

TOWN OF HARTFORD, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2018
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF HARTFORD, VERMONT

JUNE 30, 2018

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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, 2018, 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, 2018, and the respective changes

in financial position and, where applicable, cash flows thereof and the respective 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 November 21, 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
November 21, 2018

Mudgett, Kenneth J.
Shuck-Nelson, P.C.

**TOWN OF HARTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. 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 2018 and FY 2017.

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, 2018 by \$34,619,450 compared to \$43,487,459, at June 30, 2017. This represents a decrease of \$8,868,009. The change in net position for fiscal year 2018 was a decrease of \$8,868,009 compared to a decrease of \$2,204,314 for fiscal year 2017. This decrease in the current year is primarily attributable to the implementation of GASB Statement No. 75 which required full recognition of the Town's future liability for medical insurance benefits for retired employees.

Fund Highlights

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$7,966,711, an increase of \$3,293,516 in comparison with a decrease of \$185,166 for the prior year. Of the total fund balance, \$5,428,783 represents amounts restricted, committed or assigned to specific purposes, such as reserves and encumbrances approved by management, \$54,929 is nonspendable, leaving an unassigned balance of \$2,482,999.

Long-term Debt

The Town's long-term debt increased \$531,392 during the fiscal year and had a total ending balance of \$26,267,415.

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 2018 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 \$34,619,450 at year end. Net position decreased by \$8,868,009 over the previous fiscal year.

TABLE 1
Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Assets						
Current Assets	\$ 5,785,909	\$ 10,167,736	\$ 8,537,477	\$ 9,143,006	\$ 14,323,386	\$ 19,310,742
Noncurrent Assets	38,453,749	38,465,064	24,168,008	22,431,498	62,621,757	60,896,562
Total Assets	44,239,658	48,632,800	32,705,485	31,574,504	76,945,143	80,207,304
Deferred Outflows of Resources	1,627,488	1,415,636	-	-	1,627,488	1,415,636
Liabilities						
Current Liabilities	1,776,576	2,534,287	971,156	1,038,944	2,747,732	3,573,231
Noncurrent Liabilities	17,644,076	27,609,737	13,973,665	14,170,036	31,617,741	41,779,773
Total Liabilities	19,420,652	30,144,024	14,944,821	15,208,980	34,365,473	45,353,004
Deferred Inflows of Resources	719,699	1,650,486	-	-	719,699	1,650,486
Net Position						
Net Investment in						
Capital Assets	25,520,800	23,785,175	10,518,661	9,205,502	36,039,461	32,990,677
Restricted	3,316,222	4,422,685	-	-	3,316,222	4,422,685
Unrestricted	(3,110,227)	(9,953,934)	7,242,003	7,160,022	4,131,776	(2,793,912)
Total Net Position	\$ 25,726,795	\$ 18,253,926	\$ 17,760,664	\$ 16,365,524	\$ 43,487,459	\$ 34,619,450

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.

TABLE 2
Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 1,986,315	\$ 2,236,868	\$ 4,684,274	\$ 4,703,450	\$ 6,670,589	\$ 6,940,318
Grants and Contributions	925,535	2,478,456	-	-	925,535	2,478,456
Other	306,140	508,269	72,654	26,675	378,794	534,944
General Revenues:						
Property Taxes	12,778,933	12,911,306	-	-	12,778,933	12,911,306
Sale of Tower	-	921,288	-	-	-	921,288
Investment Earnings	44,765	88,831	50,897	68,470	95,662	157,301
Total Revenues	16,041,688	19,145,018	4,807,825	4,798,595	20,849,513	23,943,613

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
PROGRAM EXPENSES						
General government	4,064,000	11,448,955	-	-	4,064,000	11,448,955
Public safety	6,097,341	6,577,301	-	-	6,097,341	6,577,301
Public works	4,145,248	4,167,260	-	-	4,145,248	4,167,260
Health and social services	333,672	341,231	-	-	333,672	341,231
Parks and recreation	1,691,900	1,434,766	-	-	1,691,900	1,434,766
Conservation and development	549,650	1,657,196	-	-	549,650	1,657,196
Cultural	361,113	372,048	-	-	361,113	372,048
Water	-	-	1,280,160	1,322,534	1,280,160	1,322,534
Wastewater	-	-	2,957,935	3,903,736	2,957,935	3,903,736
Solid Waste	-	-	901,666	906,626	901,666	906,626
Interest	404,307	426,630	266,835	253,339	671,142	679,969
Total Program Expenses	17,647,231	26,425,387	5,406,596	6,386,235	23,053,827	32,811,622
Transfers In (Out)	(191,650)	(192,500)	191,650	192,500	-	-
Increase (decrease) in Net Position	\$ (1,797,193)	\$ (7,472,869)	\$ (407,121)	\$ (1,395,140)	\$ (2,204,314)	\$ (8,868,009)

Total governmental activities expenses were \$17,647,231 and \$26,425,387 in fiscal years 2017 and 2018, respectively. The expenses do not include capital outlay, which is reflected as capital asset additions in the government-wide financial statements. This increase in the current year is primarily attributable to the implementation of GASB Statement No. 75.

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 \$3,217,990 in 2017 and \$5,223,593 in 2018. 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 \$12,823,698 in fiscal 2017 and \$13,921,425 in fiscal 2018.

Fund Financial Statements

- **Governmental Funds** - The combined fund balance of the governmental funds was \$4,673,195 at June 30, 2017 and \$7,966,711 at June 30, 2018. \$5,428,783 of the FY 2018 fund balance is restricted, committed or assigned; \$54,929 is nonspendable, leaving a remaining unassigned balance of \$2,482,999. The fund balance of the General Fund increased from \$3,671,953 in FY 2017 to \$5,726,052 in FY 2018.

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, 2018 was \$16,365,524, a decrease of \$1,395,140 over the previous fiscal year.

Capital Assets

The following is a schedule of capital assets as of June 30, 2017 and 2018.

Capital Assets June 30, 2017 and 2018

	Governmental Activities		Business-type Activities	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Land	\$ 1,431,658	\$ 1,431,658	\$ 424,307	\$ 424,307
Construction in Progress	1,638,524	3,444,282	1,616,229	50,537
Land improvements	1,278,767	1,278,767	147,002	147,002
Buildings and improvements	18,489,642	18,489,642	27,913,585	27,928,580
Vehicles and equipment	9,250,912	9,418,559	1,415,383	1,415,383
Infrastructure	<u>36,757,331</u>	<u>36,757,331</u>	<u>23,801,994</u>	<u>25,529,491</u>
Total Capital Assets	68,846,834	70,820,239	55,318,500	55,495,300
Less Accumulated Depreciation	<u>31,239,358</u>	<u>33,849,756</u>	<u>31,150,492</u>	<u>33,063,802</u>
Capital Assets, Net	<u>\$ 37,607,476</u>	<u>\$ 36,970,483</u>	<u>\$ 24,168,008</u>	<u>\$ 22,431,498</u>

The Town has a net investment in capital assets of \$61,775,484 and \$57,717,023 on June 30, 2017 and June 30, 2018, respectively. The net decrease (including additions and deductions) between the two periods amounted to \$4,058,461.

Debt

The following is a schedule of long-term debt as of June 30, 2017 and 2018.

Long-term Debt at June 30, 2017 and 2018

	<u>2017</u>	<u>2018</u>
Governmental Activities -		
Bond payable - 2012 Series 3	\$ 315,000	\$ 210,000
Bond payable - 2012 Series 1	908,180	851,419
Bond payable - 2017 Series 4	5,231,750	4,924,000
Bond payable - 2014 Series 3	810,000	765,000
Bond payable - 2014 Series 3	4,410,000	4,165,000
Bond payable - RF1-023	411,746	-
Bond payable - 2017 Series 3	<u>-</u>	<u>2,126,000</u>
Total Long-term Debt	<u>\$12,086,676</u>	<u>\$ 13,041,419</u>
Business-type Activities -		
Bond payable - RF3-069	\$ 1,402,686	\$ 1,264,614
Bond payable - AR1-006	524,213	493,900
Bond payable - AR1-099	6,000,605	5,656,451
Bond payable - AR1-041	4,271,884	4,029,926
Bond payable - RF3-329	1,449,959	1,702,300
Bond payable - RF1-188	-	63,118
Bond payable - RF1-202	<u>-</u>	<u>15,687</u>
Total Long-term Debt	<u>\$13,649,347</u>	<u>\$ 13,225,996</u>

At the end of the fiscal year, the Town had \$13,041,419 in long-term debt outstanding in governmental activities compared to \$12,086,676 in the prior year. For the business-type activities, long-term debt decreased from \$13,649,347 to \$13,225,996.

