

**City of Hartford
Financial Statements
September 30, 2020**

**City of Hartford
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Independent Auditors' Report

To the Mayor and City Council of
The City of Hartford, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and component units except as noted below, and the aggregate remaining fund information of the City of Hartford, Alabama as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hartford, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Geneva County Volunteer Firefighters' financial statements been audited, 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, Alabama, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 9 and 16 be presented to supplement the basic financial statements. Such 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. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2021, on our consideration of the City of Hartford, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hartford, Alabama's internal control over financial reporting and compliance.



Ferguson Sizemore & Associates
Dothan, Alabama
July 12, 2021

Management's Discussion and Analysis

The City of Hartford's (the "City") discussion and analysis is a narrative overview designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (revealing the ability to address future challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) focuses on the activities of the City for the fiscal year ended September 30, 2020. Please consider the information in this MD&A in conjunction with the transmittal letter at the front of this report and the City's financial statements.

Financial Highlights

The City's net position decreased by \$4,945, after depreciation expense in the amount of \$472,941.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of the City's finances, in a manner to resemble private-sector business. In these statements, all governmental and business-type activities are consolidated into columns, which are added to a total for the City or primary government.

The statement of net position (the "Unrestricted Net Position") presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information focused on both gross and net costs and shows how the City's net position changed during the most recent fiscal year. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to typically recover all or a significant portion of the cost of operation, including depreciation, through user fees and charges for services (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, culture and recreation. The business-type activities of the City reflect private sector type operations (water and garbage).

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. This focus is on major funds, rather than (the previous model's statements prior to implementation of GASB 34 in fiscal year 2003) fund types. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental, proprietary, and fiduciary are the three categories of fund types.

The fund financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental major fund is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows, outflows, and balances of spendable resources.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund, and the two cent gas tax fund. The City maintains separate proprietary funds for utility and rescue services. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the business-type fund financial statements is the same as the business-type column on the government-wide financial statement, the governmental major funds total column requires a reconciliation because of the difference in measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect debt proceeds and interfund transfers as other financial sources as well as capital expenditures and debt principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column (in the government-wide statements).

The notes provided in this report convey additional essential information that will magnify the understanding of data in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The City's net position decreased by \$4,945. The governmental net position increased by \$74,275, and the business-type net position decreased by \$79,220. Management will continue to monitor net position because the variance is a useful indicator of the City's financial position.

The following table reflects the condensed Statement of Net Position compared to prior year.

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 1,437,424	\$ 1,719,493	\$ 3,206,982	\$ 3,053,327	\$ 4,644,406	\$ 4,772,820
Capital assets	3,245,148	2,945,672	5,859,136	5,854,039	9,104,284	8,799,711
	<u>4,682,572</u>	<u>4,665,165</u>	<u>9,066,118</u>	<u>8,907,366</u>	<u>13,748,690</u>	<u>13,572,531</u>
Deferred outflows of resources	213,288	114,121	105,168	50,732	318,456	164,853
Current liabilities	20,349	58,843	738,670	489,714	759,019	548,557
Long-term liabilities	283,882	99,999	389,070	290,176	672,952	390,175
	<u>304,231</u>	<u>158,842</u>	<u>1,127,740</u>	<u>779,890</u>	<u>1,431,971</u>	<u>938,732</u>
Deferred inflows of resources	138,809	241,899	70,091	125,533	208,900	367,432
Net Position:						
Net invested in capital assets	3,154,391	2,833,251	5,559,143	5,354,047	8,713,534	8,187,298
Restricted	216,104	661,815	254,820	254,820	470,924	916,635
Unrestricted	1,082,325	883,479	2,159,492	2,443,808	3,241,817	3,327,287
	<u>\$ 4,452,820</u>	<u>\$ 4,378,545</u>	<u>\$ 7,973,455</u>	<u>\$ 8,052,675</u>	<u>\$ 12,426,275</u>	<u>\$ 12,431,220</u>

By far, the largest portion of the City's net position (71%) reflects the total investment in capital assets (e.g. land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens. These assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay for or liquidate these liabilities. The remaining balance of *unrestricted net position* (\$3,241,762) may be used to meet the government's ongoing obligations to citizens and creditors.

Normal Impacts Affecting the Statement of Net Position

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital – which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital – which will reduce current assets and increase capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of debt.

Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net position and increase invested in capital assets, net of debt.

Principal Payment on Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net position and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of debt.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net position decreased by \$4,945 during the current fiscal year. This increase was in part due to the receipt of grant funds.

While the results of operations are a significant measure of the City's activities, the explanation of changes in unrestricted net position provides a clear measure of change in the City's financial position.

Statement of Activities

The following schedule compares the revenues and expenses for the current and previous year.

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 425,654	\$ 448,402	\$ 4,494,703	\$ 4,832,357	\$ 4,920,357	\$ 5,280,759
Operating grants	21,373	181,451	-	-	21,373	181,451
Capital grants	27,728	375,988	-	-	27,728	375,988
General revenues						
Property taxes	123,181	121,068	-	-	123,181	121,068
Other taxes	1,289,280	1,135,588	-	-	1,289,280	1,135,588
Other	134,099	123,387	23,929	49,585	158,028	172,972
	<u>2,021,315</u>	<u>2,385,884</u>	<u>4,518,632</u>	<u>4,881,942</u>	<u>6,539,947</u>	<u>7,267,826</u>
Expenses:						
Program activities:						
Government activities:						
General government	941,667	928,723	-	-	941,667	928,723
Mayor/council	65,200	62,200	-	-	65,200	62,200
Public safety	751,179	750,606	-	-	751,179	750,606
Sanitation	336,377	295,899	-	-	336,377	295,899
Cultural/recreation	317,948	318,839	-	-	317,948	318,839
Judicial	74,076	106,287	-	-	74,076	106,287
Streets/highways	146,322	152,152	-	-	146,322	152,152
Business-type activities:						
Utilities	-	-	2,910,340	2,487,440	2,910,340	2,487,440
Rescue squad	-	-	1,001,783	1,092,316	1,001,783	1,092,316
	<u>2,632,769</u>	<u>2,614,706</u>	<u>3,912,123</u>	<u>3,579,756</u>	<u>6,544,892</u>	<u>6,194,462</u>
	(611,454)	(228,822)	606,509	1,302,186	(4,945)	1,073,364
Transfers	<u>685,729</u>	<u>279,114</u>	<u>(685,729)</u>	<u>(279,114)</u>	<u>-</u>	<u>-</u>
	<u>\$ 74,275</u>	<u>\$ 50,292</u>	<u>\$ (79,220)</u>	<u>\$ 1,023,072</u>	<u>\$ (4,945)</u>	<u>\$ 1,073,364</u>

Business-type activities decreased the City's net position by \$79,220 in the current year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,126,073. Of this total fund balance, \$909,969 constitutes the *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$909,969, while total fund balance was also \$909,969. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. This is very useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance represents 29% of total general fund expenditures, while total fund balance also represents 29% of the total general fund expenditures.

