

TOWN OF HARTFORD, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2017
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF HARTFORD, VERMONT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Selectboard
Town of Hartford, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hartford, Vermont (the Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hartford, Vermont as of June 30, 2017, and the respective changes

in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 schedules 7 through 9 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules 1 through 6, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules 1 through 6, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules 1 through 6, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2018 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Montpelier, Vermont
January 25, 2018

Mudgett, Janet
Joseph W. Wiser, P.C.

**TOWN OF HARTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following is a discussion and analysis of the Town of Hartford's (the Town) financial performance including an overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. Readers should consider this information in conjunction with the financial statements which are located after this analysis. This discussion and analysis provides comparisons between FY 2017 and FY 2016.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$43,487,459 compared to \$45,691,773, at June 30, 2016. This represents a decrease of \$2,204,314. The change in net position for fiscal year 2017 was a decrease of \$2,204,314 compared to a decrease of \$873,637 for fiscal year 2016.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$4,673,195, a decrease of \$185,166 in comparison with a decrease of \$163,600 for the prior year. Of the total fund balance, \$4,105,892 represents amounts restricted, committed or assigned to specific purposes, such as reserves and encumbrances approved by management. \$58,175 is nonspendable, leaving an unassigned balance of \$509,128.

Long-term Debt

The Town's long-term debt increased \$212,877 during the fiscal year and had a total ending balance of \$25,736,023.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's financial statements consist of five sections: 1) Independent Auditor's Report, 2) Management's Discussion and Analysis, 3) Basic Financial Statements, 4) Supplementary Schedules and 5) Compliance Reports.

- **Independent Auditor's Report** - This is a description by the auditors of the scope of their work and their official opinion of the financial statements of the Town for the 2017 fiscal year.
- **Management's Discussion and Analysis** - An introduction to the basic financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions or conditions.
- **Basic Financial Statements** - This section of the report includes government-wide financial statements, fund financial statements, and notes to the financial statements.
- **Supplementary Schedules** - This section of the report includes schedules 1 through 6, which are not required by accounting principles generally accepted in the United States of America (U.S. GAAP) but are presented as supplementary information. These schedules contain the combining information for individual nonmajor governmental funds. This section also includes schedules 7 through 9, which are required by U.S. GAAP. These schedules contain required historical pension information for the Town's portion of VMERS and schedule of funding progress for the Town's postemployment healthcare plan.

- **Compliance Reports** - This section includes the auditor's report on the Town's internal controls over financial reporting and on compliance with a description of their findings. Internal controls deal with the Town's processes and procedures that ensure our financial statements are accurate and that Town assets are being safeguarded in a reasonable fashion. A second auditor's report on compliance and internal controls over compliance requirements of the Town's federal awards is also included.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which helps readers determine whether the Town's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenues and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

- **Statement of Net Position** - This statement presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, 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).

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** - Activities reported here include general government, public safety, public works, health and social services, parks and recreation, conservation and development and cultural. Property taxes and federal, state and local revenues finance these activities.
- **Business-type Activities** - Activities reported here include the water, wastewater and solid waste activities.

Fund Financial Statements

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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Town's funds are categorized as governmental, proprietary or fiduciary.

- **Governmental Funds** - The basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Town's current needs.

The Town reports 10 individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund which is considered a major fund. Data from the other 9 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the supplementary schedules section.

- **Proprietary Funds** - Proprietary funds report activities that operate more like those of private-sector business and use the full accrual basis of accounting. Proprietary funds are reported as business-type activities on the government-wide financial statements. Since proprietary funds use accrual basis accounting, there are no differences between amounts reported on the government-wide statements and the proprietary fund statements. The Town uses proprietary funds to account for its Water, Wastewater and Solid Waste Funds.

Reconciliation of Government-wide Financial Statements to Governmental Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. Because the focus of governmental funds is more limited 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. This comparison can help readers better understand the long-term impact of the Town's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The following indicates some of the reporting differences between the government-wide financial statements and the governmental funds financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements. Long-term liabilities include long-term debt, accrued compensated absences and other post employment benefits.
- Property taxes not available to pay current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Deferred inflows of resources relating to deferred pension credits, deferred outflows of resources relating to deferred pension expense, and net pension asset or liability are reported on the government-wide statements, but are excluded from the fund financial statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

FINANCIAL ANALYSIS

Government-wide Financial Statements

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$43,487,459 at year end. Net position decreased by \$2,204,314 over the previous fiscal year.

TABLE 1
Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2016	2017	2016	2017	2016	2017
Assets						
Current Assets	\$ 6,528,498	\$ 5,785,909	\$ (5,051,642)	\$ 8,537,477	\$ 1,476,856	\$ 14,323,386
Noncurrent Assets	39,223,568	38,453,749	37,607,476	24,168,008	76,831,044	62,621,757
Total Assets	45,752,066	44,239,658	32,555,834	32,705,485	78,307,900	76,945,143
Deferred Outflows of Resources						
	987,405	1,627,488	-	-	987,405	1,627,488
Liabilities						
Current Liabilities	2,070,836	1,776,576	1,219,205	971,156	3,290,041	2,747,732
Noncurrent Liabilities	17,062,249	17,644,076	13,168,844	13,973,665	30,231,093	31,617,741
Total Liabilities	19,133,085	19,420,652	14,388,049	14,944,821	33,521,134	34,365,473
Deferred Inflows of Resources						
	82,398	719,699	-	-	82,398	719,699
Net Position						
Net Investment in						
Capital Assets	26,302,445	25,520,800	11,408,930	10,518,661	37,711,375	36,039,461
Restricted	1,112,684	3,316,222	-	-	1,112,684	3,316,222
Unrestricted	108,859	(3,110,227)	6,758,855	7,242,003	6,867,714	4,131,776
Total Net Position	\$ 27,523,988	\$ 25,726,795	\$ 18,167,785	\$ 17,760,664	\$ 45,691,773	\$ 43,487,459

The larger portion of the Town's net position reflects its net investment in capital assets less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Town uses capital assets to provide services to citizens; therefore, those assets are not available for future spending. Although the Town'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 liquidate these liabilities. The remaining portion of the Town's net position represents restricted and unrestricted net position.

The following condensed financial information was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2016	2017	2016	2017	2016	2017
REVENUES						
Program Revenues:						
Charges for Services	\$ 1,733,064	\$ 1,986,315	\$ 4,736,734	\$ 4,684,274	\$ 6,469,798	\$ 6,670,589
Grants and Contributions	1,346,510	925,535	4,524	-	1,351,034	925,535
Other	216,656	306,140	-	72,654	216,656	378,794
General Revenues:						
Property Taxes	12,497,984	12,778,933	-	-	12,497,984	12,778,933
Investment Earnings	16,657	44,765	7,141	50,897	23,798	95,662
Total Revenues	15,810,871	16,041,688	4,748,399	4,807,825	20,559,270	20,849,513

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2016	2017	2016	2017	2016	2017
PROGRAM EXPENSES						
General government	2,244,016	4,064,000	-	-	2,244,016	4,064,000
Public safety	6,395,246	6,097,341	-	-	6,395,246	6,097,341
Public works	3,771,913	4,145,248	-	-	3,771,913	4,145,248
Health and social services	312,451	333,672	-	-	312,451	333,672
Parks and recreation	1,563,440	1,691,900	-	-	1,563,440	1,691,900
Conservation and development	959,165	549,650	-	-	959,165	549,650
Cultural	358,173	361,113	-	-	358,173	361,113
Water	-	-	1,261,976	1,280,160	1,261,976	1,280,160
Wastewater	-	-	3,292,563	2,957,935	3,292,563	2,957,935
Solid Waste	-	-	907,299	901,666	907,299	901,666
Interest	366,665	404,307	-	266,835	366,665	671,142
Total Program Expenses	15,971,069	17,647,231	5,461,838	5,406,596	21,432,907	23,053,827
Transfers In (Out)	474,184	(191,650)	(474,184)	191,650	-	-
Increase (decrease) in Net Position	\$ 313,986	\$ (1,797,193)	\$ (1,187,623)	\$ (407,121)	\$ (873,637)	\$ (2,204,314)

Total governmental activities expenses were \$15,971,069 and \$17,647,231 in fiscal years 2016 and 2017, respectively. The expenses do not include capital outlay, which is reflected as capital asset additions in the government-wide financial statements.

Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$3,296,230 in 2016 and \$3,217,990 in 2017. Governmental activities program revenues from charges for services include licenses and permits, planning fees, forfeitures, sale of supplies and several other revenues. Program revenues in the grants and contributions category include federal, state and local grants, and local contributions that are restricted for program use.

General revenues are all other revenues not categorized as program revenues and include property taxes and investment earnings. Total general revenues from governmental activities were \$12,514,641 in fiscal 2016 and \$12,823,698 in fiscal 2017.

Fund Financial Statements

- **Governmental Funds** - The combined fund balance of the governmental funds was \$4,858,361 at June 30, 2016 and \$4,673,195 at June 30, 2017. \$4,105,892 of the FY 2017 fund balance is restricted, committed or assigned; \$58,175 is nonspendable, leaving a remaining unassigned balance of \$509,128. The fund balance of the General Fund decreased from \$3,819,926 in FY 2016 to \$3,671,953 in FY 2017.

Revenues and expenditures in the General Fund vary from their operating budgets, as shown on the Statement of Revenues and Expenditures - Budget and Actual - General Fund. Management has reviewed these variances and finds them to be acceptable.

- **Proprietary Funds** - The Town's proprietary funds provide the same information found in the government-wide financial statements. Total net position of the Town's proprietary funds at June 30, 2017 was \$17,760,664, a decrease of \$407,121 over the previous fiscal year.

Capital Assets

The following is a schedule of capital assets as of June 30, 2016 and 2017.

