

**City of Hartford
Financial Statements
September 30, 2021**

**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, 2021, 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. 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.

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, 2021, 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.



Ferguson, Sizemore & Associates
Certified Public Accountants
Dothan, Alabama
June 21, 2022

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, 2021. 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

During the year, the City obtained grant funding and secured two loans. These funds were used for the acquisition of certain utility system improvements and other necessary equipment purchases.

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 increased by \$912,810. The governmental net position increased by \$751,545, and the business-type net position increased by \$161,265. 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 | |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------|--------------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current assets | \$ 1,785,883 | \$ 1,437,424 | \$ 3,091,667 | \$ 3,206,982 | \$ 4,877,550 | \$ 4,644,406 |
| Capital assets | 3,717,149 | 3,245,148 | 6,460,419 | 5,859,136 | 10,177,568 | 9,104,284 |
| | <u>5,503,032</u> | <u>4,682,572</u> | <u>9,552,086</u> | <u>9,066,118</u> | <u>15,055,118</u> | <u>13,748,690</u> |
| Deferred outflows of resources | 225,693 | 213,288 | 105,310 | 105,168 | 331,003 | 318,456 |
| Current liabilities | 63,528 | 20,349 | 686,903 | 738,670 | 750,431 | 759,019 |
| Long-term liabilities | 298,139 | 283,882 | 756,667 | 389,070 | 1,054,806 | 672,952 |
| | <u>361,667</u> | <u>304,231</u> | <u>1,443,570</u> | <u>1,127,740</u> | <u>1,805,237</u> | <u>1,431,971</u> |
| Deferred inflows of resources | 160,077 | 138,809 | 79,106 | 70,091 | 239,183 | 208,900 |
| Net Position: | | | | | | |
| Net invested in capital assets | 3,556,524 | 3,154,391 | 5,587,600 | 5,559,143 | 9,144,124 | 8,713,534 |
| Restricted | 345,287 | 216,104 | 264,540 | 254,820 | 609,827 | 470,924 |
| Unrestricted | 1,305,170 | 1,082,325 | 2,282,580 | 2,159,492 | 3,587,750 | 3,241,817 |
| | <u>\$ 5,206,981</u> | <u>\$ 4,452,820</u> | <u>\$ 8,134,720</u> | <u>\$ 7,973,455</u> | <u>\$ 13,341,701</u> | <u>\$ 12,426,275</u> |

By far, the largest portion of the City's net position (69%) 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* (\$3,587,750) 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 increased by \$912,810 during the current fiscal year. This increase was in large 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 | |
|---------------------------|--------------------------|-------------------------|--------------------------|---------------------------|--------------------------|--------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 652,927 | \$ 425,654 | \$ 4,325,946 | \$ 4,494,703 | \$ 4,978,873 | \$ 4,920,357 |
| Operating grants | 70,952 | 21,373 | - | - | 70,952 | 21,373 |
| Capital grants | 590,469 | 27,728 | 150,697 | - | 741,166 | 27,728 |
| General revenues | | | | | | |
| Property taxes | 129,378 | 123,181 | - | - | 129,378 | 123,181 |
| Other taxes | 1,538,449 | 1,289,280 | - | - | 1,538,449 | 1,289,280 |
| Other | 133,323 | 134,099 | 34,435 | 23,929 | 167,758 | 158,028 |
| | <u>3,115,498</u> | <u>2,021,315</u> | <u>4,511,078</u> | <u>4,518,632</u> | <u>7,626,576</u> | <u>6,539,947</u> |
| Expenses: | | | | | | |
| Program activities: | | | | | | |
| Governmet activities: | | | | | | |
| General government | 1,056,992 | 941,667 | - | - | 1,056,992 | 941,667 |
| Mayor/council | 66,000 | 65,200 | - | - | 66,000 | 65,200 |
| Public safety | 773,616 | 751,179 | - | - | 773,616 | 751,179 |
| Sanitation | 309,700 | 336,377 | - | - | 309,700 | 336,377 |
| Cultural/recreation | 384,809 | 317,948 | - | - | 384,809 | 317,948 |
| Judicial | 115,240 | 74,076 | - | - | 115,240 | 74,076 |
| Streets/highways | 176,477 | 146,322 | - | - | 176,477 | 146,322 |
| Business-type activities: | | | | | | |
| Utilities | - | - | 2,826,143 | 2,910,340 | 2,826,143 | 2,910,340 |
| Rescue squad | - | - | 1,004,789 | 1,001,783 | 1,004,789 | 1,001,783 |
| | <u>2,882,834</u> | <u>2,632,769</u> | <u>3,830,932</u> | <u>3,912,123</u> | <u>6,713,766</u> | <u>6,544,892</u> |
| | <u>232,664</u> | <u>(611,454)</u> | <u>680,146</u> | <u>606,509</u> | <u>912,810</u> | <u>(4,945)</u> |
| Transfers | <u>518,881</u> | <u>685,729</u> | <u>(518,881)</u> | <u>(685,729)</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 751,545</u> | <u>\$ 74,275</u> | <u>\$ 161,265</u> | <u>\$ (79,220)</u> | <u>\$ 912,810</u> | <u>\$ (4,945)</u> |

Business-type activities increased the City's net position by \$161,265 in the current year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,484,346. Of this total fund balance, \$1,139,059 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 \$1,139,059, while total fund balance was also \$1,139,059. 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 32% of total general fund expenditures, while total fund balance also represents 32% of the total general fund expenditures.

The unassigned fund balance of the City's general fund increased by \$126,367 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, 2021, amounts to \$10,177,568 (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 \$1,073,284, due in large part to utility system improvements, infrastructure improvements and equipment purchases combined with depreciation.