The unassigned fund balance of the City’s general fund decreased by \$3,408 after transfers during the current fiscal year because revenues exceeded expenditures (after transfers) by that amount in this fund.

The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$9,104,284 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, water, sewer and electric system improvements, machinery and equipment, and streets and highways. The total increase in the City’s investment in capital assets for the current fiscal year was \$304,573, due in large part to street improvements and equipment purchases combined with depreciation.

Capital Assets
As of September 30

	Governmental Activities		Business-Type Activities		Total Primary Activities	
	2020	2019	2020	2019	2020	2019
Land	\$ 151,503	\$ 151,503	\$ -	\$ -	\$ 151,503	\$ 151,503
Buildings and improvements	2,492,123	2,697,934	142,842	142,842	2,634,965	2,840,776
Utility systems	-	-	10,619,832	10,619,832	10,619,832	10,619,832
Machinery and equipment	1,932,174	1,917,637	2,105,784	1,850,364	4,037,958	3,768,001
Infrastructure	1,325,630	1,325,630	-	-	1,325,630	1,325,630
Streets and highways	1,142,576	585,038	-	-	1,142,576	585,038
Office equipment	49,490	49,490	-	-	49,490	49,490
Total capital assets	<u>\$ 7,093,496</u>	<u>\$ 6,727,232</u>	<u>\$ 12,868,458</u>	<u>\$ 12,613,038</u>	<u>\$ 19,961,954</u>	<u>\$ 19,340,270</u>

Debt Outstanding

As of the fiscal year end, the City had \$390,750 in outstanding debt compared to \$612,413 at the last fiscal year end. The total debt decreased by \$221,663 during the current fiscal year.

Economic Factors

The City relies on taxes (sales, property, gasoline, franchise, etc.) and fees (licenses, permits, etc.) for its governmental activities. The primary source of revenue is sales tax. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both state and federal governments.

In the business-type and certain governmental activities (water and garbage), the user pays a related fee or charge associated with the service.

The levels of taxes, fees, and charges for services have a direct bearing on the City’s ability to (a) annex additional land into its corporate limits and (b) encourage development to choose to be located in the City’s jurisdiction. The City places significant emphasis on encouraging both annexation and economic development.

Financial Information Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City Clerk at 203 West Main Street, Hartford, Alabama 36344.

City of Hartford
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Geneva County Gas District
	Activities	Activities		
Assets				
Cash	\$ 997,284	\$ 1,905,962	\$ 2,903,246	\$ 353,145
Accounts receivable	194,720	1,159,182	1,353,902	27,872
Due from rescue squad	245,420	-	245,420	-
Interest receivable	-	-	-	97
Prepaid insurance	-	-	-	3,841
Inventories	-	141,838	141,838	13,146
Capital assets				
Land	151,503	-	151,503	142,078
Construction in progress	-	-	-	-
Buildings and improvements	2,492,123	142,842	2,634,965	-
Water and sewer system	-	7,399,286	7,399,286	-
Electric distribution system	-	3,231,296	3,231,296	-
Machinery and equipment	1,932,174	2,105,784	4,037,958	376,765
Streets and highways	1,142,576	-	1,142,576	-
Infrastructure	1,325,630	-	1,325,630	-
Office equipment	49,490	-	49,490	-
Accumulated depreciation	(3,848,348)	(7,020,072)	(10,868,420)	-
Total Capital Assets	3,245,148	5,859,136	9,104,284	518,843
Total Assets	4,682,572	9,066,118	13,748,690	916,944
Deferred Outflows of Resources				
Difference between projected and actual earnings	213,288	105,168	318,456	-
Total Assets and Deferred Outflows of Resources	4,895,860	9,171,286	14,067,146	916,944
Liabilities				
Current Liabilities				
Accounts payable	11,476	221,607	233,083	5,559
Customer deposits	-	254,875	254,875	13,084
Due to the general fund	-	245,420	245,420	-
Accrued expenses	8,873	16,768	25,641	4,817
Distributions payable	-	-	-	117,899
Current portion of long-term liabilities	22,468	200,000	222,468	-
Total Current Liabilities	42,817	938,670	981,487	141,359
Long-Term Liabilities				
Notes payable	68,289	99,993	168,282	28,838
Net pension liability	193,125	89,077	282,202	-
Total Liabilities	304,231	1,127,740	1,431,971	170,197
Deferred Inflows of Resources				
Contributions - employer's	138,809	70,091	208,900	-
Net Position				
Net investment in capital assets	3,154,391	5,559,143	8,713,534	490,005
Restricted for:				
Road projects	216,104	-	216,104	-
Customer deposits	-	254,875	254,875	-
Unrestricted	1,082,325	2,159,437	3,241,762	256,742
Total Net Position	\$ 4,452,820	\$ 7,973,455	\$ 12,426,275	\$ 746,747

See accompanying notes and independent auditors' report.

