

TOWN OF HARTFORD, VERMONT

AUDIT REPORT

JUNE 30, 2011

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AUDIT REPORT
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Sullivan, Powers & Co.
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Independent Auditor's Report

To the Board of Selectmen
Town of Hartford, Vermont

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, as of and for the year ended June 30, 2011, which collectively comprise the Town of Hartford, Vermont's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hartford, Vermont's management. Our responsibility is to express our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the budgetary comparison for the General Fund 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.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Town of Hartford, Vermont's basic financial statements. The combining and individual fund financial statements and schedules of revenues and expenses – budget (non-GAAP budgetary basis) and actual for proprietary fund types are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with "Government Auditing Standards", we have also issued our report dated February 14, 2012 on our consideration of the Town of Hartford, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit conducted in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

February 14, 2012
Montpelier, Vermont
Vt Lic. #92-000180

Sullivan, Powers & Company

Management's Discussion and Analysis

As management of the Town of Hartford, we offer readers of the Town of Hartford's financial statements this narrative overview and analysis of the financial activities of the Town of Hartford for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

- The assets of the Town of Hartford exceeded its liabilities at the close of the most recent fiscal year by \$44,619,903 (*net assets*). Of this amount, \$5,743,723 (*unrestricted net assets*) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net assets increased by \$264,678. Of this amount, net assets attributable to governmental activities increased by \$146,745, and net assets attributable to business-type activities increased by \$117,933.
- As of the close of the current fiscal year, the Town of Hartford's governmental funds reported combined ending fund balances of \$6,674,212, an increase of \$1,401,144 in comparison with the prior year. Of this total amount, \$1,451,627 is *available for spending* at the government's discretion. Of this balance, \$252,205 represents negative fund balances for funds where revenues were received after June 30, 2011, and \$1,703,832 is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,703,832, or 12.9 percent of general fund expenditures and operating transfers. The Town's fund balance policy requires that the Town maintain an unassigned general fund balance of 10.0 percent of regular expenditures and operating transfers, or \$1,323,336 as of the current fiscal year. Due to a changing economy and budgetary challenges, the Town anticipates utilizing a portion of the fund balance when preparing the budget for the year ending June 30, 2013.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Hartford's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Hartford's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Hartford is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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).

Both of the government-wide financial statements distinguish functions of the Town of Hartford that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Hartford include general government, public safety, public works, health and social services, recreation and parks, conservation and development, cultural, and public improvements. The business-type activities of the Town of Hartford include the municipal arena, solid waste, water and wastewater operations.

The government-wide financial statements are designed to include not only the Town of Hartford itself (known as the *primary government*), but also any legally separate entities for which the Town of Hartford is financially accountable (*known as component units*). The Town of Hartford has no such entities that qualify as component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

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 of Hartford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Hartford can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town of Hartford maintains fourteen individual governmental funds, including the General Fund, five Special Revenue Funds, six Capital Projects Funds, one Debt Service Fund, and one Permanent Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

Proprietary funds. The Town of Hartford maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Hartford uses enterprise funds to account for its Outdoor Facilities Fund, its Solid Waste Fund, its Water Fund, and its Wastewater Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Solid Waste Fund, the Water Fund, and the Wastewater Fund, all of which are considered to be major funds of the Town of Hartford. Although not required, the Town of Hartford has elected to present separate information in the proprietary fund financial statements for the Outdoor Facilities Fund, which is considered to be a nonmajor proprietary fund.

The basic proprietary fund financial statements can be found in Exhibits F through H of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town of Hartford's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town has no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements. The supplementary information can be found immediately following the notes to the financial statements in this report.

Government-wide Financial Analysis

TOWN OF HARTFORD, VERMONT'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 7,667,460	\$ 7,004,834	\$ 5,683,944	\$ 4,243,847	\$ 13,351,404	\$ 11,248,681
Capital assets	21,141,337	21,246,435	30,880,130	22,581,185	52,021,467	43,827,620
Total Assets	28,808,797	28,251,269	36,564,074	26,825,032	65,372,871	55,076,301
Long-term liabilities outstanding	3,383,329	2,982,996	14,174,176	3,458,164	17,557,505	6,441,160
Other liabilities	1,174,067	1,163,617	2,021,396	3,116,301	3,195,463	4,279,918
Total Liabilities	4,557,396	4,146,613	16,195,572	6,574,465	20,752,968	10,721,078
Net Assets						
Invested in capital assets, net of related debt	19,175,461	19,078,490	16,019,130	17,960,732	35,194,591	37,039,222
Restricted	2,631,292	1,985,343	1,050,297	1,017,963	3,681,589	3,003,306
Unrestricted	2,444,648	3,040,823	3,299,075	1,271,872	5,743,723	4,312,695
Total Net Assets	\$ 24,251,401	\$ 24,104,656	\$ 20,368,502	\$ 20,250,567	\$ 44,619,903	\$ 44,355,223

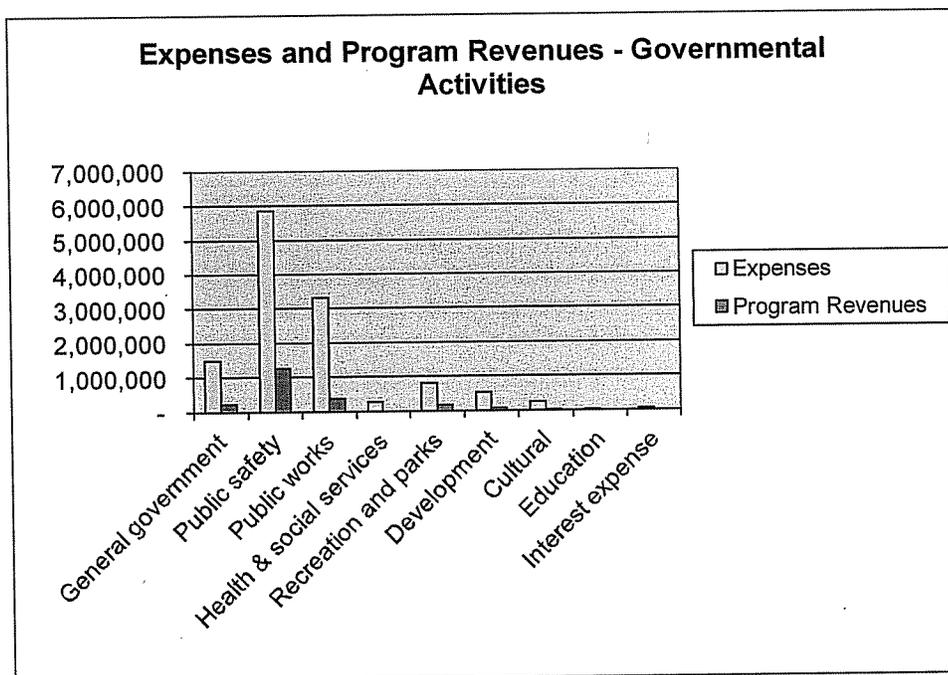
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Hartford, assets exceeded liabilities by \$44,619,903 at the close of the most recent fiscal year.

By far the largest portion of the Town of Hartford's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town of Hartford uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the Town of Hartford'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.

An additional portion of the Town of Hartford's net assets (8%) represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets* (\$5,743,723) may be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

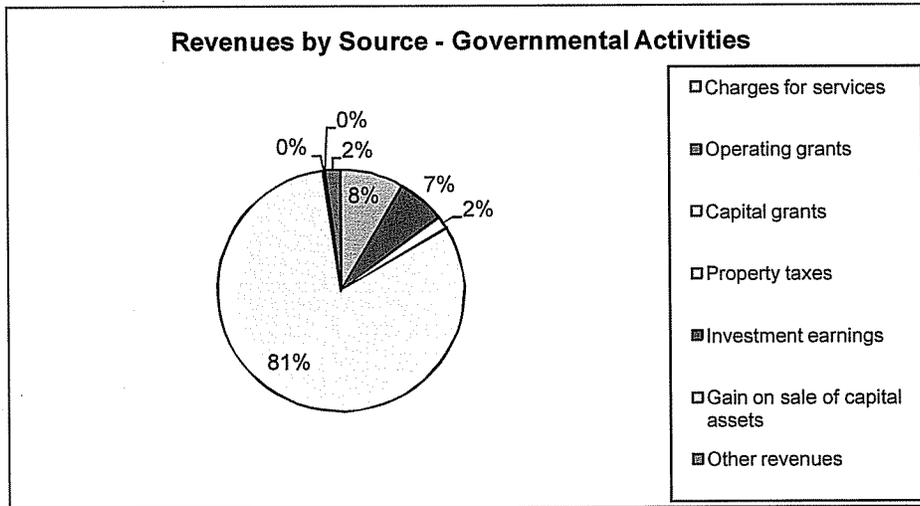
At the end of the current fiscal year, the Town of Hartford is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town of Hartford's net assets by \$146,745 during the current fiscal year. Investment in capital assets, net of related debt, increased by \$96,971. This increase resulted from the net effect of a decrease as a result of capital outlays exceeding depreciation expense by \$105,095 and an increase as a result of principal payments on long-term bonds, notes, and leases of \$202,066. Restricted net assets increased by \$645,949, primarily as a result of increases in the Maxfield Project Fund resulting from the difference between the proceeds of the sale of a portion of that land and the capital costs of constructing an access road and parking (\$208,618). Unrestricted net assets decreased by \$596,175, primarily as a result of increases in the restricted net assets within the Maxfield Project Fund.



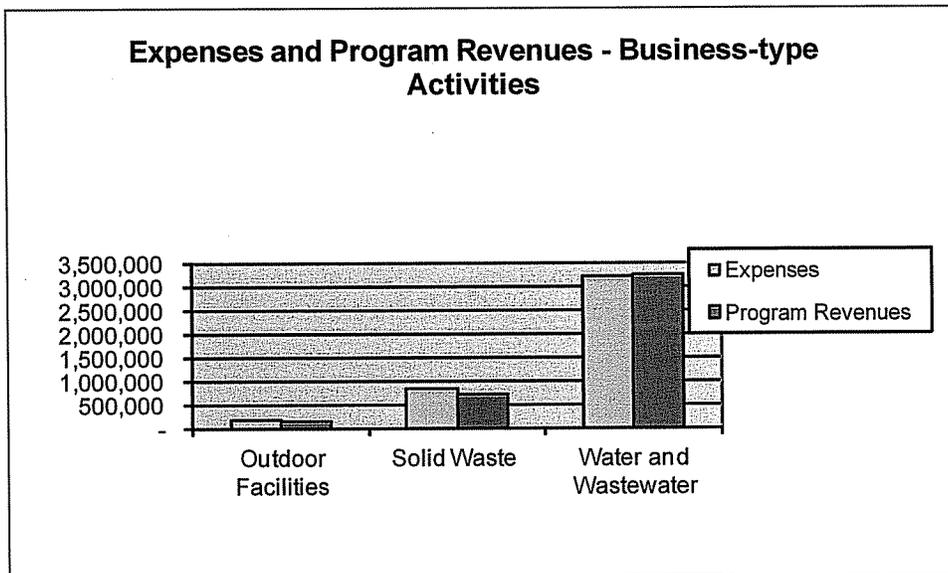
TOWN OF HARTFORD, VERMONT'S CHANGES IN NET ASSETS

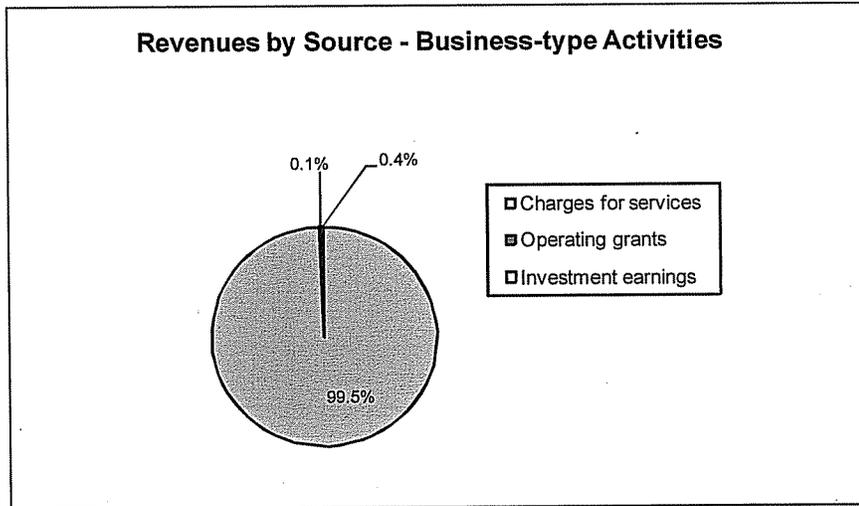
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 1,080,881	\$ 1,231,790	\$ 4,136,846	\$ 4,090,115	\$ 5,217,727	\$ 5,321,905
Operating grants and contributions	822,379	732,564	4,852	9,881	827,231	742,445
Capital grants and contributions	226,734	636,807	-	3,678,551	226,734	4,315,358
General revenues						
Property taxes	10,516,674	10,393,112	-	-	10,516,674	10,393,112
Unrestricted investment earnings	20,875	29,687	17,540	15,925	38,415	45,612
Gain (Loss) on sale of capital assets	(12,857)	1,663,809	-	-	(12,857)	1,663,809
Other revenues	256,030	170,733	-	-	256,030	170,733
Total Revenues	12,910,716	14,858,502	4,159,238	7,794,472	17,069,954	22,652,974
Expenses						
Governmental activities						
General government						
Administration	783,920	663,393	-	-	783,920	663,393
Elections and vital statistics	173,731	154,193	-	-	173,731	154,193
Finance	338,367	320,563	-	-	338,367	320,563
Valuation	192,705	191,878	-	-	192,705	191,878
Public safety						
Police	2,426,527	2,326,072	-	-	2,426,527	2,326,072
Fire and ambulance	2,754,876	2,773,001	-	-	2,754,876	2,773,001
Dispatch	662,283	686,738	-	-	662,283	686,738
Public works						
Highways	3,208,529	2,805,206	-	-	3,208,529	2,805,206
Public works administration	108,512	128,664	-	-	108,512	128,664
Health and social services						
Health and social services	258,891	252,200	-	-	258,891	252,200
Recreation and parks						
Recreation administration	200,480	183,305	-	-	200,480	183,305
Recreation programs	299,097	294,327	-	-	299,097	294,327
Parks	294,495	293,114	-	-	294,495	293,114
Conservation and development						
Cultural	528,671	521,996	-	-	528,671	521,996
Cultural	255,007	242,069	-	-	255,007	242,069
Education	10	64,622	-	-	10	64,622
Interest on long-term debt	42,807	47,348	-	-	42,807	47,348
Business-type activities						
Outdoor facilities	-	-	185,388	185,020	185,388	185,020
Solid waste	-	-	856,217	896,218	856,217	896,218
Water and wastewater	-	-	3,234,763	3,202,749	3,234,763	3,202,749
Total Expenses	12,528,908	11,948,689	4,276,368	4,283,987	16,805,276	16,232,676
Change in net assets before transfers	381,808	2,909,813	(117,130)	3,510,485	264,678	6,420,298
Transfers	(235,063)	(231,194)	235,063	231,194	-	-
Change in net assets	146,745	2,678,619	117,933	3,741,679	264,678	6,420,298
Net assets - beginning of year	24,104,656	21,426,037	20,250,569	16,508,890	44,355,225	37,934,927
Net assets - end of year	\$ 24,251,401	\$ 24,104,656	\$ 20,368,502	\$ 20,250,569	\$ 44,619,903	\$ 44,355,225



Business-type activities. Business-type activities increased the Town of Hartford's net assets by \$117,935 during the current fiscal year. Key elements of this change are as follows:

- Charges for services increased by 1.2 percent. Charges for services in the Solid Waste Fund fell by 4.5%. Commercial tipping fees and coupon sales were down significantly which accounted for the majority of the decrease. Charges for services in the water and wastewater funds were up slightly, mostly due to an increase in user charge revenue.
- Operating expenses (before depreciation) decreased by 0.2%.
- During the year ended June 30, 2010, capital grants of \$3,678,551 were received during to help fund improvements to the Town's water and wastewater infrastructure. During the year ended June 30, 2011, no such grants were received
- Depreciation expense for business-type activities is \$1,037,948





Financial Analysis of the Government's Funds

As noted earlier, the Town of Hartford, Vermont, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Hartford's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Hartford's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town of Hartford's governmental funds reported combined ending fund balances of \$6,674,212, an increase of \$1,401,144 in comparison to the prior year. Of this total amount, \$127,168 is non-spendable (equipment deposits and permanent fund principal) and \$2,604,126 is restricted to indicate that it is not available for discretionary spending, because it is otherwise restricted by grant agreements, statutes, or bond covenants. Of the remaining amount, \$2,491,288 has been assigned by the Town for various purposes, and \$1,451,627 is unassigned and available for spending at the government's discretion.