Capital Assets
As of September 30

| | Governmental Activities | | Business-Type Activities | | Total Primary Activities | |
|----------------------------|-------------------------|---------------------|--------------------------|----------------------|--------------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 151,503 | \$ 151,503 | \$ - | \$ - | \$ 151,503 | \$ 151,503 |
| Buildings and improvements | 2,533,158 | 2,492,123 | 142,842 | 142,842 | 2,676,000 | 2,634,965 |
| Utility systems | - | - | 11,241,306 | 10,619,832 | 11,241,306 | 10,619,832 |
| Machinery and equipment | 2,195,854 | 1,932,174 | 2,382,196 | 2,105,784 | 4,578,050 | 4,037,958 |
| Infrastructure | 1,707,261 | 1,325,630 | - | - | 1,707,261 | 1,325,630 |
| Streets and highways | 1,142,576 | 1,142,576 | - | - | 1,142,576 | 1,142,576 |
| Office equipment | 49,490 | 49,490 | - | - | 49,490 | 49,490 |
| Total capital assets | <u>\$ 7,779,842</u> | <u>\$ 7,093,496</u> | <u>\$ 13,766,344</u> | <u>\$ 12,868,458</u> | <u>\$ 21,546,186</u> | <u>\$ 19,961,954</u> |

Debt Outstanding

As of the fiscal year end, the City had \$1,033,444 in outstanding debt compared to \$390,750 at the last fiscal year end. The total debt increased by \$642,694 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, 2021

| | Primary Government | | | Component Unit Geneva County Gas District |
|--|----------------------------|-----------------------------|---------------|---|
| | Governmental Activities | Business-Type Activities | Total | |
| | | | | |
| Assets | | | | |
| Cash | \$ 1,442,948 | \$ 1,632,578 | \$ 3,075,526 | \$ 415,194 |
| Accounts receivable | 197,515 | 1,317,251 | 1,514,766 | 28,679 |
| Due from rescue squad | 145,420 | - | 145,420 | - |
| Interest receivable | - | - | - | 97 |
| Prepaid insurance | - | - | - | 3,841 |
| Inventories | - | 141,838 | 141,838 | 18,477 |
| Capital assets | | | | |
| Land | 151,503 | - | 151,503 | 158,973 |
| Construction in progress | - | - | - | - |
| Buildings and improvements | 2,533,158 | 142,842 | 2,676,000 | - |
| Water and sewer system | - | 7,626,469 | 7,626,469 | - |
| Electric distribution system | - | 3,614,837 | 3,614,837 | - |
| Machinery and equipment | 2,195,854 | 2,382,196 | 4,578,050 | 374,492 |
| Streets and highways | 1,142,576 | - | 1,142,576 | - |
| Infrastructure | 1,707,261 | - | 1,707,261 | - |
| Office equipment | 49,490 | - | 49,490 | - |
| Accumulated depreciation | (4,062,693) | (7,305,925) | (11,368,618) | - |
| Total Capital Assets | 3,717,149 | 6,460,419 | 10,177,568 | 533,465 |
| Total Assets | 5,503,032 | 9,552,086 | 15,055,118 | 999,753 |
| Deferred Outflows of Resources | | | | |
| Difference between projected and actual earnings | 225,693 | 105,310 | 331,003 | - |
| Total Assets and Deferred Outflows of Resources | 5,728,725 | 9,657,396 | 15,386,121 | 999,753 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | 22,389 | 63,589 | 85,978 | 12,111 |
| Customer deposits | - | 264,540 | 264,540 | 13,854 |
| Due to the general fund | - | 145,420 | 145,420 | - |
| Accrued expenses | 12,337 | 19,488 | 31,825 | 8,077 |
| Distributions payable | - | - | - | 169,505 |
| Current portion of long-term liabilities | 28,802 | 193,866 | 222,668 | - |
| Total Current Liabilities | 63,528 | 686,903 | 750,431 | 203,547 |
| Long-Term Liabilities | | | | |
| Notes and leases payable | 131,823 | 678,953 | 810,776 | - |
| Net pension liability | 166,316 | 77,714 | 244,030 | - |
| Total Liabilities | 361,667 | 1,443,570 | 1,805,237 | 203,547 |
| Deferred Inflows of Resources | | | | |
| Contributions - employer's | 160,077 | 79,106 | 239,183 | - |
| Net Position | | | | |
| Net investment in capital assets | 3,556,524 | 5,587,600 | 9,144,124 | 533,465 |
| Restricted for: | | | | |
| Road projects | 345,287 | - | 345,287 | - |
| Customer deposits | - | 264,540 | 264,540 | - |
| Unrestricted | 1,305,170 | 2,282,580 | 3,587,750 | 262,741 |
| Total Net Position | \$ 5,206,981 | \$ 8,134,720 | \$ 13,341,701 | \$ 796,206 |

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Activities
For the Year Ended September 30, 2021

| 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 | \$ 1,052,819 | \$ 284,736 | \$ 28,318 | \$ 590,469 | \$ (149,296) | \$ - | \$ (149,296) | \$ - | |
| Mayor and council | 66,000 | - | - | - | (66,000) | - | (66,000) | - | |
| Public safety | 773,616 | 175,202 | 1,457 | - | (596,957) | - | (596,957) | - | |
| Sanitation | 309,700 | 192,989 | - | - | (116,711) | - | (116,711) | - | |
| Cultural and recreation | 384,809 | - | 36,177 | - | (348,632) | - | (348,632) | - | |
| Judicial | 115,240 | - | - | - | (115,240) | - | (115,240) | - | |
| Streets and highways | 176,477 | - | 5,000 | - | (171,477) | - | (171,477) | - | |
| Interest and fiscal charges | 4,173 | - | - | - | (4,173) | - | (4,173) | - | |
| Total Governmental Activities | 2,882,834 | 652,927 | 70,952 | 590,469 | (1,568,486) | - | (1,568,486) | - | |
| Business-Type: | | | | | | | | | |
| Utilities | 2,826,143 | 3,542,323 | - | - | - | 716,180 | 716,180 | - | |
| Rescue squad | 1,004,789 | 783,623 | - | 150,697 | - | (70,469) | (70,469) | - | |
| Total Business-Type Activities | 3,830,932 | 4,325,946 | - | 150,697 | - | 645,711 | 645,711 | - | |
| Component Units: | | | | | | | | | |
| Geneva County Gas District | 427,538 | 616,946 | 28,838 | - | - | - | - | 218,246 | |
| Total Component Units | 427,538 | 616,946 | 28,838 | - | - | - | - | 218,246 | |
| Total City | \$ 7,141,304 | \$ 5,595,819 | \$ 99,790 | \$ 741,166 | \$ (1,568,486) | \$ 645,711 | \$ (922,775) | \$ 218,246 | |
| General Revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | 129,378 | - | 129,378 | - | | |
| Sales and rental taxes | | | | 1,261,696 | - | 1,261,696 | - | | |
| Other taxes | | | | 276,753 | - | 276,753 | - | | |
| Earnings on investments | | | | 1,644 | 3,615 | 5,259 | 544 | | |
| Miscellaneous | | | | 131,679 | 30,820 | 162,499 | 174 | | |
| Transfers/distributions | | | | 518,881 | (518,881) | - | (169,505) | | |
| Total General Revenues and Transfers | | | | 2,320,031 | (484,446) | 1,835,585 | (168,787) | | |
| Change In Net Position | | | | 751,545 | 161,265 | 912,810 | 49,459 | | |
| Net Position - Beginning | | | | 4,455,436 | 7,973,455 | 12,428,891 | 746,747 | | |
| Net Position - Ending | | | | \$ 5,206,981 | \$ 8,134,720 | \$ 13,341,701 | \$ 796,206 | | |