**City of Hartford
Statement of Activities
For the Year Ended September 30, 2020**

Activities	Expenses	Program Revenues			Primary Government			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Geneva County Gas District
					Governmental Activities	Business-Type Activities	Total	
Governmental:								
General government	\$ 941,667	\$ 211,471	\$ -	\$ 27,728	\$ (702,468)	\$ -	\$ (702,468)	\$ -
Mayor and council	65,200	-	-	-	(65,200)	-	(65,200)	-
Public safety	751,179	55,498	904	-	(694,777)	-	(694,777)	-
Sanitation	336,377	158,685	-	-	(177,692)	-	(177,692)	-
Cultural and recreation	317,948	-	20,469	-	(297,479)	-	(297,479)	-
Judicial	74,076	-	-	-	(74,076)	-	(74,076)	-
Streets and highways	141,345	-	-	-	(141,345)	-	(141,345)	-
Interest and fiscal charges	4,977	-	-	-	(4,977)	-	(4,977)	-
Total Governmental Activities	2,632,769	425,654	21,373	27,728	(2,158,014)	-	(2,158,014)	-
Business-Type:								
Utilities	2,910,340	3,670,767	-	-	-	760,427	760,427	-
Rescue squad	1,001,783	823,936	-	-	-	(177,847)	(177,847)	-
Total Business-Type Activities	3,912,123	4,494,703	-	-	-	582,580	582,580	-
Component Units:								
Geneva County Gas District	382,820	518,560	-	-	-	-	-	135,740
Total Component Units	382,820	518,560	-	-	-	-	-	135,740
Total City	\$ 6,927,712	\$ 5,438,917	\$ 21,373	\$ 27,728	(2,158,014)	582,580	(1,575,434)	135,740
General Revenues:								
Taxes:								
Property taxes					123,181	-	123,181	-
Sales and rental taxes					1,089,085	-	1,089,085	-
Other taxes					200,195	-	200,195	-
Earnings on investments					3,190	6,769	9,959	1,104
Miscellaneous					130,909	17,160	148,069	223
Transfers/distributions					685,729	(685,729)	-	(117,900)
Total General Revenues and Transfers					2,232,289	(661,800)	1,570,489	(116,573)
Change In Net Position					74,275	(79,220)	(4,945)	19,167
Net Position - Beginning					4,378,545	8,052,675	12,431,220	727,580
Net Position - Ending					\$ 4,452,820	\$ 7,973,455	\$ 12,426,275	\$ 746,747

See accompanying notes and independent auditors' report.

**City of Hartford
Balance Sheet
Governmental Funds
September 30, 2020**

	General Fund	Excise Gas Tax Fund	Total Governmental Funds
Assets			
Cash	\$ 789,912	\$ 207,372	\$ 997,284
Due from rescue fund	245,420	-	245,420
Accounts receivable	185,988	8,732	194,720
Total Assets	\$ 1,221,320	\$ 216,104	\$ 1,437,424
Liabilities			
Accounts payable	\$ 11,476	\$ -	\$ 11,476
Accrued expenses	8,873	-	8,873
Net pension liability	193,125	-	193,125
Total Liabilities	213,474	-	213,474
Deferred Inflows of Resources			
Property taxes	97,877	-	97,877
Fund Balances			
Restricted	-	216,104	216,104
Unassigned	909,969	-	909,969
Total Fund Balances	909,969	216,104	1,126,073
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,221,320	\$ 216,104	\$ 1,437,424

See accompanying notes and independent auditors' report.

City of Hartford
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2020

Total Fund Balances for Governmental Funds		\$ 1,126,073
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p> <p>Those assets consist of:</p>		
Land	\$ 151,503	
Buildings and improvements	2,492,123	
Machinery and equipment	1,932,174	
Streets and highways	1,142,576	
Infrastructure	1,325,630	
Office equipment	49,490	
Accumulated depreciation	<u>(3,848,348)</u>	3,245,148
Deferred outflows of resources		213,288
Deferred inflows of resources		(138,809)
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances as of year end are reported as:</p>		
Notes payable		(90,757)
Deferred revenue - property tax assessments are not available to pay current period expenditures and are deferred on the fund financial statements.		<u>97,877</u>
Total Net Position of Governmental Activities		<u><u>\$ 4,452,820</u></u>

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2020

	General Fund	Excise Gas Tax Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 123,181	\$ -	\$ 123,181
Sales and rental taxes	1,089,085	-	1,089,085
Excise taxes	61,796	111,024	172,820
Other taxes	27,375	-	27,375
Charges for services	289,534	-	289,534
Permits and fees	82,237	-	82,237
Court revenues and fines	53,883	-	53,883
Intergovernmental revenues	49,101	-	49,101
Interest income	2,387	803	3,190
Miscellaneous income	105,988	-	105,988
Total Revenues	1,884,567	111,827	1,996,394
Expenditures			
Current:			
General government	835,334	-	835,334
Mayor and council	65,200	-	65,200
Public safety	751,179	-	751,179
Sanitation	336,377	-	336,377
Cultural and recreation	317,948	-	317,948
Judicial	74,076	-	74,076
Streets and highways	141,345	-	141,345
Debt service:			
Principal payments	21,664	-	21,664
Interest and fiscal charges	4,977	-	4,977
Capital outlay	608,063	-	608,063
Total Expenditures	3,156,163	-	3,156,163
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(1,271,596)	111,827	(1,159,769)
Other Financing Sources (Uses)			
Rental income	16,641	-	16,641
Gain on sale of property	8,280	-	8,280
Transfers in	1,534,704	-	1,534,704
Transfers out	(291,437)	(557,538)	(848,975)
Total Other Financing Sources (Uses)	1,268,188	(557,538)	710,650
Net Changes in Fund Balances	(3,408)	(445,711)	(449,119)
Fund Balances - beginning	913,377	661,815	1,575,192
Fund Balances - ending	\$ 909,969	\$ 216,104	\$ 1,126,073

See accompanying notes and independent auditors' report.

City of Hartford
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended September 30, 2020

Net Changes in Fund Balances - Total Governmental Funds		\$ (449,119)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These differences are reflected as follows:</p>		
Capital outlay	608,063	
Depreciation expense	<u>(211,868)</u>	396,195
Net change in deferred inflows and outflows of resources		105,535
Repayments of long-term debt is an expenditure in the governmental funds, but reduces the liability in the statement of net position.		<u>21,664</u>
Change in Net Position		<u><u>\$ 74,275</u></u>