The general fund is the chief operating fund of the Town of Hartford. At the end of the current fiscal year, unassigned fund balance was \$1,703,832, and assigned fund balance was \$2,439,318. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and operating transfers. Unassigned fund balance represents 12.9 percent of general fund expenditures and operating transfers, while total fund balance represents 31.3 percent of that same amount.

The fund balance of the Town of Hartford's general fund increased by \$838,385 during the current fiscal year. Key factors in this change are as follows:

- Unassigned revenues exceeded expenditures by \$168,367.
- Transfers to other funds included \$266,533 to the Debt Service Fund, \$154,500 to the Solid Waste Fund, and \$50,000 to the Outdoor Facilities Fund.
- \$253,929 was spent from assigned funds

Special revenue funds consist primarily of community development funds (\$501,157) and impact fee funds (\$523,615). Use of community development funds is restricted by grant close-out agreements, and use of impact fee funds is restricted by the impact fee statute. Capital projects funds consist primarily of amounts to be used in the construction of the public works facility and stormwater runoff projects and for infrastructure and other land improvements to the Maxfield property. Debt service funds consist of amounts restricted for payment of final balloon payments on interest-free loans from the state for construction of stormwater separation systems.

Proprietary funds. The Town of Hartford's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste Fund amounted to \$377,013 and those of the Water Fund amounted to \$1,556,746. Unrestricted net assets of the Outdoor Facilities Fund amounted to \$28,270 and those of the Wastewater Fund amounted to \$1,337,046. Unrestricted net assets of the Solid Waste Fund increased by \$14,413, those of the Water Fund increased \$157,467, and those of the Wastewater Fund decreased by \$88,814. Unrestricted net assets of the Outdoor Facilities Fund increased by \$34,867. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town of Hartford's business-type activities.

General Fund Budgetary Highlights

Differences between budgeted amounts and actual amounts can be briefly summarized as follows:

- Community Restorative Justice Center grant revenue was \$47,020 higher than budgeted.
- The Fire HLS Grant (\$38,882), Highway Transportation Grant (\$54,365), Police HLS Grant (\$33,925), and Prospect Street Planning Grant (\$30,000) had not been budgeted.
- Interest income was below budget by \$11,265.
- Highway capital expenditures were below budget by \$140,209.
- Parks capital expenditures were below budget by \$93,890.
- Conservation and development capital expenditures were below budget by \$100,000.

Capital Asset and Debt Administration

Capital assets. The Town of Hartford's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to \$35,194,591 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, roads and bridges, and water and wastewater distribution and collection systems. The investment in net assets increased by 0.5 percent for governmental activities, and decreased 10.8 percent for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Infrastructure improvements to the Maxfield property were continued (\$208,618).
- Replacement of the bridge street underpass was continued (\$57,897).
- A new generator was purchased for the emergency services building (\$53,652)
- A 2011 Freightliner vehicle was purchased for the highway department (\$143,076)
- A variety of infrastructure construction projects were undertaken, including highway reconstruction at a cost of \$809,558 and sidewalks at a cost of \$113,611.
- New LED street lights were purchased and installed (\$54,994).
- Upgrades to water mains were continued (\$327,561).
- Upgrades to the wastewater treatment facilities were continued (\$8,934,906).

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 643,976	\$ 643,976	\$ 414,158	\$ 414,158	\$ 1,058,134	\$ 1,058,134
Land improvements	629,414	656,016	99,827	106,426	729,241	762,442
Buildings and improvements	2,441,103	2,368,713	3,049,134	3,412,308	5,490,237	5,781,021
Vehicles and equipment	2,621,245	2,567,626	154,491	133,475	2,775,736	2,701,101
Roads, bridges and sidewalks	13,554,958	13,848,958	-	-	13,554,958	13,848,958
Distribution and collection systems	-	-	11,082,503	11,699,971	11,082,503	11,699,971
Construction in progress	1,250,641	1,161,146	16,080,017	6,814,847	17,330,658	7,975,993
Total Assets	\$ 21,141,337	\$ 21,246,435	\$ 30,880,130	\$ 22,581,185	\$ 52,021,467	\$ 43,827,620

Additional information on the Town of Hartford's net assets can be found in note IV.E. of the notes to financial statements.

Long-term debt. At the end of the current year, the Town of Hartford had total long-term debt outstanding of \$16,115,954. Of this amount, \$1,635,000 represents bonded debt backed by the full faith and credit of the Town, and \$14,480,954 represents revolving loans issued by the State of Vermont.

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds payable	\$ 945,000	\$ 1,050,000	\$ 690,000	\$ 905,000	\$ 1,635,000	\$ 1,955,000
Revolving loans payable	1,020,879	1,117,945	13,460,075	2,291,531	14,480,954	3,409,476
Totals	\$ 1,965,879	\$ 2,167,945	\$ 14,150,075	\$ 3,196,531	\$ 16,115,954	\$ 5,364,476

The Town of Hartford's total debt increased by \$10,751,478 during the year, reflecting repayments of existing debt of \$502,713 and new revolving loan debt within the water and wastewater funds of \$11,309,427.

State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The current debt limit for the Town of Hartford is \$141,989,980, which is significantly in excess of the Town of Hartford's outstanding bonded debt.

Bonds are issued through the Vermont Municipal Bond Bank. The Town issues no bonded debt on its own behalf and does not maintain its own credit rating.

Additional information on the Town of Hartford's long-term debt can be found in note IV.H. of the notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 3.7 percent, up from 3.6 percent one year ago. This compares with a 5.6 percent rate state-wide, up from 5.1 percent statewide one year ago.
- Health insurance rates have decreased due to a change in insurance policies but are projected to increase next year.
- Restricted, assigned and designated funds at the end of June 30, 2011, amounted to \$7,884,452. These funds are available for appropriation to fund capital and equipment purchases in coming years. Included in this amount are funds for subsequent year expenditures in the amount of \$100,000. This amount is available for appropriation in future years to reduce the amount that is required to be raised by property taxes.

All of these factors were considered in preparing the Town of Hartford's budget for the 2012 fiscal year.

The Town of Hartford approved a general fund budget for fiscal year 2012 in the amount of \$12,557,604. This represents an increase of \$83,090 or 0.66 percent over the approved budget for the previous year. The Town will utilize \$302,000 in assigned capital funds and \$100,000 in assigned funds for subsequent year expenditures to pay for expenditures included in this budget. The use of these funds was intended to keep any increase in taxes raised to a minimum. The amount of capital reserve funds utilized was less than in the prior year.

Rates for the Outdoor Facilities Fund were not increased. Rates for the Solid Waste Fund were not increased. Within the Water Fund, the usage fee per 100 cubic feet of water increased approximately 1% and the base rates and flat rates also increased approximately 1%. Within the Wastewater Fund, the usage fee per 100 cubic feet of wastewater did not increase, the base rates increased between 36% and 47%, and the flat rates increased between 13% and 17%.

Requests for Information

This financial report is designed to provide a general overview of the Town of Hartford, Vermont's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town of Hartford, 171 Bridge Street, White River Jct., VT 05001.

TOWN OF HARTFORD, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,761,382	\$ 4,940,141	\$ 10,701,523
Investments	11,360	-	11,360
Receivables (net of allowance for uncollectible accounts)			
Taxes receivable	157,034	-	157,034
Accounts receivable	105,341	671,680	777,021
Notes receivable	219,424	-	219,424
Due from other governments	1,020,865	15,677	1,036,542
Internal balances	(56,446)	56,446	-
Deposits	100,003	-	100,003
Restricted assets			
Cash and cash equivalents	348,497	-	348,497
Capital assets (net of accumulated depreciation)			
Land and land improvements	1,273,390	513,985	1,787,375
Buildings and building improvements	2,441,103	3,049,134	5,490,237
Vehicles and equipment	2,621,245	154,491	2,775,736
Roads, bridges and sidewalks	13,554,958	-	13,554,958
Distribution and collection systems	-	11,082,503	11,082,503
Construction in progress	1,250,641	16,080,017	17,330,658
Total Assets	28,808,797	36,564,074	65,372,871
LIABILITIES			
Accounts payable	392,080	841,751	1,233,831
Accrued payroll and benefits payable	130,089	21,727	151,816
Accrued compensated absences payable	318,875	88,050	406,925
Accrued interest payable	3,321	10,051	13,372
Due to other governments	-	344,967	344,967
Unearned revenue	53,788	-	53,788
Noncurrent liabilities			
Due within one year	275,914	714,850	990,764
Due in more than one year	3,383,329	14,174,176	17,557,505
Total Liabilities	4,557,396	16,195,572	20,752,968
NET ASSETS			
Invested in capital assets, net of related debt	19,175,461	16,019,130	35,194,591
Restricted for:			
Public safety	9,336	-	9,336
Impact fees	523,614	1,050,297	1,573,911
Recreation and parks	1,167,014	-	1,167,014
Community development	531,871	-	531,871
Debt service	348,497	-	348,497
Endowments and perpetual care			
Non-expendable	27,168	-	27,168
Expendable	2,880	-	2,880
Other purposes	20,912	-	20,912
Unrestricted	2,444,648	3,299,075	5,743,723
Total Net Assets	\$ 24,251,401	\$ 20,368,502	\$ 44,619,903

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

**TOWN OF HARTFORD, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General government							
Administration	\$ 783,920	\$ -	\$ 33,000	\$ -	\$ (750,920)	\$ -	\$ (750,920)
Elections and vital statistics	173,731	126,282	-	-	(47,449)	-	(47,449)
Finance	338,367	11,198	-	-	(327,169)	-	(327,169)
Valuation	192,705	1	53,877	-	(138,827)	-	(138,827)
Public safety							
Police	2,426,527	61,668	301,802	-	(2,063,057)	-	(2,063,057)
Fire and ambulance	2,754,876	330,501	60,940	164,506	(2,198,929)	-	(2,198,929)
Dispatch	662,283	353,110	-	-	(309,173)	-	(309,173)
Public works							
Highways	3,208,529	7,544	311,932	62,228	(2,826,825)	-	(2,826,825)
Public works administration	108,512	-	-	-	(108,512)	-	(108,512)
Health and social services	258,891	-	-	-	(258,891)	-	(258,891)
Recreation and parks							
Recreation administration	200,480	-	-	-	(200,480)	-	(200,480)
Recreation programs	299,097	166,377	9,360	-	(123,360)	-	(123,360)
Parks	294,495	-	-	-	(294,495)	-	(294,495)
Conservation and development	528,671	24,100	50,532	-	(454,039)	-	(454,039)
Cultural	255,007	100	936	-	(253,971)	-	(253,971)
Education	10	-	-	-	(10)	-	(10)
Interest on long-term debt	42,807	-	-	-	(42,807)	-	(42,807)
Total governmental activities	12,528,908	1,080,881	822,379	226,734	(10,398,914)	-	(10,398,914)
Business-type activities							
Outdoor facilities	185,388	170,216	-	-	-	(15,172)	(15,172)
Solid waste	856,217	710,520	4,852	-	-	(140,845)	(140,845)
Water and wastewater	3,234,763	3,256,110	-	-	-	21,347	21,347
Total business-type activities	4,276,368	4,136,846	4,852	-	-	(134,670)	(134,670)
Total primary government	\$ 16,805,276	\$ 5,217,727	\$ 827,231	\$ 226,734	(10,398,914)	(134,670)	(10,533,584)
General revenues:							
Property taxes					10,516,674	-	10,516,674
Unrestricted investment earnings					20,875	17,540	38,415
Gain (Loss) on sale of capital assets					(12,857)	-	(12,857)
Other revenues					256,030	-	256,030
Transfers					(235,063)	235,063	-
Total general revenues and transfers					10,545,659	252,603	10,798,262
Change in net assets					146,745	117,933	264,678
Net assets, July 1, 2010					24,104,656	20,250,569	44,355,225
Net assets, June 30, 2011					\$ 24,251,401	\$ 20,368,502	\$ 44,619,903

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

TOWN OF HARTFORD, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 4,289,757	\$ 1,471,625	\$ 5,761,382
Investments	-	11,360	11,360
Receivables (net of allowances for uncollectible accounts)			
Taxes receivable	219,034	-	219,034
Accounts receivable	59,651	45,690	105,341
Notes receivable	-	219,424	219,424
Due from other governments	131,919	888,946	1,020,865
Due from other funds	211,477	58,638	270,115
Deposits	-	100,003	100,003
Restricted assets:			
Cash and equivalents	-	348,497	348,497
Total Assets	\$ 4,911,838	\$ 3,144,183	\$ 8,056,021
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 280,896	\$ 111,184	\$ 392,080
Accrued payroll and benefits payable	130,089	-	130,089
Due to other funds	91,530	235,027	326,557
Deferred revenue	266,173	266,910	533,083
Total Liabilities	768,688	613,121	1,381,809
Fund balances			
Non-spendable			
Permanent fund principal	-	27,168	27,168
Deposits	-	100,003	100,003
Restricted for			
Public safety	-	9,336	9,336
Impact fees	-	523,615	523,615
Recreation and parks	-	1,167,014	1,167,014
Community development	-	531,872	531,872
Debt service	-	348,497	348,497
Other	-	23,792	23,792
Assigned for			
General government	699,163	-	699,163
Public safety	305,419	-	305,419
Public works	840,577	51,970	892,547
Health and social services	6,506	-	6,506
Recreation and parks	145,461	-	145,461
Conservation and development	442,192	-	442,192
Cultural	-	-	-
Unassigned, reported in:			
General fund	1,703,832	-	1,703,832
Special revenue funds	-	(195,339)	(195,339)
Capital projects funds	-	(56,866)	(56,866)
Total Fund Balances	4,143,150	2,531,062	6,674,212
Total Liabilities and Fund Balances	\$ 4,911,838	\$ 3,144,183	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,141,337
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	95,095
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,659,243)
Net assets of governmental activities	\$ 24,251,401

The accompanying 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, 2011

	General Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 10,349,063	\$ -	\$ 10,349,063
Tax penalties and interest	244,857	-	244,857
Permits and licenses	16,064	-	16,064
Intergovernmental revenues	652,846	154,473	807,319
Charges for current services	1,177,844	-	1,177,844
Fines and forfeits	13,091	-	13,091
Impact fees	-	34,534	34,534
Interest	9,615	11,260	20,875
Other revenues	175,759	27,158	202,917
Total Revenues	12,639,139	227,425	12,866,564
EXPENDITURES			
Current expenditures			
General government			
Administration	745,885	-	745,885
Elections and vital statistics	162,001	-	162,001
Finance	322,384	-	322,384
Valuation	176,445	-	176,445
Public safety			
Police	2,199,724	9,112	2,208,836
Fire and ambulance	2,328,951	26,046	2,354,997
Dispatch	569,152	-	569,152
Public works			
Highways	1,607,169	-	1,607,169
Public works administration	102,342	-	102,342
Health and social services	249,307	-	249,307
Recreation and parks			
Recreation administration	183,609	-	183,609
Recreation programs	281,716	-	281,716
Parks	211,223	21,403	232,626
Conservation and development			
Cultural	430,200	63,343	493,543
Education	250,518	1,000	251,518
	-	10	10
Debt service expenditures			
Principal	-	202,066	202,066
Interest	-	43,139	43,139
Capital expenditures			
General government			
Administration	4,891	-	4,891
Public safety			
Police	95,383	28,190	123,573
Fire and ambulance	84,916	60,633	145,549
Public works			
Highways	1,236,785	62,247	1,299,032
Administration	8,000	-	8,000
Recreation and parks			
Parks	51,110	208,618	259,728
Conservation and development	-	13,839	13,839
Total Expenditures	11,301,711	739,646	12,041,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,337,428	(512,221)	825,207
OTHER FINANCING SOURCES (USES)			
Transfers in	1,432,601	267,970	1,700,571
Transfers out	(1,931,644)	(3,990)	(1,935,634)
Sale of capital assets	-	811,000	811,000
Total Other Financing Sources (Uses)	(499,043)	1,074,980	575,937
Net Change in Fund Balances	838,385	562,759	1,401,144
Fund Balances - July 1, 2010	3,304,765	1,968,303	5,273,068
Fund Balances - June 30, 2011	\$ 4,143,150	\$ 2,531,062	\$ 6,674,212

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

**TOWN OF HARTFORD, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balance - total government funds (Exhibit D)	\$ 1,401,144
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(81,670)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(766,848)
The issuance of long-term debt (e.g., bonds, leases) 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, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	202,066
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(607,947)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 146,745</u>

