

TOWN OF HARTFORD, VERMONT

AUDIT REPORT

JUNE 30, 2015

**TOWN OF HARTFORD, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2015**

	<u>Page #</u>
Independent Auditor's Report	1-2
 Basic Financial Statements:	
Statement of Net Position	Exhibit A 3
Statement of Activities	Exhibit B 4
 Governmental Funds:	
Balance Sheet	Exhibit C 5
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 7
 Proprietary Funds:	
Statement of Fund Net Position	Exhibit F 8
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 9
Statement of Cash Flows	Exhibit H 10
Notes to the Financial Statements	11-35
 Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund - Unassigned	Schedule 1 36
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2 37
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3 38
Schedule of Funding Progress - Hartford Postemployment Healthcare Plan	Schedule 4 39

**TOWN OF HARTFORD, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2015**

	<u>Page #</u>
Other Information:	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund	Schedule 5 40
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 6 41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 7 42
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 8 43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 9 44
Combining Schedule of Net Position - Water and Wastewater Funds	Schedule 10 45
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position - Water and Wastewater Funds	Schedule 11 46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	47-48
Schedule of Findings and Deficiencies in Internal Control	49-50

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Independent Auditor's Report

Board of Selectmen
Town of Hartford
171 Bridge Street
Hartford, Vermont 05001

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartford, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hartford, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note I.F. to the financial statements, effective June 30, 2015, the Town of Hartford, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27. As a result of this required change in accounting principle, the Town of Hartford, Vermont recorded a \$458,481 reduction in beginning net position of the Governmental Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison for the General Fund on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2, the Schedule of Contributions on Schedule 3 and the Schedule of Funding Progress on Schedule 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

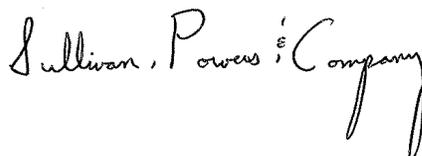
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hartford, Vermont's basic financial statements. The supplementary information on Schedules 5 through 11 is presented for purposes of additional analysis and is 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated March 4, 2016 on our consideration of the Town of Hartford, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Hartford, Vermont's internal control over financial reporting and compliance.

March 4, 2016
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARTFORD, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,372,741	\$ 7,161,455	\$ 12,534,196
Investments	16,058	-	16,058
Receivables (net of allowance for uncollectible accounts)			
Taxes receivable	579,788	-	579,788
Accounts receivable	189,675	801,898	991,573
Notes receivable	157,979	-	157,979
Due from other governments	578,067	220,113	798,180
Restricted assets			
Cash and cash equivalents	262,122	-	262,122
Capital assets (net of accumulated depreciation)			
Land and land improvements	1,939,659	500,485	2,440,144
Buildings and building improvements	7,725,543	17,118,811	24,844,354
Vehicles and equipment	2,755,461	448,814	3,204,275
Roads, bridges and sidewalks	14,987,377	-	14,987,377
Distribution and collection systems	-	10,778,871	10,778,871
Construction in progress	9,425,207	339,552	9,764,759
	<u>43,989,677</u>	<u>37,369,999</u>	<u>81,359,676</u>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to the Town's participation in VMERS	<u>275,665</u>	-	<u>275,665</u>
Total Deferred Outflows of Resources	<u>275,665</u>	-	<u>275,665</u>
LIABILITIES			
Accounts payable	1,142,577	142,284	1,284,861
Accrued payroll and benefits payable	217,366	44,871	262,237
Accrued compensated absences payable	413,781	97,115	510,896
Accrued interest payable	62,455	118,239	180,694
Unearned revenue	2,750	-	2,750
Noncurrent liabilities			
Due within one year	709,446	951,502	1,660,948
Due in more than one year	13,897,106	16,660,580	30,557,686
	<u>16,445,481</u>	<u>18,014,591</u>	<u>34,460,072</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	50,356	-	50,356
Deferred inflows of resources related to the Town's participation in VMERS	<u>559,503</u>	-	<u>559,503</u>
Total Deferred Inflows of Resources	<u>609,859</u>	-	<u>609,859</u>
NET POSITION			
Net investment in capital assets	25,668,285	12,514,453	38,182,738
Restricted for:			
Public safety	7,522	-	7,522
Impact fee eligible expenses	134,161	1,068,454	1,202,615
Recreation and parks	21,891	-	21,891
Community development	508,517	-	508,517
Debt service	262,122	-	262,122
Endowments and perpetual care			
Non-expendable	27,168	-	27,168
Expendable	9,349	-	9,349
Other purposes	83,059	-	83,059
Unrestricted	<u>487,928</u>	<u>5,772,501</u>	<u>6,260,429</u>
Total Net Position	<u>\$ 27,210,002</u>	<u>\$ 19,355,408</u>	<u>\$ 46,565,410</u>

