Continued)

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.

7. 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, 2023

8. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2023 is as follows:

	<u>Balance 12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2023</u>
Governmental Activities:				
Capital assets, not being depreciated/amortized				
Land	\$ 1,051,033	\$ --	\$ --	\$ 1,051,033
Construction in progress	2,718,733	5,608,838	2,147,469	6,180,102
Total, not being depreciated/amortized	<u>3,769,766</u>	<u>5,608,838</u>	<u>2,147,469</u>	<u>7,231,135</u>
Capital assets, being depreciated/amortized				
Buildings	529,559	19,311	--	548,870
Improvements	15,476,247	2,150,767	153,640	17,473,374
Machinery & Equipment	1,486,625	81,607	26,185	1,542,047
Total, being depreciated/amortized	<u>17,492,431</u>	<u>2,251,685</u>	<u>179,825</u>	<u>19,564,291</u>
Less accumulated depreciation/amortization for:				
Buildings	343,355	11,744	--	355,099
Improvements	5,497,005	734,695	5,084	6,226,616
Machinery & Equipment	1,176,803	104,087	24,954	1,255,936
Total accumulated depreciation/amortization	<u>7,017,163</u>	<u>850,526</u>	<u>30,038</u>	<u>7,837,651</u>
Capital Assets Net	<u>\$ 14,245,034</u>	<u>\$ 7,009,997</u>	<u>\$ 2,297,256</u>	<u>\$ 18,957,775</u>

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 263,663
Public safety	68,043
Public works	408,252
Culture and recreation	110,568
	<u>\$ 850,526</u>

City of Hartford
Notes to the Financial Statements
December 31, 2023

8. Changes in Capital Assets: (Continued)

Construction Work in Progress at December 31, 2023 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2023</u>	<u>Committed</u>
<u>Governmental Activities</u>			
Waste Water Treatment Facility (WWTF)	\$ 23,036,213	\$ 5,905,797	\$ 17,130,416
Western Ave. Interchange Approach	320,000	274,305	45,695
Total Governmental Activities	<u>23,356,213</u>	<u>6,180,102</u>	<u>17,176,111</u>
<u>Business-Type Activities</u>			
Hwy 38 Watermain Extension	29,000	28,030	970
Waste Water Treatment Facility (WWTF)	163,645	163,645	--
Total Governmental Activities	<u>192,645</u>	<u>191,675</u>	<u>970</u>
Total Work in Progress	<u>\$ 23,548,858</u>	<u>\$ 6,371,777</u>	<u>\$ 17,177,081</u>

City of Hartford
Notes to the Financial Statements
December 31, 2023

8. Changes in Capital Assets: (Continued)

A summary of changes in capital assets for the year ended December 31, 2023 is as follows: (Continued)

	<u>Balance 12/31/2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2023</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,106,698	\$ --	\$ --	\$ 1,106,698
CWIP	<u>1,609,323</u>	<u>143,225</u>	<u>1,560,873</u>	<u>191,675</u>
Total, not being depreciated	<u>2,716,021</u>	<u>143,225</u>	<u>1,560,873</u>	<u>1,298,373</u>
Capital assets, being depreciated/amortized:				
Buildings	569,674	--	--	569,674
Improvements	8,786,653	1,560,915	--	10,347,568
Machinery & Equipment	<u>540,234</u>	<u>25,564</u>	--	<u>565,798</u>
Total, being depreciated	<u>9,896,561</u>	<u>1,586,479</u>	--	<u>11,483,040</u>
Less accumulated depreciation/amortization for:				
Buildings	351,463	11,394	--	362,857
Improvements	7,273,162	278,245	--	7,551,407
Machinery & Equipment	<u>339,099</u>	<u>53,621</u>	--	<u>392,720</u>
Total accumulated depreciation/amortization	<u>7,963,724</u>	<u>343,260</u>	--	<u>8,306,984</u>
Capital Assets Net	<u>\$ 4,648,858</u>	<u>\$ 1,386,444</u>	<u>\$ 1,560,873</u>	<u>\$ 4,474,429</u>

Depreciation/Amortization expense was charged to functions as follows:

Water	\$ 142,946
Sewer	<u>200,314</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 343,260</u>