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

TOWN OF HARTFORD, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Major Funds			Non-major Fund	Total Proprietary Funds
	Solid Waste Fund	Water Fund	Wastewater Fund	Outdoor Facilities Fund	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 897,991	\$ 1,747,156	\$ 2,263,632	\$ 31,362	\$ 4,940,141
Accounts receivable (net of allowance for uncollectible accounts)	51,252	239,154	380,874	400	671,680
Due from other governments	-	15,677	-	-	15,677
Due from other funds	37,161	14,022	56,146	3,224	110,553
Total Current Assets	986,404	2,016,009	2,700,652	34,985	5,738,050
Noncurrent Assets					
Capital assets					
Land and land improvements	277,184	34,000	245,158	-	556,342
Buildings and building improvements	1,659,897	280,160	10,220,497	928,840	13,089,394
Vehicles and equipment	334,879	221,425	358,040	73,798	988,142
Distribution and collection systems	-	9,486,499	11,809,700	-	21,296,199
Construction in progress	-	1,598,390	14,481,627	-	16,080,017
Less accumulated depreciation	(1,430,008)	(4,611,506)	(14,179,518)	(908,932)	(21,129,964)
Total Noncurrent Assets	841,952	7,008,968	22,935,504	93,706	30,880,130
Total Assets	1,828,356	9,024,977	25,636,156	128,691	36,618,180
LIABILITIES					
Current Liabilities					
Accounts payable	106,790	44,447	690,083	431	841,751
Accrued payroll and benefits payable	4,305	6,742	10,251	427	21,725
Accrued compensated absences payable	8,776	29,278	49,996	-	88,050
Accrued interest payable	-	8,140	1,780	131	10,051
Due to other governments	-	174,705	170,262	-	344,967
Due to other funds	18,772	1,581	28,029	5,727	54,109
Accrued postclosure costs - current portion	23,000	-	-	-	23,000
Other post employment benefits - current portion	4,416	11,786	9,920	-	26,122
Bonds and notes payable - current portion	-	547,274	103,454	15,000	665,728
Total Current Liabilities	166,059	823,953	1,063,775	21,715	2,075,502
Noncurrent Liabilities					
Accrued postclosure costs	391,000	-	-	-	391,000
Other post employment benefits	52,332	79,775	166,722	-	298,829
Bonds and notes payable	-	2,110,014	11,359,333	15,000	13,484,347
Total Noncurrent Liabilities	443,332	2,189,789	11,526,055	15,000	14,174,176
Total Liabilities	609,391	3,013,742	12,589,830	36,715	16,249,678
NET ASSETS					
Investment in capital assets, net of related debt	841,952	4,163,039	10,950,433	63,706	16,019,130
Restricted	-	291,450	758,847	-	1,050,297
Unrestricted	377,013	1,556,746	1,337,046	28,270	3,299,075
Total Net Assets	\$ 1,218,965	\$ 6,011,235	\$ 13,046,326	\$ 91,976	\$ 20,368,502

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

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds			Non-major Fund	Total Proprietary Funds
	Solid Waste Fund	Water Fund	Wastewater Fund	Outdoor Facilities Fund	
OPERATING REVENUES					
Charges for services	\$ 699,187	\$ 1,320,524	\$ 1,879,095	\$ 167,316	\$ 4,066,122
Rents and other income	11,333	17,064	39,427	2,900	70,724
Total Operating Revenues	<u>710,520</u>	<u>1,337,588</u>	<u>1,918,522</u>	<u>170,216</u>	<u>4,136,846</u>
OPERATING EXPENSES					
Personal services	299,930	466,897	800,690	79,943	1,647,460
Administration expenses	3,919	17,521	21,485	-	42,925
Utilities	14,948	101,273	220,412	57,648	394,281
Contract services	427,246	58,073	124,252	6,388	615,959
Postclosure care costs	(8,784)	-	-	-	(8,784)
Franchise tax	8,255	-	-	-	8,255
Waste generation fee	8,168	-	-	-	8,168
Equipment operation	6,679	13,986	26,446	5,730	52,841
Repairs and maintenance	14,495	39,437	64,603	-	118,535
Materials and supplies	7,504	58,809	69,082	4,365	139,760
Insurance expense	5,575	11,122	23,928	5,459	46,084
Small equipment	447	3,989	4,633	7,189	16,258
Depreciation	67,835	310,319	642,927	16,867	1,037,948
Total Operating Expenses	<u>856,217</u>	<u>1,081,426</u>	<u>1,998,458</u>	<u>183,589</u>	<u>4,119,690</u>
Operating Income (Loss)	<u>(145,697)</u>	<u>256,162</u>	<u>(79,936)</u>	<u>(13,373)</u>	<u>17,156</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	4,852	-	-	-	4,852
Interest revenue	758	2,865	13,878	39	17,540
Interest expense	-	(85,516)	(22,756)	(1,799)	(110,071)
Other expense	-	(46,607)	-	-	(46,607)
Total Nonoperating Revenues (Expenses)	<u>5,610</u>	<u>(129,258)</u>	<u>(8,878)</u>	<u>(1,760)</u>	<u>(134,286)</u>
Income (Loss) Before Transfers	<u>(140,087)</u>	<u>126,904</u>	<u>(88,814)</u>	<u>(15,133)</u>	<u>(117,130)</u>
TRANSFERS					
Transfers in	165,898	443,587	1,317,598	65,000	1,992,083
Transfers out	(11,398)	(413,024)	(1,317,598)	(15,000)	(1,757,020)
Total Transfers	<u>154,500</u>	<u>30,563</u>	<u>-</u>	<u>50,000</u>	<u>235,063</u>
Change in Net Assets	14,413	157,467	(88,814)	34,867	117,933
Total Net Assets - July 1, 2010	<u>1,204,552</u>	<u>5,853,768</u>	<u>13,135,140</u>	<u>57,109</u>	<u>20,250,569</u>
Total Net Assets - June 30, 2011	<u>\$ 1,218,965</u>	<u>\$ 6,011,235</u>	<u>\$ 13,046,326</u>	<u>\$ 91,976</u>	<u>\$ 20,368,502</u>

The accompanying 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, 2011

	Major Funds			Non-major Fund	Total Proprietary Funds
	Solid Waste Fund	Water Fund	Wastewater Fund	Outdoor Facilities Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 717,537	\$ 1,335,160	\$ 1,905,825	\$ 169,816	\$ 4,128,338
Cash paid to employees	(278,744)	(434,446)	(724,536)	(79,516)	(1,517,242)
Cash paid to suppliers	(459,763)	(453,414)	(1,894,446)	(89,815)	(2,897,438)
Net cash provided (used) by operating activities	(20,970)	447,300	(713,157)	485	(286,342)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subsidies from government grants	4,852	-	-	-	4,852
Change in Due from other funds	(18,389)	(18,191)	(1,184,780)	(33,646)	(1,255,006)
Change in Due to other governments	13,260	621,570	698,673	-	1,333,503
Transfers from other funds	154,500	30,563	-	50,000	235,063
Transfers to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	154,223	633,942	(486,107)	16,354	318,412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Subsidies from government grants	-	(46,607)	-	-	(46,607)
Proceeds from issuance of debt	-	296,641	11,012,787	-	11,309,428
Principal payments - bonds and notes	-	(265,883)	(75,000)	(15,000)	(355,883)
Interest paid	-	(84,736)	(22,995)	(1,839)	(109,570)
Purchase of capital assets	(11,398)	(340,888)	(8,984,606)	-	(9,336,892)
Net cash provided (used) by capital and related financing activities	(11,398)	(441,473)	1,930,186	(16,839)	1,460,476
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	758	2,865	13,877	39	17,539
Net cash provided by investing activities	758	2,865	13,877	39	17,539
Net increase in cash and equivalents	122,613	642,634	744,799	39	1,510,085
Cash and equivalents - July 1, 2010	775,378	1,104,522	1,518,833	31,323	3,430,056
Cash and equivalents - June 30, 2011	\$ 897,991	\$ 1,747,156	\$ 2,263,632	\$ 31,362	\$ 4,940,141
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ (145,697)	\$ 256,162	\$ (79,936)	\$ (13,373)	\$ 17,156
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	67,835	310,319	642,927	16,867	1,037,948
(Increase) decrease in accounts receivable	7,017	(2,429)	(12,697)	(400)	(8,509)
Increase (decrease) in accounts payable	51,689	(149,204)	(1,339,605)	(3,036)	(1,440,156)
Increase (decrease) in accrued expenses	(1,814)	32,452	76,154	427	107,219
Increase (decrease) in deferred income	-	-	-	-	-
Total adjustments	124,727	191,138	(633,221)	13,858	(303,498)
Net cash provided (used) by operating activities	\$ (20,970)	\$ 447,300	\$ (713,157)	\$ 485	\$ (286,342)

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

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 April 29, 2009. The Town operates under a Board of Selectmen-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, and public improvements. Other services include utility (solid waste, water and wastewater) operations.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of Hartford conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Town of Hartford, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organizations governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. There are no agencies or entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town of Hartford include both *government-wide statements* and *fund financial statements*. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net assets and the statement of activities display information about the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds; however, interfund services provided and used are not eliminated. These statements distinguish between the *governmental* and *business-type* activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

B. Basis of Presentation (continued)

The *statement of activities* presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function or program. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental fund:

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

The Town reports on the following major enterprise funds:

Solid Waste Fund. This fund accounts for the activities of the Town's recycling center and transfer station for construction and demolition debris and municipal solid waste.

Water Fund. This fund accounts for the activities of the Town's water supply systems. Included in this fund are the central water system and the Quechee water system.

Wastewater Fund. This fund accounts for the activities of the Town's wastewater treatment plants and collection systems. Included in this fund are the central wastewater system and the Quechee wastewater system.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's various enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

B. Basis of Presentation (continued)

The Town reports on the following nonmajor governmental fund types:

Special Revenue Funds. These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes other than debt service or capital projects. Included in these funds are Public Safety Funds, Recreation Funds, Community Development Funds, Library Fund, and Impact Fee Funds.

Capital Projects Funds. These funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary Funds. Included in this fund type is the Combined Sewer Overflow (CSO) Project Fund, the DPW Garage Fund, the Roundabout Fund, the Underpass Fund, the Park and Ride Fund, and the Maxfield Project Fund.

Debt Service Fund. This fund accounts for the annual payments of principal and interest on general long-term debt of the Town, and for the accumulation of resources for future debt service payments on general long-term debt of the Town.

Permanent Fund. This fund accounts for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that are for the benefit of the Town or its citizens. Included in this fund type is the Town Trust Fund.

The Town reports on the following non-major enterprise fund type:

Outdoor Facilities Fund. This fund accounts for the activities of the Town's municipal arena, which provides recreational opportunities for hockey players and skaters.

The Town has no fiduciary fund types.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

C. Basis of Accounting (continued)

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, other postemployment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues and charges for current services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

All governmental business-type activities and enterprise funds of the Town follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town has elected not to apply FASB Standards issued after November 30, 1989.

D. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates used by the Town are the estimated useful lives used to calculate depreciation of property, plant and equipment, the estimated costs of post closure monitoring of the landfill, and the estimated costs of other postemployment benefits.

F. Assets, Liabilities and Equity

1. Cash

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

State Statute do not restrict the types of investments the Town can make. All investments require the authorization of the Board of Selectmen. Investments in the Permanent Fund (Town Trust Fund) are valued at fair value. The investments are registered securities held by the Town or by its agent in the Town's name.

In accordance with GASB 31, "Accounting and Financial Reporting for Certain Investments," investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Accounts receivable are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgement of management and a review of the current status of existing receivables.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds."

The Town is responsible for assessing and collecting its own property taxes, as well as taxes for the State for school purposes. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are collected twice a year in August and February. During the tax year ended June 30, 2011, taxes became due and payable on August 13, 2010, and February 4, 2011. Taxes unpaid after the August due date are considered to be late, and are subject to monthly interest at 1%. Taxes unpaid after the February due date are delinquent, and are subject to an 8% penalty, and interest calculated at 1% per month for the first three months, and then 1.5% per month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale by the delinquent tax collector.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

3. Receivables (continued)

The tax rate for 2011 is as follows:

	<u>Homestead</u>	<u>Non-residential</u>
Homestead education tax	\$ 1.3609	\$ -
Non-residential education tax	-	1.4136
Town general fund appropriations	0.7020	0.7020
Town restricted appropriations	0.0107	0.0107
Windsor County tax	0.0088	0.0088
Local agreement tax	0.0016	0.0016
Total	<u>\$ 2.0840</u>	<u>\$ 2.1367</u>

The first installment of property taxes for the budget period from July 1, 2011, to June 30, 2012, is due and payable on August 13, 2011. As of June 30, 2011, the Town had collected \$38,887 of those taxes. This amount is shown as deferred revenue at June 30, 2011, and will be recorded as revenue in August, 2011. Also included in deferred revenue is \$14,901 in miscellaneous revenues applicable to future periods in the Governmental Funds. The total amount of deferred revenue for governmental activities is \$53,788.

4. Inventories

The Town does not record inventories of supplies as these amounts are not material in relation to the Town's results of operations. Accordingly, expenditures related to inventories are reported in governmental funds when purchased.

5. Restricted Assets

Certain assets of the debt service fund are classified as restricted assets because agreements with Vermont Special Pollution Control Revolving Fund (for CSO loans) restrict the use of those funds to payment of debt service.

6. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

6. Capital Assets (continued)

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, using the straight line method of calculating depreciation. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land improvements	\$ 10,000	10-50 years
Buildings and building improvements	20,000	10-75 years
Vehicles and equipment	5,000	3-25 years
Roads, bridges, and sidewalks	20,000	20-75 years
Distribution and collection systems	20,000	20-75 years

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick time. 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, with the general fund being used to liquidate amounts recorded in the government-wide statements. A liability for unused vacation time is not reported in the governmental fund type financial statements unless they have matured. Payments for unused vacation time are recorded as expenditures in the year they are paid. No liability is reported for earned but unused sick time because it is not a vested benefit.

8. Accrued Closure/postclosure 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.

State statutes require that the Town monitor the groundwater quality for thirty years after capping a landfill. Nineteen years remain of the Town's obligation under the statutes. The Town's engineers estimated this liability at \$414,000. This liability has been recorded as an accrued expense as of June 30, 2011. A total of \$556,670 has been set aside to pay this accrued liability. The amounts are based on what it would cost to perform all postclosure care now. Actual costs may vary due to changes in the cost of living, changes in technology, changes in regulations, or variances between estimated and actual amounts.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

9. Other Postemployment Benefits

The Town provides postemployment benefits for health insurance coverage for any employee who has attained age 55 and retires with a minimum of ten years of service (twenty years of service for employees hired after January 1, 1999). Other postemployment benefits are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include OPEB as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-term liabilities also include other obligations such as compensated absences and postemployment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

11. Fund Equity

Fund balances and retained earnings are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net assets in government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Net assets of governmental fund type financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS
AND GOVERNMENT-WIDE STATEMENTS**

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements, as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation expense as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report bond proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

A. Governmental Funds Balance Sheet and the Statement of Net Assets

A detailed explanation of the differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Elimination of Due To/From	Statement of Net Assets
ASSETS						
Cash and cash equivalents	\$ 5,761,382	\$ -	\$ -	\$ -	\$ -	\$ 5,761,382
Investments	11,360	-	-	-	-	11,360
Receivables						
Taxes receivable	219,034	(62,000)	-	-	-	157,034
Accounts receivable	105,341	-	-	-	-	105,341
Notes receivable	219,424	-	-	-	-	219,424
Due from other governments	1,020,865	-	-	-	-	1,020,865
Due from other funds	270,115	-	-	-	(326,561)	(56,446)
Deposits	100,003	-	-	-	-	100,003
Restricted assets						
Cash and equivalents	348,497	-	-	-	-	348,497
Capital assets	-	-	21,141,337	-	-	21,141,337
Total Assets	8,056,021	(62,000)	21,141,337	-	(326,561)	28,808,797
LIABILITIES						
Accounts payable	392,080	-	-	-	-	392,080
Accrued payroll and benefits payable	130,089	-	-	-	-	130,089
Accrued compensated absences payable	-	318,875	-	-	-	318,875
Accrued interest payable	-	3,321	-	-	-	3,321
Due to other funds	326,557	4	-	-	(326,561)	-
Deferred revenue	533,083	(479,295)	-	-	-	53,788
Noncurrent liabilities	-	-	-	3,659,243	-	3,659,243
Total Liabilities	1,381,809	(157,095)	-	3,659,243	(326,561)	4,557,396
NET ASSETS						
Invested in capital assets	-	-	21,141,337	(1,965,876)	-	19,175,461
Other	6,674,212	95,095	-	(1,693,367)	-	5,075,940
Total Net Assets	\$ 6,674,212	\$ 95,095	\$ 21,141,337	\$ (3,659,243)	\$ -	\$ 24,251,401

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

A detailed explanation of the differences between the governmental funds statement of revenues, expenditures and changes in fund balance and government-wide statement of activities are as follows:

	Statement of Revenues, Expenditures and Changes in Fund Balance	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Statement of Activities Total
REVENUES					
Taxes	\$ 10,349,063	\$ (77,246)	\$ -	\$ -	\$ 10,271,817
Tax penalties and interest	244,857	-	-	-	244,857
Permits and licenses	16,064	-	-	-	16,064
Intergovernmental revenues	807,319	241,794	-	-	1,049,113
Charges for current services	1,177,844	(96,963)	-	-	1,080,881
Fines and forfeits	13,091	-	-	-	13,091
Impact fees	34,534	-	-	-	34,534
Interest	20,875	-	-	-	20,875
Other revenues	202,917	(11)	(10,565)	-	192,341
Other sources:					
Proceeds/(loss) from sale of assets	811,000	(811,000)	(12,857)	-	(12,857)
Transfers from other funds	-	-	-	-	-
Total Revenues	13,677,564	(743,426)	(23,422)	-	12,910,716
EXPENDITURES					
Current					
General government					
Administration	745,885	23,029	15,006	-	783,920
Elections and vital statistics	162,001	11,730	-	-	173,731
Finance	322,384	14,423	1,560	-	338,367
Valuation	176,445	16,260	-	-	192,705
Public safety					
Police	2,208,836	140,714	76,977	-	2,426,527
Fire and ambulance	2,354,997	187,103	212,776	-	2,754,876
Dispatch	569,152	55,770	37,361	-	662,283
Public works					
Highways	1,607,169	73,803	1,527,557	-	3,208,529
Public works administration	102,342	5,903	267	-	108,512
Health and social services	249,307	-	9,584	-	258,891
Recreation and parks					
Recreation administration	183,609	16,871	-	-	200,480
Recreation programs	281,716	15,891	1,490	-	299,097
Parks	232,626	11,654	50,215	-	294,495
Conservation and development					
Cultural	493,543	35,128	-	-	528,671
Education	251,518	-	3,489	-	255,007
Education	10	-	-	-	10
Capital improvements	1,854,612	-	(1,854,612)	-	-
Debt service					
Principal	202,066	-	-	(202,066)	-
Interest	43,139	(332)	-	-	42,807
Other uses:					
Transfers to other funds	235,063	-	-	-	235,063
Total Expenditures	12,276,420	607,947	81,670	(202,066)	12,763,971
Net change for the year	\$ 1,401,144	\$ (1,351,373)	\$ (105,092)	\$ 202,066	\$ 146,745

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the General Fund. The General Fund budgetary basis of accounting utilizes generally accepted accounting principles plus assignments of fund balances. Budgets for the General Fund only include unassigned funds, and do not include activity for assigned funds or reserve funds. Special Revenue Funds and Capital Project Funds adopt project-length budgets instead of annual budgets. Budgets are not adopted for Debt Service Funds or Permanent Funds.

The budget calendar begins during October with the submission of departmental budget requests to the Town Manager so that budgets may be prepared. The proposed budgets are presented to the Board of Selectmen for their review at the beginning of December. The Board holds numerous public hearings on the proposed budget, and prepares a final budget by the end of January. Budgets for Proprietary Funds are then adopted by the Board, while the budget for the General Fund is presented to the voters for consideration at the annual Town Meeting in March.

The budget is prepared by fund, function and department. The Town's department heads may make adjustments to appropriations within their department, while adjustment between departments can only be made with the approval of the Town Manager and the Board of Selectmen. The legal level of budgetary control is at the department level. No formal amendments are made to the budgets that were previously adopted.

The Town includes in expenditures those amounts that are treated as transfers to assigned net assets, including both cash amounts transferred for future capital expenditures and those amounts that are intended to be assigned for future operating expenditures.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash

At year end, the Town's carrying amount of deposits was \$11,050,020, and the bank balance was \$11,320,545. Of the bank balance, \$302,379, was covered by federal depository insurance. Of the remaining balance, \$11,018,166 was collateralized with securities held by the financial institution's agent in the Town's name, and none was unsecured and uncollateralized. Due to higher cash flows at certain times during the year, the amounts collateralized with securities held by the financial institution's agent in the Town's name were substantially higher than at year end.

B. Investments

Investments at June 30, 2011, consisted of various mutual fund investments in Fidelity Funds, which had a cost basis of \$9,968 and a fair value of \$11,360. Unrealized gains and losses, which are included in revenue, resulted in an increase in value of \$2,019 for the year ended June 30, 2011.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

C. Accounts receivable

Accounts receivable at year end, as reported in the statement of net assets, including applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business- Type Activities	Total
Ambulance accounts receivable (net of allowance of \$541,764)	\$ 50,173	\$ -	\$ 50,173
Miscellaneous receivables (net of allowance of \$0 [general] and \$0 [enterprise])	9,478	30,678	40,156
Impact fees receivable	45,210	38,183	83,393
Accrued interest receivable	480	-	480
User charges receivable (net of allowance of \$29,500)			
-Billed	-	306,260	306,260
-Unbilled	-	296,559	296,559
	<u>\$ 105,341</u>	<u>\$ 671,680</u>	<u>\$ 777,021</u>

D. Notes Receivable

Notes receivable at year end, including the applicable allowances for uncollectible amounts, are as follows:

Note receivable - Vermont Housing Enterprises (Colodny Building), varying interest rates of 1% - 3%, due November 21, 2011, secured by third mortgage	\$ 47,898
Notes receivable - various revolving loans, three loans outstanding, interest at 5.25%, various due dates, secured by business assets and personal guarantees. Of the three loans, none is in arrears at June 30, 2011	171,526
Notes receivable - Upper Valley Housing Associates, 0% interest, monthly payments of \$2,133 beginning January 1, 2034, thru December 1, 2059, secured by third mortgage	<u>640,000</u>
Total	859,424
Less allowance for doubtful notes receivable	<u>(640,000)</u>
Net Notes Receivable	<u>\$ 219,424</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

E. Capital assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 643,976	\$ -	\$ -	\$ 643,976
Construction in progress	1,161,146	302,454	212,959	1,250,641
Total capital assets, not being depreciated	1,805,122	302,454	212,959	1,894,617
Capital assets, being depreciated:				
Land improvements	809,697	-	-	809,697
Buildings and building improvements	4,694,468	226,798	-	4,921,266
Vehicles and equipment	6,101,348	560,151	233,143	6,428,356
Roads, bridges and sidewalks	23,877,358	978,163	-	24,855,521
Totals	35,482,871	1,765,112	233,143	37,014,840
Less accumulated depreciation for:				
Land improvements	153,681	26,603	-	180,284
Buildings and building improvements	2,325,755	154,407	-	2,480,162
Vehicles and equipment	3,533,722	483,109	209,720	3,807,111
Roads, bridges and sidewalks	10,028,400	1,272,163	-	11,300,563
Totals	16,041,558	1,936,282	209,720	17,768,120
Total capital assets, being depreciated	19,441,313	(171,170)	23,423	19,246,720
Governmental activity capital assets, net	\$ 21,246,435	\$ 131,284	\$ 236,382	\$ 21,141,337
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 414,158	\$ -	\$ -	\$ 414,158
Construction in progress	6,814,847	9,265,170	-	16,080,017
Total capital assets, not being depreciated	7,229,005	9,265,170	-	16,494,175
Capital assets, being depreciated:				
Land improvements	142,184	-	-	142,184
Buildings and building improvements	13,083,469	5,925	-	13,089,394
Vehicles and equipment	922,360	65,782	-	988,142
Distribution and collection systems	21,296,183	16	-	21,296,199
Totals	35,444,196	71,723	-	35,515,919
Less accumulated depreciation for:				
Land improvements	35,758	6,602	-	42,360
Buildings and building improvements	9,671,161	369,099	-	10,040,260
Vehicles and equipment	788,885	44,766	-	833,651
Distribution and collection systems	9,596,212	617,481	-	10,213,693
Totals	20,092,016	1,037,948	-	21,129,964
Total capital assets, being depreciated	15,352,180	(966,225)	-	14,385,955
Business-type activity capital assets, net	\$ 22,581,185	\$ 8,298,945	\$ -	\$ 30,880,130

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

E. Capital assets (continued)

Depreciation was charged to programs as follows:

Governmental activities	
General government	
Administration	\$ 15,006
Finance	1,560
Public safety	
Police	76,977
Fire and ambulance	212,776
Dispatch	37,361
Public works	
Highways	1,527,557
Public works administration	267
Health and social services	9,584
Recreation and parks	
Recreation programs	1,490
Parks	50,215
Cultural	<u>3,489</u>
 Total depreciation expense	 <u>\$ 1,936,282</u>

F. Interfund Balances and Activity

Interfund balances represent advances between funds which are intended to be liquidated by the payable fund within the next fiscal year. Interfund transfers represent advances to other funds that are intended to be of a permanent nature.

The composition of interfund balances at June 30, 2011 is as follows:

<u>Receivable Activity</u>	<u>Payable Activity</u>	<u>Amount</u>
Solid Waste Fund	Governmental Activities	\$ 18,391
Central Water Fund	Governmental Activities	12,377
Quechee Water Fund	Governmental Activities	64
Central Wastewater Fund	Governmental Activities	19,739
Quechee Wastewater Fund	Governmental Activities	<u>8,378</u>
		58,949
Less:		
Governmental Activities	Outdoor Facilities Fund	<u>2,503</u>
 TOTAL		 <u>\$ 56,446</u>

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

F. Interfund Balances and Activity (continued)

Interfund transfers for the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund - Unassigned	General Fund - Assigned	Addition to capital reserves	\$ 237,972
	General Fund - Assigned	Current year assignments	938,136
	Debt Service Fund	Bond payments and bond reserve fund	266,533
	Outdoor Facilities Fund - Undesignated	Annual operating transfer	50,000
	Solid Waste Fund - Undesignated	Fund curbside recycling program	154,500
	Central Water Fund - Undesignated	Share of debt service	30,563
	General Fund - Unassigned	Reimbursement from capital reserves	<u>253,940</u>
Total General Fund			\$ 1,931,644
Nonmajor Governmental Funds	General Fund - Unassigned	Reimb. from special revenue funds	\$ 2,553
	Special Revenue Fund - Rehabilitation Loan Fund	Reallocation of loan repayments	<u>1,437</u>
Total Nonmajor Governmental Funds			\$ 3,990
Outdoor Facilities Fund - Undesignated	Outdoor Facilities Fund - Invest. in Capital Assets	Bond principal payment	\$ 15,000
Total Outdoor Facilities Fund			\$ 15,000
Solid Waste Fund - Undesignated	Solid Waste Fund - Invest. in Capital Assets	Asset Additions	\$ 11,398
Total Solid Waste Fund			\$ 11,398
Water Fund - Undesignated	Water Fund - Invest. in Capital Assets	Asset additions	\$ 147,141
	Water Fund - Invest. in Capital Assets	Bond principal payment	<u>265,883</u>
Total Water Fund			\$ 413,024
Wastewater Fund - Undesignated	Wastewater Fund - Designated	Addition to capital reserves	\$ 85,500
	Wastewater Fund - Invest. in Capital Assets	Asset additions	1,157,098
	Wastewater Fund - Invest. in Capital Assets	Bond principal payment	<u>75,000</u>
Total Wastewater Fund			\$ 1,317,598

G. Accrued Compensated Absences

Changes in accrued compensated absences during the year were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Beginning Balance	\$ 290,686	\$ 77,416	\$ 368,102
Additions	378,255	82,197	460,452
Reductions	<u>(350,066)</u>	<u>(71,563)</u>	<u>(421,629)</u>
Ending Balance	\$ 318,875	\$ 88,050	\$ 406,925
Due Within One Year	\$ 318,875	\$ 88,050	\$ 406,925

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

H. Long-term Liabilities

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues, and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 15 to 20 year bonds. Bonds issued for general government activities generally are issued with equal amounts of principal maturing each year, and bonds issued for proprietary activities generally are issued with equal annual debt service amounts payable each year.

Revolving Loans. The State of Vermont offers a number of no-interest or low-interest revolving loan programs for towns to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Pollution Control Revolving Fund for two combined sewer overflow projects, and has borrowed money from the Vermont Environmental Protection Agency Local Assistance State Revolving Fund for the construction of an additional water well in Wilder.

General obligation bonds and revolving loans outstanding at June 30, 2011, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
BONDS AND NOTES PAYABLE		
<u>Governmental Activities - Bonds</u>		
DPW Building	1.87% - 4.73%	\$ 945,000
<u>Governmental Activities - Revolving Loans</u>		
Combined Sewer Overflow - #1	0%	159,522
Combined Sewer Overflow - #2	0%	<u>861,357</u>
Total General Long-term Debt		<u>1,965,879</u>
 <u>Business-type Activities - Bonds</u>		
Outdoor facilities - refrigeration	3.7% - 5.25%	30,000
Water tower construction	6.6% - 7.9%	120,000
Water system improvements	2.8% - 4.98%	90,000
Wastewater system improvements	2.8% - 4.98%	450,000
Water system improvements	1.00%	246,780
Water system improvements	1.00%	49,860
Wastewater system improvements	0%	462,803
Wastewater system improvements	0%	5,591,288
Wastewater system improvements	0%	4,958,697
<u>Business-type Activities - Revolving Loans</u>		
Wilder Well	1.00%	<u>2,150,647</u>
Total Enterprise Funds		<u>14,150,075</u>
TOTAL BONDS AND NOTES PAYABLE		<u>\$ 16,115,954</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

H. Long-term Liabilities (continued)

Changes in all long-term liabilities (including bonds, notes, capital leases, other postemployment benefits, and accrued postclosure costs) during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	\$ 1,050,000	\$ -	\$ 105,000	\$ 945,000	\$ 105,000
Revolving loans payable	1,117,945	-	97,066	1,020,879	97,066
Other postemployment benefits	<u>1,113,274</u>	<u>653,939</u>	<u>73,848</u>	<u>1,693,365</u>	<u>73,848</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 3,281,219</u>	<u>\$ 653,939</u>	<u>\$ 275,914</u>	<u>\$ 3,659,244</u>	<u>\$ 275,914</u>
Business-type Activities					
Bonds payable	\$ 905,000	\$ -	\$ 215,000	\$ 690,000	\$ 225,000
Revolving loans payable	2,291,531	11,309,427	140,883	13,460,075	440,728
Other postemployment benefits	210,014	141,061	26,124	324,951	26,122
Postclosure care costs	<u>437,000</u>	<u>-</u>	<u>23,000</u>	<u>414,000</u>	<u>23,000</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 3,843,545</u>	<u>\$ 11,450,488</u>	<u>\$ 405,007</u>	<u>\$ 14,889,026</u>	<u>\$ 714,850</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2011, including interest payments, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest/ Admin Fees	Principal	Interest/ Admin Fees
2012	\$ 202,066	\$ 39,197	\$ 665,728	\$ 103,478
2013	202,066	35,039	233,465	90,630
2014	295,196	30,707	232,229	82,040
2015	179,935	26,250	670,562	284,636
2016	179,935	21,677	683,490	267,335
2017-2021	906,681	39,144	3,261,998	1,100,908
2022-2026	-	-	3,542,860	727,802
2027-2031	-	-	2,999,192	368,398
2032-3036	<u>-</u>	<u>-</u>	<u>1,860,551</u>	<u>74,920</u>
Total	<u>\$ 1,965,879</u>	<u>\$ 192,014</u>	<u>\$ 14,150,075</u>	<u>\$ 3,100,147</u>

Postemployment benefits have been liquidated in prior years by the General Fund, Solid Waste Fund, Water Fund, and Wastewater Fund.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

I. Restricted, Assigned and Designated Fund Balances/Net Assets

Net assets/fund balances are restricted as follows:

Governmental Activities

Special Revenue Funds

Police Drug Forfeiture Fund - restricted by statute	\$ 9,336
Engine 494 Fund - restricted by donor agreement	4,331
Trees Matter Fund - restricted by donor agreement	3,422
Dog Park Fund - restricted by donor agreement	6,884
Glory Days Fund - restricted by donor agreement	6,275
CLG Grant Fund - restricted by grant agreement	38
Watershed Grant Fund - restricted by grant agreement	1,851
Quechee Gorge Visitor Center - restricted by grant agreement	43,427
Rehabilitation Loan Funds - restricted by grant agreement	106,483
Revolving Loan Fund - restricted by grant agreement	380,071
Fire/EMS Impact Fee Fund - restricted by statute	93,688
Recreation Impact Fee Fund - restricted by statute	57,438
Library Impact Fee Fund - restricted by statute	2,717
School Impact Fund - restricted by statute	<u>369,772</u>

Total Special Revenue Funds 1,085,733

Capital Projects Funds

CSO Fund - restricted by bond agreement	82,894
Maxfield Project Fund - restricted by donor agreement	<u>1,084,120</u>

Total Capital Projects Funds 1,167,014

Debt Service Fund

CSO Bond Reserve Fund - restricted by bond agreement	<u>348,497</u>
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Total Debt Service Fund 348,497

Permanent Fund

Town Trust Funds - restricted by Trust agreement	<u>30,048</u>
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Total Permanent Fund 30,048