See accompanying notes and independent auditors' report.

City of Hartford
Balance Sheet
Governmental Funds
September 30, 2021

| | General Fund | Excise Gas Tax Fund | Total Governmental Funds |
|---|----------------------------|--------------------------|--------------------------------|
| Assets | | | |
| Cash | \$ 1,106,393 | \$ 336,555 | \$ 1,442,948 |
| Due from rescue fund | 145,420 | - | 145,420 |
| Accounts receivable | <u>188,783</u> | <u>8,732</u> | <u>197,515</u> |
| Total Assets | <u><u>\$ 1,440,596</u></u> | <u><u>\$ 345,287</u></u> | <u><u>\$ 1,785,883</u></u> |
| Liabilities | | | |
| Accounts payable | \$ 22,389 | \$ - | \$ 22,389 |
| Accrued expenses | 12,337 | - | 12,337 |
| Net pension liability | <u>166,316</u> | <u>-</u> | <u>166,316</u> |
| Total Liabilities | <u><u>201,042</u></u> | <u><u>-</u></u> | <u><u>201,042</u></u> |
| Deferred Inflows of Resources | | | |
| Property taxes | <u>100,495</u> | <u>-</u> | <u>100,495</u> |
| Fund Balances | | | |
| Restricted | - | 345,287 | 345,287 |
| Unassigned | <u>1,139,059</u> | <u>-</u> | <u>1,139,059</u> |
| Total Fund Balances | <u><u>1,139,059</u></u> | <u><u>345,287</u></u> | <u><u>1,484,346</u></u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u><u>\$ 1,440,596</u></u> | <u><u>\$ 345,287</u></u> | <u><u>\$ 1,785,883</u></u> |

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, 2021

| | |
|---|------------------------------|
| Total Fund Balances for Governmental Funds | \$ 1,484,346 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | |
| Those assets consist of: | |
| Land | \$ 151,503 |
| Buildings and improvements | 2,533,158 |
| Machinery and equipment | 2,195,854 |
| Streets and highways | 1,142,576 |
| Infrastructure | 1,707,261 |
| Office equipment | 49,490 |
| Accumulated depreciation | <u>(4,062,693)</u> 3,717,149 |
| Deferred outflows of resources | 225,693 |
| Deferred inflows of resources | (160,077) |
| 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: | |
| Notes and leases payable | (160,625) |
| Deferred revenue - property tax assessments are not available to pay current period expenditures and are deferred on the fund financial statements. | 100,495 |
| Total Net Position of Governmental Activities | <u>\$ 5,206,981</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, 2021

| | General Fund | Excise Gas Tax Fund | Total Governmental Funds |
|---|---------------------|------------------------|--------------------------------|
| Revenues | | | |
| Property taxes | \$ 129,378 | \$ - | \$ 129,378 |
| Sales and rental taxes | 1,261,696 | - | 1,261,696 |
| Excise taxes | 111,608 | 128,798 | 240,406 |
| Other taxes | 36,347 | - | 36,347 |
| Charges for services | 380,520 | - | 380,520 |
| Permits and fees | 97,205 | - | 97,205 |
| Court revenues and fines | 175,202 | - | 175,202 |
| Intergovernmental revenues | 656,421 | 5,000 | 661,421 |
| Interest income | 1,320 | 324 | 1,644 |
| Miscellaneous income | 147,352 | - | 147,352 |
| Total Revenues | 2,997,049 | 134,122 | 3,131,171 |
| Expenditures | | | |
| Current: | | | |
| General government | 798,248 | - | 798,248 |
| Mayor and council | 66,000 | - | 66,000 |
| Public safety | 773,616 | - | 773,616 |
| Sanitation | 309,700 | - | 309,700 |
| Cultural and recreation | 384,809 | - | 384,809 |
| Judicial | 115,240 | - | 115,240 |
| Streets and highways | 176,438 | 39 | 176,477 |
| Debt service: | | | |
| Principal payments | 90,757 | - | 90,757 |
| Interest and fiscal charges | 4,173 | - | 4,173 |
| Capital outlay | 820,432 | - | 820,432 |
| Total Expenditures | 3,539,413 | 39 | 3,539,452 |
| Excess (Deficiency) of Revenues | | | |
| Over (Under) Expenditures | (542,364) | 134,083 | (408,281) |
| Other Financing Sources (Uses) | | | |
| Rental income | 9,897 | - | 9,897 |
| Loss on property disposal | (25,572) | - | (25,572) |
| Proceeds from long-term debt | 160,625 | - | 160,625 |
| Transfers in | 1,491,548 | 69,036 | 1,560,584 |
| Transfers out | (967,767) | (73,936) | (1,041,703) |
| Total Other Financing Sources (Uses) | 668,731 | (4,900) | 663,831 |
| Net Changes in Fund Balances | 126,367 | 129,183 | 255,550 |
| Fund Balances - beginning | 1,012,692 | 216,104 | 1,228,796 |
| Fund Balances - ending | \$ 1,139,059 | \$ 345,287 | \$ 1,484,346 |