Capital Assets June 30, 2016 and 2017

	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
	Governmental Activities		Business-type Activities	
Land	\$ 1,413,989	\$ 1,431,658	\$ 424,307	\$ 424,307
Construction in Progress	1,564,698	1,638,524	106,802	1,616,229
Land improvements	1,138,767	1,278,767	147,002	147,002
Buildings and improvements	18,457,405	18,489,642	27,913,585	27,913,585
Vehicles and equipment	8,901,479	9,250,912	1,315,573	1,415,383
Infrastructure	<u>36,527,103</u>	<u>36,757,331</u>	<u>23,801,994</u>	<u>23,801,994</u>
Total Capital Assets	68,003,441	68,846,834	53,709,263	55,318,500
Less Accumulated Depreciation	<u>28,779,873</u>	<u>31,239,358</u>	<u>29,272,556</u>	<u>31,150,492</u>
Capital Assets, Net	<u>\$ 39,223,568</u>	<u>\$ 37,607,476</u>	<u>\$ 24,436,707</u>	<u>\$ 24,168,008</u>

The Town has a net investment in capital assets of \$63,660,275 and \$61,775,484 on June 30, 2016 and June 30, 2017, respectively. The net decrease (including additions and deductions) between the two periods amounted to \$1,884,791.

Debt

The following is a schedule of long-term debt as of June 30, 2016 and 2017.

Long-term Debt at June 30, 2016 and 2017

	<u>2016</u>	<u>2017</u>
Governmental Activities -		
Bond payable - 2012 Series 3	\$ 420,000	\$ 315,000
Bond payable - 2012 Series 1	964,941	908,180
Bond payable - 2017 Series 4	5,539,500	5,231,750
Bond payable - 2014 Series 3	855,000	810,000
Bond payable - 2014 Series 3	4,655,000	4,410,000
Bond payable - RF1-023	<u>486,682</u>	<u>411,746</u>
Total Long-term Debt	<u>\$12,921,123</u>	<u>\$ 12,086,676</u>
Business-type Activities -		
Bond payable - 2010 Series 4	\$ 15,000	\$ -
Bond payable - 2010 Series 4	75,000	-
Bond payable - RF3-069	1,536,736	1,402,686
Bond payable - AR1-006	553,932	524,213
Bond payable - AR1-099	6,338,012	6,000,605
Bond payable - AR1-041	4,509,097	4,271,884
Bond payable - RF3-329	<u>-</u>	<u>1,449,959</u>
Total Long-term Debt	<u>\$13,027,777</u>	<u>\$ 13,649,347</u>

At the end of the fiscal year, the Town had \$12,086,676 in long-term debt outstanding in governmental activities compared to \$12,921,123 in the prior year. For the business-type activities, long-term debt increased from \$13,027,777 to \$13,649,347. Total long-term debt increased by \$212,877.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of its citizens, taxpayers, customers and creditors. Questions concerning any of the information provided in the report should be addressed to the Town of Hartford, VT at 171 Bridge Street, Hartford, VT 05001.

TOWN OF HARTFORD, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017
(Page 1 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 6,795,181	\$ 5,003,288	\$ 11,798,469
Investments	17,053	-	17,053
Property taxes receivable	950,836	-	950,836
Accounts receivable, net	440,400	848,240	1,288,640
Grants receivable	237,381	-	237,381
Prepaid expenses	31,007	-	31,007
Due (to) from other activities	<u>(2,685,949)</u>	<u>2,685,949</u>	<u>-</u>
Total current assets	<u>5,785,909</u>	<u>8,537,477</u>	<u>14,323,386</u>
Noncurrent assets -			
Notes receivable, net	846,273	-	846,273
Capital assets	68,846,834	55,318,500	124,165,334
less - accumulated depreciation	<u>(31,239,358)</u>	<u>(31,150,492)</u>	<u>(62,389,850)</u>
Total noncurrent assets	<u>38,453,749</u>	<u>24,168,008</u>	<u>62,621,757</u>
Total assets	<u>44,239,658</u>	<u>32,705,485</u>	<u>76,945,143</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension expense	<u>1,627,488</u>	<u>-</u>	<u>1,627,488</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	133,273	107,782	241,055
Accrued wages	391,150	-	391,150
Due to school district	49,673	-	49,673
Accrued interest	31,221	85,877	117,098
Current portion of accrued postclosure liability	-	23,000	23,000
Current portion of long-term debt	<u>1,171,259</u>	<u>754,497</u>	<u>1,925,756</u>
Total current liabilities	<u>1,776,576</u>	<u>971,156</u>	<u>2,747,732</u>
Noncurrent liabilities -			
Accrued compensated absences	419,818	85,394	505,212
Other postemployment benefits	3,736,564	740,421	4,476,985
Net pension liability	2,572,277	-	2,572,277
Accrued postclosure liability	-	253,000	253,000
Long-term debt	<u>10,915,417</u>	<u>12,894,850</u>	<u>23,810,267</u>
Total noncurrent liabilities	<u>17,644,076</u>	<u>13,973,665</u>	<u>31,617,741</u>
Total liabilities	<u>19,420,652</u>	<u>14,944,821</u>	<u>34,365,473</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017
(Page 2 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
DEFERRED INFLOWS OF RESOURCES:			
Customer tax overpayments	68,060	-	68,060
Deferred grant revenue	640,000	-	640,000
Deferred pension credits	11,639	-	11,639
Total deferred inflows of resources	<u>719,699</u>	<u>-</u>	<u>719,699</u>
NET POSITION:			
Net investment in capital assets	25,520,800	10,518,661	36,039,461
Restricted	3,316,222	-	3,316,222
Unrestricted	<u>(3,110,227)</u>	<u>7,242,003</u>	<u>4,131,776</u>
Total net position	\$ <u>25,726,795</u>	\$ <u>17,760,664</u>	\$ <u>43,487,459</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF HARTFORD, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
	Governmental activities -						
General government	\$ 4,064,000	\$ 77,797	\$ 369,722	\$ 196,628	\$ (3,419,853)	\$ -	\$ (3,419,853)
Public safety	6,097,341	341,813	1,116,503	102,711	(4,536,314)	-	(4,536,314)
Public works	4,145,248	258,688	5,116	1,801	(3,879,643)	-	(3,879,643)
Health and social services	333,672	-	-	-	(333,672)	-	(333,672)
Parks and recreation	1,691,900	17,989	458,491	4,811	(1,210,609)	-	(1,210,609)
Conservation and development	549,650	224,248	36,483	189	(288,730)	-	(288,730)
Cultural	361,113	5,000	-	-	(356,113)	-	(356,113)
Interest	404,307	-	-	-	(404,307)	-	(404,307)
Total governmental activities	<u>17,647,231</u>	<u>925,535</u>	<u>1,986,315</u>	<u>306,140</u>	<u>(14,429,241)</u>	<u>-</u>	<u>(14,429,241)</u>
Business-type activities -							
Water	1,280,160	-	1,367,319	15,370	-	102,529	102,529
Wastewater	2,957,935	-	2,677,658	39,084	-	(241,193)	(241,193)
Solid waste	901,666	-	639,297	18,200	-	(244,169)	(244,169)
Interest	266,835	-	-	-	-	(266,835)	(266,835)
Total business-type activities	<u>5,406,596</u>	<u>-</u>	<u>4,684,274</u>	<u>72,654</u>	<u>-</u>	<u>(649,668)</u>	<u>(649,668)</u>
	<u>\$ 23,053,827</u>	<u>\$ 925,535</u>	<u>\$ 6,670,589</u>	<u>\$ 378,794</u>	<u>(14,429,241)</u>	<u>(649,668)</u>	<u>(15,078,909)</u>
GENERAL REVENUES							
- PROPERTY TAXES					12,778,933	-	12,778,933
- INVESTMENT INCOME					44,765	50,897	95,662
- TRANSFERS IN (OUT)					(191,650)	191,650	-
					<u>12,632,048</u>	<u>242,547</u>	<u>12,874,595</u>
CHANGE IN NET POSITION					(1,797,193)	(407,121)	(2,204,314)
NET POSITION, July 1, 2016					<u>27,523,988</u>	<u>18,167,785</u>	<u>45,691,773</u>
NET POSITION, June 30, 2017					<u>\$ 25,726,795</u>	<u>\$ 17,760,664</u>	<u>\$ 43,487,459</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(Page 1 of 2)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 5,976,296	\$ 818,885	\$ 6,795,181
Investments	-	17,053	17,053
Property taxes receivable	950,836	-	950,836
Accounts receivable, net	337,221	103,179	440,400
Grants receivable	-	237,381	237,381
Prepaid expenditures	31,007	-	31,007
Notes receivable	<u>-</u>	<u>846,273</u>	<u>846,273</u>
Total assets	\$ <u>7,295,360</u>	\$ <u>2,022,771</u>	\$ <u>9,318,131</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 127,355	\$ 5,918	\$ 133,273
Accrued wages	391,150	-	391,150
Due to school district	-	49,673	49,673
Due to other funds	<u>2,360,011</u>	<u>325,938</u>	<u>2,685,949</u>
Total liabilities	<u>2,878,516</u>	<u>381,529</u>	<u>3,260,045</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred property tax revenue	676,831	-	676,831
Customer tax overpayments	68,060	-	68,060
Deferred grant revenue	<u>-</u>	<u>640,000</u>	<u>640,000</u>
Total deferred inflows of resources	<u>744,891</u>	<u>640,000</u>	<u>1,384,891</u>
FUND EQUITY:			
Fund balances -			
Nonspendable	31,007	27,168	58,175
Restricted	-	1,164,725	1,164,725
Committed	2,108,303	-	2,108,303
Assigned	832,864	-	832,864
Unassigned	<u>699,779</u>	<u>(190,651)</u>	<u>509,128</u>
Total fund balances	<u>3,671,953</u>	<u>1,001,242</u>	<u>4,673,195</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>7,295,360</u>	\$ <u>2,022,771</u>	\$ <u>9,318,131</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(Page 2 of 2)

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$	4,673,195
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -		
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.		
Capital assets		68,846,834
Accumulated depreciation		(31,239,358)
Liabilities not due and payable in the year are not reported in the governmental funds.		
Accrued compensated absences		(419,818)
Other postemployment benefits		(3,736,564)
Accrued interest on long-term debt		(31,221)
Long-term debt		(12,086,676)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.		
Deferred property taxes		676,831
Balances related to net position asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.		
Deferred pension expense		1,627,488
Deferred pension credits		(11,639)
Net pension liability		<u>(2,572,277)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>25,726,795</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(Page 1 of 2)