During the year the Town also obtained three capital leases totaling \$191,761. Debt service payments on these capital leases totaled \$47,872, leaving an ending capital lease obligation of \$143,889 at June 30, 2018. The Town had no capital leases in the prior year.

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, 2018
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	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 11,113,484	\$ 4,989,270	\$ 16,102,754
Investments	18,080	-	18,080
Property taxes receivable	815,168	-	815,168
Accounts receivable, net	543,250	849,570	1,392,820
Grants receivable	954,159	-	954,159
Prepaid expenses	27,761	-	27,761
Due (to) from other activities	<u>(3,304,166)</u>	<u>3,304,166</u>	<u>-</u>
Total current assets	<u>10,167,736</u>	<u>9,143,006</u>	<u>19,310,742</u>
Noncurrent assets -			
Notes receivable, net	1,494,581	-	1,494,581
Capital assets	70,820,239	55,495,300	126,315,539
less - accumulated depreciation	<u>(33,849,756)</u>	<u>(33,063,802)</u>	<u>(66,913,558)</u>
Total noncurrent assets	<u>38,465,064</u>	<u>22,431,498</u>	<u>60,896,562</u>
Total assets	<u>48,632,800</u>	<u>31,574,504</u>	<u>80,207,304</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension expense	<u>1,415,636</u>	<u>-</u>	<u>1,415,636</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	1,201,735	100,423	1,302,158
Accrued wages	387,177	-	387,177
Accrued interest	35,890	81,201	117,091
Current portion of accrued postclosure liability	-	23,000	23,000
Current portion of long-term debt	865,811	834,320	1,700,131
Current portion of capital lease obligation	<u>43,674</u>	<u>-</u>	<u>43,674</u>
Total current liabilities	<u>2,534,287</u>	<u>1,038,944</u>	<u>3,573,231</u>
Noncurrent liabilities -			
Accrued compensated absences	443,102	74,589	517,691
Other postemployment benefits	12,379,611	1,473,771	13,853,382
Net pension liability	2,511,201	-	2,511,201
Accrued postclosure liability	-	230,000	230,000
Long-term debt	12,175,608	12,391,676	24,567,284
Capital lease obligation	<u>100,215</u>	<u>-</u>	<u>100,215</u>
Total noncurrent liabilities	<u>27,609,737</u>	<u>14,170,036</u>	<u>41,779,773</u>
Total liabilities	<u>30,144,024</u>	<u>15,208,980</u>	<u>45,353,004</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, 2018
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	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
DEFERRED INFLOWS OF RESOURCES:			
Customer tax overpayments	167,884	-	167,884
Deferred grant revenue	1,412,678	-	1,412,678
Deferred pension credits	69,924	-	69,924
Total deferred inflows of resources	<u>1,650,486</u>	<u>-</u>	<u>1,650,486</u>
NET POSITION:			
Net investment in capital assets	23,785,175	9,205,502	32,990,677
Restricted	4,422,685	-	4,422,685
Unrestricted	<u>(9,953,934)</u>	<u>7,160,022</u>	<u>(2,793,912)</u>
Total net position	\$ <u>18,253,926</u>	\$ <u>16,365,524</u>	\$ <u>34,619,450</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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</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>
FUNCTIONS/PROGRAMS:							
Governmental activities -							
General government	\$ 11,448,955	\$ 91,244	\$ 377,202	\$ 436,004	\$ (10,544,505)	\$ -	\$ (10,544,505)
Public safety	6,577,301	366,217	1,304,442	11,055	(4,895,587)	-	(4,895,587)
Public works	4,167,260	370,171	5,565	1,055	(3,790,469)	-	(3,790,469)
Health and social services	341,231	-	-	-	(341,231)	-	(341,231)
Parks and recreation	1,434,766	50,477	512,773	60,076	(811,440)	-	(811,440)
Conservation and development	1,657,196	1,600,347	36,886	79	(19,884)	-	(19,884)
Cultural	372,048	-	-	-	(372,048)	-	(372,048)
Interest	426,630	-	-	-	(426,630)	-	(426,630)
Total governmental activities	<u>26,425,387</u>	<u>2,478,456</u>	<u>2,236,868</u>	<u>508,269</u>	<u>(21,201,794)</u>	<u>-</u>	<u>(21,201,794)</u>
Business-type activities -							
Water	1,322,534	-	1,386,895	-	-	64,361	64,361
Wastewater	3,903,736	-	2,661,792	1,350	-	(1,240,594)	(1,240,594)
Solid waste	906,626	-	654,763	25,325	-	(226,538)	(226,538)
Interest	253,339	-	-	-	-	(253,339)	(253,339)
Total business-type activities	<u>6,386,235</u>	<u>-</u>	<u>4,703,450</u>	<u>26,675</u>	<u>-</u>	<u>(1,656,110)</u>	<u>(1,656,110)</u>
	<u>\$ 32,811,622</u>	<u>\$ 2,478,456</u>	<u>\$ 6,940,318</u>	<u>\$ 534,944</u>	<u>(21,201,794)</u>	<u>(1,656,110)</u>	<u>(22,857,904)</u>
GENERAL REVENUES							
- PROPERTY TAXES					12,911,306	-	12,911,306
- SALE OF TOWER					921,288	-	921,288
- INVESTMENT INCOME					88,831	68,470	157,301
- TRANSFERS IN (OUT)					(192,500)	192,500	-
					<u>13,728,925</u>	<u>260,970</u>	<u>13,989,895</u>
CHANGE IN NET POSITION					(7,472,869)	(1,395,140)	(8,868,009)
NET POSITION, July 1, 2017					<u>25,726,795</u>	<u>17,760,664</u>	<u>43,487,459</u>
NET POSITION, June 30, 2018					<u>\$ 18,253,926</u>	<u>\$ 16,365,524</u>	<u>\$ 34,619,450</u>

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

TOWN OF HARTFORD, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(Page 1 of 2)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 9,113,216	\$ 2,000,268	\$ 11,113,484
Investments	-	18,080	18,080
Property taxes receivable	815,168	-	815,168
Accounts receivable, net	525,049	18,201	543,250
Grants receivable	-	954,159	954,159
Prepaid expenditures	27,761	-	27,761
Notes receivable	-	1,494,581	1,494,581
Due from other funds	<u>-</u>	<u>25,263</u>	<u>25,263</u>
Total assets	\$ <u>10,481,194</u>	\$ <u>4,510,552</u>	\$ <u>14,991,746</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 344,520	\$ 857,215	\$ 1,201,735
Accrued wages	387,177	-	387,177
Due to other funds	<u>3,329,429</u>	<u>-</u>	<u>3,329,429</u>
Total liabilities	<u>4,061,126</u>	<u>857,215</u>	<u>4,918,341</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred property tax revenue	526,132	-	526,132
Customer tax overpayments	167,884	-	167,884
Deferred grant revenue	<u>-</u>	<u>1,412,678</u>	<u>1,412,678</u>
Total deferred inflows of resources	<u>694,016</u>	<u>1,412,678</u>	<u>2,106,694</u>
FUND EQUITY:			
Fund balances -			
Nonspendable	27,761	27,168	54,929
Restricted	-	2,371,922	2,371,922
Committed	2,023,595	-	2,023,595
Assigned	1,033,266	-	1,033,266
Unassigned	<u>2,641,430</u>	<u>(158,431)</u>	<u>2,482,999</u>
Total fund balances	<u>5,726,052</u>	<u>2,240,659</u>	<u>7,966,711</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>10,481,194</u>	\$ <u>4,510,552</u>	\$ <u>14,991,746</u>