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

**TOWN OF HARTFORD, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs							
Primary government:							
Governmental activities:							
General government							
Administration	\$ 1,077,495	\$ 7,019	\$ 33,000	\$ -	\$ (1,037,476)	\$ -	\$ (1,037,476)
Elections and vital statistics	196,271	117,564	-	-	(78,707)	-	(78,707)
Finance	368,321	60,770	-	-	(307,551)	-	(307,551)
Valuation	201,637	2	53,305	-	(148,330)	-	(148,330)
Boards and commissions	6,105	-	-	-	(6,105)	-	(6,105)
Public safety							
Police	2,791,664	108,851	84,267	30,923	(2,567,623)	-	(2,567,623)
Fire and ambulance	3,118,938	602,431	25,245	4,300	(2,486,962)	-	(2,486,962)
Dispatch	751,770	354,343	11,451	-	(385,976)	-	(385,976)
Public works							
Highways	3,501,633	6,791	327,187	38,402	(3,129,253)	-	(3,129,253)
Public works administration	128,408	-	-	-	(128,408)	-	(128,408)
Health and social services	272,335	-	-	-	(272,335)	-	(272,335)
Recreation and parks							
Recreation administration	338,162	-	6,179	-	(331,983)	-	(331,983)
Recreation programs	388,476	235,727	-	-	(152,749)	-	(152,749)
Parks	357,860	8,541	19,836	14,470	(315,013)	-	(315,013)
Conservation and development	933,048	35,917	6,866	613,307	(276,958)	-	(276,958)
Cultural	332,526	-	100	15,000	(317,426)	-	(317,426)
Interest on long-term debt	338,997	-	-	-	(338,997)	-	(338,997)
Total governmental activities	<u>15,103,646</u>	<u>1,537,956</u>	<u>567,436</u>	<u>716,402</u>	<u>(12,281,852)</u>	<u>-</u>	<u>(12,281,852)</u>
Business-type activities:							
Solid waste	876,019	627,584	4,513	-	-	(243,922)	(243,922)
Water	1,295,141	1,369,074	-	-	-	73,933	73,933
Wastewater	3,311,671	2,730,774	-	-	-	(580,897)	(580,897)
Outdoor facilities	319,599	241,496	-	-	-	(78,103)	(78,103)
Total business-type activities	<u>5,802,430</u>	<u>4,968,928</u>	<u>4,513</u>	<u>-</u>	<u>-</u>	<u>(828,989)</u>	<u>(828,989)</u>
Total primary government	<u>\$ 20,906,076</u>	<u>\$ 6,506,884</u>	<u>\$ 571,949</u>	<u>\$ 716,402</u>	<u>(12,281,852)</u>	<u>(828,989)</u>	<u>(13,110,841)</u>
General revenues:							
Property taxes					11,630,839	-	11,630,839
Unrestricted investment earnings					12,244	5,062	17,306
Other revenues					156,439	-	156,439
Transfers:					<u>(356,911)</u>	<u>356,911</u>	<u>-</u>
Total general revenues and transfers					<u>11,442,611</u>	<u>361,973</u>	<u>11,804,584</u>
Change in net position					(839,241)	(467,016)	(1,306,257)
Net position, July 1, 2014, as restated					<u>28,049,243</u>	<u>19,822,424</u>	<u>47,871,667</u>
Net position, June 30, 2015					<u>\$ 27,210,002</u>	<u>\$ 19,355,408</u>	<u>\$ 46,565,410</u>