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
REVENUES:			
Property taxes	\$ 12,804,774	\$ 97,546	\$ 12,902,320
Intergovernmental	290,049	604,804	894,853
Fees, licenses and permits	402,967	30,721	433,688
Charges for goods and services	1,580,560	-	1,580,560
Investment income	29,044	15,721	44,765
Miscellaneous	<u>234,399</u>	<u>74,490</u>	<u>308,889</u>
Total revenues	<u>15,341,793</u>	<u>823,282</u>	<u>16,165,075</u>
EXPENDITURES:			
Current -			
General government	1,402,604	9,855	1,412,459
Public safety	5,298,052	44,173	5,342,225
Public works	2,160,396	-	2,160,396
Health and social services	331,123	-	331,123
Parks and recreation	1,126,636	73,819	1,200,455
Conservation and development	412,860	116,003	528,863
Cultural	329,809	-	329,809
Employee insurance costs	1,472,867	-	1,472,867
Capital expenditures	648,333	-	648,333
Capital outlay	1,074,218	419,089	1,493,307
Debt service - principal	789,447	45,000	834,447
- interest	<u>378,828</u>	<u>25,479</u>	<u>404,307</u>
Total expenditures	<u>15,425,173</u>	<u>733,418</u>	<u>16,158,591</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(83,380)	89,864	6,484
OTHER FINANCING SOURCES (USES):			
Interfund transfers in (out), net	<u>(64,593)</u>	<u>(127,057)</u>	<u>(191,650)</u>
NET CHANGE IN FUND BALANCES	(147,973)	(37,193)	(185,166)
FUND BALANCES, July 1, 2016	<u>3,819,926</u>	<u>1,038,435</u>	<u>4,858,361</u>
FUND BALANCES, June 30, 2017	\$ <u>3,671,953</u>	\$ <u>1,001,242</u>	\$ <u>4,673,195</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

(Page 2 of 2)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balances - total governmental funds \$ (185,166)

Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -

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 as depreciation expense.

Additions to capital assets, net of dispositions	1,494,773
Depreciation	(3,110,865)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

(Increase) decrease in compensated absences	(19,710)
(Increase) decrease in other postemployment benefits	(328,863)
(Increase) decrease in accrued interest on long-term debt	17,541
Principal payments on long-term debt	834,447

Property tax revenue in governmental funds includes deferred revenue of the prior year but excludes deferred revenue of the current year as taxes uncollected within 60 days are unavailable at year end.

Prior year - deferred property taxes	(800,218)
Current year - deferred property taxes	676,831

Changes in net pension asset or liability and related deferred outflows/inflows of resources will increase or decrease the amounts reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.

Net (increase) decrease in net pension obligation	<u>(375,963)</u>
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Change in net position of governmental activities - Government-wide Statement of Activities: \$ (1,797,193)

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

(Page 1 of 3)

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u> </u>	Variance Over <u>(Under)</u>
REVENUES:			
Property taxes	\$ 12,703,860	\$ 12,804,774	\$ 100,914
Intergovernmental	511,840	290,049	(221,791)
Fees, licenses and permits	282,827	402,967	120,140
Charges for services	1,506,543	1,580,560	74,017
Investment income	30,850	29,044	(1,806)
Miscellaneous	<u>133,575</u>	<u>234,399</u>	<u>100,824</u>
Total revenues	<u>15,169,495</u>	<u>15,341,793</u>	<u>172,298</u>
EXPENDITURES:			
General government -			
Selectboard	43,013	48,262	5,249
Boards and commissions	4,095	3,511	(584)
Administrative manager	472,858	390,687	(82,171)
Election administration	20,451	24,104	3,653
Advice and litigation	50,000	69,861	19,861
Vital statistics	175,577	140,421	(35,156)
Municipal offices	77,395	88,833	11,438
Financial management	320,561	276,321	(44,240)
Auditing	43,375	56,200	12,825
Valuation	559,250	134,442	(424,808)
Delinquent tax collection	23,877	36,401	12,524
Information technology	148,710	144,214	(4,496)
Miscellaneous	<u>-</u>	<u>1,687</u>	<u>1,687</u>
Total general government	<u>1,939,162</u>	<u>1,414,944</u>	<u>(524,218)</u>
Public safety -			
Police services	2,649,916	2,344,874	(305,042)
Special duty police	16,541	15,439	(1,102)
School resource officer	54,428	-	(54,428)
Animal control	36,378	504	(35,874)
Emergency services	3,289,497	2,500,310	(789,187)
Dispatch services	688,708	638,588	(50,120)
County judicial services	<u>110,000</u>	<u>101,838</u>	<u>(8,162)</u>
Total public safety	<u>6,845,468</u>	<u>5,601,553</u>	<u>(1,243,915)</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

(Page 2 of 3)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
EXPENDITURES (CONTINUED):			
Public works -			
Summer maintenance	1,320,093	1,120,522	(199,571)
Winter maintenance	945,188	690,790	(254,398)
Bridge maintenance	228,497	10,257	(218,240)
Street and traffic lighting	50,000	44,410	(5,590)
Traffic control	37,000	4,766	(32,234)
Sidewalk maintenance	56,000	1,410	(54,590)
Equipment operation and maintenance	587,539	480,185	(107,354)
General highway	<u>133,359</u>	<u>120,196</u>	<u>(13,163)</u>
Total public works	<u>3,357,676</u>	<u>2,472,536</u>	<u>(885,140)</u>
Health and social services -			
Cemeteries	18,150	17,187	(963)
Trees	1,500	950	(550)
Health inspection	1,970	1,615	(355)
Community health	55,906	55,906	-
Mental health services	16,995	16,995	-
Senior services	135,888	131,217	(4,671)
Low income services	9,000	9,000	-
Youth and adult services	17,713	17,713	-
General appropriated services	<u>80,540</u>	<u>80,540</u>	<u>-</u>
Total health and social services	<u>337,662</u>	<u>331,123</u>	<u>(6,539)</u>
Parks and recreation -			
Program administration	193,391	217,673	24,282
Swim program	59,025	86,719	27,694
Youth program	215,855	277,200	61,345
Adult program	14,511	9,874	(4,637)
Community activities	28,250	43,386	15,136
Parks maintenance	225,827	161,302	(64,525)
Buildings maintenance	9,353	16,987	7,634
Maxfield sports grounds	49,175	50,666	1,491
Maxfield sports buildings	10,362	12,067	1,705
Barwood arena	<u>212,246</u>	<u>257,062</u>	<u>44,816</u>
Total parks and recreation	<u>1,017,995</u>	<u>1,132,936</u>	<u>114,941</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

(Page 3 of 3)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
Conservation and development -			
Conservation	3,325	1,217	(2,108)
Zoning	105,692	108,890	3,198
Planning and development	363,647	301,506	(62,141)
Housing and community development	1,025	640	(385)
Historic preservation	<u>2,580</u>	<u>607</u>	<u>(1,973)</u>
Total conservation and development	<u>476,269</u>	<u>412,860</u>	<u>(63,409)</u>
Cultural -			
Library services	-	5,969	5,969
Library appropriations	<u>314,500</u>	<u>323,840</u>	<u>9,340</u>
Total cultural	<u>314,500</u>	<u>329,809</u>	<u>15,309</u>
Employee insurance costs	<u>10,400</u>	<u>1,472,867</u>	<u>1,462,467</u>
Contingencies	<u>500</u>	<u>-</u>	<u>(500)</u>
Capital expenditures	<u>170,000</u>	<u>1,088,270</u>	<u>918,270</u>
Debt service -			
Debt service - principal	832,234	789,447	(42,787)
Debt service - interest	<u>378,829</u>	<u>378,828</u>	<u>(1)</u>
Total debt service	<u>1,211,063</u>	<u>1,168,275</u>	<u>(42,788)</u>
Total expenditures	<u>15,680,695</u>	<u>15,425,173</u>	<u>(255,522)</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(511,200)	(83,380)	427,820
OTHER FINANCING SOURCES (USES):			
Interfund transfers in (out), net	<u>511,200</u>	<u>(64,593)</u>	<u>(575,793)</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(147,973)</u>	\$ <u>(147,973)</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Water</u> <u>Fund</u>	<u>Wastewater</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	<u>Totals</u> <u>Proprietary</u> <u>Funds</u>
ASSETS:				
Current assets -				
Cash and cash equivalents	\$ 1,810,846	\$ 2,622,272	\$ 570,170	\$ 5,003,288
Accounts receivable, net	252,025	557,316	38,899	848,240
Due from other funds	<u>798,967</u>	<u>1,743,670</u>	<u>143,312</u>	<u>2,685,949</u>
Total current assets	<u>2,861,838</u>	<u>4,923,258</u>	<u>752,381</u>	<u>8,537,477</u>
Noncurrent assets -				
Capital assets	13,637,371	39,319,318	2,361,811	55,318,500
less - accumulated depreciation	<u>(6,789,394)</u>	<u>(22,490,626)</u>	<u>(1,870,472)</u>	<u>(31,150,492)</u>
Total noncurrent assets	<u>6,847,977</u>	<u>16,828,692</u>	<u>491,339</u>	<u>24,168,008</u>
Total assets	<u>9,709,815</u>	<u>21,751,950</u>	<u>1,243,720</u>	<u>32,705,485</u>
LIABILITIES:				
Current liabilities -				
Accounts payable	32,953	31,119	43,710	107,782
Accrued interest	3,507	82,370	-	85,877
Current portion of accrued postclosure liability	-	-	23,000	23,000
Current portion of long-term debt	<u>138,072</u>	<u>616,425</u>	<u>-</u>	<u>754,497</u>
Total current liabilities	<u>174,532</u>	<u>729,914</u>	<u>66,710</u>	<u>971,156</u>
Noncurrent liabilities -				
Accrued compensated absences	28,326	45,205	11,863	85,394
Other postemployment benefits	213,989	376,684	149,748	740,421
Accrued postclosure liability	-	-	253,000	253,000
Long-term debt	<u>2,714,573</u>	<u>10,180,277</u>	<u>-</u>	<u>12,894,850</u>
Total noncurrent liabilities	<u>2,956,888</u>	<u>10,602,166</u>	<u>414,611</u>	<u>13,973,665</u>
Total liabilities	<u>3,131,420</u>	<u>11,332,080</u>	<u>481,321</u>	<u>14,944,821</u>
NET POSITION:				
Net investment in capital assets	3,995,332	6,031,990	491,339	10,518,661
Unrestricted	<u>2,583,063</u>	<u>4,387,880</u>	<u>271,060</u>	<u>7,242,003</u>
Total net position	\$ <u>6,578,395</u>	\$ <u>10,419,870</u>	\$ <u>762,399</u>	\$ <u>17,760,664</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Water Fund	Wastewater Fund	Solid Waste Fund	Totals Proprietary Funds
OPERATING REVENUES:				
Charges for services	\$ 1,367,319	\$ 2,677,658	\$ 639,297	\$ 4,684,274
Miscellaneous	<u>15,370</u>	<u>39,084</u>	<u>18,200</u>	<u>72,654</u>
Total operating revenues	<u>1,382,689</u>	<u>2,716,742</u>	<u>657,497</u>	<u>4,756,928</u>
OPERATING EXPENSES:				
Operation and maintenance	338,684	713,302	478,981	1,530,967
Salaries and benefits	544,819	779,781	349,568	1,674,168
Depreciation	<u>396,657</u>	<u>1,464,852</u>	<u>73,117</u>	<u>1,934,626</u>
Total operating expenses	<u>1,280,160</u>	<u>2,957,935</u>	<u>901,666</u>	<u>5,139,761</u>
Operating income (loss)	<u>102,529</u>	<u>(241,193)</u>	<u>(244,169)</u>	<u>(382,833)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	14,533	34,023	2,341	50,897
Interest expense	<u>(46,048)</u>	<u>(220,787)</u>	<u>-</u>	<u>(266,835)</u>
Total nonoperating revenues (expenses)	<u>(31,515)</u>	<u>(186,764)</u>	<u>2,341</u>	<u>(215,938)</u>
INCOME (LOSS) BEFORE TRANSFERS	71,014	(427,957)	(241,828)	(598,771)
Operating transfers in	<u>-</u>	<u>-</u>	<u>191,650</u>	<u>191,650</u>
CHANGE IN NET POSITION	71,014	(427,957)	(50,178)	(407,121)
NET POSITION, July 1, 2016	<u>6,507,381</u>	<u>10,847,827</u>	<u>812,577</u>	<u>18,167,785</u>
NET POSITION, June 30, 2017	\$ <u>6,578,395</u>	\$ <u>10,419,870</u>	\$ <u>762,399</u>	\$ <u>17,760,664</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(Page 1 of 2)