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 123,100	\$ 123,100	\$ 123,181	\$ 81
Sales and rental taxes	939,600	939,600	1,089,085	149,485
Excise taxes	57,400	57,400	61,796	4,396
Other taxes	27,800	27,800	27,375	(425)
Charges for services	253,000	253,000	289,534	36,534
Permits and fees	81,000	81,000	82,237	1,237
Court revenues and fines	110,000	110,000	53,883	(56,117)
Intergovernmental revenues	396,592	396,592	49,101	(347,491)
Interest income	1,505	1,505	2,387	882
Miscellaneous income	69,100	69,100	105,988	36,888
Total Revenues	<u>2,059,097</u>	<u>2,059,097</u>	<u>1,884,567</u>	<u>(174,530)</u>
Expenditures				
Current:				
General government	841,817	841,817	835,334	(6,483)
Mayor and council	66,000	66,000	65,200	(800)
Public safety	715,053	715,053	751,179	36,126
Sanitation	304,000	304,000	336,377	32,377
Cultural and recreation	347,746	347,746	317,948	(29,798)
Judicial	107,645	107,645	74,076	(33,569)
Streets and highways	151,000	151,000	141,345	(9,655)
Debt service:				
Principal payments	21,664	21,664	21,664	-
Interest and fiscal charges	4,978	4,978	4,977	(1)
Capital outlay	489,289	489,289	608,063	118,774
Total Expenditures	<u>3,049,192</u>	<u>3,049,192</u>	<u>3,156,163</u>	<u>106,971</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(990,095)</u>	<u>(990,095)</u>	<u>(1,271,596)</u>	<u>(281,501)</u>
Other Financing Sources (Uses)				
Rental income	16,530	16,530	16,641	111
Loan proceeds	-	-	8,280	8,280
Transfers in	900,000	900,000	1,534,704	634,704
Transfers out	-	-	(291,437)	(291,437)
Total Other Financing Sources (Uses)	<u>916,530</u>	<u>916,530</u>	<u>1,268,188</u>	<u>351,658</u>
Net Change in Fund Balances	(73,565)	(73,565)	(3,408)	70,157
Fund Balances - beginning	<u>913,377</u>	<u>913,377</u>	<u>913,377</u>	<u>-</u>
Fund Balances - ending	<u>\$ 839,812</u>	<u>\$ 839,812</u>	<u>\$ 909,969</u>	<u>\$ 70,157</u>

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Net Position - Business-Type Activities
Enterprise Funds
September 30, 2020

	Utility Fund	Rescue Squad	Total
Assets			
Current Assets			
Cash	\$ 1,899,929	\$ 6,033	\$ 1,905,962
Accounts receivable	379,013	780,169	1,159,182
Inventories	141,838	-	141,838
Total Current Assets	<u>2,420,780</u>	<u>786,202</u>	<u>3,206,982</u>
Capital assets			
Buildings and improvements	26,981	115,861	142,842
Water and sewer system	7,399,286	-	7,399,286
Electric distribution system	3,231,296	-	3,231,296
Machinery and equipment	707,864	1,397,920	2,105,784
Accumulated depreciation	<u>(5,853,007)</u>	<u>(1,167,065)</u>	<u>(7,020,072)</u>
Total Capital Assets	<u>5,512,420</u>	<u>346,716</u>	<u>5,859,136</u>
Total Assets	<u>7,933,200</u>	<u>1,132,918</u>	<u>9,066,118</u>
Deferred Outflows of Resources			
Difference between projected and actual earnings	56,763	48,405	105,168
Total Assets and Deferred Outflows of Resources	<u>\$ 7,989,963</u>	<u>\$ 1,181,323</u>	<u>\$ 9,171,286</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 218,174	\$ 3,433	\$ 221,607
Customer deposits	254,875	-	254,875
Due to the general fund	-	245,420	245,420
Accrued expenses	14,036	2,732	16,768
Current portion of long-term liabilities	200,000	-	200,000
Total Current Liabilities	<u>687,085</u>	<u>251,585</u>	<u>938,670</u>
Long-Term Liabilities			
Notes payable	99,993	-	99,993
Net pension liability	47,157	41,920	89,077
Total Non-Current Liabilities	<u>147,150</u>	<u>41,920</u>	<u>189,070</u>
Total Liabilities	<u>834,235</u>	<u>293,505</u>	<u>1,127,740</u>
Deferred Inflows of Resources			
Contributions - Employer's	36,268	33,823	70,091
Net Position			
Net investment in capital assets	5,212,427	346,716	5,559,143
Restricted for:			
Customer deposits	254,875	-	254,875
Unrestricted	1,652,158	507,279	2,159,437
Total Net Position	<u>\$ 7,119,460</u>	<u>\$ 853,995</u>	<u>\$ 7,973,455</u>

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Revenues, Expenses and Changes in Fund
Net Position - Business-Type Activities
Enterprise Funds
For the Year Ended September 30, 2020

	Utility Fund	Rescue Squad	Total
Operating Revenues			
Charges for services	\$ 3,665,785	\$ 823,936	\$ 4,489,721
Miscellaneous income	4,982	-	4,982
Total Operating Revenues	<u>3,670,767</u>	<u>823,936</u>	<u>4,494,703</u>
Operating Expenses			
Salaries and benefits	377,021	444,730	821,751
Services and supplies	474,513	143,195	617,708
Electricity purchased	1,853,979	-	1,853,979
Bad debt expense	-	345,366	345,366
Depreciation	204,827	56,246	261,073
Total Operating Expenses	<u>2,910,340</u>	<u>989,537</u>	<u>3,899,877</u>
Operating Income (Loss)	<u>760,427</u>	<u>(165,601)</u>	<u>594,826</u>
Non-Operating Revenues (Expenses)			
Rental income	17,160	-	17,160
Interest income	6,743	26	6,769
Interest expense	(12,246)	-	(12,246)
Total Non-Operating Revenues (Expenses)	<u>11,657</u>	<u>26</u>	<u>11,683</u>
Income (Loss) Before Transfers	772,084	(165,575)	606,509
Transfers In	10,750	203,521	214,271
Transfers Out	(900,000)	-	(900,000)
Change in Net Postion	(117,166)	37,946	(79,220)
Net Position - beginning	7,236,626	816,049	8,052,675
Net Position - ending	<u>\$ 7,119,460</u>	<u>\$ 853,995</u>	<u>\$ 7,973,455</u>

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Cash Flows - Business-Type Activities
Enterprise Funds
For the Year Ended September 30, 2020