Total Governmental Activities 2,631,292

Business-type Activities

Central Water Impact Fee Fund - restricted by statute	241,783
Quechee Water Impact Fee Fund - restricted by statute	49,667
Central Wastewater Impact Fee Fund - restricted by statute	561,015
Quechee Wastewater Impact Fee Fund - restricted by statute	<u>197,832</u>

Total Business-type Activities 1,050,297

Total Restricted Net Assets \$ 3,681,589

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

I. Restricted, Assigned and Designated Fund Balances/Net Assets (continued)

The net assets/fund balances in the following funds are assigned or designated as follows:

General Fund	
Assigned to Town Clerk record restoration	\$ 211,704
Assigned to Town office renovation	162,153
Assigned to accounting software	11,009
Assigned to Revaluation	160,274
Assigned to Police capital purchases	150,704
Assigned to Fire/EMS capital purchases	125,459
Assigned to communications center upgrade	29,256
Assigned to digitization program	19,523
Assigned to Highway capital expenditures	840,577
Assigned to Senior Center renovations	6,506
Assigned to Recreation expenses	57,589
Assigned to Skatepark expenses	7,872
Assigned to WRJ Revitalization	340,400
Assigned to Dam Construction	80,000
Assigned to Accounting Assistance	19,500
Assigned to Town Wage Study	15,000
Assigned to Conservation and Development expenditures	101,792
Assigned to subsequent year expenditures	<u>100,000</u>
Total General Fund	<u><u>2,439,318</u></u>
Capital Projects Funds	
DPW Garage Fund - assigned to capital expenditures	<u>51,970</u>
Total Capital Projects Funds	<u><u>51,970</u></u>
Enterprise Funds	
Outdoor Facilities Capital Reserve Fund - designated for capital expenditures	31,362
Solid Waste Capital Reserve Fund - designated for capital expenditures	3,239
Solid Waste Closure Reserve Fund - designated for postclosure expenditures	113,731
Solid Waste Equipment Reserve Fund - designated for equipment purchases	51,690
Central Water Capital Reserve Fund - designated for capital expenditures	481,538
Quechee Water Capital Reserve Fund - designated for capital expenditures	171,997
Central Wastewater Capital Reserve Fund - designated for capital expenditures	366,004
Quechee Wastewater Capital Reserve Fund - designated for capital expenditures	<u>392,011</u>
Total Enterprise Funds	<u><u>1,611,572</u></u>
Total Assigned Fund Balances/Designated Net Assets	<u><u>\$ 4,102,860</u></u>

The fund balance in the following fund is nonspendable as follows:

Special Revenue Funds:	
Fire HLS Grant Fund - nonspendable deposit	<u>\$ 100,003</u>
Total Nonspendable Fund Balances	<u><u>\$ 100,003</u></u>

The negative unrestricted fund balances within the Special Revenue and Capital Projects Funds will be restored through future grant proceeds to be received from other governments.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

V. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate-setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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 \$4,430 in unemployment claims during the fiscal year ended June 30, 2011.

B. Contingent Liabilities

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

C. Commitments

On March 3, 2009, voters authorized the issuance of general obligation bonds in the amount of \$10,525,000 and \$8,100,000 for improvements to the Hartford Central and Quechee Wastewater systems. Bonds have been approved by the Vermont Municipal Bond Bank in the amount of \$9,175,524 for the Hartford Central system (after available discounts are applied), payable in annual installments of principal and interest at 2% over twenty years, beginning in 2013; in the amount of \$6,644,906 for the Quechee system (after available discounts are applied), payable in annual installments of principal and interest at 2% over twenty years, beginning in 2013; and in the amount of \$691,350 for pumping station improvements in Hartford and Quechee (after available discounts are applied), payable in annual installments of principal and interest at 2% over twenty years, beginning in 2012. At June 30, 2011, drawdowns of \$5,591,288, \$4,958,697 and \$462,803, respectively, had been made on the Hartford, Quechee and pumping station bonds (see Note IV.H). Additional drawdowns were made on these bonds after June 30, 2011 in the amounts of \$282,226, \$57,776 and \$-0-, respectively.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

C. Commitments (continued)

The Town is a participant in an Interlocal Contract made up of twenty-two towns in East-Central Vermont committed to making state-of-the-art high-speed communications services available to all institutions, homes and businesses in participating towns (East Central Vermont Community Fiber – ECF). The revenue generated from system users is intended to pay the costs of building, financing and operating the system so no cash outlay from member towns will be required. On October 21, 2008, the Town authorized ECF to issue certificates of participation (master lease) not to exceed \$106,000,000 for the purpose of making certain capital improvements for the delivery of communication services. The aggregate principal amount of the certificates of participation would be allocated to the town and the other participants based on their relative population. It is intended that the repayment of the certificates could only come from the revenues generated by the communications system. Due to significant changes in the capital markets, ECF does not currently intend to finance the project with the certificates of participation described previously. ECF is pursuing alternative financing that, in accordance with the Interlocal Contract, will not result in any potential liability to the Town.

D. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan for employees through the International City Manager's Association (ICMA) Retirement Corporation in accordance with Internal Revenue Code Section 457. 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 generally accepted accounting principles and federal law, the investments are held in trust for the benefit of employees. Accordingly, the Town does not report these assets on their financial statements.

Employees who are members of the Hartford Career Firefighters' Association, the Hartford Police Chapter of AFSCME, and all non-union employees can elect to be covered by the State of Vermont Municipal Employees Retirement System (VMERS) Group C Plan, a defined benefit plan, or the VMERS Group DC Plan, a defined contribution plan. Two employees have elected coverage under the VMERS Group DC Plan. Under the VMERS Group C Plan, employees are required to contribute 9.25% of their gross salary and the Town contributes 6.5%; however, under the agreement between the Town and the Firefighters' Association and Police Chapter, the Town actually contributes 7% and the employees contribute 8.75%, and for non-union employees, the Town actually contributes 7% and the employees contribute 8.75%.

Employees who are members of Hartford Department of Public Works Chapter of AFSCME can elect to be covered by VMERS Group C Plan or VMERS Group B Plan, a defined benefit plan. Under the VMERS Group B Plan, employees are required to contribute 4.5% of their gross salary and the Town contributes 5.0%; however, under the agreement between the Town and the Public Works Chapter, the Town actually contributes 7% and the employees contribute 2.5%. Five employees have elected coverage under the Group B plan.

The Town of Hartford pays all costs accrued each year for the plan. The premise of this plan is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as present value of vested and nonvested plan benefits by municipality are not determinable. Covered payroll for these plans was \$3,699,967 and Town contributions for the year ended June 30, 2011 were \$260,541.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

E. Defined Contribution Pension Plan

The Town offers a 401(a) pension plan to full-time employees hired prior to April 1, 2007, who had not elected to change their plan to VMERS on that date. This plan is qualified by the Internal Revenue Service as a defined contribution pension plan for governmental organizations exempt from income tax. The plan requires a contribution of 8% of base salary per participant by the Town. The ICMA Retirement Corporation administers the plan. Covered payroll for this plan was \$2,152,529. Town contributions for the year ended June 30, 2011, were \$172,202.

F. Flexible Benefits Plan

The Town offers a Flexible Benefits Plan to all full time employees. The plan is authorized by the Internal Revenue Service under Internal Revenue Code Section 125. The plan allows employees to pay for health care expenses and dependent care expenses with pre-income tax and pre-social security tax dollars.

G. Other Postemployment Benefits

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

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

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The Town has elected not to pre-fund OPEB liabilities. The Town is required to record the annual required contribution, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year.

**TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

G. Other Postemployment Benefits (continued)

	Governmental Activities	Business-type Activities	Total
Annual Required Contributions	\$ 653,939	\$ 141,061	\$ 795,000
Contributions Made	<u>73,848</u>	<u>26,124</u>	<u>99,972</u>
Increase in Net OPEB Obligation	580,091	114,937	695,028
Net OPEB Obligation, Beginning of Year	<u>1,113,274</u>	<u>210,014</u>	<u>1,323,288</u>
Net OPEB Obligation, End of Year	<u>\$ 1,693,365</u>	<u>\$ 324,951</u>	<u>\$ 2,018,316</u>

As of June 30, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$10,169,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,169,000.

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

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

In the June 30, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3.0 percent investment rate of return (discount rate) and an annual healthcare cost trend rate of 8.0 percent initially (adjusted by minus 1.0 percent to reflect the implicit inflation assumption in the 3.0 percent discount rate), reduced by decrements to an ultimate rate of 5.0 percent by 2012. A thirty year amortization period is being used.

H. Subsequent Events

On August 4, 2011, the Town signed a Purchase and Sale Agreement with Execusuite, LLC to purchase a portion of land known as the Gates Street Parking Lot and Extension. The purchase price was \$180,000. The Town is planning to hold on to the land to provide free parking to Hartford residents and business owners in the downtown White River Junction area.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

H. Subsequent Events (continued)

On August 28, 2011, the State of Vermont, including the Town of Hartford, was struck by Tropical Storm Irene, causing catastrophic damage to several areas of the Town. Parks, water systems, sewer system pump stations, sewer lines, bridges, paved and dirt roads, fire hydrants, and other land and land structures sustained damage. The Quechee Covered Bridge was severely damaged and is presently closed. While the estimated damage to Hartford is \$7 million, the full impact of the storm on the Town is not known at this time.

The Town carries commercial insurance policies through the Vermont League of Cities and Towns to cover damage to real property owned by the Town. The Town is currently working with insurance adjusters on the amount of any insurance recoveries the Town may be receiving, but it is expected that most of the cost of repairing pump stations, park property, and lamp posts will be covered. Damage to other Town-owned property will be eligible for reimbursement through either the Federal Highway Administration Emergency Relief Program or the Federal Emergency Management Agency Public Assistance Program. The Town is currently working with representatives from FHWA and FEMA on the amount of repairs and reconstruction costs that are eligible for reimbursement. A Project Manager has been hired to oversee all storm-related construction projects and to ensure the Town is submitting all eligible expenses for reimbursement and tapping all possible funding sources. FEMA funding typically covers 75% of all approved costs. The State of Vermont will cover an additional 15% which leaves the Town with a 10% share. The estimated cost to the Town for these damages is estimated at \$700,000.

The Town is currently compiling information relative to any asset impairments that need to be recorded. Any necessary adjustments will be included in the financial statements for the year ending June 30, 2012.

See Note V.C. regarding drawdowns on bonds after year end.

The Town has evaluated all subsequent events through February 14, 2012 the date the financial statements were available to be issued.

TOWN OF HARTFORD, VERMONT
GENERAL FUND - UNASSIGNED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 10,308,808	\$ 10,349,063	\$ 40,255
Tax penalties and interest	205,000	244,857	39,857
Permits and licenses	18,450	16,064	(2,386)
Intergovernmental revenues	537,010	652,846	115,836
Charges for services	1,141,124	1,177,844	36,720
Fines and forfeits	17,500	13,091	(4,409)
Interest	20,100	8,835	(11,265)
Other revenues	<u>37,522</u>	<u>175,759</u>	<u>138,237</u>
Total Revenues	<u>12,285,514</u>	<u>12,638,359</u>	<u>352,845</u>
EXPENDITURES			
Current expenditures			
General government			
Administration	749,145	743,701	5,444
Elections and vital statistics	154,964	162,001	(7,037)
Finance	323,161	322,384	777
Valuation	190,246	176,445	13,801
Public safety			
Police	2,323,896	2,190,483	133,413
Fire and ambulance	2,405,853	2,318,951	86,902
Dispatch	590,833	569,152	21,681
Public works			
Highways	1,653,916	1,591,969	61,947
Public works administration	135,468	102,342	33,126
Health and social services	249,772	249,307	465
Recreation and parks			
Recreation administration	174,076	183,609	(9,533)
Recreation programs	277,738	281,716	(3,978)
Parks	189,922	201,663	(11,741)
Conservation and development	439,596	415,506	24,090
Cultural	243,199	248,062	(4,863)
Other expenditure	1,000	-	1,000
Capital expenditures			
General government			
Administration	-	4,891	(4,891)
Public safety			
Police	52,733	52,783	(50)
Fire and ambulance	81,400	69,916	11,484
Public works			
Highways	1,252,000	1,111,791	140,209
Recreation and parks			
Parks	145,000	51,110	93,890
Conservation and development	100,000	-	100,000
Total Expenditures	<u>11,733,918</u>	<u>11,047,782</u>	<u>686,136</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	89,000	255,493	166,493
Transfers out	<u>(740,596)</u>	<u>(1,677,703)</u>	<u>(937,107)</u>
Total Other Financing Sources (Uses)	<u>(651,596)</u>	<u>(1,422,210)</u>	<u>(770,614)</u>
Net change in fund balance	<u>\$ (100,000)</u>	<u>\$ 168,367</u>	<u>\$ 268,367</u>
RECONCILIATION OF CHANGE IN FUND BALANCE - BUDGETARY BASIS TO CHANGE IN FUND BALANCE - GAAP BASIS			
Change in Fund Balances - Budgetary Basis		\$ 168,367	
Transfer to Assigned Fund Balance		1,177,108	
Transfer from Assigned Fund Balance		(253,941)	
Expenditures from Assigned Fund Balance		(253,929)	
Assigned Fund Balance Interest Income		<u>780</u>	
Change in Fund Balances - GAAP Basis		<u>\$ 838,385</u>	

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
REVENUES			
Taxes	\$ 10,349,063	\$ -	\$ 10,349,063
Tax penalties and interest	244,857	-	244,857
Permits and licenses	16,064	-	16,064
Intergovernmental revenues	652,846	-	652,846
Charges for current services	1,177,844	-	1,177,844
Fines and forfeits	13,091	-	13,091
Interest	8,835	780	9,615
Other revenues	175,759	-	175,759
	<u>12,638,359</u>	<u>780</u>	<u>12,639,139</u>
Total Revenues			
EXPENDITURES			
Current expenditures			
General government			
Administration	743,701	2,184	745,885
Elections and vital statistics	162,001	-	162,001
Finance	322,384	-	322,384
Valuation	176,445	-	176,445
Public safety			
Police	2,190,483	9,241	2,199,724
Fire and ambulance	2,318,951	10,000	2,328,951
Dispatch	569,152	-	569,152
Public works			
Highways	1,591,969	15,200	1,607,169
Public works administration	102,342	-	102,342
Health and social services	249,307	-	249,307
Recreation and parks			
Recreation administration	183,609	-	183,609
Recreation programs	281,716	-	281,716
Parks	201,663	9,560	211,223
Conservation and development	415,506	14,694	430,200
Cultural	248,062	2,456	250,518
Capital expenditures			
General government			
Administration	4,891	-	4,891
Public safety			
Police	52,783	42,600	95,383
Fire	69,916	15,000	84,916
Dispatch	-	-	-
Public works			
Highways	1,111,791	124,994	1,236,785
Public works administration	-	8,000	8,000
Recreation and parks			
Parks	51,110	-	51,110
	<u>11,047,782</u>	<u>253,929</u>	<u>11,301,711</u>
Total Expenditures			
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>1,590,577</u>	<u>(253,149)</u>	<u>1,337,428</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	255,493	1,177,108	1,432,601
Transfers out	<u>(1,677,703)</u>	<u>(253,941)</u>	<u>(1,931,644)</u>
	<u>(1,422,210)</u>	<u>923,167</u>	<u>(499,043)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	168,367	670,018	838,385
Fund Balances - July 1, 2010	<u>1,535,467</u>	<u>1,769,298</u>	<u>3,304,765</u>
Fund Balances - June 30, 2011	<u>\$ 1,703,834</u>	<u>\$ 2,439,316</u>	<u>\$ 4,143,150</u>

See Disclaimer in Accompanying Independent Auditor's Report.

**TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and equivalents	\$ 848,904	\$ 603,900	\$ -	\$ 18,821	\$ 1,471,625
Investments	-	-	-	11,360	11,360
Receivables (net of allowances for uncollectible accounts)					
Accounts receivable	45,690	-	-	-	45,690
Notes receivable	219,424	-	-	-	219,424
Due from other governments	217,080	671,866	-	-	888,946
Due from other funds	33,161	25,477	-	-	58,638
Deposits	100,003	-	-	-	100,003
Restricted assets:					
Cash and equivalents	-	-	348,497	-	348,497
Total Assets	<u>\$ 1,464,262</u>	<u>\$ 1,301,243</u>	<u>\$ 348,497</u>	<u>\$ 30,181</u>	<u>\$ 3,144,183</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 33,333	\$ 77,851	\$ -	\$ -	\$ 111,184
Due to other funds	230,486	4,408	-	133	235,027
Deferred revenue	210,044	56,866	-	-	266,910
Total Liabilities	<u>473,863</u>	<u>139,125</u>	<u>-</u>	<u>133</u>	<u>613,121</u>
Fund balances					
Non-spendable					
Permanent fund principal	-	-	-	27,168	27,168
Deposits	100,003	-	-	-	100,003
Restricted for					
Public Safety	9,336	-	-	-	9,336
Impact fees	523,615	-	-	-	523,615
Recreation and parks	-	1,167,014	-	-	1,167,014
Community development	531,872	-	-	-	531,872
Debt service	-	-	348,497	-	348,497
Other	20,912	-	-	2,880	23,792
Assigned to					
Public works	-	51,970	-	-	51,970
Unassigned	(195,339)	(56,866)	-	-	(252,205)
Total Fund Balances	<u>990,399</u>	<u>1,162,118</u>	<u>348,497</u>	<u>30,048</u>	<u>2,531,062</u>
Total Liabilities and Fund Balances	<u>\$ 1,464,262</u>	<u>\$ 1,301,243</u>	<u>\$ 348,497</u>	<u>\$ 30,181</u>	<u>\$ 3,144,183</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund	Total Non-major Governmental Funds
REVENUES					
Intergovernmental revenues	\$ 145,940	\$ 8,533	\$ -	\$ -	\$ 154,473
Impact fees	34,534	-	-	-	34,534
Interest	8,015	138	406	2,701	11,260
Other revenues	<u>27,158</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,158</u>
Total Revenues	<u>215,647</u>	<u>8,671</u>	<u>406</u>	<u>2,701</u>	<u>227,425</u>
EXPENDITURES					
Current expenditures					
Public safety					
Police	9,112	-	-	-	9,112
Fire and ambulance	26,046	-	-	-	26,046
Recreation and parks					
Parks	21,403	-	-	-	21,403
Conservation and development	63,343	-	-	-	63,343
Cultural	1,000	-	-	-	1,000
Education	10	-	-	-	10
Debt service expenditures					
Principal	-	-	202,066	-	202,066
Interest	-	-	43,139	-	43,139
Capital expenditures					
Public safety					
Police	28,190	-	-	-	28,190
Fire and ambulance	60,633	-	-	-	60,633
Public works					
Highways	-	62,247	-	-	62,247
Recreation and parks	-	208,618	-	-	208,618
Conservation and development	<u>13,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,839</u>
Total Expenditures	<u>223,576</u>	<u>270,865</u>	<u>245,205</u>	<u>-</u>	<u>739,646</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,929)</u>	<u>(262,194)</u>	<u>(244,799)</u>	<u>2,701</u>	<u>(512,221)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,437	-	266,533	-	267,970
Transfers out	(3,990)	-	-	-	(3,990)
Sale of capital assets	<u>-</u>	<u>811,000</u>	<u>-</u>	<u>-</u>	<u>811,000</u>
Total Other Financing Sources (Uses)	<u>(2,553)</u>	<u>811,000</u>	<u>266,533</u>	<u>-</u>	<u>1,074,980</u>
Net Change in Fund Balances	(10,482)	548,806	21,734	2,701	562,759
Fund Balances - July 1, 2010	<u>1,000,881</u>	<u>613,312</u>	<u>326,763</u>	<u>27,347</u>	<u>1,968,303</u>
Fund Balances - June 30, 2011	<u>\$ 990,399</u>	<u>\$ 1,162,118</u>	<u>\$ 348,497</u>	<u>\$ 30,048</u>	<u>\$ 2,531,062</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Public Safety Funds	Recreation Funds	Community Development Funds	Impact Fee Funds	Library Fund	Totals
ASSETS						
Cash and equivalents	\$ 3,560	\$ 21,664	\$ 351,274	\$ 472,406	\$ -	\$ 848,904
Receivables (net of allowances for uncollectible accounts)						
Accounts receivable	-	-	480	45,210	-	45,690
Notes receivable	-	-	219,424	-	-	219,424
Due from other governments	183,626	-	33,454	-	-	217,080
Due from other funds	15,381	9,360	-	8,420	-	33,161
Deposits	100,003	-	-	-	-	100,003
Total Assets	<u>\$ 302,570</u>	<u>\$ 31,024</u>	<u>\$ 604,632</u>	<u>\$ 526,036</u>	<u>\$ -</u>	<u>\$ 1,464,262</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 10,695	\$ -	\$ 22,638	\$ -	\$ -	\$ 33,333
Due to other funds	181,589	679	45,797	2,421	-	230,486
Deferred revenues	165,572	9,433	35,039	-	-	210,044
Total Liabilities	<u>357,856</u>	<u>10,112</u>	<u>103,474</u>	<u>2,421</u>	<u>-</u>	<u>473,863</u>
Fund Balances						
Non-spendable						
Deposits	100,003	-	-	-	-	100,003
Restricted for						
Public safety	9,336	-	-	-	-	9,336
Impact fees	-	-	-	523,615	-	523,615
Community development	-	-	531,872	-	-	531,872
Public safety	-	-	-	-	-	-
Other	-	20,912	-	-	-	20,912
Unassigned	(164,625)	-	(30,714)	-	-	(195,339)
Total Fund Balances	<u>(55,286)</u>	<u>20,912</u>	<u>501,158</u>	<u>523,615</u>	<u>-</u>	<u>990,399</u>
Total Liabilities and Fund Balances	<u>\$ 302,570</u>	<u>\$ 31,024</u>	<u>\$ 604,632</u>	<u>\$ 526,036</u>	<u>\$ -</u>	<u>\$ 1,464,262</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Public Safety Funds	Recreation Funds	Community Development Funds	Impact Fee Funds	Library Funds	Total
REVENUES						
Intergovernmental revenues	\$ 59,265	\$ -	\$ 85,675	\$ -	\$ 1,000	\$ 145,940
Impact fees	-	-	-	34,534	-	34,534
Interest income	8	25	7,413	569	-	8,015
Other revenues	-	26,628	530	-	-	27,158
Total Revenues	<u>59,273</u>	<u>26,653</u>	<u>93,618</u>	<u>35,103</u>	<u>1,000</u>	<u>215,647</u>
EXPENDITURES						
Current expenditures						
Public safety - police	9,112	-	-	-	-	9,112
Public safety - fire & ambulance	26,046	-	-	-	-	26,046
Recreation and parks	-	21,403	-	-	-	21,403
Conservation and development	-	-	63,343	-	-	63,343
Cultural	-	-	-	-	1,000	1,000
Education	-	-	-	10	-	10
Capital expenditures						
Public safety - police	28,190	-	-	-	-	28,190
Public safety - fire & ambulance	60,633	-	-	-	-	60,633
Conservation and development	-	-	13,839	-	-	13,839
Total Expenditures	<u>123,981</u>	<u>21,403</u>	<u>77,182</u>	<u>10</u>	<u>1,000</u>	<u>223,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(64,708)</u>	<u>5,250</u>	<u>16,436</u>	<u>35,093</u>	<u>-</u>	<u>(7,929)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	1,437	-	-	1,437
Transfers out	-	-	(1,437)	(2,553)	-	(3,990)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,553)</u>	<u>-</u>	<u>(2,553)</u>
Net Change in Fund Balances	(64,708)	5,250	16,436	32,540	-	(10,482)
Fund Balances - July 1, 2010	9,422	15,662	484,722	491,075	-	1,000,881
Fund Balances - June 30, 2011	<u>\$ (55,286)</u>	<u>\$ 20,912</u>	<u>\$ 501,158</u>	<u>\$ 523,615</u>	<u>\$ -</u>	<u>\$ 990,399</u>

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**TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2011**

	CSO Project Fund	DPW Garage Fund	Roundabout Fund	Underpass Fund	Maxfield Project Fund	Park & Ride Fund	Totals
ASSETS							
Cash and equivalents	\$ 82,894	\$ 28,304	\$ -	\$ -	\$ 489,965	\$ 2,737	\$ 603,900
Due from other governments	-	-	2,248	54,618	615,000	-	671,866
Due from other funds	-	23,666	-	-	-	1,811	25,477
Total Assets	\$ 82,894	\$ 51,970	\$ 2,248	\$ 54,618	\$ 1,104,965	\$ 4,548	\$ 1,301,243
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 52,459	\$ 20,845	\$ 4,547	\$ 77,851
Due to other funds	-	-	2,248	2,160	-	-	4,408
Deferred revenues	-	-	2,248	54,617	-	1	56,866
Total Liabilities	-	-	4,496	109,236	20,845	4,548	139,125
Fund Balances							
Restricted	82,894	-	-	-	1,084,120	-	1,167,014
Assigned	-	51,970	-	-	-	-	51,970
Unassigned	-	-	(2,248)	(54,618)	-	-	(56,866)
Total Fund Balances	82,894	51,970	(2,248)	(54,618)	1,084,120	-	1,162,118
Total Liabilities and Fund Balances	\$ 82,894	\$ 51,970	\$ 2,248	\$ 54,618	\$ 1,104,965	\$ 4,548	\$ 1,301,243

TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	CSO Project Fund	DPW Garage Fund	Roundabout Fund	Underpass Fund	Maxfield Project Fund	Park & Ride Fund	Total
REVENUES							
Intergovernmental revenues	\$ -	\$ -	\$ 2,137	\$ 6,396	\$ -	\$ -	\$ 8,533
Interest Income	103	35	-	-	-	-	138
Total Revenues	<u>103</u>	<u>35</u>	<u>2,137</u>	<u>6,396</u>	<u>-</u>	<u>-</u>	<u>8,671</u>
EXPENDITURES							
Capital expenditures							
Highway	-	-	4,349	57,898	-	-	62,247
Recreation and parks	-	-	-	-	208,618	-	208,618
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,349</u>	<u>57,898</u>	<u>208,618</u>	<u>-</u>	<u>270,865</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>103</u>	<u>35</u>	<u>(2,212)</u>	<u>(51,502)</u>	<u>(208,618)</u>	<u>-</u>	<u>(262,194)</u>
OTHER FINANCING SOURCES							
Sale of capital assets	-	-	-	-	811,000	-	811,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>811,000</u>	<u>-</u>	<u>811,000</u>
Net Change in Fund Balances	103	35	(2,212)	(51,502)	602,382	-	548,806
Fund Balances - July 1, 2010	82,791	51,935	(36)	(3,116)	481,738	-	613,312
Fund Balances - June 30, 2011	<u>\$ 82,894</u>	<u>\$ 51,970</u>	<u>\$ (2,248)</u>	<u>\$ (54,618)</u>	<u>\$ 1,084,120</u>	<u>\$ -</u>	<u>\$ 1,162,118</u>

TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF NET ASSETS
WATER AND WASTEWATER FUNDS
JUNE 30, 2011

	Water Fund			Wastewater Fund		
	Central Water Fund	Quechee Water Fund	Total Water Fund	Central Wastewater Fund	Quechee Wastewater Fund	Total Wastewater Fund
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 1,146,133	\$ 601,023	\$ 1,747,156	\$ 1,386,363	\$ 877,269	\$ 2,263,632
Accounts receivable (net of allowance for uncollectible accounts)	173,526	65,628	239,154	228,233	152,641	380,874
Due from other governments	-	15,677	15,677	-	-	-
Due from other funds	12,377	1,645	14,022	47,768	8,378	56,146
Total Current Assets	1,332,036	683,973	2,016,009	1,662,364	1,038,288	2,700,652
Noncurrent Assets						
Capital assets						
Land and land improvements	20,000	14,000	34,000	171,158	74,000	245,158
Buildings and building improvements	276,160	4,000	280,160	7,415,050	2,805,447	10,220,497
Vehicles and equipment	146,966	74,459	221,425	241,849	116,191	358,040
Distribution and collection systems	7,390,898	2,095,601	9,486,499	3,698,283	8,111,417	11,809,700
Construction in progress	1,410,306	188,084	1,598,390	7,770,837	6,710,790	14,481,627
Less accumulated depreciation	(3,682,761)	(928,745)	(4,611,506)	(8,848,063)	(5,331,455)	(14,179,518)
Total Noncurrent Assets	5,561,569	1,447,399	7,008,968	10,449,114	12,486,390	22,935,504
Total Assets	6,893,605	2,131,372	9,024,977	12,111,478	13,524,678	25,636,156
LIABILITIES						
Current Liabilities						
Accounts payable	34,750	9,697	44,447	537,426	152,657	690,083
Accrued payroll and benefits payable	5,072	1,670	6,742	6,256	3,995	10,251
Accrued compensated absences payable	19,628	9,650	29,278	27,151	22,845	49,996
Accrued interest payable	7,784	356	8,140	-	1,780	1,780
Due to other governments	174,705	-	174,705	170,262	-	170,262
Due to other funds	-	1,581	1,581	28,029	-	28,029
Other post employment benefits - current portion	10,133	1,653	11,786	8,267	1,653	9,920
Bonds and notes payable - current portion	482,414	64,860	547,274	11,909	91,545	103,454
Total Current Liabilities	734,486	89,467	823,953	789,300	274,475	1,063,775
Noncurrent Liabilities						
Other post employment benefits	54,405	25,370	79,775	95,594	71,128	166,722
Bonds and notes payable	2,035,014	75,000	2,110,014	5,773,081	5,586,252	11,359,333
Total Noncurrent Liabilities	2,089,419	100,370	2,189,789	5,868,675	5,657,380	11,526,055
Total Liabilities	2,823,905	189,837	3,013,742	6,657,975	5,931,855	12,589,830
NET ASSETS						
Investment in capital assets, net of related debt	2,861,181	1,301,858	4,163,039	4,187,058	6,763,375	10,950,433
Restricted	241,783	49,667	291,450	561,015	197,832	758,847
Unrestricted	966,736	590,010	1,556,746	705,430	631,616	1,337,046
Total Net Assets	\$ 4,069,700	\$ 1,941,535	\$ 6,011,235	\$ 5,453,503	\$ 7,592,823	\$ 13,046,326

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
WATER AND WASTEWATER FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund			Wastewater Fund		
	Central Water Fund	Quechee Water Fund	Total Water Fund	Central Wastewater Fund	Quechee Wastewater Fund	Total Wastewater Fund
OPERATING REVENUES						
Charges for services	\$ 984,810	\$ 335,714	\$ 1,320,524	\$ 1,141,437	\$ 737,658	\$ 1,879,095
Rents and other income	15,363	1,701	17,064	29,547	9,880	39,427
Total Operating Revenues	1,000,173	337,415	1,337,588	1,170,984	747,538	1,918,522
OPERATING EXPENSES						
Personal services	351,105	115,792	466,897	496,064	304,624	800,688
Administration expenses	13,577	3,944	17,521	9,606	11,881	21,487
Utilities	71,904	29,369	101,273	146,186	74,226	220,412
Contract services	49,968	8,105	58,073	80,552	43,700	124,252
Equipment operation	9,784	4,202	13,986	14,582	11,864	26,446
Repairs and maintenance	34,330	5,107	39,437	51,680	12,923	64,603
Materials and supplies	47,073	11,736	58,809	44,523	24,559	69,082
Insurance expense	9,043	2,079	11,122	19,185	4,743	23,928
Small equipment	2,662	1,327	3,989	1,525	3,108	4,633
Depreciation	225,130	85,189	310,319	198,545	444,382	642,927
Total Operating Expenses	814,576	266,850	1,081,426	1,062,448	936,010	1,998,458
Operating Income (Loss)	185,597	70,565	256,162	108,536	(188,472)	(79,936)
NONOPERATING REVENUES (EXPENSES)						
Interest income	2,374	491	2,865	6,788	7,090	13,878
Interest expense	(80,965)	(4,551)	(85,516)	-	(22,756)	(22,756)
Other expense	-	(46,607)	(46,607)	-	-	-
Total Nonoperating Revenues (Expenses)	(78,591)	(50,667)	(129,258)	6,788	(15,666)	(8,878)
Income (Loss) Before Transfers	107,006	19,898	126,904	115,324	(204,138)	(88,814)
TRANSFERS						
Transfers in	363,242	80,345	443,587	521,357	796,241	1,317,598
Transfers out	(332,679)	(80,345)	(413,024)	(521,357)	(796,241)	(1,317,598)
Total Transfers	30,563	-	30,563	-	-	-
Change in Net Assets	137,569	19,898	157,467	115,324	(204,138)	(88,814)
Total Net Assets - July 1, 2010	3,932,131	1,921,637	5,853,768	5,338,179	7,796,961	13,135,140
Total Net Assets - June 30, 2011	\$ 4,069,700	\$ 1,941,535	\$ 6,011,235	\$ 5,453,503	\$ 7,592,823	\$ 13,046,326