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, 2021

| | |
|---|--------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ 255,550 |
| 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: | |
| Capital outlay | 820,432 |
| Loss on disposal of property and equipment | 25,572 |
| Depreciation expense | <u>(254,571)</u> 591,433 |
| Net change in deferred inflows and outflows of resources | (25,570) |
| Proceeds from long-term debt is a revenue in the governmental funds, but increases the liability in the statement of net position. | (160,625) |
| Repayments of long-term debt is an expenditure in the governmental funds, but reduces the liability in the statement of net position. | <u>90,757</u> |
| Change in Net Position | <u><u>\$ 751,545</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, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|---------------------|----------------------------------|
| Revenues | | | | |
| Property taxes | \$ 122,000 | \$ 122,000 | \$ 129,378 | \$ 7,378 |
| Sales and rental taxes | 1,095,000 | 1,095,000 | 1,261,696 | 166,696 |
| Excise taxes | 62,500 | 62,500 | 111,608 | 49,108 |
| Other taxes | 18,300 | 18,300 | 36,347 | 18,047 |
| Charges for services | 306,000 | 306,000 | 380,520 | 74,520 |
| Permits and fees | 82,000 | 82,000 | 97,205 | 15,205 |
| Court revenues and fines | 110,000 | 110,000 | 175,202 | 65,202 |
| Intergovernmental revenues | 410,170 | 410,170 | 656,421 | 246,251 |
| Interest income | 2,305 | 2,305 | 1,320 | (985) |
| Miscellaneous income | 90,700 | 90,700 | 147,352 | 56,652 |
| Total Revenues | 2,298,975 | 2,298,975 | 2,997,049 | 698,074 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 850,376 | 850,376 | 798,248 | (52,128) |
| Mayor and council | 66,000 | 66,000 | 66,000 | - |
| Public safety | 788,208 | 788,208 | 773,616 | (14,592) |
| Sanitation | 383,500 | 383,500 | 309,700 | (73,800) |
| Cultural and recreation | 353,152 | 353,152 | 384,809 | 31,657 |
| Judicial | 109,097 | 109,097 | 115,240 | 6,143 |
| Streets and highways | 150,017 | 150,017 | 176,438 | 26,421 |
| Debt service: | | | | |
| Principal payments | - | - | 90,757 | 90,757 |
| Interest and fiscal charges | 5,000 | 5,000 | 4,173 | (827) |
| Capital outlay | 689,755 | 689,755 | 820,432 | 130,677 |
| Total Expenditures | 3,395,105 | 3,395,105 | 3,539,413 | 144,308 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,096,130) | (1,096,130) | (542,364) | 553,766 |
| Other Financing Sources (Uses) | | | | |
| Rental income | 11,130 | 11,130 | 9,897 | (1,233) |
| Loss on property disposal | - | - | (25,572) | (25,572) |
| Proceeds from long-term debt | - | - | 160,625 | 160,625 |
| Transfers in | 900,000 | 900,000 | 1,491,548 | 591,548 |
| Transfers out | (35,000) | (35,000) | (967,767) | (932,767) |
| Total Other Financing Sources (Uses) | 876,130 | 876,130 | 668,731 | (207,399) |
| Net Change in Fund Balances | (220,000) | (220,000) | 126,367 | 346,367 |
| Fund Balances - beginning | 1,012,692 | 1,012,692 | 1,012,692 | - |
| Fund Balances - ending | \$ 792,692 | \$ 792,692 | \$ 1,139,059 | \$ 346,367 |

See accompanying notes and independent auditors' report.

City of Hartford
Statement of Net Position - Business-Type Activities
Enterprise Funds
September 30, 2021

| | Utility Fund | Rescue Squad | Total |
|--|---------------------|---------------------|---------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | \$ 1,623,436 | \$ 9,142 | \$ 1,632,578 |
| Accounts receivable | 367,093 | 950,158 | 1,317,251 |
| Inventories | 141,838 | - | 141,838 |
| Total Current Assets | <u>2,132,367</u> | <u>959,300</u> | <u>3,091,667</u> |
| Capital assets | | | |
| Buildings and improvements | 26,981 | 115,861 | 142,842 |
| Water and sewer system | 7,626,469 | - | 7,626,469 |
| Electric distribution system | 3,614,837 | - | 3,614,837 |
| Machinery and equipment | 973,376 | 1,408,820 | 2,382,196 |
| Accumulated depreciation | (6,081,352) | (1,224,573) | (7,305,925) |
| Total Capital Assets | <u>6,160,311</u> | <u>300,108</u> | <u>6,460,419</u> |
| Total Assets | <u>8,292,678</u> | <u>1,259,408</u> | <u>9,552,086</u> |
| Deferred Outflows of Resources | | | |
| Difference between projected and actual earnings | 57,806 | 47,504 | 105,310 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 8,350,484</u> | <u>\$ 1,306,912</u> | <u>\$ 9,657,396</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 54,427 | \$ 9,162 | \$ 63,589 |
| Customer deposits | 264,540 | - | 264,540 |
| Due to the general fund | - | 145,420 | 145,420 |
| Accrued expenses | 17,292 | 2,196 | 19,488 |
| Current portion of long-term liabilities | 193,866 | - | 193,866 |
| Total Current Liabilities | <u>530,125</u> | <u>156,778</u> | <u>686,903</u> |
| Long-Term Liabilities | | | |
| Notes and leases payable | 678,953 | - | 678,953 |
| Net pension liability | 40,663 | 37,051 | 77,714 |
| Total Non-Current Liabilities | <u>719,616</u> | <u>37,051</u> | <u>756,667</u> |
| Total Liabilities | <u>1,249,741</u> | <u>193,829</u> | <u>1,443,570</u> |
| Deferred Inflows of Resources | | | |
| Contributions - Employer's | 41,420 | 37,686 | 79,106 |
| Net Position | | | |
| Net investment in capital assets | 5,287,492 | 300,108 | 5,587,600 |
| Restricted for: | | | |
| Customer deposits | 264,540 | - | 264,540 |
| Unrestricted | 1,507,291 | 775,289 | 2,282,580 |
| Total Net Position | <u>\$ 7,059,323</u> | <u>\$ 1,075,397</u> | <u>\$ 8,134,720</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, 2021