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

TOWN OF HARTFORD, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u> <u>Fund</u>	<u>Capital Projects</u> <u>Fund</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,266,674	\$ 924,742	\$ 1,181,325	\$ 5,372,741
Investments	-	-	16,058	16,058
Receivables (net of allowances for uncollectible accounts)				
Taxes receivable	579,788	-	-	579,788
Accounts receivable	127,507	1,010	61,158	189,675
Notes receivable	-	-	157,979	157,979
Due from other governments	128,342	278,646	171,079	578,067
Due from other funds	494,061	-	-	494,061
Restricted assets				
Cash and cash equivalents	-	-	262,122	262,122
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,596,372</u>	<u>\$ 1,204,398</u>	<u>\$ 1,849,721</u>	<u>\$ 7,650,491</u>
LIABILITIES				
Accounts payable	\$ 361,318	\$ 539,382	\$ 241,877	\$ 1,142,577
Accrued payroll and benefits payable	217,366	-	-	217,366
Due to other funds	-	-	494,061	494,061
Unearned revenue	-	-	2,750	2,750
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>578,684</u>	<u>539,382</u>	<u>738,688</u>	<u>1,856,754</u>
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	50,356	-	-	50,356
Unavailable revenues-property taxes	211,055	-	-	211,055
Unavailable revenues-intergovernmental revenues	60,000	278,646	153,745	492,391
Unavailable revenues-charges for services	17,974	-	-	17,974
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>339,385</u>	<u>278,646</u>	<u>153,745</u>	<u>771,776</u>
FUND BALANCES				
Non-spendable				
Permanent fund principal	-	-	27,168	27,168
Restricted for				
General government	-	99,744	-	99,744
Public safety	-	-	7,522	7,522
Impact fees	-	-	134,161	134,161
Community development	-	-	508,517	508,517
Recreation and parks	-	-	21,891	21,891
Debt service	-	-	262,122	262,122
Other	-	83,059	125,213	208,272
Assigned for				
General government	897,518	-	-	897,518
Public safety	492,868	-	-	492,868
Public works	1,146,353	-	-	1,146,353
Health and social services	16,531	-	-	16,531
Recreation and parks	71,572	203,567	-	275,139
Conservation and development	181,760	-	-	181,760
Cultural	50,147	-	-	50,147
Unassigned, reported in:				
General fund	821,554	-	-	821,554
Special revenue funds	-	-	(129,306)	(129,306)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,678,303</u>	<u>386,370</u>	<u>957,288</u>	<u>5,021,961</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,596,372</u>	<u>\$ 1,204,398</u>	<u>\$ 1,849,721</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,833,247
Other assets are not available to pay for current-period expenditures, and, therefore, are deferred in the funds.	721,420
Long-term and accrued liabilities, including bonds payable and the net pension liability, are not due or payable in the current period and, therefore, are not reported in the funds.	(15,082,788)
Deferred outflows and inflows of resources related to the Town's participation in VMERS are applicable to future periods and, therefore, are not reported in the funds.	<u>(283,838)</u>
Net position of governmental activities	<u>\$ 27,210,002</u>

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

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 11,488,809	\$ -	\$ -	\$ 11,488,809
Tax penalties and interest	258,624	-	-	258,624
Permits and licenses	15,506	-	-	15,506
Intergovernmental revenues	341,890	111,759	795,945	1,249,594
Charges for current services	1,490,747	-	-	1,490,747
Fines and forfeits	24,045	-	-	24,045
Impact fees	-	-	15,469	15,469
Interest	3,066	291	9,782	13,139
Other revenues	105,442	38,793	23,371	167,606
	<u>13,728,129</u>	<u>150,843</u>	<u>844,567</u>	<u>14,723,539</u>
Total Revenues				
EXPENDITURES				
Current expenditures				
General government				
Administration	933,214	-	-	933,214
Elections and vital statistics	181,072	-	-	181,072
Finance	367,115	-	-	367,115
Valuation	189,583	-	-	189,583
Boards and Commissions	6,090	-	-	6,090
Public safety				
Police	2,453,927	-	74,468	2,528,395
Fire and ambulance	2,615,696	-	40,273	2,655,969
Dispatch	672,039	-	-	672,039
Public works				
Highways	1,691,052	-	-	1,691,052
Public works administration	129,760	-	-	129,760
Health and social services	268,606	-	-	268,606
Recreation and parks				
Recreation administration	203,070	-	-	203,070
Recreation programs	357,957	-	-	357,957
Parks	200,420	-	44,321	244,741
Conservation and development	453,049	-	497,299	950,348
Cultural	310,847	-	-	310,847
Debt service expenditures				
Principal	-	-	419,446	419,446
Interest	-	-	296,546	296,546
Capital expenditures				
General government				
Administration	62,783	4,515,208	-	4,577,991
Public safety				
Police	81,732	-	16,855	98,587
Fire and ambulance	132,468	-	-	132,468
Public works				
Highways	1,227,345	39,559	-	1,266,904
Recreation and parks				
Recreation programs	-	2,137	-	2,137
Parks	21,026	622,653	-	643,679
Cultural	-	86,752	-	86,752
Conservation and development	-	-	950,049	950,049
	<u>12,558,851</u>	<u>5,266,309</u>	<u>2,339,257</u>	<u>20,164,417</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>1,169,278</u>	<u>(5,115,466)</u>	<u>(1,494,690)</u>	<u>(5,440,878)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,298,940	-	758,780	2,057,720
Transfers out	(2,411,576)	-	(3,055)	(2,414,631)
Proceeds from sale of capital assets	13,687	-	-	13,687
Bond proceeds	-	4,900,000	900,000	5,800,000
	<u>(1,098,949)</u>	<u>4,900,000</u>	<u>1,655,725</u>	<u>5,456,776</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	70,329	(215,466)	161,035	15,898
Fund Balances - July 1, 2014	<u>3,607,974</u>	<u>601,836</u>	<u>796,253</u>	<u>5,006,063</u>
Fund Balances - June 30, 2015	<u>\$ 3,678,303</u>	<u>\$ 386,370</u>	<u>\$ 957,288</u>	<u>\$ 5,021,961</u>