	Utility Fund	Rescue Squad	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 3,746,952	\$ 724,085	\$ 4,471,037
Payments to suppliers/vendors	(286,076)	(145,736)	(431,812)
Purchases of electricity	(1,853,979)	-	(1,853,979)
Payments to employees	(387,346)	(449,420)	(836,766)
Bad debt expense	-	(345,366)	(345,366)
Net Cash Provided (Used) by Operating Activities	<u>1,219,551</u>	<u>(216,437)</u>	<u>1,003,114</u>
Cash Flows From Non-Capital Financing Activities			
Rental income	17,160	-	17,160
Transfers in	10,750	203,521	214,271
Transfers out	(900,000)	-	(900,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(872,090)</u>	<u>203,521</u>	<u>(668,569)</u>
Cash Flows From Capital and Related Financing Activities			
Purchases and construction of capital assets	(20,750)	(245,420)	(266,170)
Borrowings of capital debt	-	-	-
Due to the general fund	-	245,420	245,420
Principal paid on capital debt	(199,999)	-	(199,999)
Interest paid on capital debt	(12,246)	-	(12,246)
Net Cash Used by Capital and Related Financing Activities	<u>(232,995)</u>	<u>-</u>	<u>(232,995)</u>
Cash Flows From Investing Activities			
Interest income	6,743	26	6,769
Net Cash Provided by Investing Activities	<u>6,743</u>	<u>26</u>	<u>6,769</u>
Net Change in Cash and Cash Equivalents	121,209	(12,890)	108,319
Beginning Balance	1,778,720	18,923	1,797,643
Ending Balance	<u>\$ 1,899,929</u>	<u>\$ 6,033</u>	<u>\$ 1,905,962</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	\$ 760,427	\$ (165,601)	\$ 594,826
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation expense	204,827	56,246	261,073
Change in Assets and Liabilities:			
Accounts receivable	76,130	(99,851)	(23,721)
Inventories	(21,615)	-	(21,615)
Accounts payable	210,052	(2,541)	207,511
Accrued expenses	(4,691)	661	(4,030)
Change in deferred outflows and inflows of resources	(58,211)	(51,667)	(109,878)
Net pension liability	52,577	46,316	98,893
Customer deposits	55	-	55
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,219,551</u>	<u>\$ (216,437)</u>	<u>\$ 1,003,114</u>

See accompanying notes and independent auditors' report.

City of Hartford
Notes to Financial Statements
September 30, 2020

Note A – Summary of Significant Accounting Policies

The City of Hartford (the “City”) was incorporated in 1897 under the provisions of the State of Alabama. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, street maintenance, electricity, water and sewer services, public improvements, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Financial Reporting Entity – Basis of Presentation

The accompanying financial statements present the activities of the City.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or 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

The fund financial statements provide information about the City’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investments earnings, result from non-exchange transactions or ancillary activities.

City of Hartford
Notes to Financial Statements
September 30, 2020

The City reports the following major governmental funds:

General Fund: This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Excise Gas Tax Fund: This fund is used to account for gasoline excise taxes collected by the City.

The City reports the following major proprietary funds:

Utility Fund: This fund accounts for all of the activity related to providing water, sewer, and electrical services to the City's residents.

Rescue Squad Fund: This fund accounts for all of the activity related to providing ambulance and emergency care services to the City's residents.

Component Units

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely-presented component unit is reported in separate columns in the combined financial statements to emphasize it is legally separate from the primary government. Each blended and discretely-presented component unit has a year-end of July 31. The Gas District's financial information has been included using the twelve month period ending July 31, 2020.

Blended Component Unit

The Utility Fund serves all citizens of the government and is governed by the elected council. The rates for user charges and debt issuance authorizations are approved by the City council. The Utility Fund is reported as a business-type activity.

Discretely-Presented Component Units

Geneva County Gas District – This entity is jointly owned by the City of Hartford and three other cities which it serves and is governed by the Mayors from each of these cities. The City's equity interest in the Gas District has been shown as a joint venture investment. Condensed financial statements for the Gas District are shown in these notes. Complete financial statements for the Gas District may be obtained from the entity's administrative offices.

Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, if the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, excise taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable

City of Hartford
Notes to Financial Statements
September 30, 2020

and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The City considers cash and cash equivalents in proprietary funds to be cash on hand, certificates of deposit, and demand deposits.

Investments

The City does not have a formal investment policy that governs the City's allowable deposits or investments and addresses the specific types of risk to which the government is exposed. The City only has investments in certificates of deposit which are secured by the Federal Deposit Insurance Corporation and the State of Alabama Funds Enhancement program. The City has limited its investment rate risks by investing in investments having maturities of one year or less.

Restricted Investments

The City has certain investments which are restricted for cemetery upkeep and satisfaction of customer deposits.

Receivables

Provisions for uncollectible fines, rescue squad and utilities charges are charged to revenues in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. The City grants credit to customers who use its' various services, substantially all of who are local residences or businesses.

Inter-Fund Receivables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds".

City of Hartford
Notes to Financial Statements
September 30, 2020

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Deferred Revenue

In Alabama, city property taxes are levied by county commissions at their first regular meeting in February of each year based on property on record as of the preceding October 1. The taxes are due the following October 1st and are delinquent after December 31st. In accordance with the non-exchange transactions provision of GASB Statement No. 33, taxes levied in fiscal year 2020 for the 2020 budget year have been recorded as a receivable and as deferred revenue.

In addition, these receivables are deemed collectible and no allowance for uncollectible accounts is reported.

Inventories and Prepaid Items

Inventories are stated at the lower of cost or market determined by the first-in first-out method. The City of Hartford uses the consumption method of accounting for inventories.

Payment for goods and services applicable to future periods are recorded as prepaid items in the government-wide statements.

Capital Assets and Depreciation

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Some of the City’s general infrastructure, namely roads and bridges, are not reflected in the accompanying financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50
Improvements	7-30
Equipment	3-20
Water system	25-50

The City’s capitalization threshold has been established at \$5,000 for those items having a useful life of one year or longer.

Compensated Absences

The City allows employees to accumulate paid time off up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated paid time off up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Cash Deposits

The City maintains deposits only with “Qualified Public Depositories” as defined by Section 41-14A-2 Code of Alabama 1975. In the event of default by a “Qualified Public Depository” public

City of Hartford
Notes to Financial Statements
September 30, 2020

deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the Security for Alabama Funds Enhancement (SAFE) Program by the bank in default. The liability for any remaining public deposits will be shared by all other “Qualified Public Depositories” participating in the SAFE Program.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Advertising

The City of Hartford expenses all advertising costs during the period in which they are incurred. Total advertising costs for the year ended September 30, 2020 was \$652.

Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through July 12, 2021, the date the financial statements were available to be issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The City’s property tax receivables fall into this category.

Pensions

The Employees’ Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State’s Comprehensive Annual Financial Report.