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

TOWN OF HARTFORD, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(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	\$ 7,966,711
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	70,820,239
Accumulated depreciation	(33,849,756)
Liabilities not due and payable in the year are not reported in the governmental funds.	
Accrued compensated absences	(443,102)
Other postemployment benefits	(12,379,611)
Accrued interest on long-term debt	(35,890)
Long-term debt	(13,041,419)
Capital lease obligation	(143,889)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	
Deferred property taxes	526,132
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	1,415,636
Deferred pension credits	(69,924)
Net pension liability	<u>(2,511,201)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>18,253,926</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, 2018
(Page 1 of 2)

	General Fund	Other Governmental Funds	Totals Governmental Funds
REVENUES:			
Property taxes	\$ 12,928,078	\$ 133,927	\$ 13,062,005
Intergovernmental	395,886	2,205,818	2,601,704
Fees, licenses and permits	579,196	-	579,196
Charges for goods and services	1,824,465	-	1,824,465
Investment income	75,722	13,109	88,831
Miscellaneous	158,210	60,018	218,228
Total revenues	<u>15,961,557</u>	<u>2,412,872</u>	<u>18,374,429</u>
EXPENDITURES:			
Current -			
General government	1,381,141	57,769	1,438,910
Public safety	6,023,100	67,040	6,090,140
Public works	2,372,280	-	2,372,280
Health and social services	339,111	-	339,111
Parks and recreation	946,555	57,190	1,003,745
Conservation and development	511,457	1,145,739	1,657,196
Cultural	340,745	-	340,745
Employee insurance costs	740,375	-	740,375
Capital expenditures	239,448	-	239,448
Capital outlay	890,373	1,369,380	2,259,753
Debt service - principal - long-term debt	734,984	436,273	1,171,257
- principal - capital lease	47,872	-	47,872
- interest	349,670	76,960	426,630
Total expenditures	<u>14,917,111</u>	<u>3,210,351</u>	<u>18,127,462</u>
EXCESS OF REVENUES OR (EXPENDITURES)	1,044,446	(797,479)	246,967
OTHER FINANCING SOURCES (USES):			
Capital lease proceeds	191,761	-	191,761
Loan proceeds	-	2,126,000	2,126,000
Sale of Tower	921,288	-	921,288
Interfund transfers in (out), net	(103,396)	(89,104)	(192,500)
Total other financing sources (uses)	<u>1,009,653</u>	<u>2,036,896</u>	<u>3,046,549</u>
NET CHANGE IN FUND BALANCES	2,054,099	1,239,417	3,293,516
FUND BALANCES, July 1, 2017	<u>3,671,953</u>	<u>1,001,242</u>	<u>4,673,195</u>
FUND BALANCES, June 30, 2018	\$ <u>5,726,052</u>	\$ <u>2,240,659</u>	\$ <u>7,966,711</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, 2018
(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	\$ 3,293,516
<p>Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Additions to capital assets, net of dispositions	2,308,373
Depreciation	(2,945,366)
<p>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.</p>	
(Increase) decrease in compensated absences	(23,284)
(Increase) decrease in other postemployment benefits	(8,643,047)
(Increase) decrease in accrued interest on long-term debt	(4,669)
Proceeds from long-term debt	(2,126,000)
Proceeds from capital lease	(191,761)
Principal payments on long-term debt	1,171,257
Principal payments on capital lease	47,872
<p>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.</p>	
Prior year - deferred property taxes	(676,831)
Current year - deferred property taxes	526,132
<p>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.</p>	
Net (increase) decrease in net pension obligation	<u>(209,061)</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(7,472,869)</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, 2018
(Page 1 of 3)

	Original and Final <u>Budget</u>	Actual (Budgetary <u>Basis</u>)	Variance Over <u>(Under)</u>
REVENUES:			
Property taxes	\$ 12,880,435	\$ 12,928,078	\$ 47,643
Intergovernmental	362,000	395,886	33,886
Fees, licenses and permits	284,550	579,196	294,646
Charges for services	1,575,000	1,824,465	249,465
Investment income	33,000	75,722	42,722
Miscellaneous	<u>149,582</u>	<u>158,210</u>	<u>8,628</u>
Total revenues	<u>15,284,567</u>	<u>15,961,557</u>	<u>676,990</u>
EXPENDITURES:			
General government -			
Selectboard	34,952	36,807	1,855
Boards and commissions	8,910	9,245	335
Administrative manager	298,237	346,848	48,611
Election administration	13,623	10,792	(2,831)
Advice and litigation	50,000	44,391	(5,609)
Vital statistics	164,722	170,173	5,451
Municipal offices	61,000	74,682	13,682
Financial management	255,369	336,470	81,101
Auditing	42,500	37,000	(5,500)
Valuation	167,796	173,827	6,031
Delinquent tax collection	18,007	31,770	13,763
Information technology	141,798	100,965	(40,833)
Miscellaneous	<u>-</u>	<u>500</u>	<u>500</u>
Total general government	<u>1,256,914</u>	<u>1,373,470</u>	<u>116,556</u>
Public safety -			
Police services	2,399,930	2,435,221	35,291
Special duty police	16,051	17,649	1,598
Emergency services	2,510,009	2,895,307	385,298
Dispatch services	645,965	745,158	99,193
County judicial services	<u>102,000</u>	<u>101,353</u>	<u>(647)</u>
Total public safety	<u>5,673,955</u>	<u>6,194,688</u>	<u>520,733</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, 2018

(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	1,257,581	1,049,632	(207,949)
Winter maintenance	847,977	696,549	(151,428)
Bridge maintenance	500	-	(500)
Street and traffic lighting	48,000	52,725	4,725
Traffic control	44,500	12,045	(32,455)
Sidewalk maintenance	87,000	12,237	(74,763)
Equipment operation and maintenance	194,546	551,069	356,523
General highway	90,108	142,529	52,421
Total public works	<u>2,570,212</u>	<u>2,516,786</u>	<u>(53,426)</u>
Health and social services -			
Cemeteries	18,700	16,723	(1,977)
Trees	1,500	950	(550)
Health inspection	1,615	1,615	-
Community health	59,907	59,907	-
Mental health services	16,995	16,995	-
Senior services	147,760	124,858	(22,902)
Low income services	9,000	9,000	-
Youth and adult services	27,013	27,013	-
General appropriated services	82,050	82,050	-
Total health and social services	<u>364,540</u>	<u>339,111</u>	<u>(25,429)</u>
Parks and recreation -			
Program administration	178,245	196,358	18,113
Swim program	53,501	45,077	(8,424)
Youth program	242,682	219,206	(23,476)
Adult program	13,750	2,597	(11,153)
Community activities	45,500	43,019	(2,481)
Parks maintenance	174,587	128,683	(45,904)
Buildings maintenance	13,100	6,910	(6,190)
Maxfield sports grounds	30,300	34,646	4,346
Maxfield sports buildings	10,000	11,354	1,354
Barwood arena	206,514	437,400	230,886
Total parks and recreation	<u>968,179</u>	<u>1,125,250</u>	<u>157,071</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, 2018
(Page 3 of 3)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
Conservation and development -			
Conservation	3,050	1,929	(1,121)
Zoning	102,195	108,554	6,359
Planning and development	354,876	396,988	42,112
Housing and community development	1,025	624	(401)
Historic preservation	2,380	3,362	982
Total conservation and development	<u>463,526</u>	<u>511,457</u>	<u>47,931</u>
Cultural -			
Library appropriations	347,590	340,745	(6,845)
Total cultural	<u>347,590</u>	<u>340,745</u>	<u>(6,845)</u>
Employee insurance costs	<u>2,140,132</u>	<u>740,375</u>	<u>(1,399,757)</u>
Contingencies	<u>-</u>	<u>7,671</u>	<u>7,671</u>
Capital expenditures	<u>-</u>	<u>682,904</u>	<u>682,904</u>
Debt service -			
Debt service - principal	737,376	734,984	(2,392)
Debt service - interest	369,142	349,670	(19,472)
Total debt service	<u>1,106,518</u>	<u>1,084,654</u>	<u>(21,864)</u>
Total expenditures	<u>14,891,566</u>	<u>14,917,111</u>	<u>25,545</u>
EXCESS OF REVENUES OR (EXPENDITURES)	393,001	1,044,446	651,445
OTHER FINANCING SOURCES (USES):			
Capital lease proceeds	-	191,761	191,761
Sale of Tower	-	921,288	921,288
Interfund transfers in (out), net	<u>(366,000)</u>	<u>(103,396)</u>	<u>262,604</u>
Total other financing sources (uses)	<u>(366,000)</u>	<u>1,009,653</u>	<u>1,375,653</u>
NET CHANGE IN FUND BALANCE	\$ <u>27,001</u>	\$ <u>2,054,099</u>	\$ <u>2,027,098</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, 2018