| | Utility Fund | Rescue Squad | Total |
|---|---------------------|---------------------|---------------------|
| Operating Revenues | | | |
| Charges for services | \$ 3,498,532 | \$ 783,423 | \$ 4,281,955 |
| Miscellaneous income | 43,791 | 200 | 43,991 |
| Total Operating Revenues | <u>3,542,323</u> | <u>783,623</u> | <u>4,325,946</u> |
| Operating Expenses | | | |
| Salaries and benefits | 435,459 | 465,788 | 901,247 |
| Services and supplies | 755,530 | 178,040 | 933,570 |
| Electricity purchased | 1,406,809 | - | 1,406,809 |
| Bad debt expense | - | 292,822 | 292,822 |
| Depreciation | 228,345 | 57,508 | 285,853 |
| Total Operating Expenses | <u>2,826,143</u> | <u>994,158</u> | <u>3,820,301</u> |
| Operating Income (Loss) | <u>716,180</u> | <u>(210,535)</u> | <u>505,645</u> |
| Non-Operating Revenues (Expenses) | | | |
| Rental income | 30,820 | - | 30,820 |
| Interest income | 3,594 | 21 | 3,615 |
| Intergovernmental revenue | - | 150,697 | 150,697 |
| Interest expense | (10,631) | - | (10,631) |
| Total Non-Operating Revenues (Expenses) | <u>23,783</u> | <u>150,718</u> | <u>174,501</u> |
| Income (Loss) Before Transfers | 739,963 | (59,817) | 680,146 |
| Transfers In | 73,936 | 281,219 | 355,155 |
| Transfers Out | (874,036) | - | (874,036) |
| Change in Net Postion | (60,137) | 221,402 | 161,265 |
| Net Position - beginning | <u>7,119,460</u> | <u>853,995</u> | <u>7,973,455</u> |
| Net Position - ending | <u>\$ 7,059,323</u> | <u>\$ 1,075,397</u> | <u>\$ 8,134,720</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, 2021

| | Utility Fund | Rescue Squad | Total |
|---|---------------------|---------------------|---------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers | \$ 3,563,908 | \$ 613,634 | \$ 4,177,542 |
| Payments to suppliers/vendors | (919,277) | (172,311) | (1,091,588) |
| Intergovernmental revenue | - | 150,697 | 150,697 |
| Purchases of electricity | (1,406,809) | - | (1,406,809) |
| Payments to employees | (434,588) | (466,429) | (901,017) |
| Bad debt expense | - | (292,822) | (292,822) |
| Net Cash Provided (Used) by Operating Activities | 803,234 | (167,231) | 636,003 |
| Cash Flows From Non-Capital Financing Activities | | | |
| Rental income | 30,820 | - | 30,820 |
| Transfers in | 73,936 | 281,219 | 355,155 |
| Transfers out | (874,036) | - | (874,036) |
| Net Cash Provided (Used) by Non-Capital Financing Activities | (769,280) | 281,219 | (488,061) |
| Cash Flows From Capital and Related Financing Activities | | | |
| Purchases and construction of capital assets | (876,236) | (10,900) | (887,136) |
| Borrowings of capital debt | 806,438 | - | 806,438 |
| Due to the general fund | - | (100,000) | (100,000) |
| Principal paid on capital debt | (233,612) | - | (233,612) |
| Interest paid on capital debt | (10,631) | - | (10,631) |
| Net Cash Used by Capital and Related Financing Activities | (314,041) | (110,900) | (424,941) |
| Cash Flows From Investing Activities | | | |
| Interest income | 3,594 | 21 | 3,615 |
| Net Cash Provided by Investing Activities | 3,594 | 21 | 3,615 |
| Net Change in Cash and Cash Equivalents | (276,493) | 3,109 | (273,384) |
| Beginning Balance | 1,899,929 | 6,033 | 1,905,962 |
| Ending Balance | \$ 1,623,436 | \$ 9,142 | \$ 1,632,578 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating Income (Loss) | \$ 716,180 | \$ (210,535) | \$ 505,645 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation expense | 228,345 | 57,508 | 285,853 |
| Change in Assets and Liabilities: | | | |
| Accounts receivable | 11,920 | (169,989) | (158,069) |
| Inventories | - | - | - |
| Accounts payable | (163,747) | 5,729 | (158,018) |
| Accrued expenses | 3,256 | (536) | 2,720 |
| Change in deferred outflows and inflows of resources | 4,109 | 4,764 | 8,873 |
| Net pension liability | (6,494) | (4,869) | (11,363) |
| Customer deposits | 9,665 | - | 9,665 |
| Net Cash Provided (Used) By Operating Activities | \$ 803,234 | \$ (317,928) | \$ 485,306 |

See accompanying notes and independent auditors' report.

City of Hartford
Notes to Financial Statements
September 30, 2021

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, 2021

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, 2021.

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, 2021

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 whom 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, 2021

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 2021 for the 2021 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, 2021

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, 2021 was \$593.

Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through June 21, 2022, 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, 2021

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 | \$ 345,287 |
| Proprietary | Customer deposits | <u>264,540</u> |
| | | |
| Total Restricted Cash | | 609,827 |
| | | |
| Unrestricted Cash | | <u>2,465,699</u> |
| | | |
| Total Cash (Including Certificates of Deposit) | | <u>\$3,075,526</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, 2021

Note G – Capital Assets

| | Balance 09/30/2020 | Increases | Decreases | Balance 09/30/2021 |
|--------------------------------------|-----------------------|-------------------|------------------|-----------------------|
| Governmental activities: | | | | |
| Capital assets (not depreciated): | | | | |
| Land | \$ 151,503 | \$ - | \$ - | \$ 151,503 |
| Capital assets (depreciated): | | | | |
| Buildings/improvements | 2,492,123 | 41,035 | - | 2,533,158 |
| Machinery and equipment | 1,932,174 | 397,766 | 134,086 | 2,195,854 |
| Streets and highways | 1,142,576 | - | - | 1,142,576 |
| Infrastructure | 1,325,630 | 381,631 | - | 1,707,261 |
| Office equipment | 49,490 | - | - | 49,490 |
| | <u>6,941,993</u> | <u>820,432</u> | <u>134,086</u> | <u>7,628,339</u> |
| Accumulated depreciation | | | | |
| Buildings/improvements | 1,806,367 | 34,382 | - | 1,840,749 |
| Machinery and equipment | 1,519,920 | 114,716 | 40,226 | 1,594,410 |
| Streets and highways | 186,844 | 46,472 | - | 233,316 |
| Infrastructure | 285,727 | 59,001 | - | 344,728 |
| Office equipment | 49,490 | - | - | 49,490 |
| | <u>3,848,348</u> | <u>254,571</u> | <u>40,226</u> | <u>4,062,693</u> |
| Net depreciated assets | <u>3,093,645</u> | <u>565,861</u> | <u>93,860</u> | <u>3,565,646</u> |
| Total net assets | <u>\$ 3,245,148</u> | <u>\$ 565,861</u> | <u>\$ 93,860</u> | <u>\$ 3,717,149</u> |
| Business-type activities: | | | | |
| Capital assets (depreciated): | | | | |
| Buildings/improvements | \$ 142,842 | \$ - | \$ - | \$ 142,842 |
| Utility system | 10,630,582 | 610,724 | - | 11,241,306 |
| Machinery and equipment | 2,105,784 | 276,412 | - | 2,382,196 |
| | <u>12,879,208</u> | <u>887,136</u> | <u>-</u> | <u>13,766,344</u> |
| Accumulated depreciation | | | | |
| Buildings/improvements | 82,904 | 4,083 | - | 86,987 |
| Utility system | 5,479,110 | 89,855 | - | 5,568,965 |
| Machinery and equipment | 1,458,058 | 191,915 | - | 1,649,973 |
| | <u>7,020,072</u> | <u>285,853</u> | <u>-</u> | <u>7,305,925</u> |
| Total net assets | <u>\$ 5,859,136</u> | <u>\$ 601,283</u> | <u>\$ -</u> | <u>\$ 6,460,419</u> |

Depreciation expense was charged to functions as follows:

| | |
|--------------------------|------------|
| General government | \$ 254,571 |
| Business-type activities | \$ 285,853 |

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, 2021

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:

Governmental Activities:

| | Beginning of Year | Borrowings | Repayments | End of Year |
|--|-------------------------|--------------------------|-------------------------|--------------------------|
| Lease payable at 2.39% interest, due in annual installments of \$32,641. Secured by equipment. | \$ - | \$ 160,625 | \$ - | \$ 160,625 |
| | <u>90,757</u> | <u>-</u> | <u>90,757</u> | <u>-</u> |
| | <u><u>\$ 90,757</u></u> | <u><u>\$ 160,625</u></u> | <u><u>\$ 90,757</u></u> | <u><u>\$ 160,625</u></u> |

Business-Type Activities:

| | Beginning of Year | Borrowings | Repayments | End of Year |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Line of credit, secured by assignment of revenue. Due on demand, bearing interest at 2.99%. | \$ 299,993 | \$ - | \$ 200,497 | \$ 99,496 |
| | <u>-</u> | <u>615,375</u> | <u>-</u> | <u>615,375</u> |
| Note payable, secured by assignment of revenue. Due in 10 annual payments of \$69,520, bearing interest at 2.25%. | <u><u>-</u></u> | <u><u>191,063</u></u> | <u><u>33,115</u></u> | <u><u>157,948</u></u> |
| | <u><u>\$ 299,993</u></u> | <u><u>\$ 806,438</u></u> | <u><u>\$ 233,612</u></u> | <u><u>\$ 872,819</u></u> |

City of Hartford
Notes to Financial Statements
September 30, 2021

Current maturities are as follows:

Governmental Activities:

| Fiscal Year | Sweeper Lease | |
|-------------|-------------------|-----------------|
| | Principal | Interest |
| 09/30/22 | \$ 28,802 | \$ 3,817 |
| 09/30/23 | 29,346 | 3,132 |
| 09/30/24 | 102,477 | 2,580 |
| | <u>\$ 160,625</u> | <u>\$ 9,529</u> |

Business-Type Activities:

| Fiscal Year | Substation Note | | Truck Lease | | Improvements Note | |
|-------------|------------------|-----------------|-------------------|------------------|-------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 09/30/22 | \$ 99,496 | \$ 2,007 | \$ 36,930 | \$ 4,338 | \$ 57,440 | \$ 12,080 |
| 09/30/23 | - | - | 38,079 | 3,189 | 55,581 | 13,939 |
| 09/30/24 | - | - | 39,265 | 2,003 | 56,970 | 12,550 |
| 09/30/25 | - | - | 40,487 | 781 | 58,395 | 11,125 |
| 09/30/26 | - | - | 3,187 | 9 | 59,854 | 9,666 |
| Thereafter | - | - | - | - | 327,135 | 53,424 |
| | <u>\$ 99,496</u> | <u>\$ 2,007</u> | <u>\$ 157,948</u> | <u>\$ 10,320</u> | <u>\$ 615,375</u> | <u>\$ 112,784</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.

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

City of Hartford
Notes to Financial Statements
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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 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

City of Hartford
Notes to Financial Statements
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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 | <u>55,883</u> |
| 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.

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, 2021 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 3.34% of covered employee payroll.