City of Hartford
Notes to the Financial Statements
December 31, 2023

9. Long-Term Debt:

A summary of changes in long-term debt for the year ended December 31, 2023 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	\$ 1,666,522	\$ --	\$ 239,843	\$ 1,426,679	\$ 152,047
Notes Payable	<u>1,103,567</u>	<u>--</u>	<u>150,737</u>	<u>952,830</u>	<u>148,714</u>
Total Debt	2,770,089	--	390,580	2,379,509	300,761
Accrued Leave	<u>116,390</u>	<u>78,540</u>	<u>63,319</u>	<u>131,611</u>	<u>--</u>
Total Governmental Activities	<u>2,886,479</u>	<u>78,540</u>	<u>453,899</u>	<u>2,511,120</u>	<u>300,761</u>
Business-Type Activities:					
Revolving Loans	3,261,309	1,301,700	230,132	4,332,877	167,973
Notes Payable	<u>246,484</u>	<u>--</u>	<u>121,634</u>	<u>124,850</u>	<u>124,850</u>
Total Debt	3,507,793	1,301,700	351,766	4,457,727	292,823
Accrued Leave	<u>10,309</u>	<u>11,276</u>	<u>9,251</u>	<u>12,334</u>	<u>--</u>
Total Business-Type Activities	<u>3,518,102</u>	<u>1,312,976</u>	<u>361,017</u>	<u>4,470,061</u>	<u>292,823</u>
Total Primary Government	<u>\$ 6,404,581</u>	<u>\$ 1,391,516</u>	<u>\$ 814,916</u>	<u>\$ 6,981,181</u>	<u>\$ 593,584</u>

City of Hartford
Notes to the Financial Statements
December 31, 2023

9. Long-Term Debt: (Continued)

Debt payable at December 31, 2023, is comprised of the following:

Governmental Activities:

Revenue Bonds:

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.	\$ 166,679
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>1,260,000</u>
Total Revenue Bond Debt		<u>1,426,679</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.	520,791
Reliabank Dakota Note	3.11% fixed; matures and final payment due April 1, 2024. This debt is serviced by the General Fund.	<u>432,039</u>
Total Promissory Note Debt		<u>952,830</u>
Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2023. This debt is serviced by the General Fund.	<u>131,611</u>
Total Governmental Activities Debt		\$ 2,511,120

City of Hartford
Notes to the Financial Statements
December 31, 2023

9. Long-Term Debt: (Continued)

Debt payable at December 31, 2023, 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.	\$ 235,447
Series 2007 State Revolving Fund	3.25%; matures January 15, 2028. This debt will be repaid from the Sewer Fund.	156,584
Series 2017 State Revolving Fund	2.5%; matures January 15, 2049. This debt will be repaid from the Sewer Fund.	1,305,146
Series 2022 State Revolving Fund	2.75%; matures November 15, 2053. This debt will be repaid from the Sewer Fund.	1,334,000
Series 2023 State Revolving Fund	2.13%; matures August 6, 2054. This debt will be repaid from the Sewer Fund.	<u>1,301,700</u>
Total State Revolving Fund Debt		<u>4,332,877</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>124,850</u>
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Total Promissory Note		<u>124,850</u>
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Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2023. This debt is serviced by the proprietary fund making the payroll payment.	<u>12,334</u>
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Total Business Activity Debt		<u>4,470,061</u>
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Grand Total		<u><u>\$ 6,981,181</u></u>
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City of Hartford
Notes to the Financial Statements
December 31, 2023

9. Long-Term Debt: (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2023, 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
2024	\$ 167,973	\$ 80,181	\$ 124,850	\$ 2,057	\$ 292,823	\$ 82,238
2025	185,407	136,982	--	--	185,407	136,982
2026	209,716	97,052	--	--	209,716	97,052
2027	157,850	91,443	--	--	157,850	91,443
2028	133,645	97,564	--	--	133,645	97,564
2029-2033	577,822	394,316	--	--	577,822	394,316
2034-2038	653,377	318,760	--	--	653,377	318,760
2039-2043	738,920	233,217	--	--	738,920	233,217
2043-2048	835,785	136,353	--	--	835,785	136,353
2054-2058	571,957	48,148	--	--	571,957	48,148
2033-2037	100,425	2,149	--	--	100,425	2,149
Total	<u>\$ 4,332,877</u>	<u>\$ 1,636,165</u>	<u>\$ 124,850</u>	<u>\$ 2,057</u>	<u>\$ 4,457,727</u>	<u>\$ 1,638,222</u>