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Totals Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,369,951	\$ 2,688,723	\$ 653,683	\$ 4,712,357
Cash paid to suppliers for goods and services	(334,144)	(712,543)	(543,904)	(1,590,591)
Cash paid to employees for services	<u>(539,523)</u>	<u>(796,658)</u>	<u>(343,191)</u>	<u>(1,679,372)</u>
Net cash provided (used) by operating activities	<u>496,284</u>	<u>1,179,522</u>	<u>(233,412)</u>	<u>1,442,394</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	(1,567,927)	(98,002)	-	(1,665,929)
Proceeds from long-term debt	1,449,959	-	-	1,449,959
Principal paid on bonds	(149,020)	(679,339)	-	(828,359)
Interest paid on bonds	<u>(46,048)</u>	<u>(220,787)</u>	<u>-</u>	<u>(266,835)</u>
Net cash provided (used) by capital and related financing activities	<u>(313,036)</u>	<u>(998,128)</u>	<u>-</u>	<u>(1,311,164)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	-	-	191,650	191,650
Change in due to/from other funds	<u>(110,417)</u>	<u>(114,579)</u>	<u>45,769</u>	<u>(179,227)</u>
Net cash provided (used) by noncapital financing activities	<u>(110,417)</u>	<u>(114,579)</u>	<u>237,419</u>	<u>12,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u>14,533</u>	<u>34,023</u>	<u>2,341</u>	<u>50,897</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	87,364	100,838	6,348	194,550
CASH AND CASH EQUIVALENTS, July 1, 2016	<u>1,723,482</u>	<u>2,521,434</u>	<u>563,822</u>	<u>4,808,738</u>
CASH AND CASH EQUIVALENTS, June 30, 2017	\$ <u>1,810,846</u>	\$ <u>2,622,272</u>	\$ <u>570,170</u>	\$ <u>5,003,288</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

(Page 2 of 2)

	<u>Water</u> <u>Fund</u>	<u>Wastewater</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	<u>Totals</u> <u>Proprietary</u> <u>Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 102,529	\$ (241,193)	\$ (244,169)	\$ (382,833)
Adjustments to reconcile operating income (loss to net cash provided (used) by operating activities -				
Depreciation	396,657	1,464,852	73,117	1,934,626
(Increase) decrease in accounts receivable	(12,738)	(28,019)	(3,814)	(44,571)
Increase (decrease) in -				
Accounts payable	4,968	9,860	(41,923)	(27,095)
Accrued interest	(428)	(9,101)	-	(9,529)
Accrued wages	(11,971)	(18,781)	(7,817)	(38,569)
Accrued postclosure liability	-	-	(23,000)	(23,000)
Other postemployment benefits	22,623	7,030	17,313	46,966
Accrued compensated absences	<u>(5,356)</u>	<u>(5,126)</u>	<u>(3,119)</u>	<u>(13,601)</u>
Net cash provided (used) by operating activities	\$ <u>496,284</u>	\$ <u>1,179,522</u>	\$ <u>(233,412)</u>	\$ <u>1,442,394</u>

The notes to financial statements are an integral part of this statement.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies:

The Town of Hartford, Vermont (the Town) was chartered by King George III of England on July 4, 1761. The Town adopted a governance charter in accordance with Vermont statutes on November 4, 2008, which was subsequently ratified by the State on May 7, 2012. The Town operates under a Selectboard/Town Manager form of government, and provides the following services: general administration, public safety (police, fire, and ambulance), streets, health and social services, culture and recreation, planning and zoning, community development, public improvements, and utility operations (solid waste, water and wastewater).

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the government-wide Statement of Net Position, the financial position of the Town is consolidated and incorporates capital assets as well as long-term debt and obligations. The government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are summarized in a single column as combined in the supplementary schedules.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the Town's water operations.

Wastewater Fund - The Wastewater Fund is used to account for the Town's wastewater operations.

The Town also reports the Solid Waste Fund, a nonmajor proprietary fund, to account for the Town's solid waste operations.

D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Unbilled service revenue is accrued in the Water and Wastewater Funds.

Property taxes are recorded as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received because they are generally not measurable prior to collection. Investment earnings and certain intergovernmental grants are recorded as earned.

Ambulance service revenue is recognized as billed. Accounts receivable for ambulance services are reviewed and adjusted for collectability on a routine basis. Allowances for doubtful accounts are established as considered necessary.

Receivables are shown net of an allowance for doubtful accounts, which are estimated losses based on the judgment of management and a review of the current status of existing receivables.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Selectboard (the Board) based on the education and municipal grant lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP except for the classification of capital expenditures and capital outlay. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town's department heads may make adjustments to appropriations within their department, while adjustments between departments can only be made with the approval of the Town Manager and Finance Director. The legal level of budgetary control is at the department level. No formal amendments were made to the budget that was approved and adopted. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Listers establish a grand list of all property and the Board sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2017 were payable in two installments due August 12, 2016 and February 3, 2017.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- The Town has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. No liabilities have been accrued as the Town is not able to make an estimate as to any future costs. The Town paid \$24,763, in unemployment claims during the year end June 30, 2017.
- I. Cash, cash equivalents and investments - The Town considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the Town are reported at fair value using quoted prices in active markets for identical assets. This is considered a level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value. The Town does not own investments valued with level 2 or level 3 inputs, which would use quoted prices for similar assets, or in inactive markets, or other methods for estimating fair value.
- J. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. Summary of significant accounting policies (continued):

K. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$10,000 for land and improvements, \$20,000 for buildings and improvements, \$5,000 for vehicles and equipment, and \$20,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed general infrastructure assets since the implementation of GASB Statement No. 34. Donated capital assets are recorded at fair value at the date of acquisition. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Land improvements	10 - 50 years
Buildings and improvements	10 - 75 years
Vehicles and equipment	3 - 25 years
Infrastructure	20 - 75 years

L. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

M. Compensated absences - It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Unused vacation time must be used within the next succeeding fiscal year, and is paid to the employee upon termination of their employment if their term of employment has exceeded six months. The accrual for unused vacation time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. Governmental funds report compensated absences as an expenditure when the benefit is paid. No liability is reported for earned but unused sick time because it is not a vested benefit.

N. Other postemployment benefits - The Town provides postemployment benefits for health insurance coverage for any employee who has attained age 55 and retires with a minimum of ten years of service (twenty years of service for employees hired after January 1, 1999). Other postemployment benefits are reported in the government-wide and proprietary fund financial statements. Governmental funds report other postemployment benefits as an expenditure when the benefit is paid.

O. Long-term obligations - Governmental activities, business-type activities, or proprietary funds report long-term debt and other long-term obligations as liabilities in the applicable statement of net position. Governmental funds report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Summary of significant accounting policies (continued):

- P. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes, as authorized by the Board.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The Town's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned unless the Board specifies otherwise.