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Totals Proprietary Funds</u>
ASSETS:				
Current assets -				
Cash and cash equivalents	\$ 1,824,577	\$ 2,609,673	\$ 555,020	\$ 4,989,270
Accounts receivable, net	252,404	531,645	65,521	849,570
Due from other funds	<u>1,193,972</u>	<u>2,003,532</u>	<u>106,662</u>	<u>3,304,166</u>
Total current assets	<u>3,270,953</u>	<u>5,144,850</u>	<u>727,203</u>	<u>9,143,006</u>
Noncurrent assets -				
Capital assets	13,799,176	39,319,318	2,376,806	55,495,300
less - accumulated depreciation	<u>(7,169,347)</u>	<u>(23,958,601)</u>	<u>(1,935,854)</u>	<u>(33,063,802)</u>
Total noncurrent assets	<u>6,629,829</u>	<u>15,360,717</u>	<u>440,952</u>	<u>22,431,498</u>
Total assets	<u>9,900,782</u>	<u>20,505,567</u>	<u>1,168,155</u>	<u>31,574,504</u>
LIABILITIES:				
Current liabilities -				
Accounts payable	6,295	51,420	42,708	100,423
Accrued interest	3,162	78,039	-	81,201
Current portion of accrued postclosure liability	-	-	23,000	23,000
Current portion of long-term debt	<u>205,566</u>	<u>628,754</u>	<u>-</u>	<u>834,320</u>
Total current liabilities	<u>215,023</u>	<u>758,213</u>	<u>65,708</u>	<u>1,038,944</u>
Noncurrent liabilities -				
Accrued compensated absences	18,225	42,153	14,211	74,589
Other postemployment benefits	284,467	1,063,738	125,566	1,473,771
Accrued postclosure liability	-	-	230,000	230,000
Long-term debt	<u>2,761,348</u>	<u>9,630,328</u>	<u>-</u>	<u>12,391,676</u>
Total noncurrent liabilities	<u>3,064,040</u>	<u>10,736,219</u>	<u>369,777</u>	<u>14,170,036</u>
Total liabilities	<u>3,279,063</u>	<u>11,494,432</u>	<u>435,485</u>	<u>15,208,980</u>
NET POSITION:				
Net investment in capital assets	3,662,915	5,101,635	440,952	9,205,502
Unrestricted	<u>2,958,804</u>	<u>3,909,500</u>	<u>291,718</u>	<u>7,160,022</u>
Total net position	<u>\$ 6,621,719</u>	<u>\$ 9,011,135</u>	<u>\$ 732,670</u>	<u>\$ 16,365,524</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, 2018

	<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>
OPERATING REVENUES:				
Charges for services	\$ 1,386,895	\$ 2,661,792	\$ 654,763	\$ 4,703,450
Miscellaneous	<u>-</u>	<u>1,350</u>	<u>25,325</u>	<u>26,675</u>
Total operating revenues	<u>1,386,895</u>	<u>2,663,142</u>	<u>680,088</u>	<u>4,730,125</u>
OPERATING EXPENSES:				
Operation and maintenance	293,663	798,225	480,899	1,572,787
Salaries and benefits	648,918	1,637,536	352,860	2,639,314
Depreciation	<u>379,953</u>	<u>1,467,975</u>	<u>72,867</u>	<u>1,920,795</u>
Total operating expenses	<u>1,322,534</u>	<u>3,903,736</u>	<u>906,626</u>	<u>6,132,896</u>
Operating income (loss)	<u>64,361</u>	<u>(1,240,594)</u>	<u>(226,538)</u>	<u>(1,402,771)</u>
REVENUES (EXPENSES):				
Investment income	20,698	43,463	4,309	68,470
Interest expense	<u>(41,735)</u>	<u>(211,604)</u>	<u>-</u>	<u>(253,339)</u>
Total nonoperating revenues (expenses)	<u>(21,037)</u>	<u>(168,141)</u>	<u>4,309</u>	<u>(184,869)</u>
INCOME (LOSS) BEFORE TRANSFERS	43,324	(1,408,735)	(222,229)	(1,587,640)
Operating transfers in	<u>-</u>	<u>-</u>	<u>192,500</u>	<u>192,500</u>
CHANGE IN NET POSITION	43,324	(1,408,735)	(29,729)	(1,395,140)
NET POSITION, July 1, 2017	<u>6,578,395</u>	<u>10,419,870</u>	<u>762,399</u>	<u>17,760,664</u>
NET POSITION, June 30, 2018	\$ <u>6,621,719</u>	\$ <u>9,011,135</u>	\$ <u>732,670</u>	\$ <u>16,365,524</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, 2018

(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	\$ 1,386,516	\$ 2,688,813	\$ 653,466	\$ 4,728,795
Cash paid to suppliers for goods and services	(320,666)	(782,255)	(504,901)	(1,607,822)
Cash paid to employees for services	<u>(588,541)</u>	<u>(953,534)</u>	<u>(374,694)</u>	<u>(1,916,769)</u>
Net cash provided (used) by operating activities	<u>477,309</u>	<u>953,024</u>	<u>(226,129)</u>	<u>1,204,204</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	(161,805)	-	(22,480)	(184,285)
Proceeds from long-term debt	252,341	78,805	-	331,146
Principal paid on bonds	(138,072)	(616,425)	-	(754,497)
Interest paid on bonds	<u>(41,735)</u>	<u>(211,604)</u>	<u>-</u>	<u>(253,339)</u>
Net cash provided (used) by capital and related financing activities	<u>(89,271)</u>	<u>(749,224)</u>	<u>(22,480)</u>	<u>(860,975)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	-	-	192,500	192,500
Change in due to/from other funds	<u>(395,005)</u>	<u>(259,862)</u>	<u>36,650</u>	<u>(618,217)</u>
Net cash provided (used) by noncapital financing activities	<u>(395,005)</u>	<u>(259,862)</u>	<u>229,150</u>	<u>(425,717)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	<u>20,698</u>	<u>43,463</u>	<u>4,309</u>	<u>68,470</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,731	(12,599)	(15,150)	(14,018)
CASH AND CASH EQUIVALENTS, July 1, 2017	<u>1,810,846</u>	<u>2,622,272</u>	<u>570,170</u>	<u>5,003,288</u>
CASH AND CASH EQUIVALENTS, June 30, 2018	\$ <u>1,824,577</u>	\$ <u>2,609,673</u>	\$ <u>555,020</u>	\$ <u>4,989,270</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, 2018

(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)	\$ 64,361	\$ (1,240,594)	\$ (226,538)	\$ (1,402,771)
Adjustments to reconcile operating income (loss to net cash provided (used) by operating activities -				
Depreciation	379,953	1,467,975	72,867	1,920,795
(Increase) decrease in accounts receivable	(379)	25,671	(26,622)	(1,330)
Increase (decrease) in -				
Accounts payable	(26,658)	20,301	(1,002)	(7,359)
Accrued interest	(345)	(4,331)	-	(4,676)
Accrued postclosure liability	-	-	(23,000)	(23,000)
Other postemployment benefits	70,478	687,054	(24,182)	733,350
Accrued compensated absences	<u>(10,101)</u>	<u>(3,052)</u>	<u>2,348</u>	<u>(10,805)</u>
Net cash provided (used) by operating activities	\$ <u>477,309</u>	\$ <u>953,024</u>	\$ <u>(226,129)</u>	\$ <u>1,204,204</u>

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

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018 were payable in two installments due August 18, 2017 and February 2, 2018.
- 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 \$6,439, in unemployment claims during the year end June 30, 2018.
- 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, 2018**

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 acquisition value. 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 (OPEB) - 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, 2018

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.

- Q. New accounting standard - The Town has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of GASB Statement No. 75 introduces a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and other postemployment benefits on the government-wide and proprietary fund financial statements. As a result the Town has experienced a significant increase in the reported plan liabilities.