Governmental Activities

Years Ending

Dec. 31,	Revenue Bonds		Promissory Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 152,047	\$ 37,827	\$ 148,714	\$ 26,891	\$ 300,761	\$ 64,718
2025	154,632	34,157	160,609	26,736	315,241	60,893
2026	70,000	30,406	165,928	21,417	235,928	51,823
2027	75,000	28,306	65,294	16,760	140,294	45,066
2028	75,000	26,056	31,606	15,352	106,606	41,408
2029-2033	420,000	94,581	177,597	57,193	597,597	151,774
2034-2038	480,000	36,275	203,082	19,968	683,082	56,243
Total	<u>\$ 1,426,679</u>	<u>\$ 287,608</u>	<u>\$ 952,830</u>	<u>\$ 184,317</u>	<u>\$ 2,379,509</u>	<u>\$ 471,925</u>

City of Hartford
Notes to the Financial Statements
December 31, 2023

9. 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 \$235,447. Principal and interest paid for the current year and total customer net revenues were \$124,636 and \$975,077 respectively.

The City has also pledged future sewer customers' net revenues to repay \$11,875,096 in sewer system loans issued in 2001, 2002, 2003, 2007, 2017, 2021, and 2023. 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 2058. 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 \$4,097,430. Principal and interest paid for the current year and total customer net revenues were \$105,496 and \$1,003,049, respectively.

10. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2023 was as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Park	\$ 59,590	\$ --	\$ 59,590
Facility replacement	724,549	--	724,549
Customer deposits	--	93,141	93,141
SDRS pension purposes	72,176	--	72,176
Total	<u>\$ 856,315</u>	<u>\$ 93,141</u>	<u>\$ 949,456</u>

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

City of Hartford
Notes to the Financial Statements
December 31, 2023

11. Interfund Transfers:

Interfund transfers for the year ended December 31, 2023 were as follows:

Transfer from Mickelson Road Project Fund to General Fund to close out Capital Projects Fund.	\$ 64,994
Transfer from Vandemark Street Project Fund to General Fund to close out Capital Projects Fund.	\$ 993
Transfer from 9th Street Project Fund to General Fund Fund to close out Capital Projects Fund.	\$ 581,258
Transfer from General Fund to Western Avenue Sewer Project Fund.	\$ 6,696
Transfer from General Fund to Mudt/6th Street Project Fund.	\$ 87,351
Transfer from General Fund to Oak/12th Project Project Fund.	\$ 84,499
Transfer from Water Fund to HWY 38 Water Project Fund.	\$ 500,000
Transfer from the Sewer Fund to WWTF Project Fund.	\$ 1,301,700

12. Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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 SDCL 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.

12. Pension Plan: (Continued)

Benefits Provided:

SDRS has four classes of members: 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 retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses 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, 2023

12. 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, 2023, 2022, and 2021 equal to the required contributions each year as follows:

2023	\$	44,400
2022		40,389
2021		34,970

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

At June 30, 2023, 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, 2023, and reported by the City as of December 31, 2023 are as follows:

Proportionate share of pension benefits	\$ 4,018,704
Less proportionate share of total pension restricted for pension benefits	<u>4,021,411</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (2,707)</u></u>

At December 31, 2023, the City reported an asset of \$(2,707) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 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, 2023, the City's proportion was 0.02773300%, which is an increase of 0.0012810% from its proportion measured as of June 30, 2022.

City of Hartford
Notes to the Financial Statements
December 31, 2023

12. Pension Plan: (Continued)

For the year ended December 31, 2023 the City recognized a pension expense of \$7,051. At December 31, 2023, 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	\$ 76,728	\$ --
Changes in assumption	92,544	135,278
Net Difference between projected and actual earnings on pension plan investments	18,021	--
Changes in proportion and difference between City contributions and proportionate share of contributions	4	4,741
City contributions subsequent to the measurement date	22,191	--
Total Revenues	\$ 209,488	\$ 140,019

\$22,191 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, 2024. 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:	
2024	\$ 35,029
2025	(42,654)
2026	51,330
2027	3,573
	\$ 47,278

Actuarial Assumptions:

The total pension liability (asset) in the June 30, 2023 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	1.91%

City of Hartford
Notes to the Financial Statements
December 31, 2023

12. 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, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

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, 2023 (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	56.3%	3.8%
Fixed income	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	<u>100%</u>	

City of Hartford
Notes to the Financial Statements
December 31, 2023

12. 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)	\$ 554,812	\$ (2,707)	\$ (458,651)

Pension Plan Fiduciary Net Position:

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

13. 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, 2023, 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.