2. Deposits and investments:

Fair value and classification - Deposits and investments are stated at fair value as described in note 1.I. The classification of investments as of June 30, 2017 is as follows:

<u>Investment</u>	<u>Fair Value</u>
Mutual funds	\$ <u>17,053</u>

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The Town does not have a policy for custodial credit risk. As of June 30, 2017, the Town's depository accounts were fully insured or collateralized.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2017, the Town does not hold more than 5% of its investments in any one issuer, other than mutual funds.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. Notes receivable:

The Town, through various federal loan programs, has received grants and advanced funds to encourage community development. These loans, generally secured by subordinated collateral positions, are recorded as notes receivable. Notes receivable as of June 30, 2017 are as follows:

Loan, secured, to E & J Realty, interest currently at 5.25%, monthly payments of \$1,073, matures November 2024.	\$ 78,955
Loan, secured, to Ibox Outdoor Clothing, LLC, interest at 5.25%, monthly payments of \$949, matures August 2018.	12,915
Loan, secured and guaranteed, to Piecemeal LLC, interest at 5.5%, monthly payments of \$812, matures June 2021.	34,902
Loan, secured and guaranteed, to Vermod Real Estate Holdings, LLC, interest at 5.25%, monthly payments of \$337, matures February 2026.	47,057
Loan, secured and guaranteed, to West Hartford Village Store, interest at 2.0%, monthly payments of \$125, matures April 2025.	10,877
Loan, secured by a mortgage, to Upper Valley Housing Associates, with no interest, monthly payments beginning January 2034, matures December 2059.	640,000
Loan, secured, to Hartford Scattered Site LP, with no interest, no payments until maturity, matures March 2036.	<u>21,567</u>
	<u>\$ 846,273</u>

4. Capital assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities -				
Capital assets, not depreciated:				
Construction in progress	\$ 1,564,698	\$ 343,708	\$ 269,882	\$ 1,638,524
Land	<u>1,413,989</u>	<u>17,669</u>	<u>-</u>	<u>1,431,658</u>
Total capital assets, not depreciated	<u>2,978,687</u>	<u>361,377</u>	<u>269,882</u>	<u>3,070,182</u>
Capital assets, depreciated:				
Land improvements	1,138,767	140,000	-	1,278,767
Buildings and improvements	18,457,405	32,237	-	18,489,642
Vehicles and equipment	8,901,479	1,055,323	705,890	9,250,912
Infrastructure	<u>36,527,103</u>	<u>230,228</u>	<u>-</u>	<u>36,757,331</u>
Total capital assets, depreciated	<u>65,024,754</u>	<u>1,457,788</u>	<u>705,890</u>	<u>65,776,652</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. Capital assets (continued):

	Balance <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2017</u>
Governmental activities (continued) -				
Less accumulated depreciation for:				
Land improvements	328,519	42,105	-	370,624
Buildings and improvements	3,909,041	678,839	-	4,587,880
Vehicles and equipment	5,930,187	811,444	651,380	6,090,251
Infrastructure	18,612,126	1,578,477	-	20,190,603
Total accumulated depreciation	<u>28,779,873</u>	<u>3,110,865</u>	<u>651,380</u>	<u>31,239,358</u>
Total capital assets, depreciated, net	<u>36,244,881</u>	<u>(1,653,077)</u>	<u>54,510</u>	<u>34,537,294</u>
Capital assets, net, governmental activities	<u>39,223,568</u>	<u>(1,291,700)</u>	<u>324,392</u>	<u>37,607,476</u>
Business-type activities -				
Capital assets, not depreciated:				
Construction in progress	106,802	1,509,427	-	1,616,229
Land	424,307	-	-	424,307
Total capital assets, not depreciated	<u>531,109</u>	<u>1,509,427</u>	<u>-</u>	<u>2,040,536</u>
Capital assets, depreciated:				
Land improvements	147,002	-	-	147,002
Buildings and improvements	27,913,585	-	-	27,913,585
Vehicles and equipment	1,315,573	156,500	56,690	1,415,383
Infrastructure	23,801,994	-	-	23,801,994
Total capital assets, depreciated	<u>53,178,154</u>	<u>156,500</u>	<u>56,690</u>	<u>53,277,964</u>
Less accumulated depreciation for:				
Land improvements	78,175	7,350	-	85,525
Buildings and improvements	14,541,505	1,117,000	-	15,658,505
Vehicles and equipment	977,077	103,182	56,690	1,023,569
Infrastructure	13,675,799	707,094	-	14,382,893
Total accumulated depreciation	<u>29,272,556</u>	<u>1,934,626</u>	<u>56,690</u>	<u>31,150,492</u>
Total capital assets, depreciated, net	<u>23,905,598</u>	<u>(1,778,126)</u>	<u>-</u>	<u>22,127,472</u>
Capital assets, net, business-type activities	<u>24,436,707</u>	<u>(268,699)</u>	<u>-</u>	<u>24,168,008</u>
Capital assets, net	\$ <u>63,660,275</u>	\$ <u>(1,560,399)</u>	\$ <u>324,392</u>	\$ <u>61,775,484</u>

Depreciation expense of \$3,110,865 in the governmental activities was allocated to expenses of the general government (\$198,992), public safety (\$551,171), public works (\$1,876,427), health and social services (\$2,549), parks and recreation (\$450,422) and cultural (\$31,304) programs based on capital assets assigned to those functions.

Depreciation expense of \$1,934,626 in the business-type activities was allocated to expenses of the water (\$396,657), wastewater (\$1,464,852) and solid waste (\$73,117) programs based on capital assets assigned to those functions.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

5. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2017 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 2,360,011
Other Governmental Funds	<u>251,465</u>	<u>577,403</u>
	<u>251,465</u>	<u>2,937,414</u>
Proprietary funds -		
Water Fund	798,967	-
Wastewater Fund	1,743,670	-
Solid Waste Fund	<u>143,312</u>	<u>-</u>
	<u>2,685,949</u>	<u>-</u>
	<u>\$ 2,937,414</u>	<u>\$ 2,937,414</u>

6. Interfund transfers:

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Interfund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds -		
General Fund	\$ -	\$ 64,593
Other Governmental Funds	<u>-</u>	<u>127,057</u>
	<u>-</u>	<u>191,650</u>
Proprietary funds -		
Solid Waste Fund	<u>191,650</u>	<u>-</u>
	<u>\$ 191,650</u>	<u>\$ 191,650</u>

7. Landfill closure and postclosure care costs:

The Town operated a landfill for use by Town residents and various neighboring Towns. The landfill ceased accepting solid waste as of December 31, 1992. Subsequently, the Town operated a landfill for construction and demolition debris. Phase I of this landfill ceased accepting debris for disposal as of July 31, 1998, and was closed and capped during the fiscal year ended June 30, 2000. There are no plans to open Phase II of the landfill. Currently the Town operates a transfer station for municipal solid waste, and a grinding facility and transfer station for construction and demolition debris.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

7. Landfill closure and postclosure care costs (continued):

State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for 30 years after closure and report monitoring results to the state regulatory agency. An estimated liability, estimated by the Town's engineers, of \$276,000 has been recognized in long-term debt for the future postclosure care costs. The Town is required to annually appropriate funds to finance postclosure care of the facility. The Town also maintains cash set aside to fund future postclosure care expenses. The balance of this cash account at June 30, 2017 was \$454,240.

The estimate is based on the amount that would be paid if all equipment, facilities and services required to monitor and maintain the landfill were acquired as of June 30, 2017. However, the actual cost of postclosure care may be higher (or lower) due to inflation, changes in technology, or changes in landfill laws and regulations.

8. Debt:

Long-term - Outstanding long-term debt as of June 30, 2017 is as follows:

Governmental activities -

Bond payable, Vermont Municipal Bond Bank - 2012 Series 3, various interest rates, annual principal payment of \$105,000 due November 2019.	\$ 315,000
Bond payable, Vermont Municipal Bond Bank - 2012 Series 1, various interest rates, annual principal payment of \$56,761, due November 2032.	908,180
Bond payable, Vermont Municipal Bond Bank - 2017 Series 4, various interest rates, annual principal payment of \$307,750, due November 2033.	5,231,750
Bond payable, Vermont Municipal Bond Bank - 2014 Series 3, various interest rates, annual principal payment of \$45,000, due November 2034.	810,000
Bond payable, Vermont Municipal Bond Bank - 2014 Series 3, various interest rates, annual principal payment of \$245,000, due November 2034.	4,410,000
Bond payable, Vermont Municipal Bond Bank - RF1-023, no interest, balloon payment of \$411,746, due December 2017.	<u>411,746</u>
	<u>\$ 12,086,676</u>

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

8. Debt (continued):

Long-term (continued) -

Business-type activities -

Bond payable, Vermont Municipal Bond Bank - RF3-069, interest at 1%, admin fee at 2%, annual payment of \$180,152, due June 2026.	\$ 1,402,686
Bond payable, Vermont Municipal Bond Bank - AR1-006, no interest, admin fee at 2%, annual payment of \$40,797, due September 2031.	524,213
Bond payable, Vermont Municipal Bond Bank - AR1-099, no interest, admin fee at 2%, annual payment of \$464,167, due June 2033.	6,000,605
Bond payable, Vermont Municipal Bond Bank - AR1-041, no interest, admin fee at 2%, annual payment of \$327,396, due September 2032.	4,271,884
Bond payable, Vermont Municipal Bond Bank - RF3-329, interest at 1%, admin fee at 2%, annual payment of \$97,460, due October 2037.	<u>1,449,959</u>
	<u>\$ 13,649,347</u>

Long-term debt activity for the year ended June 30, 2017 was as follows:

	Balance July 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2017</u>	Due Within <u>One Year</u>
Governmental activities -					
Bond payable - 2012 Series 3 \$	420,000	\$ -	\$ 105,000	\$ 315,000	\$ 105,000
Bond payable - 2012 Series 1	964,941	-	56,761	908,180	56,761
Bond payable - 2017 Series 4	5,539,500	-	307,750	5,231,750	307,750
Bond payable - 2014 Series 3	855,000	-	45,000	810,000	45,000
Bond payable - 2014 Series 3	4,655,000	-	245,000	4,410,000	245,000
Bond payable - RF1-023	486,682	-	74,936	411,746	411,748
	<u>12,921,123</u>	<u>-</u>	<u>834,447</u>	<u>12,086,676</u>	<u>1,171,259</u>
Business-type activities -					
Bond payable - 2010 Series 4	15,000	-	15,000	-	-
Bond payable - 2010 Series 4	75,000	-	75,000	-	-
Bond payable - RF3-069	1,536,736	-	134,050	1,402,686	138,072
Bond payable - AR1-006	553,932	-	29,719	524,213	30,313
Bond payable - AR1-099	6,338,012	-	337,407	6,000,605	344,154
Bond payable - AR1-041	4,509,097	-	237,213	4,271,884	241,958
Bond payable - RF3-329	-	1,449,959	-	1,449,959	-
	<u>13,027,777</u>	<u>1,449,959</u>	<u>828,389</u>	<u>13,649,347</u>	<u>754,497</u>
	<u>\$ 25,948,900</u>	<u>\$ 1,449,959</u>	<u>\$ 1,662,836</u>	<u>\$ 25,736,023</u>	<u>\$ 1,925,756</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