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, 2018 is as follows:

Mutual funds	\$ <u>18,080</u>
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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, 2018, the Town's depository accounts were fully insured or collateralized.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. Deposits and investments (continued):

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, 2018, the Town does not hold more than 5% of its investments in any one issuer, other than mutual funds.

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, 2018 are as follows:

Loan, secured, to E & J Realty, interest currently at 5.25%, monthly payments of \$1,073, matures November 2024.	\$ 26,879
Loan, secured, to Ibox Outdoor Clothing, LLC, interest at 5.25%, monthly payments of \$949, matures August 2018.	45,440
Loan, secured and guaranteed, to West Hartford Village Store, interest at 2.0%, monthly payments of \$125, matures April 2025.	9,584
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.	378,433
Loan, secured, to Bridge and Main Housing L.P., with no interest, no payments until maturity, matures October 2047.	<u>394,245</u>
	\$ <u>1,494,581</u>

4. Capital assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2018</u>
Governmental activities -				
Capital assets, not depreciated:				
Construction in progress	\$ 1,638,524	\$ 1,805,758	\$ -	\$ 3,444,282
Land	<u>1,431,658</u>	<u>-</u>	<u>-</u>	<u>1,431,658</u>
Total capital assets, not depreciated	<u>3,070,182</u>	<u>1,805,758</u>	<u>-</u>	<u>4,875,940</u>
Capital assets, depreciated:				
Land improvements	1,278,767	-	-	1,278,767
Buildings and improvements	18,489,642	-	-	18,489,642
Vehicles and equipment	9,250,912	551,555	383,908	9,418,559
Infrastructure	<u>36,757,331</u>	<u>-</u>	<u>-</u>	<u>36,757,331</u>
Total capital assets, depreciated	<u>65,776,652</u>	<u>551,555</u>	<u>383,908</u>	<u>65,944,299</u>

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. Capital assets (continued):

	Balance <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2018</u>
Governmental activities (continued) -				
Less accumulated depreciation for:				
Land improvements	370,624	42,883	-	413,507
Buildings and improvements	4,587,880	667,881	-	5,255,761
Vehicles and equipment	6,090,251	775,976	334,968	6,531,259
Infrastructure	20,190,603	1,458,626	-	21,649,229
Total accumulated depreciation	<u>31,239,358</u>	<u>2,945,366</u>	<u>334,968</u>	<u>33,849,756</u>
Total capital assets, depreciated, net	<u>34,537,294</u>	<u>(2,393,811)</u>	<u>48,940</u>	<u>32,094,543</u>
Capital assets, net, governmental activities	<u>37,607,476</u>	<u>(588,053)</u>	<u>48,940</u>	<u>36,970,483</u>
Business-type activities -				
Capital assets, not depreciated:				
Construction in progress	1,616,229	10,830	1,576,522	50,537
Land	424,307	-	-	424,307
Total capital assets, not depreciated	<u>2,040,536</u>	<u>10,830</u>	<u>1,576,522</u>	<u>474,844</u>
Capital assets, depreciated:				
Land improvements	147,002	-	-	147,002
Buildings and improvements	27,913,585	22,480	7,485	27,928,580
Vehicles and equipment	1,415,383	-	-	1,415,383
Infrastructure	23,801,994	1,727,497	-	25,529,491
Total capital assets, depreciated	<u>53,277,964</u>	<u>1,749,977</u>	<u>7,485</u>	<u>55,020,456</u>
Less accumulated depreciation for:				
Land improvements	85,525	7,350	-	92,875
Buildings and improvements	15,658,505	1,118,308	7,485	16,769,328
Vehicles and equipment	1,023,569	103,783	-	1,127,352
Infrastructure	14,382,893	691,354	-	15,074,247
Total accumulated depreciation	<u>31,150,492</u>	<u>1,920,795</u>	<u>7,485</u>	<u>33,063,802</u>
Total capital assets, depreciated, net	<u>22,127,472</u>	<u>(170,818)</u>	<u>-</u>	<u>21,956,654</u>
Capital assets, net, business-type activities	<u>24,168,008</u>	<u>(159,988)</u>	<u>1,576,522</u>	<u>22,431,498</u>
Capital assets, net	<u>\$ 61,775,484</u>	<u>\$ (748,041)</u>	<u>\$ 1,625,462</u>	<u>\$ 59,401,981</u>

Depreciation expense of \$2,945,366 in the governmental activities was allocated to expenses of the general government (\$198,781), public safety (\$487,161), public works (\$1,794,980), health and social services (\$2,120), parks and recreation (\$431,021) and cultural (\$31,303) programs based on capital assets assigned to those functions.

Depreciation expense of \$1,920,795 in the business-type activities was allocated to expenses of the water (\$379,953), wastewater (\$1,467,975) and solid waste (\$72,867) programs based on capital assets assigned to those functions.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 3,329,429
Other Governmental Funds	<u>25,263</u>	<u>-</u>
	<u>25,263</u>	<u>3,329,429</u>
Proprietary funds -		
Water Fund	1,193,972	-
Wastewater Fund	2,003,532	-
Solid Waste Fund	<u>106,662</u>	<u>-</u>
	<u>3,304,166</u>	<u>-</u>
	\$ <u>3,329,429</u>	\$ <u>3,329,429</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, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds -		
General Fund	\$ -	\$ 103,396
Other Governmental Funds	<u>-</u>	<u>89,104</u>
	<u>-</u>	<u>192,500</u>
Proprietary funds -		
Solid Waste Fund	<u>192,500</u>	<u>-</u>
	\$ <u>192,500</u>	\$ <u>192,500</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, 2018**

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 \$253,000 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, 2018 was \$447,710.

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, 2018. 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, 2018 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.	\$ 210,000
Bond payable, Vermont Municipal Bond Bank - 2012 Series 1, various interest rates, annual principal payment of \$56,761, due November 2032.	851,419
Bond payable, Vermont Municipal Bond Bank - 2017 Series 4, various interest rates, annual principal payment of \$307,750, due November 2033.	4,924,000
Bond payable, Vermont Municipal Bond Bank - 2014 Series 3, various interest rates, annual principal payment of \$45,000, due November 2034.	765,000
Bond payable, Vermont Municipal Bond Bank - 2014 Series 3, various interest rates, annual principal payment of \$245,000, due November 2034.	4,165,000
Bond payable, Vermont Municipal Bond Bank - 2017 Series 3, various interest rates, annual principal payment of \$106,300, due November 2037.	<u>2,126,000</u>
	\$ <u>13,041,419</u>

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.	\$ 1,264,614
Bond payable, Vermont Municipal Bond Bank - AR1-006, no interest, admin fee at 2%, annual payment of \$40,797, due September 2031.	493,900
Bond payable, Vermont Municipal Bond Bank - AR1-099, no interest, admin fee at 2%, annual payment of \$464,167, due June 2033.	5,656,451
Bond payable, Vermont Municipal Bond Bank - AR1-041, no interest, admin fee at 2%, annual payment of \$327,396, due September 2032.	4,029,926
Bond payable, Vermont Municipal Bond Bank - RF3-329, interest at 1%, admin fee at 2%, annual payment of \$97,460, due October 2037.	1,702,300
Bond payable, Vermont Municipal Bond Bank - RF1-188, no interest or admin fee, annual payment of \$6,312 (based on current borrowings), due October 2031.	63,118
Bond payable, Vermont Municipal Bond Bank - RF1-202, no interest or admin fee, annual payment of \$3,137 (based on current borrowings), due October 2026.	<u>15,687</u>
	\$ <u>13,225,996</u>

Long-term debt activity for the year ended June 30, 2018 was as follows:

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2018</u>	Due Within <u>One Year</u>
Governmental activities -					
Bond payable - 2012 Series 3 \$	315,000	-	\$ 105,000	\$ 210,000	\$ 105,000
Bond payable - 2012 Series 1	908,180	-	56,761	851,419	56,761
Bond payable - 2017 Series 4	5,231,750	-	307,750	4,924,000	307,750
Bond payable - 2014 Series 3	810,000	-	45,000	765,000	45,000
Bond payable - 2014 Series 3	4,410,000	-	245,000	4,165,000	245,000
Bond payable - RF1-023	411,746	-	411,746	-	-
Bond payable - 2017 Series 3	-	2,126,000	-	2,126,000	106,300
	<u>12,086,676</u>	<u>2,126,000</u>	<u>1,171,257</u>	<u>13,041,419</u>	<u>865,811</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. Debt (continued):