13. 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, 2023

13. 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, 2023, no claims were filed for unemployment benefits. At December 31, 2023, no claims were outstanding.

Required Supplementary Information

City of Hartford
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 1,682,085	\$ 1,682,085	\$ 1,652,993	\$ (29,092)
General sales and use tax	1,440,000	1,440,000	1,533,143	93,143
Business sales tax revenue	28,050	28,050	461	(27,589)
Excise tax	--	--	4,973	4,973
Penalties and interest on taxes	3,500	3,500	1,791	(1,709)
Licenses and permits	158,914	158,914	143,080	(15,834)
Intergovernmental:				
Federal grants	1,268,047	1,268,047	73,713	(1,194,334)
State grants	133,500	133,500	3,568	(129,932)
State shared revenues				
Bank franchise tax	60,000	60,000	71,879	11,879
Motor vehicle commercial prorate	2,000	2,000	--	(2,000)
Liquor tax reversion	22,500	22,500	23,054	554
Motor vehicle licenses (5%)	24,500	24,500	24,832	332
County Shared Revenue:				
County road tax (25%)	25,000	25,000	26,524	1,524
County wheel tax	4,000	4,000	4,537	537
Charges for Goods and Services:				
Public safety	28,640	28,640	38,792	10,152
Highway and streets	--	--	219,812	219,812
Culture and recreation	37,000	37,000	48,860	11,860
Fines and Forfeits:				
Court fines and costs	7,000	7,000	3,412	(3,588)
Miscellaneous Revenue:				
Investment earnings	1,303	1,303	108,527	107,224
Rentals	150,843	150,843	333,358	182,515
Insurance claims	--	--	70	70
Contributions and donations	3,100	3,100	15,411	12,311
Other	10,000	10,000	31,194	21,194
Total Revenues	<u>\$ 5,089,982</u>	<u>\$ 5,089,982</u>	<u>\$ 4,363,984</u>	<u>\$ (725,998)</u>

City of Hartford
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2023 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Expenditures				
General Government:				
Mayor & council	\$ 87,463	\$ 38,374	\$ 26,263	\$ 12,111
Elections	200	200	71	129
Executive Admin	835	835	720	115
Financial administration	473,924	491,181	491,180	1
Legal	20,000	16,857	16,857	--
General Government Building	100,546	153,508	152,608	900
Public Safety:				
Police	303,740	303,740	295,758	7,982
Fire	183,625	183,625	133,625	50,000
Public Works:				
Highways and streets	801,685	876,685	842,243	34,442
Health and Welfare:				
Health	3,350	3,350	1,294	2,056
Culture and Recreation:				
Recreation	271,161	271,161	156,154	115,007
Parks	2,163,573	2,163,573	325,592	1,837,981
Libraries	7,000	7,000	--	7,000
Conservation and Development:				
Economic Development and Assistance	446,881	450,000	421,622	28,378
Debt Service	471,304	472,435	472,435	--
Total Expenditures	<u>5,335,287</u>	<u>5,432,524</u>	<u>3,336,422</u>	<u>2,096,102</u>
Excess of Revenues Over Expenditures	<u>(245,305)</u>	<u>(342,542)</u>	<u>1,027,562</u>	<u>1,370,104</u>
Other Financing Sources:				
Transfers in	--	--	647,245	647,245
Transfers (out)	<u>(171,850)</u>	<u>(178,546)</u>	<u>(178,546)</u>	<u>--</u>
Total Other Financing Sources	<u>(171,850)</u>	<u>(178,546)</u>	<u>468,699</u>	<u>647,245</u>
Net Changes in Fund Balance	(417,155)	(521,088)	1,496,261	2,017,349
Fund Balance, Beginning of Year	<u>2,700,372</u>	<u>2,700,372</u>	<u>2,700,372</u>	<u>--</u>
Fund Balance, End of Year	<u><u>\$ 2,283,217</u></u>	<u><u>\$ 2,179,284</u></u>	<u><u>\$ 4,196,633</u></u>	<u><u>\$ 2,017,349</u></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, 2023