The City's contractually-required contribution rate for the year ended September 30, 2021 was 7.50% of pensionable pay for Tier 1 employees and 7.50% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, 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

City of Hartford
Notes to Financial Statements
September 30, 2021

employer contributions to the pension plan from the System were \$59,345 for the year ended September 30, 2021.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following table:

| | Expected | Actual Before Act 2019-132 | Actual After Act 2019-132 |
|---|--------------|-------------------------------|------------------------------|
| Total Pension Liability: | | | |
| as of September 30, 2019 | \$ 3,693,456 | \$ 3,601,352 | \$ 3,601,352 |
| Discount Rate | 7.70% | 7.70% | 7.70% |
| Entry Age Normal Cost for: | | | |
| October 1, 2019 - September 30, 2020 | 134,057 | 134,057 | 134,057 |
| Transfers among Employees | - | (40,942) | (40,942) |
| Actual Benefit Payments and Refunds for: | | | |
| October 1, 2019 - September 30, 2020 | (157,120) | (157,120) | (157,120) |
| Total Pension Liability: | | | |
| as of September 30, 2020 | \$ 3,948,740 | \$ 3,808,602 | \$ 3,808,602 |
| Difference between expected and actual experience | | \$ (140,138) | |
| Less liability transferred | | (40,942) | |
| Experience (gain) | | <u><u>\$ (99,196)</u></u> | |

Actuarial Assumptions. The total pension liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|------------|
| Inflation | 2.75% |
| 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, 2020 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data

City of Hartford
Notes to Financial Statements
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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% |
| | <u>100.00%</u> | |

* 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 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.

City of Hartford
Notes to Financial Statements
September 30, 2021

Changes in Net Pension Liability

| | Increase (Decrease) | | |
|--|-------------------------------------|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at 09/30/2019 | <u>\$ 3,693,456</u> | <u>\$ 3,411,254</u> | <u>\$ 282,202</u> |
| Changes for the year: | | | |
| Service cost | 134,057 | - | 134,057 |
| Interest | 278,347 | - | 278,347 |
| Contributions - employer | - | 64,655 | (64,655) |
| Contributions - employees | - | 92,951 | (92,951) |
| Net investment income | - | 193,774 | (193,774) |
| Changes in assumptions | - | - | - |
| Benefit payments, including refunds | (157,120) | (157,120) | - |
| Difference bewteen expected and actual experience | (99,196) | - | (99,196) |
| Transfers amount employers | (40,942) | (40,942) | - |
| Net changes | <u>115,146</u> | <u>153,318</u> | <u>(38,172)</u> |
| Balances at 09/30/2020 | <u><u>\$ 3,808,602</u></u> | <u><u>\$ 3,564,572</u></u> | <u><u>\$ 244,030</u></u> |

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% | Current | 1% |
|------------------------------|--------------------------|--------------------------|----------------------------|
| | Decrease | Rate | Increase |
| | 6.70% | 7.70% | 8.70% |
| Plan's net pension liability | <u><u>\$ 738,932</u></u> | <u><u>\$ 244,030</u></u> | <u><u>\$ (169,761)</u></u> |

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, 2020. The supporting actuarial information is included in the GASG Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated March 30, 2021 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.

City of Hartford
Notes to Financial Statements
September 30, 2021

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

For the year ended September 30, 2021, the City recognized pension income of \$36,564. At September 30, 2021, 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 | \$ 109,459 | \$ 239,183 |
| Changes in assumptions | 49,905 | - |
| Net difference between projected and actual earnings on plan investments | 112,294 | - |
| Employer contributions subsequent to the measurement date | 59,345 | - |
| Total | <u>\$ 331,003</u> | <u>\$ 239,183</u> |

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,

| | |
|------------|------------|
| 2022 | \$ (6,576) |
| 2023 | 21,508 |
| 2024 | 7,106 |
| 2025 | 16,891 |
| 2026 | 5,784 |
| Thereafter | (12,237) |

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, 2021

Actuarial Valuation as of September 30, 2020

| Summary of Employee Census Data | Tier 1 | Tier 2 | Total |
|--|--|--|--------------|
| | 30 | 28 | 58 |
| Number of active members | | | |
| Annual compensation | \$ 913,347 | \$ 798,153 | \$ 1,711,500 |
| Number of retired members and beneficiaries | 17 | - | 17 |
| Annual retirement allowances | \$ 165,801 | \$ - | \$ 165,801 |
| | Vested | Non-vested | Total |
| Number of inactive members | 1 | 18 | 19 |
| Accumulated contributions with interest | \$ 47,475 | \$ 54,585 | \$ 102,060 |
| Required Employer Contribution Rates | Retain Current Member Contribution Rates | Elect to Increase Member Contribution Rates Under Act 2011-676 | |
| Tier 1 | | | |
| Normal cost | 3.46% | 1.02% | |
| Accrued liability | 1.61% | 1.64% | |
| Pre-retirement death benefit | 0.02% | 0.02% | |
| Administrative expense | 0.35% | 0.35% | |
| | <u>5.44%</u> | <u>3.03%</u> | |
| 5.00% employer contribution factor (5.44%/5.00%) | 1.088000 | | |
| 6.00% employer contribution factor (5.44%/6.00%) | 0.906667 | | |
| 7.50% employer contribution factor (3.03%/7.50%) | | 0.404000 | |
| 8.50% employer contribution factor (3.03%/8.50%) | | 0.356471 | |
| Tier 2 | | | |
| Normal cost | 1.44% | 1.44% | |
| Accrued liability | 1.61% | 1.64% | |
| Pre-retirement death benefit | 0.02% | 0.02% | |
| Administrative expense | 0.35% | 0.35% | |
| | <u>3.42%</u> | <u>3.45%</u> | |
| 7.50% employer contribution factor 3.42%/7.50%) | 0.456000 | | |
| 8.50% employer contribution factor (3.42%/8.50%) | 0.402353 | | |
| 7.50% employer contribution factor 3.45%/7.50%) | | 0.460000 | |
| 8.50% employer contribution factor (3.45%/8.50%) | | 0.405882 | |

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, 2021

Accounting Information

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets * | Actuarial Accrued Liability (AAL) Entry Age ¹ | Unfunded AAL (UAAL) (b-a) | Funded Ration (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/(c)) |
|--------------------------|-----------------------------|---|-----------------------------------|--------------------------|--------------------------|--|
| 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% |
| 09/30/20 ⁴ | 3,677,509 | 3,963,638 | 286,129 | 92.8% | 1,711,500 | 16.7% |
| 09/30/20 ^{2,4} | 3,677,509 | 3,967,896 | 290,387 | 92.7% | 1,711,500 | 17.0% |

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.