8. Debt (continued):

Long-term (continued) -

Debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,171,259	\$ 479,653	\$ 754,497	\$ 244,520
2019	759,511	474,053	824,929	274,188
2020	759,511	454,980	843,390	255,426
2021	654,511	330,773	862,278	244,368
2022	654,511	312,417	881,605	228,367
2023-2027	3,272,556	1,204,952	4,533,873	835,835
2028-2032	3,272,556	599,733	4,284,218	364,882
2033-2037	1,542,261	64,960	569,936	56,694
2038	-	-	94,621	2,839
	<u>\$ 12,086,676</u>	<u>\$ 3,921,521</u>	<u>\$ 13,649,347</u>	<u>\$ 2,507,119</u>

In prior years the Vermont Municipal Bond Bank (VMBB) has refunded the 1997 Series 1 Bond, 2004 Series 1 Bond, 2013 Series 1 Bond, and both 2001 Series 1 Bonds with the 2007 Series 2 Bond, 2012 Series 3 Bond, 2017 Series 4 Bond, and both 2010 Series 4 Bonds, respectively, resulting in interest savings to the Town of \$283,491. These savings allocations, to be received between FY08 and FY34, have been reflected as a reduction of interest in the debt service requirements table. There is no remaining principal balance due on the 2007 Series 2 Bond or either 2010 Series 4 Bonds at June 30, 2017.

The Town has authorized, unissued debt of \$542,000 for wastewater projects and \$2,126,000 for TIF District infrastructure.

9. Tax increment financing district:

The Board approved the establishment of a Tax Increment Financing District (TIF) District on April 5, 2011 which was later approved by the Vermont Economic Progress Council (VEPC) on December 8, 2011. The District includes parcels between Prospect Street and the White River Junction downtown area. The Prospect Street TIF District creation date is considered to be April 1, 2011 and the TIF District activation date is the date of the “execution of the financing” which was July 31, 2014.

The TIF District will allow the Town to undertake and pay for infrastructure improvements that will allow for increased economic and community development. The Town cannot incur any new TIF District debt until each project or group of projects is approved by VEPC and then by the voters. The Town voters approved the Prospect Street TIF revenue, however, it is a general obligation of the Town if TIF District revenues are not sufficient. The Town has a signed agreement with the construction contractor guaranteeing that they will cover any costs to complete the project in excess of \$900,000 and any shortfalls in TIF revenues for the first two years. The year ending June 30, 2016 was the last year of this agreement and the Town has calculated that \$18,201 is due from the contractor. This amount has not yet been received from the developer at June 30, 2017. In future years, the Town can levy a special assessment to cover any shortfall.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. Tax increment financing district (continued):

With a TIF District, the value of properties, within the District, are frozen at the time the District is created. All property taxes generated by the original base continue to go to the municipal General Fund and the State Education Fund. For twenty years from the first debt incursion, the municipal and education property taxes generated by any “new” development are shared, with 75% going to finance TIF District infrastructure debt and 25% going to the municipal General Fund and State Education Fund.

10. Fund balances:

As of June 30, 2017, the General Fund reported a nonspendable fund balance (\$31,007) related to prepaid expenditures. The remaining fund balances of this fund are committed (\$2,108,303) for various reserves, assigned (\$832,864) for various encumbrances and unassigned (\$699,779).

11. Deficit fund balances:

As of June 30, 2017, the TIF Fund has a deficit fund balance of \$72,829. Management intends to recover this deficit through a transfer from the Capital Projects Fund in FY 18.

As of June 30, 2017, the Capital Projects Fund has a deficit fund balance of \$117,822. Management intends to recover this deficit through a transfer from the General Fund in FY 18.

12. Pension plans:

401(a) Governmental Money Purchase Plan -

Plan description and funding requirements: The Plan is a governmental deferred compensation plan through the International City Manager’s Association (ICMA) Retirement Corporation that operates under section 401 of the Internal Revenue Code. The Plan provides retirement benefits to full time employees hired prior to April 1, 2007, who had not elected to change their plan to VMERS on that date. No other employees of the Town are eligible to participate.

The Town is required to make contributions to the Plan at a rate of 8% of the participant’s salary. The ICMA Retirement Corporation administers the plan. Total contributions by the Town for the year ended June 30, 2017 were \$132,469.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

12. Pension plans (continued):

457 Deferred Compensation Plan -

Plan description and funding requirements: The Plan is a governmental deferred compensation plan through the International City Manager's Association (ICMA) Retirement Corporation that operates under section 457 of the Internal Revenue Code. The Plan permits employees to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under the plan. All of the investments are self-directed by each participant. Under federal law, the investments are held in trust for the benefit of the employees. Accordingly, the Town does not report these assets on their financial statements. There is no employer contribution to this Plan.

Vermont Municipal Employees' Retirement System -

Plan description: The Town also contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the groups included in the plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.875% (Group B), 10.0% (Group C) or 11.35% (Group D) of their annual covered salary, and the Town is required to contribute 4.0% (Group A), 5.5% (Group B), 7.25% (Group C) or 9.85% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5.0% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2017, 2016 and 2015, were \$430,321, \$303,770 and \$268,542 respectively. The amount contributed was equal to the required contributions for the year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements include the Town's proportionate share of the VMERS net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on its calculation of the Town's 1.9987% proportionate share of VMERS Defined Benefit Plan.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

12. Pension plans (continued):

Vermont Municipal Employees' Retirement System (continued) -

Town's share of VMERS net pension liability	\$ 2,572,277
Deferred outflows of resources - Deferred pension expense	\$ 1,627,488
Deferred inflows of resources - Deferred pension credits	\$ 11,639

Additional information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

The Town adopted GASB Statement No. 68 in FY 2015 and is developing the ten years of required supplementary information in schedules 7 and 8. This historical pension information includes the Town's Proportionate Share of Net Pension Liability of VMERS and Town's Contributions to VMERS.

13. Other postemployment benefits:

Beginning in fiscal year 2009, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This standard addresses how the Town should account for and report its costs related to postemployment healthcare benefits provided to eligible employees. Historically, the Town's benefits were reported on a pay-as-you-go basis. GASB Statement No. 45 requires that the Town recognize the cost of this benefit during the period of employees' active employment (while the benefits are being earned) and disclose the unfunded actuarial accrued liability (UAAL) in order to account for the total future cost of postemployment benefits and financial impact on the Town.

The Town provides postemployment benefits for health insurance coverage for any employee who has attained age 55 and retires with a minimum of ten years of service (twenty years of service for employees hired after January 1, 1999). The Town pays for health insurance costs up to age 65 and then pays for any medicare supplemental policy, in accordance with the cost-sharing arrangements that exist for regular employees. The Town currently funds these benefits on a pay-as-you-go basis.

The annual cost of other postemployment benefits (OPEB) under GASB Statement No. 45 is called the annual required contribution (ARC). The Town has elected not to pre-fund OPEB liabilities. The Town is required to record the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any UAAL over a period not to exceed thirty years. The Town's annual OPEB cost is made up of an ARC of \$738,577, interest on the net OPEB obligation of \$94,798 and an adjustment to the ARC of (\$161,217). The following table shows the components of the Town's annual OPEB cost for the year.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

13. Other postemployment benefits (continued):

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Annual OPEB Cost	\$ 557,631	\$ 114,527	\$ 672,158
Contributions Made	<u>228,768</u>	<u>67,560</u>	<u>296,328</u>
Increase in Net OPEB Obligation	<u>328,863</u>	<u>46,967</u>	<u>375,830</u>
Net OPEB Obligation, Beginning of Year	<u>3,407,701</u>	<u>693,455</u>	<u>4,101,156</u>
Net OPEB Obligation, End of Year	\$ <u>3,736,564</u>	\$ <u>740,422</u>	\$ <u>4,476,986</u>
Percentage of Annual OPEB Cost Contribution			<u>44.09%</u>

As of June 30, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$9,641,428 and the actuarial value of assets was \$0, resulting in an UAAL of \$9,641,428.

An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3% investment rate of return (discount rate) and an annual healthcare cost trend rate of 5% initially. The level dollar amortization method and a thirty year amortization period is being used.

The following table shows the components of the Town's annual OPEB cost for the previous two fiscal years.

	Total <u>FYE 6/30/16</u>	Total <u>FYE 6/30/15</u>
Annual OPEB Cost	\$ 672,158	\$ 672,158
Contributions Made	<u>233,541</u>	<u>169,536</u>
Increase in Net OPEB Obligation	438,617	502,622
Net OPEB Obligation, Beginning of Year	<u>3,662,539</u>	<u>3,159,917</u>
Net OPEB Obligation, End of Year	\$ <u>4,101,156</u>	\$ <u>3,662,539</u>
Percentage of Annual OPEB Cost Contribution	<u>34.74%</u>	<u>25.22%</u>

TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

Schedule 1

	Public Safety Fund	Recreation Fund	Community Development Fund	Impact Fees Fund	Hurricane Irene Fund	TIF Fund	Capital Projects Fund	Debt Service Fund	Cemetery Trust Fund	Total
ASSETS										
Cash and cash equivalents	\$ 2,748	\$ 141,444	\$ 175,033	\$ 77,875	\$ -	\$ 10,011	\$ 83,524	\$ 306,762	\$ 21,488	\$ 818,885
Investments	-	-	-	-	-	-	-	-	17,053	17,053
Accounts receivable	-	-	-	84,978	-	18,201	-	-	-	103,179
Grants receivable	5,157	-	78,508	-	59,954	-	93,762	-	-	237,381
Due from other funds	65,188	-	163,560	-	22,717	-	-	-	-	251,465
Notes receivable	-	-	846,273	-	-	-	-	-	-	846,273
Total assets	\$ <u>73,093</u>	\$ <u>141,444</u>	\$ <u>1,263,374</u>	\$ <u>162,853</u>	\$ <u>82,671</u>	\$ <u>28,212</u>	\$ <u>177,286</u>	\$ <u>306,762</u>	\$ <u>38,541</u>	\$ <u>2,274,236</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY										
LIABILITIES:										
Accounts payable	\$ 2,243	\$ 345	\$ 900	\$ -	\$ -	\$ 2,235	\$ 195	\$ -	\$ -	\$ 5,918
Due to school district	-	-	-	49,673	-	-	-	-	-	49,673
Due to other funds	-	123,051	-	60,633	-	98,806	294,913	-	-	577,403
Total liabilities	<u>2,243</u>	<u>123,396</u>	<u>900</u>	<u>110,306</u>	<u>-</u>	<u>101,041</u>	<u>295,108</u>	<u>-</u>	<u>-</u>	<u>632,994</u>
DEFERRED INFLOWS OF RESOURCES:										
Deferred note revenue	-	-	640,000	-	-	-	-	-	-	640,000
FUND EQUITY:										
Fund balances -										
Nonspendable	-	-	-	-	-	-	-	-	27,168	27,168
Restricted	70,850	18,048	622,474	52,547	82,671	-	-	306,762	11,373	1,164,725
Unassigned	-	-	-	-	-	(72,829)	(117,822)	-	-	(190,651)
Total fund balances (deficit)	<u>70,850</u>	<u>18,048</u>	<u>622,474</u>	<u>52,547</u>	<u>82,671</u>	<u>(72,829)</u>	<u>(117,822)</u>	<u>306,762</u>	<u>38,541</u>	<u>1,001,242</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>73,093</u>	\$ <u>141,444</u>	\$ <u>1,263,374</u>	\$ <u>162,853</u>	\$ <u>82,671</u>	\$ <u>28,212</u>	\$ <u>177,286</u>	\$ <u>306,762</u>	\$ <u>38,541</u>	\$ <u>2,274,236</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 2

	Public Safety Fund	Recreation Fund	Community Development Fund	Impact Fees Fund	Hurricane Irene Fund	TIF Fund	Capital Projects Fund	Debt Service Fund	Cemetery Trust Fund	Total
REVENUES:										
Intergovernmental	\$ 119,495	\$ 18,109	\$ 224,248	\$ -	\$ 59,954	\$ -	\$ 182,998	\$ -	\$ -	\$ 604,804
Property taxes	-	-	-	-	-	97,546	-	-	-	97,546
Impact fees	-	-	-	30,721	-	-	-	-	-	30,721
Miscellaneous revenues	1,420	72,770	300	-	-	-	-	-	-	74,490
Investment income	11	568	10,839	162	-	-	340	1,249	2,552	15,721
Total revenues	<u>120,926</u>	<u>91,447</u>	<u>235,387</u>	<u>30,883</u>	<u>59,954</u>	<u>97,546</u>	<u>183,338</u>	<u>1,249</u>	<u>2,552</u>	<u>823,282</u>
EXPENDITURES:										
General government	-	-	773	1,737	-	6,597	748	-	-	9,855
Public safety	44,173	-	-	-	-	-	-	-	-	44,173
Community development	-	-	116,003	-	-	-	-	-	-	116,003
Recreation	-	73,819	-	-	-	-	-	-	-	73,819
Capital outlay	-	-	-	-	-	109,857	309,232	-	-	419,089
Debt service - principal	-	-	-	-	-	45,000	-	-	-	45,000
Debt service - interest	-	-	-	-	-	25,479	-	-	-	25,479
Total expenditures	<u>44,173</u>	<u>73,819</u>	<u>116,776</u>	<u>1,737</u>	<u>-</u>	<u>186,933</u>	<u>309,980</u>	<u>-</u>	<u>-</u>	<u>733,418</u>
EXCESS OF REVENUES OR (EXPENDITURES)	76,753	17,628	118,611	29,146	59,954	(89,387)	(126,642)	1,249	2,552	89,864
OTHER FINANCING SOURCES (USES):										
Interfund transfers in (out), net	-	(28,057)	-	(99,000)	-	-	-	-	-	(127,057)
NET CHANGE IN FUND BALANCES	76,753	(10,429)	118,611	(69,854)	59,954	(89,387)	(126,642)	1,249	2,552	(37,193)
FUND BALANCES (DEFICIT), July 1, 2016	<u>(5,903)</u>	<u>28,477</u>	<u>503,863</u>	<u>122,401</u>	<u>22,717</u>	<u>16,558</u>	<u>8,820</u>	<u>305,513</u>	<u>35,989</u>	<u>1,038,435</u>
FUND BALANCES (DEFICIT), June 30, 2017	\$ <u>70,850</u>	\$ <u>18,048</u>	\$ <u>622,474</u>	\$ <u>52,547</u>	\$ <u>82,671</u>	\$ <u>(72,829)</u>	\$ <u>(117,822)</u>	\$ <u>306,762</u>	\$ <u>38,541</u>	\$ <u>1,001,242</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF NET POSITION - WATER FUND
JUNE 30, 2017

Schedule 3

	<u>Central Water Fund</u>	<u>Quechee Water Fund</u>	<u>Total Water Fund</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 1,103,102	\$ 707,744	\$ 1,810,846
Accounts receivable, net	183,004	69,021	252,025
Due from other funds	374,183	424,784	798,967
Total current assets	<u>1,660,289</u>	<u>1,201,549</u>	<u>2,861,838</u>
Noncurrent assets -			
Capital assets	9,580,202	4,057,169	13,637,371
less - accumulated depreciation	<u>(5,314,655)</u>	<u>(1,474,739)</u>	<u>(6,789,394)</u>
Total noncurrent assets	<u>4,265,547</u>	<u>2,582,430</u>	<u>6,847,977</u>
Total assets	<u>5,925,836</u>	<u>3,783,979</u>	<u>9,709,815</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	27,498	5,455	32,953
Accrued interest	3,507	-	3,507
Current portion of long-term debt	138,072	-	138,072
Total current liabilities	<u>169,077</u>	<u>5,455</u>	<u>174,532</u>
Noncurrent liabilities -			
Accrued compensated absences	24,214	4,112	28,326
Other postemployment benefits	151,832	62,157	213,989
Long-term debt	1,264,614	1,449,959	2,714,573
Total noncurrent liabilities	<u>1,440,660</u>	<u>1,516,228</u>	<u>2,956,888</u>
Total liabilities	<u>1,609,737</u>	<u>1,521,683</u>	<u>3,131,420</u>
NET POSITION:			
Net investment in capital assets	2,862,861	1,132,471	3,995,332
Unrestricted	<u>1,453,238</u>	<u>1,129,825</u>	<u>2,583,063</u>
Total net position	<u>\$ 4,316,099</u>	<u>\$ 2,262,296</u>	<u>\$ 6,578,395</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WATER FUND
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 4

	Central Water <u>Fund</u>	Quechee Water <u>Fund</u>	Total Water <u>Fund</u>
OPERATING REVENUES:			
Charges for services	\$ 1,013,978	\$ 353,341	\$ 1,367,319
Miscellaneous	<u>14,823</u>	<u>547</u>	<u>15,370</u>
Total operating revenues	<u>1,028,801</u>	<u>353,888</u>	<u>1,382,689</u>
OPERATING EXPENSES:			
Operation and maintenance	275,610	63,074	338,684
Salaries and benefits	410,717	134,102	544,819
Depreciation	<u>296,927</u>	<u>99,730</u>	<u>396,657</u>
Total operating expenses	<u>983,254</u>	<u>296,906</u>	<u>1,280,160</u>
Operating income (loss)	<u>45,547</u>	<u>56,982</u>	<u>102,529</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	6,888	7,645	14,533
Interest expense	<u>(45,767)</u>	<u>(281)</u>	<u>(46,048)</u>
Total nonoperating revenues (expenses)	<u>(38,879)</u>	<u>7,364</u>	<u>(31,515)</u>
CHANGE IN NET POSITION	6,668	64,346	71,014
NET POSITION, July 1, 2016	<u>4,309,431</u>	<u>2,197,950</u>	<u>6,507,381</u>
NET POSITION, June 30, 2017	\$ <u>4,316,099</u>	\$ <u>2,262,296</u>	\$ <u>6,578,395</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF NET POSITION - WASTEWATER FUND
JUNE 30, 2017

Schedule 5

	<u>Central</u> <u>Wastewater</u> <u>Fund</u>	<u>Quechee</u> <u>Wastewater</u> <u>Fund</u>	<u>Total</u> <u>Wastewater</u> <u>Fund</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 1,548,342	\$ 1,073,930	\$ 2,622,272
Accounts receivable, net	339,844	217,472	557,316
Due from other funds	<u>928,972</u>	<u>814,698</u>	<u>1,743,670</u>
Total current assets	<u>2,817,158</u>	<u>2,106,100</u>	<u>4,923,258</u>
Noncurrent assets -			
Capital assets	21,025,153	18,294,165	39,319,318
less - accumulated depreciation	<u>(12,417,675)</u>	<u>(10,072,951)</u>	<u>(22,490,626)</u>
Total noncurrent assets	<u>8,607,478</u>	<u>8,221,214</u>	<u>16,828,692</u>
Total assets	<u>11,424,636</u>	<u>10,327,314</u>	<u>21,751,950</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	14,963	16,156	31,119
Accrued interest	6,019	76,351	82,370
Current portion of long-term debt	<u>349,597</u>	<u>266,828</u>	<u>616,425</u>
Total current liabilities	<u>370,579</u>	<u>359,335</u>	<u>729,914</u>
Noncurrent liabilities -			
Accrued compensated absences	25,818	19,387	45,205
Other postemployment benefits	215,565	161,119	376,684
Long-term debt	<u>5,866,046</u>	<u>4,314,231</u>	<u>10,180,277</u>
Total noncurrent liabilities	<u>6,107,429</u>	<u>4,494,737</u>	<u>10,602,166</u>
Total liabilities	<u>6,478,008</u>	<u>4,854,072</u>	<u>11,332,080</u>
NET POSITION:			
Net investment in capital assets	2,391,835	3,640,155	6,031,990
Unrestricted	<u>2,554,793</u>	<u>1,833,087</u>	<u>4,387,880</u>
Total net position	<u>\$ 4,946,628</u>	<u>\$ 5,473,242</u>	<u>\$ 10,419,870</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 6