City of Hartford
Notes to Financial Statements
September 30, 2020

Note B – Cash Restrictions

Cash may be classified as either restricted or unrestricted. The following summarizes these classifications:

<u>Fund</u>	<u>Restricted For</u>	<u>Amount</u>
Governmental	Road projects	\$ 216,104
Proprietary	Customer deposits	<u>254,875</u>
Total Restricted Cash		470,979
Unrestricted Cash		<u>2,432,267</u>
Total Cash (Including Certificates of Deposit)		<u>\$2,903,246</u>

Note C – Use of Estimates

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

Note D – Budgets and Budgetary Accounting

Each year a formal budget is legally adopted and amended as required by the City Council for the General Fund. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level. Budgets for the governmental funds are adopted on a basis consistent with GAAP.

Note E – Property Taxes Receivable

Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.

Note F – Transfers

Transfers were made from the utility fund to the general fund for general operating expenses.

City of Hartford
Notes to Financial Statements
September 30, 2020

Note G – Capital Assets

	Balance 09/30/2019	Increases	Decreases	Balance 09/30/2020
Governmental activities:				
Capital assets (not depreciated):				
Land	\$ 151,503	\$ -	\$ -	\$ 151,503
Capital assets (depreciated):				
Buildings/improvements	2,697,935	35,988	241,800	2,492,123
Machinery and equipment	1,917,637	14,537	-	1,932,174
Streets and highways	585,038	557,538	-	1,142,576
Infrastructure	1,325,630	-	-	1,325,630
Office equipment	49,490	-	-	49,490
	<u>6,575,730</u>	<u>608,063</u>	<u>241,800</u>	<u>6,941,993</u>
Accumulated depreciation				
Buildings/improvements	1,917,763	33,684	145,080	1,806,367
Machinery and equipment	1,418,350	101,570	-	1,519,920
Streets and highways	161,280	25,564	-	186,844
Infrastructure	234,677	51,050	-	285,727
Office equipment	49,490	-	-	49,490
	<u>3,781,560</u>	<u>211,868</u>	<u>145,080</u>	<u>3,848,348</u>
Net depreciated assets	<u>2,794,170</u>	<u>396,195</u>	<u>96,720</u>	<u>3,093,645</u>
Total net assets	<u>\$ 2,945,673</u>	<u>\$ 396,195</u>	<u>\$ 96,720</u>	<u>\$ 3,245,148</u>
	Balance			Balance
	09/30/2019	Increases	Decreases	09/30/2020
Business-type activities:				
Capital assets (depreciated):				
Buildings/improvements	\$ 142,842	\$ -	\$ -	\$ 142,842
Utility system	10,619,832	10,750	-	10,630,582
Machinery and equipment	1,850,364	255,420	-	2,105,784
	<u>12,613,038</u>	<u>266,170</u>	<u>-</u>	<u>12,879,208</u>
Accumulated depreciation				
Buildings/improvements	78,821	4,083	-	82,904
Utility system	5,391,436	87,674	-	5,479,110
Machinery and equipment	1,288,742	169,316	-	1,458,058
	<u>6,758,999</u>	<u>261,073</u>	<u>-</u>	<u>7,020,072</u>
Total net assets	<u>\$ 5,854,039</u>	<u>\$ 5,097</u>	<u>\$ -</u>	<u>\$ 5,859,136</u>

Depreciation expense was charged to functions as follows:

General government	\$ 211,868
Business-type activities	\$ 261,073

Depreciation expense charged to separately identifiable business-type activities is evident on the face of the fund financial statements, and therefore is not included here.

City of Hartford
Notes to Financial Statements
September 30, 2020

Note H – Net Position

The City’s net position is divided into three components:

Net investment in capital assets – this component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of related debt. Deferred outflows and inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component.

Restricted – this component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets of the restricted components of net position.

Note I – Long-Term Obligations

The schedule of the City’s long-term debt is as follows:

	Beginning of Year	Borrowings	Repayments	End of Year
Line of credit, secured by assignment of revenue. Due on demand, bearing interest at 2.99%. Secured by equipment.	\$ 499,992	\$ -	\$ 199,999	\$ 299,993
Lease payable at 3.65% interest, due in annual installments of \$26,641. Secured by equipment.	112,421	-	21,664	90,757
	<u>\$ 612,413</u>	<u>\$ -</u>	<u>\$ 221,663</u>	<u>\$ 390,750</u>

Current maturities are as follows:

Fiscal Year	Substation Note		Sweeper Lease	
	Principal	Interest	Principal	Interest
09/30/21	\$ 200,000	\$ 7,897	\$ 22,468	\$ 4,173
09/30/22	99,993	2,007	68,289	3,541
Thereafter	-	-	-	-
	<u>\$ 299,993</u>	<u>\$ 9,904</u>	<u>\$ 90,757</u>	<u>\$ 7,714</u>

Note J – Risk Management

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Hartford
Notes to Financial Statements
September 30, 2020

The City of Hartford is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies, effectively transferring any risk of loss. The City is involved in litigation and claims arising in the ordinary course of operations. In the opinion of management and legal counsel, the range of potential recoveries or liabilities would not materially affect the financial position of the City. No accruals for loss contingencies have been made in the financial statements.

Note K – Employee Retirement Plan

General Information about the Pension Plan

Plan Description. The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of thirteen trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36, Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publically available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of thirteen trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to Section 36-27-6.

Benefits Provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after ten years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly

City of Hartford
Notes to Financial Statements
September 30, 2020

benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum of a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Pre-retirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to, but not yet receiving benefits	1,252
Terminated employees not entitled to benefits	5,048
Active members	55,883
Total	<u><u>83,874</u></u>

Contributions. Covered members of the ERS contributed 5.00% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6.00% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to October 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10.00% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6.00% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7.00% of earnable compensation. Tier 2 State Police members of the ERS contribute 10.00% of earnable compensation. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.

City of Hartford
Notes to Financial Statements
September 30, 2020

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and any administrative expenses of the Plan. For the year ended September 30, 2019 the City's active employee contribution rate was 5.00% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.05% of covered employee payroll.