The accompanying notes are an integral part of this financial 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, 2015**

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

Net change in fund balances - total government funds (Exhibit D)	\$ 15,898
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets (\$7,758,567) is allocated over their estimated useful lives and reported as depreciation expense (\$2,394,954). This is the amount by which capital outlays exceeded depreciation in the current period.	5,363,613
The net effect of various transactions involving capital assets (i.e. sales, losses on disposal of assets and trade-ins) is to reduce net position.	(233,324)
The issuance of long-term debt (\$5,800,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$419,446) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(5,380,554)
Governmental funds report employer pension contributions as expenditures (\$268,542). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$275,345) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(6,803)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(101,440)
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>(496,631)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (839,241)</u>

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

TOWN OF HARTFORD, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Major Funds			Non-Major Fund	Total
	Solid Waste Fund	Water Fund	Wastewater Fund	Outdoor Facilities Fund	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 740,230	\$ 2,148,109	\$ 4,155,160	\$ 117,956	\$ 7,161,455
Accounts receivable (net of allowance for uncollectible accounts)	10,189	246,060	545,649	-	801,898
Due from other governments	4,150	-	215,963	-	220,113
Total Current Assets	754,569	2,394,169	4,916,772	117,956	8,183,466
Noncurrent Assets					
Capital assets					
Land and land improvements	277,184	34,000	260,125	-	571,309
Buildings and building improvements	1,672,352	280,160	25,961,073	3,177,233	31,090,818
Vehicles and equipment	412,276	316,161	521,781	149,857	1,400,075
Distribution and collection systems	-	11,290,518	12,456,163	-	23,746,681
Construction in progress	-	42,571	49,519	247,462	339,552
Less accumulated depreciation	(1,721,644)	(6,032,679)	(19,590,489)	(617,090)	(27,961,902)
Total Noncurrent Assets	640,168	5,930,731	19,658,172	2,957,462	29,186,533
Total Assets	1,394,737	8,324,900	24,574,944	3,075,418	37,369,999
LIABILITIES					
Current Liabilities					
Accounts payable	36,015	33,156	45,511	27,602	142,284
Accrued payroll and benefits payable	9,410	7,766	26,793	902	44,871
Accrued compensated absences payable	13,846	30,002	53,267	-	97,115
Accrued interest payable	-	4,260	103,586	10,393	118,239
Accrued postclosure costs - current portion	23,000	-	-	-	23,000
Bonds and notes payable - current portion	-	145,146	658,356	125,000	928,502
Total Current Liabilities	82,271	220,330	887,513	163,897	1,354,011
Noncurrent Liabilities					
Other postemployment benefits	115,057	165,967	329,641	7,337	618,002
Accrued postclosure costs - noncurrent portion	299,000	-	-	-	299,000
Bonds and notes payable - noncurrent portion	-	1,551,736	11,941,842	2,250,000	15,743,578
Total Noncurrent Liabilities	414,057	1,717,703	12,271,483	2,257,337	16,660,580
Total Liabilities	496,328	1,938,033	13,158,996	2,421,234	18,014,591
NET POSITION					
Net investment in capital assets	640,168	4,233,849	7,057,974	582,462	12,514,453
Restricted	-	185,571	882,883	-	1,068,454
Unrestricted	258,241	1,967,447	3,475,091	71,722	5,772,501
Total Net Position	\$ 898,409	\$ 6,386,867	\$ 11,415,948	\$ 654,184	\$ 19,355,408