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
OUTDOOR FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Operating Fund	Capital Reserve Fund	Investment in Capital Assets	Total
OPERATING REVENUES				
Charges for services	\$ 167,316	\$ -	\$ -	\$ 167,316
Rents and other income	<u>2,900</u>	<u>-</u>	<u>-</u>	<u>2,900</u>
Total Operating Revenues	<u>170,216</u>	<u>-</u>	<u>-</u>	<u>170,216</u>
OPERATING EXPENSES				
Personal services	79,943	-	-	79,943
Utilities	57,648	-	-	57,648
Contract services	6,388	-	-	6,388
Equipment operation	5,730	-	-	5,730
Materials and supplies	4,365	-	-	4,365
Insurance expense	5,459	-	-	5,459
Small equipment	7,189	-	-	7,189
Depreciation	<u>-</u>	<u>-</u>	<u>16,867</u>	<u>16,867</u>
Total Operating Expenses	<u>166,722</u>	<u>-</u>	<u>16,867</u>	<u>183,589</u>
Operating Income (Loss)	<u>3,494</u>	<u>-</u>	<u>(16,867)</u>	<u>(13,373)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	39	-	39
Interest expense	<u>(1,799)</u>	<u>-</u>	<u>-</u>	<u>(1,799)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,799)</u>	<u>39</u>	<u>-</u>	<u>(1,760)</u>
Income (Loss) Before Transfers	<u>1,695</u>	<u>39</u>	<u>(16,867)</u>	<u>(15,133)</u>
TRANSFERS				
Transfers in	50,000	-	15,000	65,000
Transfers out	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Total Transfers	<u>35,000</u>	<u>-</u>	<u>15,000</u>	<u>50,000</u>
Change in Net Assets	36,695	39	(1,867)	34,867
Total Net Assets - July 1, 2010	<u>(39,787)</u>	<u>31,323</u>	<u>65,573</u>	<u>57,109</u>
Total Net Assets - June 30, 2011	<u>\$ (3,092)</u>	<u>\$ 31,362</u>	<u>\$ 63,706</u>	<u>\$ 91,976</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Operating Fund	Equipment Reserve Fund	Closure Reserve Fund	Capital Reserve Fund	Investment in Capital Assets	Total
OPERATING REVENUES						
Charges for services	\$ 699,187	\$ -	\$ -	\$ -	\$ -	\$ 699,187
Rents and other income	11,333	-	-	-	-	11,333
Total Operating Revenues	<u>710,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,520</u>
OPERATING EXPENSES						
Personal services	299,930	-	-	-	-	299,930
Administration expenses	3,919	-	-	-	-	3,919
Utilities	14,948	-	-	-	-	14,948
Contract services	427,246	-	-	-	-	427,246
Postclosure care costs	14,216	-	(23,000)	-	-	(8,784)
Franchise tax	8,255	-	-	-	-	8,255
Waste generation fee	8,168	-	-	-	-	8,168
Equipment operation	6,679	-	-	-	-	6,679
Repairs and maintenance	14,495	-	-	-	-	14,495
Materials and supplies	7,504	-	-	-	-	7,504
Insurance expense	5,575	-	-	-	-	5,575
Small equipment	447	-	-	-	-	447
Depreciation	-	-	-	-	67,835	67,835
Total Operating Expenses	<u>811,382</u>	<u>-</u>	<u>(23,000)</u>	<u>-</u>	<u>67,835</u>	<u>856,217</u>
Operating Income (Loss)	<u>(100,862)</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>(67,835)</u>	<u>(145,697)</u>
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	4,852	-	-	-	-	4,852
Interest income	-	-	690	68	-	758
Total Nonoperating Revenues (Expenses)	<u>4,852</u>	<u>-</u>	<u>690</u>	<u>68</u>	<u>-</u>	<u>5,610</u>
Income (Loss) Before Transfers	<u>(96,010)</u>	<u>-</u>	<u>23,690</u>	<u>68</u>	<u>(67,835)</u>	<u>(140,087)</u>
TRANSFERS						
Transfers in	154,500	-	-	-	11,398	165,898
Transfers out	(11,398)	-	-	-	-	(11,398)
Total Transfers	<u>143,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,398</u>	<u>154,500</u>
Change in Net Assets	47,092	-	23,690	68	(56,437)	14,413
Total Net Assets - July 1, 2010	<u>161,261</u>	<u>51,690</u>	<u>90,041</u>	<u>3,171</u>	<u>898,389</u>	<u>1,204,552</u>
Total Net Assets - June 30, 2011	<u>\$ 208,353</u>	<u>\$ 51,690</u>	<u>\$ 113,731</u>	<u>\$ 3,239</u>	<u>\$ 841,952</u>	<u>\$ 1,218,965</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
CENTRAL WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Operating Fund	Impact Fee Fund	Capital Reserve Fund	Investment in Capital Assets	Total
OPERATING REVENUES					
Charges for services	\$ 984,810	\$ -	\$ -	\$ -	\$ 984,810
Rents and other income	4,972	10,391	-	-	15,363
Total Operating Revenues	989,782	10,391	-	-	1,000,173
OPERATING EXPENSES					
Personal services	351,105	-	-	-	351,105
Administration expenses	13,577	-	-	-	13,577
Utilities	71,904	-	-	-	71,904
Contract services	49,968	-	-	-	49,968
Equipment operation	9,784	-	-	-	9,784
Repairs and maintenance	34,330	-	-	-	34,330
Materials and supplies	47,073	-	-	-	47,073
Insurance expense	9,043	-	-	-	9,043
Small equipment	2,662	-	-	-	2,662
Depreciation	-	-	-	225,130	225,130
Total Operating Expenses	589,446	-	-	225,130	814,576
Operating Income (Loss)	400,336	10,391	-	(225,130)	185,597
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Interest income	1,495	283	596	-	2,374
Interest expense	(80,965)	-	-	-	(80,965)
Total Nonoperating Revenues (Expenses)	(79,470)	283	596	-	(78,591)
Income (Loss) Before Transfers	320,866	10,674	596	(225,130)	107,006
TRANSFERS					
Transfers in	30,563	-	-	332,679	363,242
Transfers out	(332,679)	-	-	-	(332,679)
Total Transfers	(302,116)	-	-	332,679	30,563
Change in Net Assets	18,750	10,674	596	107,549	137,569
Total Net Assets - July 1, 2010	466,448	231,109	480,942	2,753,632	3,932,131
Total Net Assets - June 30, 2011	\$ 485,198	\$ 241,783	\$ 481,538	\$ 2,861,181	\$ 4,069,700

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
QUECHEE WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Operating Fund	Impact Fee Fund	Capital Reserve Fund	Investment in Capital Assets	Total
OPERATING REVENUES					
Charges for services	\$ 335,714	\$ -	\$ -	\$ -	\$ 335,714
Rents and other income	1,689	12	-	-	1,701
Total Operating Revenues	337,403	12	-	-	337,415
OPERATING EXPENSES					
Personal services	115,792	-	-	-	115,792
Administration expenses	3,944	-	-	-	3,944
Utilities	29,369	-	-	-	29,369
Contract services	8,105	-	-	-	8,105
Equipment operation	4,202	-	-	-	4,202
Repairs and maintenance	5,107	-	-	-	5,107
Materials and supplies	11,736	-	-	-	11,736
Insurance expense	2,079	-	-	-	2,079
Small equipment	1,327	-	-	-	1,327
Depreciation	-	-	-	85,189	85,189
Total Operating Expenses	181,661	-	-	85,189	266,850
Operating Income (Loss)	155,742	12	-	(85,189)	70,565
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Interest revenue	217	-	274	-	491
Interest expense	(4,551)	-	-	-	(4,551)
Other income	(46,607)	-	-	-	(46,607)
Total Nonoperating Revenues (Expenses)	(50,941)	-	274	-	(50,667)
Income (Loss) Before Transfers	104,801	12	274	(85,189)	19,898
TRANSFERS					
Transfers in	55,541	-	-	24,804	80,345
Transfers out	(24,804)	-	-	(55,541)	(80,345)
Total Transfers	30,737	-	-	(30,737)	-
Change in Net Assets	135,538	12	274	(115,926)	19,898
Total Net Assets - July 1, 2010	282,475	49,655	171,723	1,417,784	1,921,637
Total Net Assets - June 30, 2011	\$ 418,013	\$ 49,667	\$ 171,997	\$ 1,301,858	\$ 1,941,535

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
CENTRAL WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Operating Fund	Impact Fee Fund	Capital Reserve Fund	Investment in Capital Assets	Total
OPERATING REVENUES					
Charges for services	\$ 1,141,437	\$ -	\$ -	\$ -	\$ 1,141,437
Rents and other income	8,736	20,811	-	-	29,547
Total Operating Revenues	<u>1,150,173</u>	<u>20,811</u>	<u>-</u>	<u>-</u>	<u>1,170,984</u>
OPERATING EXPENSES					
Personal services	496,064	-	-	-	496,064
Administration expenses	9,606	-	-	-	9,606
Utilities	146,186	-	-	-	146,186
Contract services	80,552	-	-	-	80,552
Equipment operation	14,582	-	-	-	14,582
Repairs and maintenance	51,680	-	-	-	51,680
Materials and supplies	44,523	-	-	-	44,523
Insurance expense	19,185	-	-	-	19,185
Small equipment	1,525	-	-	-	1,525
Depreciation	-	-	-	198,545	198,545
Total Operating Expenses	<u>863,903</u>	<u>-</u>	<u>-</u>	<u>198,545</u>	<u>1,062,448</u>
Operating Income (Loss)	<u>286,270</u>	<u>20,811</u>	<u>-</u>	<u>(198,545)</u>	<u>108,536</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Interest income	5,672	712	404	-	6,788
Interest expense	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>5,672</u>	<u>712</u>	<u>404</u>	<u>-</u>	<u>6,788</u>
Income (Loss) Before Transfers	<u>291,942</u>	<u>21,523</u>	<u>404</u>	<u>(198,545)</u>	<u>115,324</u>
TRANSFERS					
Transfers in	480,857	-	40,500	-	521,357
Transfers out	(40,500)	-	-	(480,857)	(521,357)
Total Transfers	<u>440,357</u>	<u>-</u>	<u>40,500</u>	<u>(480,857)</u>	<u>-</u>
Change in Net Assets	732,299	21,523	40,904	(679,402)	115,324
Total Net Assets - July 1, 2010	<u>(392,873)</u>	<u>539,492</u>	<u>325,100</u>	<u>4,866,460</u>	<u>5,338,179</u>
Total Net Assets - June 30, 2011	<u>\$ 339,426</u>	<u>\$ 561,015</u>	<u>\$ 366,004</u>	<u>\$ 4,187,058</u>	<u>\$ 5,453,503</u>

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**TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
QUECHEE WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Operating Fund	Impact Fee Fund	Capital Reserve Fund	Investment in Capital Assets	Total
OPERATING REVENUES					
Charges for services	\$ 737,658	\$ -	\$ -	\$ -	\$ 737,658
Rents and other income	9,997	(117)	-	-	9,880
Total Operating Revenues	<u>747,655</u>	<u>(117)</u>	<u>-</u>	<u>-</u>	<u>747,538</u>
OPERATING EXPENSES					
Personal services	304,624	-	-	-	304,624
Administration expenses	11,881	-	-	-	11,881
Utilities	74,226	-	-	-	74,226
Contract services	43,700	-	-	-	43,700
Equipment operation	11,864	-	-	-	11,864
Repairs and maintenance	12,923	-	-	-	12,923
Materials and supplies	24,559	-	-	-	24,559
Insurance expense	4,743	-	-	-	4,743
Small equipment	3,108	-	-	-	3,108
Depreciation	-	-	-	444,382	444,382
Total Operating Expenses	<u>491,628</u>	<u>-</u>	<u>-</u>	<u>444,382</u>	<u>936,010</u>
Operating Income (Loss)	<u>256,027</u>	<u>(117)</u>	<u>-</u>	<u>(444,382)</u>	<u>(188,472)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Interest revenue	6,313	242	431	104	7,090
Interest expense	(22,756)	-	-	-	(22,756)
Total Nonoperating Revenues (Expenses)	<u>(16,443)</u>	<u>242</u>	<u>431</u>	<u>104</u>	<u>(15,666)</u>
Income (Loss) Before Transfers	<u>239,584</u>	<u>125</u>	<u>431</u>	<u>(444,278)</u>	<u>(204,138)</u>
TRANSFERS					
Transfers in	751,241	-	45,000	-	796,241
Transfers out	(45,000)	-	-	(751,241)	(796,241)
Total Transfers	<u>706,241</u>	<u>-</u>	<u>45,000</u>	<u>(751,241)</u>	<u>-</u>
Change in Net Assets	<u>945,825</u>	<u>125</u>	<u>45,431</u>	<u>(1,195,519)</u>	<u>(204,138)</u>
Total Net Assets - July 1, 2010	<u>(706,220)</u>	<u>197,707</u>	<u>346,580</u>	<u>7,958,894</u>	<u>7,796,961</u>
Total Net Assets - June 30, 2011	<u>\$ 239,605</u>	<u>\$ 197,832</u>	<u>\$ 392,011</u>	<u>\$ 6,763,375</u>	<u>\$ 7,592,823</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF CASH FLOWS
WATER AND WASTEWATER FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund			Wastewater Fund		
	Central Water Fund	Quechee Water Fund	Total Water Fund	Central Wastewater Fund	Quechee Wastewater Fund	Total Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers and users	\$ 1,000,443	\$ 334,717	\$ 1,335,160	\$ 1,174,291	\$ 731,534	\$ 1,905,825
Cash paid to employees	(328,511)	(105,935)	(434,446)	(450,668)	(273,868)	(724,536)
Cash paid to suppliers	(332,967)	(120,447)	(453,414)	(767,455)	(1,126,991)	(1,894,446)
Net cash provided (used) by operating activities	338,965	108,335	447,300	(43,832)	(669,325)	(713,157)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Due from other funds	(18,127)	(64)	(18,191)	(358,147)	(826,633)	(1,184,780)
Due to other governments	501,041	120,529	621,570	374,553	324,120	698,673
Transfers from other funds	30,563	-	30,563	-	-	-
Transfers to other funds	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	513,477	120,465	633,942	16,406	(502,513)	(486,107)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Subsidies from government grants	-	(46,607)	(46,607)	-	-	-
Proceeds from issuance of debt	246,781	49,860	296,641	5,784,990	5,227,797	11,012,787
Principal payments - bonds and notes	(250,883)	(15,000)	(265,883)	-	(75,000)	(75,000)
Interest paid	(80,137)	(4,599)	(84,736)	-	(22,995)	(22,995)
Purchase of capital assets	(331,083)	(9,805)	(340,888)	(5,272,530)	(3,712,076)	(8,984,606)
Net cash provided (used) by capital and related financing activities	(415,322)	(26,151)	(441,473)	512,460	1,417,726	1,930,186
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	2,374	491	2,865	6,788	7,089	13,877
Net cash provided by investing activities	2,374	491	2,865	6,788	7,089	13,877
Net increase in cash and equivalents	439,494	203,140	642,634	491,822	252,977	744,799
Cash and equivalents - July 1, 2010	706,639	397,883	1,104,522	894,541	624,292	1,518,833
Cash and equivalents - June 30, 2011	\$ 1,146,133	\$ 601,023	\$ 1,747,156	\$ 1,386,363	\$ 877,269	\$ 2,263,632
Reconciliation of operating income to net cash provided (used) by operating activities						
Operating income/(loss)	\$ 185,597	\$ 70,565	\$ 256,162	\$ 108,536	\$ (188,472)	\$ (79,936)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation	225,130	85,189	310,319	198,545	444,382	642,927
(Increase) decrease in accounts receivable	270	(2,699)	(2,429)	3,307	(16,004)	(12,697)
Increase (decrease) in accounts payable	(94,631)	(54,573)	(149,204)	(399,617)	(939,988)	(1,339,605)
Increase (decrease) in accrued expenses	22,599	9,853	32,452	45,397	30,757	76,154
Total adjustments	153,368	37,770	191,138	(152,368)	(480,853)	(633,221)
Net cash provided (used) by operating activities	\$ 338,965	\$ 108,335	\$ 447,300	\$ (43,832)	\$ (669,325)	\$ (713,157)

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TOWN OF HARTFORD, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OUTDOOR FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts	Actual Amounts	Variance- Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 219,640	\$ 167,316	\$ (52,324)
Rents and other income	57,000	52,900	(4,100)
Total Operating Revenues	276,640	220,216	(56,424)
OPERATING EXPENSES			
Personal services	76,879	79,943	(3,064)
Utilities	50,200	57,648	(7,448)
Contract services	8,900	6,388	2,512
Equipment operation	4,400	5,730	(1,330)
Materials and supplies	2,900	4,365	(1,465)
Insurance expense	4,987	5,459	(472)
Small equipment	4,000	7,189	(3,189)
Debt service	16,954	16,799	155
Capital reserve	32,000	-	32,000
Capital outlay	66,000	-	66,000
Total Operating Expenses	267,220	183,521	83,699
Change in Net Assets	\$ 9,420	\$ 36,695	\$ 27,275
RECONCILIATION OF CHANGE IN NET ASSETS - BUDGETARY BASIS			
TO CHANGE IN NET ASSETS - GAAP BASIS			
Change in Net Assets - Budgetary Basis		\$ 36,695	
Depreciation Expense		(16,867)	
Principal Payments on Bonds and Leases		15,000	
Interest Income		39	
Change in Net Assets - GAAP Basis		\$ 34,867	