	Central Wastewater <u>Fund</u>	Quechee Wastewater <u>Fund</u>	Total Wastewater <u>Fund</u>
OPERATING REVENUES:			
Charges for services	\$ 1,583,996	\$ 1,093,662	\$ 2,677,658
Miscellaneous	<u>29,806</u>	<u>9,278</u>	<u>39,084</u>
Total operating revenues	<u>1,613,802</u>	<u>1,102,940</u>	<u>2,716,742</u>
OPERATING EXPENSES:			
Operation and maintenance	479,545	233,757	713,302
Salaries and benefits	466,034	313,747	779,781
Depreciation	<u>664,959</u>	<u>799,893</u>	<u>1,464,852</u>
Total operating expenses	<u>1,610,538</u>	<u>1,347,397</u>	<u>2,957,935</u>
Operating income (loss)	<u>3,264</u>	<u>(244,457)</u>	<u>(241,193)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	10,451	23,572	34,023
Interest expense	<u>(126,760)</u>	<u>(94,027)</u>	<u>(220,787)</u>
Total nonoperating revenues (expenses)	<u>(116,309)</u>	<u>(70,455)</u>	<u>(186,764)</u>
CHANGE IN NET POSITION	(113,045)	(314,912)	(427,957)
NET POSITION, July 1, 2016	<u>5,059,673</u>	<u>5,788,154</u>	<u>10,847,827</u>
NET POSITION, June 30, 2017	\$ <u>4,946,628</u>	\$ <u>5,473,242</u>	\$ <u>10,419,870</u>

**TOWN OF HARTFORD, VERMONT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY
VMERS
JUNE 30, 2017** Schedule 7

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability	1.9987%	2.0337%	1.9881%
Town's proportionate share of the net pension liability	\$ 2,572,277	\$ 1,567,870	\$ 181,445
Town's covered payroll	\$ 4,398,702	\$ 4,294,168	\$ 4,153,140
Town's proportionate share of the net pension liability as a percentage of its covered payroll	58.478%	36.512%	4.369%
VMERS net position as a percentage of the total pension liability	80.95%	87.42%	98.32%

**SCHEDULE OF TOWN'S CONTRIBUTIONS
VMERS
JUNE 30, 2017** Schedule 8

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 313,738	\$ 303,770	\$ 268,542
Contributions in relation to the contractually required contribution	<u>313,738</u>	<u>303,770</u>	<u>268,542</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	\$ 4,398,702	\$ 4,294,168	\$ 4,153,140
Contributions as a percentage of covered payroll	7.133%	7.074%	6.466%

TOWN OF HARTFORD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS HARTFORD POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2017
(Page 1 of 2)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>(UAAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UUAL as a Percentage of Covered Payroll</u>
As of June 30,						
2008	\$ -	\$ 10,169,000	\$ 10,169,000	0%	\$ N/A*	N/A*
2012	\$ -	\$ 7,511,586	\$ 7,511,586	0%	\$ 6,366,601	117.98%
2015	\$ -	\$ 9,641,428	\$ 9,641,428	0%	\$ 6,236,251	154.60%

* Not Available

The above schedule presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time in relation to the actuarial liability for benefits.

Plan changes since last actuarial valuation (FYE 6/30/2012):

The Town has changed its vehicles for providing retiree health care benefits to a combination of the following arrangements, some of which apply only to current retirees:

- Pre-65 retirees may either (1) participate in the plan in which active employees participate, currently a high deductible plan with the Town covering a portion of the deductible using Health Reimbursement Accounts (HRA); or (2) receive a stipend of \$550 per month to purchase coverage through Vermont Health Connect.
- Post-65 retirees may either (1) participate in one of two Medicare Supplement Plans (MVP for Vermont residents or Benistar for New Hampshire residents); or (2) receive reimbursement for participation in a comparable plan (this option is only available to the current retiree group).
- Retirees at any age may choose an annual cash opt-out payment of \$1,000 (\$2,750 for 2 life) in lieu of receiving retiree medical coverage (available to current and future retirees).
- The Town's cost share applicable to employees not yet retired is 85% (employees already retired are subject to the cost share applicable at their retirement date).
- The postemployment healthcare plan is closed (i.e. will not be provided) to non-union employees hired on or after 7/1/13.
- The postemployment healthcare plan is closed to spouses of Fire employees hired after 11/25/12, and spouses of Police employees hired after 7/1/12.

Changes in assumptions:

Employee and spouse participation rates: Non-retired at valuation - 90% of those meeting eligibility assumed to elect retiree medical; 50% of this group assumed to elect 2-life coverage; 10% assumed to choose the cash opt-out payment.

TOWN OF HARTFORD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS HARTFORD POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2017
 (Page 2 of 2)

Medical Cost Trend (Annual Rates):

<u>Year</u>	<u>Pre-65</u>	<u>Post 65</u>	<u>HRA Deductibles</u>	<u>VHC Stipend</u>	<u>Cash Opt-Out</u>
1	5.00%	5.00%	1.50%	0.00%	0.00%
2	5.30%	5.30%	1.50%	0.00%	0.00%
3	5.40%	5.40%	1.50%	0.00%	0.00%
4	5.50%	5.50%	1.50%	0.00%	0.00%
5	5.40%	5.40%	1.50%	0.00%	0.00%
6	5.30%	5.30%	1.50%	0.00%	0.00%
7	5.30%	5.30%	1.50%	0.00%	0.00%
8	5.20%	5.20%	1.50%	0.00%	0.00%
9	5.10%	5.10%	1.50%	0.00%	0.00%
10 or more	5.00%	5.00%	1.50%	0.00%	0.00%

Per-Capita Costs (Annual):

		<u>Annual Costs</u>	
		<u>1-Life</u>	<u>2-Life</u>
Pre-65:	BCBS/HRA	\$ 6,652	\$ 13,304
	VHC Stipend	6,600	13,200
Medicare Supplemental:	MVP	3,755	7,509
	Benistar	3,985	7,969
	Cash Opt-Out	1,000	2,750

Per capita costs represent annual costs expected to be incurred per retired employee and spouse life in valuation year. BCBS, MVP and Benistar plans are fully insured and community rated. Pricing under each plan is not dependent on the age make-up of the employer retiree groups, hence age bands are split based only on Medicare eligibility (Pre/Post-65).

Plan Coverage Rates:

Pre-65:	BCBS/HRA	86%
	VHC Stipend	15%
Medicare Supplemental:	MVP	80%
	Benistar	20%

Assumed HRA Utilization (Pre-65 coverage only): 40%

The Town reimburses retirees, not yet 65 who participate in the high deductible health plan, a portion of the deductible (approximately 82%).

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Selectboard
Town of Hartford, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hartford, Vermont (the Town) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
January 25, 2018

*Mudgett, J. J. &
Shoof-Nisic, P.C.*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

The Selectboard
Town of Hartford, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Town of Hartford, Vermont's (the Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2017. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Hartford, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
January 25, 2018

Mudgett, J. J.
Joseph J. Mudgett, P.C.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(Page 1 of 2)

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development:				
Passed through the Vermont Agency of Commerce and Community Development -				
Community Development Block Grants	14.228	PG-2014-Hartford-00008	\$ -	\$ 12,252
Community Development Block Grants	14.228	IG-2014-Hartford-00014	-	<u>10,389</u>
Total U.S. Department of Housing and Urban Development			-	<u>22,641</u>
U.S. Department of the Interior:				
Passed through the Vermont Agency of Commerce and Community Development -				
Historic Preservation Fund Grants-In-Aid	15.904	07110-VT-15-003	-	3,000
Historic Preservation Fund Grants-In-Aid	15.904	07110-VT-16-002	-	<u>5,200</u>
Total U.S. Department of the Interior			-	<u>8,200</u>
U.S. Department of Justice:				
Passed through the Vermont Department of Public Safety -				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	02140-11915C-100	-	<u>12,485</u>
U.S. Department of Transportation:				
Passed through the Vermont Agency of Transportation -				
Highway Planning and Construction	20.205	CA0135	-	86,948
Highway Planning and Construction	20.205	CA0393	-	4,207
Highway Planning and Construction	20.205	CA0425	-	14,845
Highway Planning and Construction	20.205	EH0015	-	1,128
Highway Planning and Construction	20.205	EH0034	-	<u>44</u>
Total Highway Planning and Construction			-	107,172
State and Community Highway Safety	20.600	GR0923	-	<u>8,000</u>
Total U.S. Department of Transportation			-	<u>115,172</u>

The accompanying notes are an integral part of this schedule.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017
(Page 2 of 2)

Federal Grantor/Pass-through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Entity Identifying <u>Number</u>	Passed Through to <u>Subrecipients</u>	<u>Expenditures</u>
U.S. Environmental Protection Agency:				
Passed through the Vermont Clean Water State Revolving Fund -				
Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan RF1-188-1.0	-	<u>17,533</u>
Passed through the Vermont Drinking Water State Revolving Fund -				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Loan RF3-329-3	-	<u>1,194,617</u>
Total U.S. Environmental Protection Agency			-	<u>1,212,150</u>
Total expenditures of federal awards			\$ -	\$ <u>1,370,648</u>

The accompanying notes are an integral part of this schedule.

TOWN OF HARTFORD, VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town.

2. Summary of significant accounting policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town has elected to not use the 10 percent de minimis indirect cost rate as allowed in the Uniform Guidance.

**TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

A. Summary of Auditor's Results:

Financial Statements -

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? *No*

Identification of major programs:

- *U.S. Environmental Protection Agency
CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds*

Dollar threshold used to distinguish between type A and type B programs: *\$750,000*

Auditee qualified as low-risk auditee? *No*

B. Audit Findings - Financial Statements:

There were no audit findings identified for the year ended June 30, 2017.

C. Audit Findings - Federal Awards:

There were no audit findings identified for the year ended June 30, 2017.

**STATUS OF PRIOR AUDIT FINDINGS
AS OF JUNE 30, 2017**

We consider audit findings 2016-1 Review and Approval of Journal Entries, 2016-2 Recording of Receivables and Revenues, 2016-3 Schedule of Federal Awards and 2016-4 Tax Increment Financing District Revenue to be resolved.