Long-term (continued) -

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2018</u>	Due Within <u>One Year</u>
Business-type activities -					
Bond payable - RF3-069	1,402,686	-	138,072	1,264,614	142,214
Bond payable - AR1-006	524,213	-	30,313	493,900	30,919
Bond payable - AR1-099	6,000,605	-	344,154	5,656,451	351,038
Bond payable - AR1-041	4,271,884	-	241,958	4,029,926	246,797
Bond payable - RF3-329	1,449,959	252,341	-	1,702,300	63,352
Bond payable - RF1-188	-	63,118	-	63,118	-
Bond payable - RF1-202	-	15,687	-	15,687	-
	<u>13,649,347</u>	<u>331,146</u>	<u>754,497</u>	<u>13,225,996</u>	<u>834,320</u>
	\$ <u>25,736,023</u>	\$ <u>2,457,146</u>	\$ <u>1,925,754</u>	\$ <u>26,267,415</u>	\$ <u>1,700,131</u>

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>
2019	\$ 865,811	\$ 430,505	\$ 834,320	\$ 279,587
2020	865,811	409,300	853,062	260,483
2021	760,811	387,978	872,241	250,701
2022	760,811	367,366	901,316	235,066
2023	760,811	344,523	921,399	214,983
2024-2028	3,804,057	1,307,125	4,553,090	762,243
2029-2033	3,804,057	610,294	3,766,552	293,261
2034-2038	<u>1,419,250</u>	<u>72,572</u>	<u>524,016</u>	<u>48,090</u>
	\$ <u>13,041,419</u>	\$ <u>3,929,663</u>	\$ <u>13,225,996</u>	\$ <u>2,344,414</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, 2018.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

9. Capital lease:

The Town has entered into lease agreements as lessee for financing the acquisition of various capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, the cost and depreciation of these assets are included with other capital assets of the Town. The cost of these assets acquired by capital lease is the present value of the future lease payments. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Year ending June 30,	
2019	\$ 47,872
2020	35,565
2021	35,565
2022	<u>35,565</u>
Total minimum lease payments	154,567
Less: amount representing interest	<u>(10,678)</u>
Present value of minimum lease payments	\$ <u>143,889</u>

10. 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, 2018. In future years, the Town can levy a special assessment to cover any shortfall.

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.

On March 1, 2016, Town voters authorized the second round of TIF projects and general obligation bonds or notes in the amount of \$900,000 for public parking, storm water and sanitary sewer infrastructure improvements, and related costs. \$200,000 of the authorization was included in the Vermont Municipal Bond Bank 2017 Series 3 Bond issued in August 2017. The financing for the remaining \$700,000 authorized is to be determined upon completion of the engineering work.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

10. Tax increment financing district (continued):

On March 1, 2017, Town voters authorized the third round of TIF projects and general obligation bonds or notes totaling \$1,926,000 for construction of public sidewalks, roads, streetscapes, water, storm water, sanitary sewer, and South Main Street retaining wall improvements and related costs, advances, interfund loans and third party public infrastructure costs. Specific projects are Currier Street Extension, North Main Street sidewalks and streetscapes, design and engineering of Gates, Currier, North Main and South Main Streets for various improvements. The entire authorization was included in the Vermont Municipal Bond Bank 2017 Series 3 Bond issued in August 2017.

11. Fund balances:

As of June 30, 2018, the General Fund reported a nonspendable fund balance (\$27,761) related to prepaid expenditures. The remaining fund balances of this fund are committed (\$2,023,595) for various reserves, assigned (\$1,033,266) for various encumbrances and unassigned (\$2,641,430).

12. Deficit fund balances:

As of June 30, 2018, the Capital Projects Fund has a deficit fund balance of \$119,952. Management intends to recover this deficit through future grant reimbursements and a transfer from the General Fund in FY 19.

As of June 30, 2018, the Recreation Fund has a deficit fund balance of \$38,479. Management intends to recover this deficit through future grant reimbursements and a transfer from the General Fund in FY 19.

13. 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, 2018 were \$115,063.

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.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. Pension plans (continued):

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 on 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, 2018, 2017, and 2016, were \$391,888, \$319,462, and \$303,770 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 2.07271% proportionate share of VMERS Defined Benefit Plan.

Town's share of VMERS net pension liability	\$ 2,511,201
Deferred outflows of resources - Deferred pension expense	\$ 1,415,636
Deferred inflows of resources - Deferred pension credits	\$ 69,924

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.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

14. Other postemployment benefits plan (OPEB):

Accounting Change: Beginning in fiscal year 2018, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of GASB Statement No. 75 introduces a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and OPEB expenses.

Plan description: The Town's Retiree Medical Insurance Program offers comprehensive medical insurance for all retired former full time employees of the Town. The plan is a single-employer defined benefit OPEB plan administered by the Town. The Town does not accumulate assets in a trust for future benefit payments, but currently funds these benefits on a pay-as-you-go basis.

Benefits provided: The plan provides 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.

Employees covered by benefit terms: At June 30, 2018, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	66
Active employees	<u>86</u>
	<u>152</u>

Total OPEB liability: The Town's total OPEB liability of \$13,853,383 was determined by an actuarial valuation. The liability was measured as of June 30, 2017 for the reporting period of June 30, 2018. The plan is not funded in advance so the net OPEB liability is also \$13,853,383. An analysis of the total OPEB liability is presented in Schedule 9.

Sensitivity of the total OPEB liability: A change in assumptions can have a large effect of the estimated OPEB obligation. An increase of 1% in the 5% healthcare cost trend would increase the OPEB liability to \$16,768,961 while a decrease of 1% would reduce the OPEB liability to \$11,575,975. An increase of 1% in the 3.25% discount rate used to calculate future costs would reduce the OPEB liability to \$11,945,746 while a decrease of 1% would increase the OPEB liability to \$16,244,360.

Actuarial assumptions and other inputs: The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Individual entry age normal
Discount rate	3.25% per annum
Healthcare cost trend rate	5.0% increase per annum
Inflation rate	2.75% per annum
Compensation increases	3.00% per annum
Mortality tables	Various RP-2000 healthy annuitant tables

TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2018

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	\$ 1,430	\$ 59,675	\$ 277,853	\$ 147	\$ -	\$ 1,639,270	\$ -	\$ -	\$ 21,893	\$ 2,000,268
Investments	-	-	-	-	-	-	-	-	18,080	18,080
Accounts receivable	-	-	-	-	-	18,201	-	-	-	18,201
Grants receivable	47,236	860	798,984	-	73,129	-	33,950	-	-	954,159
Due from other funds	90,327	-	111,010	5,250	31,839	22,494	-	-	-	260,920
Notes receivable	-	-	1,494,581	-	-	-	-	-	-	1,494,581
Total assets	\$ <u>138,993</u>	\$ <u>60,535</u>	\$ <u>2,682,428</u>	\$ <u>5,397</u>	\$ <u>104,968</u>	\$ <u>1,679,965</u>	\$ <u>33,950</u>	\$ <u>-</u>	\$ <u>39,973</u>	\$ <u>4,746,209</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY										
LIABILITIES:										
Accounts payable	\$ 9,454	\$ 65	\$ 765,408	\$ -	\$ -	\$ 65,094	\$ 17,194	\$ -	\$ -	\$ 857,215
Due to other funds	-	98,949	-	-	-	-	136,708	-	-	235,657
Total liabilities	<u>9,454</u>	<u>99,014</u>	<u>765,408</u>	<u>-</u>	<u>-</u>	<u>65,094</u>	<u>153,902</u>	<u>-</u>	<u>-</u>	<u>1,092,872</u>
DEFERRED INFLOWS OF RESOURCES:										
Deferred note revenue	-	-	1,412,678	-	-	-	-	-	-	1,412,678
FUND EQUITY:										
Fund balances -										
Nonspendable	-	-	-	-	-	-	-	-	27,168	27,168
Restricted	129,539	-	504,342	5,397	104,968	1,614,871	-	-	12,805	2,371,922
Unassigned	-	(38,479)	-	-	-	-	(119,952)	-	-	(158,431)
Total fund balances (deficit)	<u>129,539</u>	<u>(38,479)</u>	<u>504,342</u>	<u>5,397</u>	<u>104,968</u>	<u>1,614,871</u>	<u>(119,952)</u>	<u>-</u>	<u>39,973</u>	<u>2,240,659</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>138,993</u>	\$ <u>60,535</u>	\$ <u>2,682,428</u>	\$ <u>5,397</u>	\$ <u>104,968</u>	\$ <u>1,679,965</u>	\$ <u>33,950</u>	\$ <u>-</u>	\$ <u>39,973</u>	\$ <u>4,746,209</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 172,138	\$ 17,733	\$ 1,600,348	\$ -	\$ 103,282	\$ 152,821	\$ 159,496	\$ -	\$ -	\$ 2,205,818
Property taxes	-	-	-	-	-	133,927	-	-	-	133,927
Miscellaneous revenues	100	59,918	-	-	-	-	-	-	-	60,018
Investment income	13	876	8,425	52	-	1,324	211	776	1,432	13,109
Total revenues	<u>172,251</u>	<u>78,527</u>	<u>1,608,773</u>	<u>52</u>	<u>103,282</u>	<u>288,072</u>	<u>159,707</u>	<u>776</u>	<u>1,432</u>	<u>2,412,872</u>
EXPENDITURES:										
General government	-	-	21,567	35,962	-	-	240	-	-	57,769
Public safety	67,040	-	-	-	-	-	-	-	-	67,040
Community development	-	-	1,145,739	-	-	-	-	-	-	1,145,739
Recreation	-	57,190	-	-	-	-	-	-	-	57,190
Capital outlay	46,522	-	559,599	-	80,985	604,412	77,862	-	-	1,369,380
Debt service - principal	-	-	-	-	-	45,000	83,735	307,538	-	436,273
Debt service - interest	-	-	-	-	-	76,960	-	-	-	76,960
Total expenditures	<u>113,562</u>	<u>57,190</u>	<u>1,726,905</u>	<u>35,962</u>	<u>80,985</u>	<u>726,372</u>	<u>161,837</u>	<u>307,538</u>	<u>-</u>	<u>3,210,351</u>
EXCESS OF REVENUES OR (EXPENDITURES)	58,689	21,337	(118,132)	(35,910)	22,297	(438,300)	(2,130)	(306,762)	1,432	(797,479)
OTHER FINANCING SOURCES (USES):										
Loan proceeds	-	-	-	-	-	2,126,000	-	-	-	2,126,000
Interfund transfers in (out), net	-	(77,864)	-	(11,240)	-	-	-	-	-	(89,104)
	<u>-</u>	<u>(77,864)</u>	<u>-</u>	<u>(11,240)</u>	<u>-</u>	<u>2,126,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,036,896</u>
NET CHANGE IN FUND BALANCES	58,689	(56,527)	(118,132)	(47,150)	22,297	1,687,700	(2,130)	(306,762)	1,432	1,239,417
FUND BALANCES (DEFICIT), July 1, 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>
FUND BALANCES (DEFICIT), June 30, 2018	\$ <u>129,539</u>	\$ <u>(38,479)</u>	\$ <u>504,342</u>	\$ <u>5,397</u>	\$ <u>104,968</u>	\$ <u>1,614,871</u>	\$ <u>(119,952)</u>	\$ <u>-</u>	\$ <u>39,973</u>	\$ <u>2,240,659</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF NET POSITION - WATER FUND
JUNE 30, 2018

Schedule 3

	<u>Central Water Fund</u>	<u>Quechee Water Fund</u>	<u>Total Water Fund</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 1,111,466	\$ 713,111	\$ 1,824,577
Accounts receivable, net	181,430	70,974	252,404
Due from other funds	<u>492,242</u>	<u>701,730</u>	<u>1,193,972</u>
Total current assets	<u>1,785,138</u>	<u>1,485,815</u>	<u>3,270,953</u>
Noncurrent assets -			
Capital assets	9,591,033	4,208,143	13,799,176
less - accumulated depreciation	<u>(5,581,567)</u>	<u>(1,587,780)</u>	<u>(7,169,347)</u>
Total noncurrent assets	<u>4,009,466</u>	<u>2,620,363</u>	<u>6,629,829</u>
Total assets	<u>5,794,604</u>	<u>4,106,178</u>	<u>9,900,782</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	4,749	1,546	6,295
Accrued interest	3,162	-	3,162
Current portion of long-term debt	<u>142,214</u>	<u>63,352</u>	<u>205,566</u>
Total current liabilities	<u>150,125</u>	<u>64,898</u>	<u>215,023</u>
Noncurrent liabilities -			
Accrued compensated absences	15,600	2,625	18,225
Other postemployment benefits	204,219	80,248	284,467
Long-term debt	<u>1,122,400</u>	<u>1,638,948</u>	<u>2,761,348</u>
Total noncurrent liabilities	<u>1,342,219</u>	<u>1,721,821</u>	<u>3,064,040</u>
Total liabilities	<u>1,492,344</u>	<u>1,786,719</u>	<u>3,279,063</u>
NET POSITION:			
Net investment in capital assets	2,744,852	918,063	3,662,915
Unrestricted	<u>1,557,408</u>	<u>1,401,396</u>	<u>2,958,804</u>
Total net position	<u>\$ 4,302,260</u>	<u>\$ 2,319,459</u>	<u>\$ 6,621,719</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WATER FUND
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 4

	Central Water <u>Fund</u>	Quechee Water <u>Fund</u>	Total Water <u>Fund</u>
OPERATING REVENUES:			
Charges for services	\$ 999,910	\$ 386,985	\$ 1,386,895
OPERATING EXPENSES:			
Operation and maintenance	225,247	68,416	293,663
Salaries and benefits	490,427	158,491	648,918
Depreciation	<u>266,911</u>	<u>113,042</u>	<u>379,953</u>
Total operating expenses	<u>982,585</u>	<u>339,949</u>	<u>1,322,534</u>
Operating income (loss)	<u>17,325</u>	<u>47,036</u>	<u>64,361</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	10,571	10,127	20,698
Interest expense	<u>(41,735)</u>	<u>-</u>	<u>(41,735)</u>
Total nonoperating revenues (expenses)	<u>(31,164)</u>	<u>10,127</u>	<u>(21,037)</u>
CHANGE IN NET POSITION	(13,839)	57,163	43,324
NET POSITION, July 1, 2017	<u>4,316,099</u>	<u>2,262,296</u>	<u>6,578,395</u>
NET POSITION, June 30, 2018	\$ <u>4,302,260</u>	\$ <u>2,319,459</u>	\$ <u>6,621,719</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF NET POSITION - WASTEWATER FUND
JUNE 30, 2018

Schedule 5

	Central Wastewater <u>Fund</u>	Quechee Wastewater <u>Fund</u>	Total Wastewater <u>Fund</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 1,527,600	\$ 1,082,073	\$ 2,609,673
Accounts receivable, net	317,342	214,303	531,645
Due from other funds	<u>1,035,309</u>	<u>968,223</u>	<u>2,003,532</u>
Total current assets	<u>2,880,251</u>	<u>2,264,599</u>	<u>5,144,850</u>
Noncurrent assets -			
Capital assets	21,025,153	18,294,165	39,319,318
less - accumulated depreciation	<u>(13,084,712)</u>	<u>(10,873,889)</u>	<u>(23,958,601)</u>
Total noncurrent assets	<u>7,940,441</u>	<u>7,420,276</u>	<u>15,360,717</u>
Total assets	<u>10,820,692</u>	<u>9,684,875</u>	<u>20,505,567</u>
LIABILITIES:			
Current liabilities -			
Accounts payable	36,147	15,273	51,420
Accrued interest	6,019	72,020	78,039
Current portion of long-term debt	<u>363,721</u>	<u>265,033</u>	<u>628,754</u>
Total current liabilities	<u>405,887</u>	<u>352,326</u>	<u>758,213</u>
Noncurrent liabilities -			
Accrued compensated absences	23,417	18,736	42,153
Other postemployment benefits	637,574	426,164	1,063,738
Long-term debt	<u>5,558,451</u>	<u>4,071,877</u>	<u>9,630,328</u>
Total noncurrent liabilities	<u>6,219,442</u>	<u>4,516,777</u>	<u>10,736,219</u>
Total liabilities	<u>6,625,329</u>	<u>4,869,103</u>	<u>11,494,432</u>
NET POSITION:			
Net investment in capital assets	2,018,269	3,083,366	5,101,635
Unrestricted	<u>2,177,094</u>	<u>1,732,406</u>	<u>3,909,500</u>
Total net position	<u>\$ 4,195,363</u>	<u>\$ 4,815,772</u>	<u>\$ 9,011,135</u>