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TOWN OF HARTFORD, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted</u> Amounts	<u>Actual</u> Amounts	<u>Variance-</u> Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 718,667	\$ 699,187	\$ (19,480)
Rents and other income	<u>193,950</u>	<u>170,685</u>	<u>(23,265)</u>
Total Operating Revenues	<u>912,617</u>	<u>869,872</u>	<u>(42,745)</u>
OPERATING EXPENSES			
Personal services	297,341	299,930	(2,589)
Administration expenses	7,580	3,919	3,661
Utilities	16,180	14,948	1,232
Contract services	460,212	427,246	32,966
Postclosure care costs	24,000	14,216	9,784
Franchise tax	9,000	8,255	745
Waste generation fee	9,414	8,168	1,246
Equipment operation	16,000	6,679	9,321
Repairs and maintenance	11,200	14,495	(3,295)
Materials and supplies	6,850	7,504	(654)
Insurance expense	4,846	5,575	(729)
Small equipment	15,800	447	15,353
Capital reserve	10,000	-	10,000
Capital outlay	<u>-</u>	<u>11,398</u>	<u>(11,398)</u>
Total Operating Expenses	<u>888,423</u>	<u>822,780</u>	<u>65,643</u>
Change in Net Assets	<u>\$ 24,194</u>	<u>\$ 47,092</u>	<u>\$ 22,898</u>

RECONCILIATION OF CHANGE IN NET ASSETS - BUDGETARY BASIS
TO CHANGE IN NET ASSETS - GAAP BASIS

Change in Net Assets - Budgetary Basis	\$ 47,092
Depreciation Expense	(67,835)
Purchase of Capital Assets	11,398
Landfill Closure Costs	23,000
Transfers to/(from) Closure Reserve Fund	-
Interest Income	<u>758</u>
Change in Net Assets - GAAP Basis	<u>\$ 14,413</u>

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TOWN OF HARTFORD, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
CENTRAL WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts	Actual Amounts	Variance- Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 993,354	\$ 984,810	\$ (8,544)
Rents and other income	392,645	37,030	(355,615)
Total Operating Revenues	1,385,999	1,021,840	(364,159)
OPERATING EXPENSES			
Personal services	325,700	351,105	(25,405)
Administration expenses	20,100	13,577	6,523
Utilities	78,930	71,904	7,026
Contract services	48,235	49,968	(1,733)
Equipment operation	12,875	9,784	3,091
Repairs and maintenance	43,600	34,330	9,270
Materials and supplies	39,200	47,073	(7,873)
Insurance expense	8,384	9,043	(659)
Small equipment	12,100	2,662	9,438
Debt service	304,681	331,848	(27,167)
Capital reserve	68,000	-	68,000
Capital outlay	400,000	331,083	68,917
Total Operating Expenses	1,361,805	1,252,377	109,428
Change in Net Assets	\$ 24,194	\$ (230,537)	\$ (254,731)

RECONCILIATION OF CHANGE IN NET ASSETS - BUDGETARY BASIS
TO CHANGE IN NET ASSETS - GAAP BASIS

Change in Net Assets - Budgetary Basis	\$ (230,537)
Depreciation Expense	(225,130)
Purchase of Capital Assets	331,083
Principal Payments on Bonds and Leases	250,883
Transfers to/(from) Impact Fee Funds	-
Transfers to/(from) Capital Reserve Funds	-
Transfers to/(from) Investment in Capital Assets	-
Capital contributions	-
Impact Fee Income	10,391
Interest Income	879
Change in Net Assets - GAAP Basis	\$ 137,569

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TOWN OF HARTFORD, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
QUECHEE WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts	Actual Amounts	Variance- Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 335,907	\$ 335,714	\$ (193)
Rents and other	22,511	1,906	(20,605)
	358,418	337,620	(20,798)
OPERATING EXPENSES			
Personal services	142,326	115,792	26,534
Administration expenses	5,600	3,944	1,656
Utilities	33,954	29,369	4,585
Contract services	12,435	8,105	4,330
Equipment operation	5,470	4,202	1,268
Repairs and maintenance	22,800	5,107	17,693
Materials and supplies	4,300	11,736	(7,436)
Insurance expense	2,030	2,079	(49)
Small equipment	9,800	1,327	8,473
Debt service	19,600	19,551	49
Capital reserve	69,000	-	69,000
Capital outlay	20,500	9,804	10,696
Other expense	-	46,607	(46,607)
	347,815	257,623	90,192
Change in Net Assets	\$ 10,603	\$ 79,997	\$ 69,394

RECONCILIATION OF CHANGE IN NET ASSETS - BUDGETARY BASIS
TO CHANGE IN NET ASSETS - GAAP BASIS

Change in Net Assets - Budgetary Basis	\$ 79,997
Depreciation Expense	(85,189)
Purchase of Capital Assets	9,804
Principal Payments on Bonds and Leases	15,000
Transfers to/(from) Capital Reserve Funds	-
Transfers to/(from) Impact Fee Funds	-
Impact Fee Income	12
Interest Income	274
Change in Net Assets - GAAP Basis	\$ 19,898

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TOWN OF HARTFORD, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
CENTRAL WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts	Actual Amounts	Variance- Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 1,153,534	\$ 1,141,437	\$ (12,097)
Rents and other income	62,629	14,408	(48,221)
Total Operating Revenues	1,216,163	1,155,845	(60,318)
OPERATING EXPENSES			
Personal services	532,254	496,066	36,188
Administration expenses	12,825	9,606	3,219
Utilities	192,470	146,186	46,284
Contract services	89,135	80,552	8,583
Equipment operation	63,488	14,582	48,906
Repairs and maintenance	62,000	51,680	10,320
Materials and supplies	46,600	44,523	2,077
Insurance expense	16,947	19,185	(2,238)
Small equipment	8,200	1,523	6,677
Capital reserve	40,500	40,500	-
Capital outlay	130,000	5,272,530	(5,142,530)
Total Operating Expenses	1,194,419	6,176,933	(4,982,514)
Change in Net Assets	\$ 21,744	\$ (5,021,088)	\$ (5,042,832)
RECONCILIATION OF CHANGE IN NET ASSETS - BUDGETARY BASIS TO CHANGE IN NET ASSETS - GAAP BASIS			
Change in Net Assets - Budgetary Basis		\$ (5,021,088)	
Depreciation Expense		(198,545)	
Purchase of Capital Assets		5,272,530	
Transfers to/(from) Capital Reserve Funds		40,500	
Transfers to/(from) Impact Fee Funds		-	
Impact Fee Income		20,811	
Interest Income		1,116	
Change in Net Assets - GAAP Basis		\$ 115,324	

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TOWN OF HARTFORD, VERMONT
SCHEDULE OF REVENUES AND EXPENSES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
QUECHEE WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts	Actual Amounts	Variance- Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 702,184	\$ 737,658	\$ 35,474
Rents and other income	43,076	16,310	(26,766)
Total Operating Revenues	745,260	753,968	8,708
OPERATING EXPENSES			
Personal services	285,150	304,624	(19,474)
Administration expenses	13,950	11,881	2,069
Utilities	59,325	74,226	(14,901)
Contract services	102,935	43,700	59,235
Equipment operation	14,263	11,864	2,399
Repairs and maintenance	13,000	12,923	77
Materials and supplies	25,700	24,559	1,141
Insurance expense	4,389	4,743	(354)
Small equipment	7,800	3,108	4,692
Debt service	97,995	97,756	239
Capital reserve	45,000	45,000	-
Capital outlay	40,000	3,712,079	(3,672,079)
Total Operating Expenses	709,507	4,346,463	(3,636,956)
Change in Net Assets	\$ 35,753	\$ (3,592,495)	\$ (3,628,248)

RECONCILIATION OF CHANGE IN NET ASSETS - BUDGETARY BASIS
TO CHANGE IN NET ASSETS - GAAP BASIS

Change in Net Assets - Budgetary Basis	\$ (3,592,495)
Depreciation Expense	(444,382)
Purchase of Capital Assets	3,712,079
Principal Payments on Bonds and Leases	75,000
Transfers to/(from) Capital Reserve Funds	45,000
Transfers to/(from) Impact Fee Funds	-
Impact Fee Income	(117)
Interest Income	777
Change in Net Assets - GAAP Basis	\$ (204,138)

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Sullivan, Powers & Co.
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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"

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

To the Board of Selectmen
Town of Hartford, Vermont

We have audited 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 as of and for the year ended June 30, 2011, which collectively comprise the Town of Hartford, Vermont's basic financial statements, and have issued our report thereon dated February 14, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Hartford, Vermont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hartford, Vermont's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hartford, Vermont's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all significant deficiencies or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Hartford, Vermont's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 11-1 to 11-3 to be material weaknesses in internal control.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 11-4 through 11-6 to be significant deficiencies in internal control.

Compliance and Other Matters

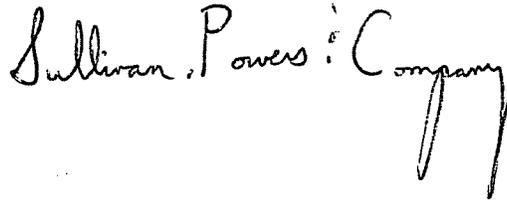
As part of obtaining reasonable assurance about whether the Town of Hartford, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

We have also noted certain other matters which we have reported to the management of the Town of Hartford, Vermont in a separate letter dated February 14, 2012.

The Town of Hartford, Vermont's responses to the findings identified in our audit are included with the accompanying Schedule of Findings and Deficiencies in Internal Control. We did not audit the Town of Hartford, Vermont's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the selectmen, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 14, 2012
Montpelier, Vermont
Vt Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan Powers & Company". The signature is written in a cursive style with a large, stylized initial 'S' and 'P'.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

Deficiencies in Internal Control:

Material Weaknesses:

11-1 Grant Revenues and Expenditures

Criteria:

Internal controls should be in place to ensure grant revenue and expenditure recognition is in accordance with generally accepted accounting principles (GAAP). GAAP requires that services or goods be received before an expenditure and the related revenue is recorded.

Condition:

Internal controls over the recording of grant revenue and expenditures in accordance with GAAP are inadequately designed. Grant expenditures were recorded for a 50% deposit paid down for communication equipment (approximately \$100,000). The equipment was not actually received until after year end. The related grant receivable and revenue were also recorded even though the goods had not been received or the funds requested from the grantor. Further, the payment was added as a capital asset and depreciated in the governmental activities capital assets. Audit adjustments were necessary to correct this situation.

Cause:

The 50% payment for the equipment was incorrectly coded to a grant expenditure account instead of deposits (an asset account). The individual coding the payment did not understand the payment was only a deposit and not an actual expenditure. The incorrect coding as a grant expenditure resulted in the related revenue and capital asset being erroneously recorded.

Effect:

Grant expenditures and revenues in the Town's general ledger were overstated, resulting in an audit adjustment. Also, capital assets and depreciation were overstated. The overstatement in grant expenditures could also cause the Schedule of Expenditures of Federal Awards to be incorrect.

Recommendation:

The Town's purchasing policies and procedures should be modified to clearly indicate when a deposit is being paid so that the accounting staff can code the payment correctly.

Management Response:

The Town is currently assessing the internal controls over reporting of grant revenues and expenditures. A new system for tracking grants to ensure that they are correctly booked according to GAAP should be implemented by December 31st, 2012. Individuals completing Purchase Orders have been instructed to indicate clearly on the Purchase Order when payments may be deposits.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

11-2 Capital Asset Additions

Criteria:

Internal controls should be in place to ensure that capital assets in the government-wide financial statements are complete and that capital expenditures in the major fund statements are classified correctly.

Condition:

Internal controls over the identification and recording of capital assets are inadequately designed. The capital asset and related depreciation schedules for governmental activity capital assets did not include approximately \$464,000 of asset additions. Approximately \$274,000 of the assets were added through a contribution by the State. The remainder were assets purchased out of the assigned fund balance.

Cause:

The beginning balance of the current year capital asset schedules did not agree with the ending balance of last year's audited schedules as the State-contributed assets added last year were omitted. The assigned fund balance assets were not added as there were no procedures to alert the preparer of the capital asset schedules to add assets recorded in these accounts.

Effect:

Capital assets, depreciation and capital expenditures were understated. This situation resulted in adjustments to the capital asset and depreciation schedules.

Recommendation:

The new Finance Director should develop detailed and specific written processes for the preparation of the capital asset schedules, and implement those in the new fiscal year. These procedures should include agreeing the beginning balance of the schedules to last year's audit and searching all relevant accounts for assets to add.

Management Response:

The Town has hired a new Finance Director who will be reviewing internal controls over capital asset reporting. In addition, the Town has purchased a fixed asset software package which will enhance tracking of fixed assets. It is expected that this improvement will be implemented by June 30th, 2012.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

11-3 Retainage on Construction Contracts

Criteria:

Internal controls should be in place to ensure that liabilities recorded in the general ledger are complete.

Condition:

Internal controls over the identification and recording of liabilities on construction contracts are inadequately designed. The Town had two open contracts for wastewater facility improvements and owed the contractors approximately \$435,000 in unpaid retainage at June 30, 2011. The retainage was not recorded in the general ledger as a liability. Also, approximately \$17,000 in retainage was not recorded for a paving contract.

Cause:

There was no procedure in place to identify unpaid retainage at year end and make an adjustment to the general ledger to record it.

Effect:

Capital assets and liabilities were understated resulting in audit adjustments.

Recommendation:

The new Finance Director should develop detailed and specific written processes for year end closing adjustments which should include reviewing contractor's invoices for unpaid retainage.

Management Response:

Procedures have been developed to review retainage payable at the time the year-end financial statements are prepared to ensure that all retainage payable is properly booked. We expect an improved process to be in place and operational by June 30th, 2012.

Significant Deficiencies:

11-4 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize all adjustments to the books of original entry.

Condition:

Internal control policies over journal entry authorization were not followed during the year. Journal entries made were not approved by a second authorized individual. Further, supporting documentation was not maintained for all journal entries.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

Cause:

Turnover in the Finance Director position caused the policy to be overlooked.

Effect:

This one deficiency in the internal control structure could allow other working control policies to be circumvented. As a result, unauthorized adjustments or transactions, including erroneous or fraudulent items, could be recorded and not detected.

Recommendation:

We recommend that the Town adhere to the policy that requires appropriate officials to authorize all general journal entries, so as not to circumvent the original approval process. Further, supporting documentation should be maintained for all journal entries.

Management Response:

With a new Finance Director in place, this practice will resume no later than June 30th, 2012. The Town's Treasurer will review all journal entries with the Finance Director on a monthly basis

11-5 Recreation Department Revenues

Criteria:

Internal controls should be in place to ensure that revenues collected outside the finance department are complete and recorded accurately in the general ledger.

Condition:

Internal controls over recreation revenues are inadequately designed. The Town utilizes a recreation software program known as "Rec Trac". All recreation transactions are recorded in this program. The Town does not have any procedures in place to reconcile the revenues recorded in the Rec Trac system to the revenues recorded in the general ledger which reflect the actual funds deposited. Also, the Town does not review all adjustments and voided transactions in the Rec Trac system. Money for the recreation programs is received at several locations by different employees and occasionally is received in cash.

Cause:

Unknown.

Effect:

Revenue in the general ledger may not be complete. Further, funds could be misappropriated in the recreation department and not detected.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

Recommendation:

We recommend that the Town implement procedures where the Finance Department reconciles the receipts recorded in the Rec Trac software to the receipts recorded in the general ledger. This reconciliation should be documented and any exceptions investigated. We further recommend that voided and adjusted transactions be monitored.

Management Response:

Internal controls over recreation revenues are currently being reviewed. The new Finance Director is in the process of developing procedures to reconcile revenues received via the Rec Trac software to revenues in the general ledger. These procedures will include a review of voided and adjusted transactions. We expect to implement these new procedures no later than December 31st, 2012.

11-6 Review of Supporting Documentation

Criteria:

Internal controls should be in place to ensure that spreadsheets and supporting documentation are reviewed for accuracy by a knowledgeable second person so that errors can be detected and corrected.

Condition:

The Town uses spreadsheets to combine and convert its governmental funds from the modified accrual to the full accrual basis of accounting, to track fixed assets and calculate depreciation and some other functions. These spreadsheets are not reviewed by a second person.

Cause:

Unknown.

Effect:

Spreadsheets that were used to record account balances could contain errors causing account balances to be incorrect.

Recommendation:

We recommend that all supporting documentation, including spreadsheets, be reviewed and approved by a person with sufficient knowledge to detect errors.

Management Response:

We are in agreement with this recommendation. The Finance Department has been operating without a Finance Director for nearly 3 years but has recently engaged a Vermont licensed CPA as it's full-time Finance Director in October of 2011. This recommendation will be implemented during the fiscal year ending June 30th, 2012.