⁴Reflects the impact of Act 2019-132, which provides Tier 1 benefits to Tier 2 members.

*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, 2020: \$3,564,572.

| | |
|-------------------------------|------------------------|
| Valuation date | 09/30/2020 |
| Actuarial cost methods | Entry age |
| Amortization method | Level percent closed |
| Remaining amortization period | 13.5 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, 2021

Membership as of the Measurement Date of September 30, 2020

| | |
|--|------------------|
| Inactive members or their beneficiaries currently receiving benefits | 17 |
| Vested inactive members | 1 |
| Non-vested inactive members | 18 |
| Active members | 58 |
| Total | <u><u>94</u></u> |

Pension Expense

| | |
|---|-------------------------|
| Service cost | \$ 134,057 |
| Interest on the total pension liability | 278,347 |
| Member contributions | (92,951) |
| Projected earnings on plan investments | (261,109) |
| Expensed portion of current-period changes of assumptions | - |
| Expensed portion of current-period difference between expected and actual experience in the total pension liability | (13,226) |
| Expensed portion of current-period differences between actual and projected earnings on plan investments | 13,467 |
| Recognition of beginning deferred inflows of resources | (55,688) |
| Recognition of beginning deferred outflows of resources | 33,667 |
| Pension expense | <u><u>\$ 36,564</u></u> |

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

The investment balance of \$796,206 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, 2021 is shown below:

| | |
|----------------------------------|---------------------|
| Total current assets | \$ 1,865,148 |
| Property and equipment, net | <u>2,133,861</u> |
| Total assets | <u>3,999,009</u> |
| | |
| Total current liabilities | 758,771 |
| Other liabilities | <u>55,415</u> |
| Total liabilities | <u>814,186</u> |
| | |
| Net position | 2,133,861 |
| Net investment in capital assets | <u>1,050,962</u> |
| Unrestricted net position | <u>\$ 3,184,823</u> |

City of Hartford
Notes to Financial Statements
September 30, 2021

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

| | |
|----------------------------------|---------------------|
| Total utility operating income | \$ 2,467,780 |
| Total operating expense | <u>(1,710,151)</u> |
| Operating income | 757,629 |
| Other income | <u>118,225</u> |
| Change in net position | 875,854 |
| Net position – beginning of year | 2,986,989 |
| Distributions | <u>(678,020)</u> |
| Net position – end of year | <u>\$ 3,184,823</u> |

City of Hartford
Schedule of Changes in the Net Pension Liability
September 30, 2021

| Year Ended September 30, | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Pension Liability | | | | | | | |
| Service cost | \$ 106,067 | \$ 106,677 | \$ 107,516 | \$ 103,407 | \$ 103,786 | \$ 129,591 | \$ 134,057 |
| Interest | 201,961 | 212,062 | 218,804 | 237,661 | 220,814 | 248,694 | 278,347 |
| Difference between expected and actual experience | - | (43,708) | 23,816 | (346,053) | (69) | 140,673 | (99,196) |
| Changes of assumptions | - | - | 139,352 | - | 17,654 | - | - |
| Transfers among employees | - | - | 3,126 | (28,310) | 235,745 | 29,723 | (40,942) |
| Benefit payments, including refunds of employee contributions | (160,656) | (202,865) | (178,641) | (143,499) | (224,669) | (170,038) | (157,120) |
| Net change in total pension liability | 147,372 | 72,166 | 313,973 | (176,794) | 353,261 | 378,643 | 115,146 |
| Total pension liability - beginning of year | 2,604,835 | 2,752,207 | 2,824,373 | 3,138,346 | 2,961,552 | 3,314,813 | 3,693,456 |
| 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> | <u>\$3,808,602</u> |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | \$ 64,382 | \$ 58,581 | \$ 70,681 | \$ 65,104 | \$ 61,954 | \$ 58,362 | \$ 64,655 |
| Contributions - employees | 65,535 | 70,336 | 65,730 | 70,400 | 84,981 | 92,550 | 92,951 |
| Net investment income | 245,128 | 27,426 | 241,216 | 329,328 | 274,147 | 85,270 | 193,774 |
| Benefit payments, including refunds of employee contributions | (160,656) | (202,865) | (178,641) | (143,499) | (224,669) | (170,038) | (157,120) |
| Transfers amoung employees | (19,743) | 171,751 | 3,126 | (28,310) | 235,745 | 29,723 | (40,942) |
| Net change in plan fiduciary net position | 194,646 | 125,229 | 202,112 | 293,023 | 432,158 | 95,867 | 153,318 |
| Plan net position - beginning of year | 2,068,219 | 2,262,865 | 2,388,094 | 2,590,206 | 2,883,229 | 3,315,387 | 3,411,254 |
| 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> | <u>\$3,564,572</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> | <u>\$ 244,030</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> | <u>93.59%</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> | <u>\$1,705,141</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> | <u>14.31%</u> |

See accompanying notes and independent auditors' report.

City of Hartford
Schedule of Employer Contributions
September 30, 2021

Year Ended September 30,

Actuarially-determined contributions

Contributions in relation to the actuarially-determined contributions

Contribution deficiency or excess

Covered employee payroll

Contributions as a percentage of covered employee payroll

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------|
| \$ 60,636 | \$ 75,060 | \$ 69,768 | \$ 67,101 | \$ 65,943 | \$ 69,038 | \$ 59,345 | |
| (60,636) | (75,060) | (69,768) | (67,101) | (65,943) | (69,038) | (59,345) | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| <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> | <u>\$ 1,776,366</u> | |
| <u>5.18%</u> | <u>6.75%</u> | <u>6.27%</u> | <u>5.22%</u> | <u>3.95%</u> | <u>4.05%</u> | <u>3.34%</u> | |

See accompanying notes and independent auditors' report.