TOWN OF HARTFORD, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2018

Schedule 6

	Central Wastewater <u>Fund</u>	Quechee Wastewater <u>Fund</u>	Total Wastewater <u>Fund</u>
OPERATING REVENUES:			
Charges for services	\$ 1,552,852	\$ 1,108,940	\$ 2,661,792
Miscellaneous	<u>-</u>	<u>1,350</u>	<u>1,350</u>
Total operating revenues	<u>1,552,852</u>	<u>1,110,290</u>	<u>2,663,142</u>
OPERATING EXPENSES:			
Operation and maintenance	553,248	244,977	798,225
Salaries and benefits	974,948	662,588	1,637,536
Depreciation	<u>667,038</u>	<u>800,937</u>	<u>1,467,975</u>
Total operating expenses	<u>2,195,234</u>	<u>1,708,502</u>	<u>3,903,736</u>
 Operating income (loss)	 <u>(642,382)</u>	 <u>(598,212)</u>	 <u>(1,240,594)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	15,430	28,033	43,463
Interest expense	<u>(124,313)</u>	<u>(87,291)</u>	<u>(211,604)</u>
Total nonoperating revenues (expenses)	<u>(108,883)</u>	<u>(59,258)</u>	<u>(168,141)</u>
 CHANGE IN NET POSITION	 (751,265)	 (657,470)	 (1,408,735)
 NET POSITION, July 1, 2017	 <u>4,946,628</u>	 <u>5,473,242</u>	 <u>10,419,870</u>
 NET POSITION, June 30, 2018	 \$ <u>4,195,363</u>	 \$ <u>4,815,772</u>	 \$ <u>9,011,135</u>

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

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY
VMERS
JUNE 30, 2018**

Schedule 7

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability	2.0727%	1.9987%	2.0337%	1.9881%
Town's proportionate share of the net pension liability	\$ 2,511,201	\$ 2,572,277	\$ 1,567,870	\$ 181,445
Town's covered payroll	\$ 5,472,234	\$ 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	45.890%	58.478%	36.512%	4.369%
VMERS net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%

**SCHEDULE OF TOWN'S CONTRIBUTIONS
VMERS
JUNE 30, 2018**

Schedule 8

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 388,880	\$ 313,738	\$ 303,770	\$ 268,542
Contributions in relation to the contractually required contribution	<u>388,880</u>	<u>313,738</u>	<u>303,770</u>	<u>268,542</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	\$ 5,472,234	\$ 4,398,702	\$ 4,294,168	\$ 4,153,140
Contributions as a percentage of covered payroll	7.106%	7.133%	7.074%	6.466%

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

**SCHEDULE OF CHANGES IN THE TOWN'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS PLAN
JUNE 30, 2018**

Schedule 9

		<u>June 30, 2018</u>
Total OPEB Liability:		
Changes for the year-		
Service cost	\$	295,097
Interest		345,611
Benefit payments		<u>(296,328)</u>
Net OPEB expense		344,380
Differences between actual and expected experience		<u>3,022,954</u>
Net changes in OPEB liability for the year		3,367,334
Total OPEB Liability - July 1, 2017		9,889,027
Changes in assumptions for GASB 75		<u>597,022</u>
Total OPEB Liability - June 30, 2018	\$	<u>13,853,383</u>
Covered-employee payroll	\$	7,052,376
Total OPEB liability as a percentage of covered-employee payroll		196.44%

**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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 21, 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
November 21, 2018

Mudgett, Jrrett &
Associates, 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 Supplements* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2018. 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 the audit 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). 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, 2018.

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
November 21, 2018

Mudgett, Jernett
Hugh Mason, R.L.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
(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 Agriculture:				
Passed through the Vermont Department of Forests, Parks and Recreation -				
Cooperative Forestry Assistance	10.664	06130-UCF-CFC-18-06	\$ -	\$ 915
U.S. Department of Housing and Urban Development:				
Passed through the Vermont Agency of Commerce and Community Development -				
Community Development Block Grants	14.228	IG-2013-Hartford-00008	-	3,596
Community Development Block Grants	14.228	IG-2014-Hartford-00014	394,245	395,141
Community Development Block Grants	14.228	IG-2016-Hartford-00020	532,500	532,500
			<u>926,745</u>	<u>931,237</u>
Passed through the Two Rivers-Ottawaquechee Regional Commission -				
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269		-	175,000
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	14.269		-	9,858
			<u>-</u>	<u>184,858</u>
Total U.S. Department of Housing and Urban Development			<u>926,745</u>	<u>1,116,095</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-16-002	-	2,297
Historic Preservation Fund Grants-In-Aid	15.904	07110-VT-17-003	-	7,983
Total U.S. Department of the Interior			<u>-</u>	<u>10,280</u>
U.S. Department of Justice:				
Bulletproof Vest Partnership Program	16.607		-	2,330
Total U.S. Department of Justice			<u>-</u>	<u>2,330</u>
U.S. Department of Transportation:				
Passed through the Vermont Agency of Transportation -				
Highway Planning and Construction	20.205	CA0135	-	77,862
Highway Planning and Construction	20.205	CA0337	-	421,650
Highway Planning and Construction	20.205	EH0015	-	11,641
Highway Planning and Construction	20.205	EH0034	-	1,697
Total Highway Planning and Construction			<u>-</u>	<u>512,850</u>

TOWN OF HARTFORD, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(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. Department of Transportation (continued):				
Passed through the Vermont				
Agency of Transportation (continued) -				
State and Community Highway Safety	20.600	GR1170	-	433
National Priority Safety Programs	20.616	GR1237	-	287
Total U.S. Department of Transportation			-	<u>513,570</u>
U.S. National Endowment for the Humanities, Institute of Museum and Library Services:				
Passed through the Vermont				
Department of Libraries -				
Grants to States	45.310	Courier-LSTA-17.2.31	-	<u>255</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	-	36,965
Capitalization Grants for Clean Water				
State Revolving Funds	66.458	Loan RF1-202	-	<u>15,687</u>
Total Clean Water State Revolving Fund			-	<u>52,652</u>
Passed through the Vermont Drinking Water				
State Revolving Fund -				
Capitalization Grants for Drinking Water				
State Revolving Funds	66.468	Loan RF3-329	-	<u>150,976</u>
Total U.S. Environmental Protection Agency			-	<u>203,628</u>
U.S. Department of Homeland Security:				
Passed through the Vermont				
Department of Public Safety -				
Hazard Mitigation Grant	97.039	02140-34000-018	-	<u>30,153</u>
Homeland Security Grant Program	97.067	02140-76164V-1604	-	60,631
Homeland Security Grant Program	97.067	02140-77152-1723	-	4,805
			-	<u>65,436</u>
Total U.S. Department of Homeland Security			-	<u>95,589</u>
Total expenditures of federal awards			\$ <u>926,745</u>	\$ <u>1,942,662</u>

TOWN OF HARTFORD, VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

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, 2018. 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.

3. Subrecipients:

The Town provided federal awards totaling \$926,745 under CFDA No. 14.228 Community Development Block Grants.

**TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

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. Department of Housing and Urban Development
CFDA 14.228 -Community Development Block Grants*

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, 2018.

C. Audit Findings - Federal Awards:

There were no audit findings identified for the year ended June 30, 2018.

**STATUS OF PRIOR AUDIT FINDINGS
AS OF JUNE 30, 2018**

There are no prior audit findings applicable to this auditee.