The City's contractually-required contribution rate for the year ended September 30, 2020 was 6.50% of pensionable pay for Tier 1 employees and 3.92% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, a percentage of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$69,038 for the year ended September 30, 2020.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability:		
as of September 30, 2018	\$ 3,314,813	\$ 3,445,428
Discount Rate	7.70%	7.70%
Entry Age Normal Cost for:		
October 1, 2018 - September 30, 2019	129,591	129,591
Transfers among Employees	-	29,723
Actual Benefit Payments and Refunds for:		
October 1, 2018 - September 30, 2019	(170,038)	(170,038)
Total Pension Liability:		
as of September 30, 2019	\$ 3,523,060	\$ 3,693,456
Difference between expected and actual experience		\$ 170,396
Less liability transferred		(29,723)
Experience (gain)		<u>\$ 140,673</u>

City of Hartford
Notes to Financial Statements
September 30, 2020

Actuarial Assumptions. The total pension liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25-5.00%
Investment rate of return *	7.70%

* Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combines Mortality Table Projected with a Scale AA to 2018 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return *
Fixed income	25.00%	5.00%
U.S. large stocks	34.00%	9.00%
U.S. mid stocks	8.00%	12.00%
U.S. small stocks	3.00%	15.00%
International developed market stocks	15.00%	11.00%
International emerging market stocks	3.00%	16.00%
Real estate	10.00%	7.50%
Cash	2.00%	1.50%
	100.00%	

* includes assumed rate of inflation of 2.50%.

Discount Rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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 the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of

City of Hartford
Notes to Financial Statements
September 30, 2020

Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan 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.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 09/30/2018	\$ 3,314,813	\$ 3,315,387	\$ (574)
Changes for the year:			
Service cost	129,591	-	129,591
Interest	248,694	-	248,694
Contributions - employer	-	58,362	(58,362)
Contributions - employees	-	92,550	(92,550)
Net investment income	-	85,270	(85,270)
Changes in assumptions	-	-	-
Benefit payments, including refunds	(170,038)	(170,038)	-
Difference between expected and actual experience	140,673	-	140,673
Transfers amount employers	29,723	29,723	-
Net changes	378,643	95,867	282,776
Balances at 09/30/2019	\$ 3,693,456	\$ 3,411,254	\$ 282,202

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1% Decrease 6.70%	Current Rate 7.70%	1% Increase 8.70%
Plan's net pension liability	\$ 752,349	\$ 282,202	\$ (111,404)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASG Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated June 17,

City of Hartford
Notes to Financial Statements
September 30, 2020

2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension income of \$39,522. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 131,871	\$ 208,900
Changes in assumptions	72,334	-
Net difference between projected and actual earnings on plan investments	47,252	-
Employer contributions subsequent to the measurement date	66,999	-
Total	\$ 318,456	\$ 208,900

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

Year ended September 30,

2021	\$	(22,021)
2022		(6,817)
2023		21,267
2024		6,865
2025		16,650
Thereafter		26,613

The Retirement System of Alabama issues a publicly-available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to the Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama (Post Office Box 302150) 36104-0001.

City of Hartford
Notes to Financial Statements
September 30, 2020

Actuarial Valuation as of September 30, 2019

Summary of Employee Census Data	Tier 1	Tier 2	Total
Number of active members	32	28	60
Annual compensation	\$ 1,006,583	\$ 596,998	\$ 1,603,581
Number of retired members and beneficiaries	16	-	16
Annual retirement allowances	\$ 152,463	\$ -	\$ 152,463
	Vested	Non-vested	Total
Number of inactive members	1	10	11
Accumulated contributions with interest	\$ 45,649	\$ 17,718	\$ 63,367
	Retain Current Member Contribution Rates	Elect to Increase Member Contribution Rates Under Act 2011-676	
Required Employer Contribution Rates	Contribution Rates	Contribution Rates	
Tier 1			
Normal cost	3.59%	1.15%	
Accrued liability	0.93%	0.96%	
Pre-retirement death benefit	0.02%	0.02%	
Administrative expense	0.35%	0.35%	
	4.89%	2.48%	
5.00% employer contribution factor (5.41%/5.00%)	1.082000		
6.00% employer contribution factor (5.41%/6.00%)	0.910167		
7.50% employer contribution factor (2.48%/7.50%)		0.330666	
8.50% employer contribution factor (2.48%/8.50%)		0.291764	
Tier 2			
Normal cost	0.11%		
Accrued liability	93.00%		
Pre-retirement death benefit	0.02%		
Administrative expense	0.35%		
	93.48%		
7.50% employer contribution factor (3.093%/7.50%)	0.412000		
8.50% employer contribution factor (3.09%/8.50%)	0.363529		

Comments on Employer Contribution Rates

The rates include contributions for cost of living benefit increases granted on or after October 1, 1978 through the valuation date.

Employer contributions may increase due to the granting of pay raises in excess of the expected amounts and for any future cost-of-living adjustments granted to retirees.

These contribution rates are determined under the parameters of GASB Statement Nos. 25 and 27. Any contributions above the required employer contribution rate, such as lump-sum payments, will result in a negative "Net Pension Obligation", which will have to be disclosed in the City's auditors' report.

City of Hartford
Notes to Financial Statements
September 30, 2020

Accounting Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets * (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c)
09/30/13	1,975,748	2,501,085	525,337	79.0%	1,197,455	43.9%
09/30/14	2,128,160	2,643,775	515,615	80.5%	1,245,919	41.4%
09/30/15	2,418,857	2,805,435	386,578	86.2%	1,264,863	30.6%
09/30/16 3	2,587,536	2,788,073	200,537	92.8%	1,210,224	16.6%
09/30/17 3	2,797,435	2,961,488	164,053	94.5%	1,248,203	13.1%
09/30/18 3	3,214,471	3,445,428	230,957	93.3%	1,569,787	14.7%
09/30/19	3,459,791	3,601,352	141,561	96.1%	1,603,581	8.8%
09/30/19 2	3,459,791	3,606,255	146,464	95.9%	1,603,581	9.1%

¹Reflects liability for cost-of-living benefit increases granted on or after October 1, 1978.

²Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

³Reflects changes in actuarial assumptions.

*The actuarial value of assets was set equal to the market value of assets as of September 30, 2012. Market value of assets as of September 30, 2019: \$3,411,254.