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

TOWN OF HARTFORD, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Non-Major Fund	Total
	Solid Waste Fund	Water Fund	Wastewater Fund	Outdoor Facilities Fund	
OPERATING REVENUES					
Charges for services	\$ 616,842	\$ 1,351,611	\$ 2,691,788	\$ 169,863	\$ 4,830,104
Rents and other income	10,742	17,463	38,986	71,633	138,824
Total Operating Revenues	<u>627,584</u>	<u>1,369,074</u>	<u>2,730,774</u>	<u>241,496</u>	<u>4,968,928</u>
OPERATING EXPENSES					
Personal services	344,722	559,384	918,059	110,024	1,932,189
Administration expenses	5,600	23,803	25,550	-	54,953
Utilities	16,397	104,019	248,833	56,670	425,919
Contract services	389,109	19,690	172,676	18,391	599,866
Postclosure care costs	(5,141)	-	-	-	(5,141)
Franchise tax	6,782	-	-	-	6,782
Waste generation fee	3,372	-	-	-	3,372
Equipment operation	10,675	11,872	61,407	4,340	88,294
Repairs and maintenance	10,224	57,569	38,667	-	106,460
Materials and supplies	7,992	57,749	88,947	23,558	178,246
Insurance expense	8,581	13,173	38,571	10,182	70,507
Small equipment	2,266	13,328	6,897	-	22,491
Depreciation	75,440	379,289	1,447,262	14,523	1,916,514
Total Operating Expenses	<u>876,019</u>	<u>1,239,876</u>	<u>3,046,869</u>	<u>237,688</u>	<u>5,400,452</u>
Operating Income (Loss)	<u>(248,435)</u>	<u>129,198</u>	<u>(316,095)</u>	<u>3,808</u>	<u>(431,524)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	4,513	-	-	-	4,513
Interest income	582	1,523	2,860	97	5,062
Interest expense	-	(55,265)	(264,802)	(81,911)	(401,978)
Total Nonoperating Revenues (Expenses)	<u>5,095</u>	<u>(53,742)</u>	<u>(261,942)</u>	<u>(81,814)</u>	<u>(392,403)</u>
Income (Loss) Before Transfers	<u>(243,340)</u>	<u>75,456</u>	<u>(578,037)</u>	<u>(78,006)</u>	<u>(823,927)</u>
TRANSFERS					
Transfers in	150,000	-	-	206,911	356,911
Total Transfers	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>206,911</u>	<u>356,911</u>
Change in Net Position	(93,340)	75,456	(578,037)	128,905	(467,016)
Net Position - July 1, 2014	<u>991,749</u>	<u>6,311,411</u>	<u>11,993,985</u>	<u>525,279</u>	<u>19,822,424</u>
Net Position - June 30, 2015	<u>\$ 898,409</u>	<u>\$ 6,386,867</u>	<u>\$ 11,415,948</u>	<u>\$ 654,184</u>	<u>\$ 19,355,408</u>