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>2023</u>	<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)	0.0277330%	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)	\$ (2,707)	\$ (2,500)	\$ (187,069)	\$ (1,041)	\$ (2,387)	\$ (487)	\$ (1,861)	\$ 61,965	\$ (83,635)	\$ (144,193)
City's covered-employee payroll	<u>710,287</u>	<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	-0.38%	-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%	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>2023</u>	<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	\$ 44,400	\$ 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>44,400</u>	<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>	<u>\$ --</u>
City's covered-employee payroll	\$ 739,999	\$ 673,751	\$ 582,838	\$ 525,693	\$ 521,432	\$ 442,366	\$ 431,529	\$ 372,316	\$ 359,682
Contributions as a percentage of covered-employee payroll	6.00%	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, 2023

Changes from Prior Valuation:

The June 30, 2023, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, Actuarial Valuation.

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

Benefit Provision Changes:

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Assumption Changes:

No changes in actuarial methods were made since the prior valuation.

Actuarial Method Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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%.

As of June 30, 2022 the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023 the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

Supplementary Information

City of Hartford
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue	Capital Projects						Total Nonmajor Governmental Funds	
	3rd Penny Sales Tax Fund	Mickelson Road Project	Vandenmark Street Project	Western Avenue Sewer Project	9th Street Project	Mudt/6th Street Project	Oak/12th St Project		HWY 38 Water Project
Assets:									
Cash and cash equivalents	\$ 164,037	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 84,399	\$ 497,172	\$ 745,608
Due from governments	2,688	--	--	--	--	--	--	--	2,688
Total Assets	<u>166,725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>84,399</u>	<u>497,172</u>	<u>748,296</u>
Liabilities and Fund Balances:									
Accounts payable	--	--	--	--	--	--	23,747	--	23,747
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>23,747</u>	<u>--</u>	<u>23,747</u>
Fund Balances:									
Restricted	166,725	--	--	--	--	--	60,652	497,172	724,549
Total Fund Balances	<u>166,725</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>60,652</u>	<u>497,172</u>	<u>724,549</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 166,725</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 84,399</u>	<u>\$ 497,172</u>	<u>\$ 748,296</u>

City of Hartford
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue		Capital Projects						Total Governmental Funds
	3rd Penny Sales Tax Fund	Mickelson Road Project	Vandenmark Street Project	Western Avenue Sewer Project	9th Street Project	Mudt/6th Street Project	Oak/12th St Project	HWY 38 Water Project	
Revenues:									
Taxes									
General sales taxes	\$ 110,770	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 110,770
Miscellaneous revenue									
Investment earnings	121	40	--	84	349	10	--	227	831
Total Revenue	110,891	40	--	84	349	10	--	227	111,601
Expenditures:									
Public works:									
Economic development and assistance (industrial development)	\$ 87,590	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 23,847	\$ 3,055	\$ 114,492
Capital outlay	--	--	--	100,512	--	133,024	--	--	233,536
Total Expenditures	87,590	--	--	100,512	--	133,024	23,847	3,055	348,028
Excess of Revenues Over (Under)									
Expenditures	23,301	40	--	(100,428)	349	(133,014)	(23,847)	(2,828)	(236,427)
Other Financing Sources:									
Transfers in	--	--	--	6,696	--	87,351	84,499	500,000	678,546
Transfers out	--	(64,994)	(993)	--	(581,258)	--	--	--	(647,245)
Total Other Financing Sources	--	(64,994)	(993)	6,696	(581,258)	87,351	84,499	500,000	31,301
Net Change in Fund Balance	23,301	(64,954)	(993)	(93,732)	(580,909)	(45,663)	60,652	497,172	(205,126)
Fund Balances- Beginning of Year	143,424	64,954	993	93,732	580,909	45,663	--	--	929,675
Fund Balances - End of Year	\$ 166,725	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 60,652	\$ 497,172	\$ 724,549