Valuation date	09/30/2019
Actuarial cost methods	Entry age
Amortization method	Level percent closed
Remaining amortization period	12.0 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.70%
Projected salary increases*	3.25 - 5.00%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

City of Hartford
Notes to Financial Statements
September 30, 2020

Membership as of the Measurement Date of September 30, 2019

Inactive members or their beneficiaries currently receiving benefits	16
Vested inactive members	1
Non-vested inactive members	10
Active members	60
Total	<u>87</u>

Pension Expense

Service cost	\$ 129,591
Interest on the total pension liability	248,694
Member contributions	(92,550)
Projected earnings on plan investments	(255,693)
Expensed portion of current-period changes of assumptions	-
Expensed portion of current-period difference between expected and actual experience in the total pension liability	19,010
Expensed portion of current-period differences between actual and projected earnings on plan investments	34,085
Recognition of beginning deferred inflows of resources	(69,446)
Recognition of beginning deferred outflows of resources	25,831
Pension expense	<u>\$ 39,522</u>

Note L – Investment in Geneva County Gas District, Component Unit

The investment balance of \$746,747 represents the City of Hartford's 25% share of equity in the Geneva County Gas District which has been reported as a component unit of the City. The Geneva County Gas District is jointly owned by the City of Hartford and three other cities. The Gas District is engaged in the business of sales and transportation of natural gas to the residents of the four cities. Profits of the Gas District are distributed to each city, prorated based on the thousands of cubic feet of gas sold in each of the four municipalities. Condensed financial statements for the Geneva County Gas District for the fiscal year ended July 31, 2020 is shown below:

Total current assets	\$ 1,592,400
Property and equipment, net	<u>2,075,374</u>
Total assets	<u>3,667,774</u>
Total current liabilities	513,098
Other liabilities	<u>167,687</u>
Total liabilities	<u>680,785</u>
Net position	
Net investment in capital assets	2,075,374
Unrestricted net position	<u>911,615</u>
Total net position	<u>\$ 2,986,989</u>

City of Hartford
Notes to Financial Statements
September 30, 2020

Note L – Investment in Geneva County Gas District, Component Unit (cont'd)

Total utility operating income	\$ 2,074,239
Total operating expense	<u>(1,531,279)</u>
Operating income	542,960
Other income	<u>5,309</u>
Change in net position	548,269
Net position – beginning of year	2,910,314
Distributions	<u>(471,594)</u>
Net position – end of year	<u>\$ 2,986,989</u>



**Ferguson, Sizemore
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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 Mayor and City Council of
The City of Hartford, Alabama

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, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hartford's basic financial statements, and have issued our report thereon dated July 12, 2021.

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) to determine the 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 entity'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hartford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.



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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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity'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.



Ferguson, Sizemore, & Associates
Dothan, Alabama
July 12, 2021

City of Hartford
Schedule of Changes in the Net Pension Liability
September 30, 2020

Year Ended September 30,	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	\$ 106,067	\$ 106,677	\$ 107,516	\$ 103,407	\$ 103,786	\$ 129,591
Interest	201,961	212,062	218,804	237,661	220,814	248,694
Difference between expected and actual experience	-	(43,708)	23,816	(346,053)	(69)	140,673
Changes of assumptions	-	-	139,352	-	17,654	-
Transfers among employees	-	-	3,126	(28,310)	235,745	29,723
Benefit payments, including refunds of employee contributions	(160,656)	(202,865)	(178,641)	(143,499)	(224,669)	(170,038)
Net change in total pension liability	147,372	72,166	313,973	(176,794)	353,261	378,643
Total pension liability - beginning of year	2,604,835	2,752,207	2,824,373	3,138,346	2,961,552	3,314,813
Total pension liability - end of year	<u>\$2,752,207</u>	<u>\$2,824,373</u>	<u>\$3,138,346</u>	<u>\$2,961,552</u>	<u>\$3,314,813</u>	<u>\$3,693,456</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 64,382	\$ 58,581	\$ 70,681	\$ 65,104	\$ 61,954	\$ 58,362
Contributions - employees	65,535	70,336	65,730	70,400	84,981	92,550
Net investment income	245,128	27,426	241,216	329,328	274,147	85,270
Benefit payments, including refunds of employee contributions	(160,656)	(202,865)	(178,641)	(143,499)	(224,669)	(170,038)
Transfers among employees	(19,743)	171,751	3,126	(28,310)	235,745	29,723
Net change in plan fiduciary net position	194,646	125,229	202,112	293,023	432,158	95,867
Plan net position - beginning of year	2,068,219	2,262,865	2,388,094	2,590,206	2,883,229	3,315,387
Plan net position - end of year	<u>\$2,262,865</u>	<u>\$2,388,094</u>	<u>\$2,590,206</u>	<u>\$2,883,229</u>	<u>\$3,315,387</u>	<u>\$3,411,254</u>
Net pension liability	<u>\$ 489,342</u>	<u>\$ 436,279</u>	<u>\$ 548,140</u>	<u>\$ 78,323</u>	<u>\$ (574)</u>	<u>\$ 282,202</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.22%</u>	<u>84.55%</u>	<u>82.53%</u>	<u>97.36%</u>	<u>100.02%</u>	<u>92.36%</u>
Covered employee payroll	<u>\$1,091,256</u>	<u>\$1,170,191</u>	<u>\$1,111,750</u>	<u>\$1,113,114</u>	<u>\$1,286,464</u>	<u>\$1,670,804</u>
Net pension liability as a percentage of covered employee payroll	<u>44.84%</u>	<u>37.28%</u>	<u>49.30%</u>	<u>7.04%</u>	<u>-0.04%</u>	<u>16.89%</u>

See accompanying notes and independent auditors' report.

City of Hartford
Schedule of Employer Contributions
September 30, 2020

Year Ended September 30,	2015	2016	2017	2018	2019	2020
Actuarially-determined contributions	\$ 60,636	\$ 75,060	\$ 69,768	\$ 67,101	\$ 65,943	\$ 69,038
Contributions in relation to the actuarially-determined contributions	(60,636)	(75,060)	(69,768)	(67,101)	(65,943)	(69,038)
Contribution deficiency or excess	<u>\$ -</u>					
Covered employee payroll	<u>\$ 1,170,191</u>	<u>\$ 1,111,750</u>	<u>\$ 1,113,114</u>	<u>\$ 1,286,464</u>	<u>\$ 1,670,804</u>	<u>\$ 1,705,141</u>
Contributions as a percentage of covered employee payroll	<u>5.18%</u>	<u>6.75%</u>	<u>6.27%</u>	<u>5.22%</u>	<u>3.95%</u>	<u>4.05%</u>

See accompanying notes and independent auditors' report.