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

TOWN OF HARTFORD, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			Non-Major Fund	Total
	Solid Waste Fund	Water Fund	Wastewater Fund	Outdoor Facilities Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 641,404	\$ 1,365,243	\$ 2,721,983	\$ 324,284	\$ 5,052,914
Payments for goods and services	(506,666)	(390,385)	(699,571)	(540,371)	(2,136,993)
Payments for wages and benefits	(320,593)	(533,988)	(878,457)	(105,746)	(1,838,784)
Net cash provided (used) by operating activities	<u>(185,855)</u>	<u>440,870</u>	<u>1,143,955</u>	<u>(321,833)</u>	<u>1,077,137</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subsidies from government grants	4,513	-	-	-	4,513
(Increase) decrease in due from other governments	-	-	(2)	-	(2)
Increase (decrease) in due to other governments	-	-	-	(28,798)	(28,798)
Transfers received from other funds	150,000	-	-	206,911	356,911
Net cash provided (used) by noncapital financing activities	<u>154,513</u>	<u>-</u>	<u>(2)</u>	<u>178,113</u>	<u>332,624</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(33,718)	(97,641)	(200,464)	(1,677,971)	(2,009,794)
Principal paid - bonds and notes	-	(141,355)	(646,916)	(125,000)	(913,271)
Interest paid - bonds and notes	-	(55,642)	(269,858)	(81,911)	(407,411)
Net cash provided (used) by capital and related financing activities	<u>(33,718)</u>	<u>(294,638)</u>	<u>(1,117,238)</u>	<u>(1,884,882)</u>	<u>(3,330,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipt of interest and dividends	582	1,523	2,860	97	5,062
Net cash provided by investing activities	<u>582</u>	<u>1,523</u>	<u>2,860</u>	<u>97</u>	<u>5,062</u>
Net increase (decrease) in cash and cash equivalents	(64,478)	147,755	29,575	(2,028,505)	(1,915,653)
Cash and cash equivalents - July 1, 2014	804,708	2,000,354	4,125,585	2,146,461	9,077,108
Cash and cash equivalents - June 30, 2015	<u>\$ 740,230</u>	<u>\$ 2,148,109</u>	<u>\$ 4,155,160</u>	<u>\$ 117,956</u>	<u>\$ 7,161,455</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/(used) by Operating Activities:					
Operating income (loss)	\$ (248,435)	\$ 129,198	\$ (316,095)	\$ 3,808	\$ (431,524)
Depreciation	75,440	379,289	1,447,262	14,523	1,916,514
(Increase) decrease in accounts receivable	13,820	(3,831)	(8,791)	82,788	83,986
Increase (decrease) in accounts payable	(27,809)	(89,182)	(18,023)	(427,230)	(562,244)
Increase (decrease) in accrued payroll and benefits payable	2,642	(6,563)	6,550	384	3,013
Increase (decrease) in compensated absences payable	2,765	3,901	733	(3,443)	3,956
Increase (decrease) in other post employment benefits	18,722	28,058	32,319	7,337	86,436
Increase (decrease) in accrued postclosure costs	(23,000)	-	-	-	(23,000)
Net cash provided (used) by operating activities	<u>\$ (185,855)</u>	<u>\$ 440,870</u>	<u>\$ 1,143,955</u>	<u>\$ (321,833)</u>	<u>\$ 1,077,137</u>

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

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The Town of Hartford, Vermont, (the Town) was chartered by King George III of England on July 4, 1761. The Town adopted a governance charter in accordance with Vermont statutes on November 4, 2008, which was subsequently ratified by the State on May 7, 2012. The Town operates under a 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 activity of the Town of Hartford, Vermont. The financial 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 organization's 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 impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 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 position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. 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, 2015

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 program or function. 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. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund. This is the Town's main operating fund. It accounts for all financial resources of the Town, except those accounted for in another fund.

Capital Projects Fund. This fund accounts for the construction of the Town's major capital projects, especially debt funded projects. This includes the Bridge Street underpass, municipal building, Maxfield sports complex and West Hartford Library.

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.

The Town reports on the following non-major 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, Impact Fee Funds and Hurricane Irene Fund.

Capital Project Fund - TIF Fund. This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities which are financed by the Town's Tax Increment Financing (TIF) District.

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.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 Cemetery 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. 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. 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 position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. 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 the 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.

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 (60) 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, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 position 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.

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, deferred outflows and inflows of resources 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, the estimated costs of other postemployment benefits and the net pension liability and related deferred inflows and outflows of resources.

F. New Pronouncement – Pension Plans

Effective June 30, 2015, the Town implemented GASB Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town's participation in the Vermont Municipal Employees' Retirement System (VMERS) as well as additional disclosures and required supplemental information.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources 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.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, taxes became due and payable on August 15, 2014, and February 6, 2015. 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.

As of June 30, 2015, delinquent taxes receivable were \$579,788, net of a \$80,000 allowance for uncollectible taxes.

The tax rate for 2015 is as follows:

	<u>Homestead</u>	<u>Non-residential</u>
Homestead education tax	\$ 1.4618	\$ -
Non-residential education tax	-	1.4769
Town general fund appropriations	0.8323	0.8323
Town restricted appropriations	0.0114	0.0114
Windsor County tax	0.0064	0.0064
Local agreement tax	<u>0.0019</u>	<u>0.0019</u>
 Total	 <u>\$ 2.3138</u>	 <u>\$ 2.3289</u>

The first installment of property taxes for the budget period from July 1, 2015 to June 30, 2016, is due and payable on August 14, 2015. As of June 30, 2015, the Town had collected \$50,356 of those taxes. This amount is shown as prepaid taxes at June 30, 2015, and will be recorded as revenue in August, 2016.

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due from/to other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

5. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) plan and additions to/deductions from the VMERS’ fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Inventories and Prepaid Expenses

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.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities report deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Municipal Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four types of items which arise under the modified accrual basis of accounting and two types which arise under the accrual basis of accounting that qualify for reporting in this category. The governmental activities reports deferred inflows of resources from two sources; prepaid taxes and deferred inflows related to the Town’s participation in the Vermont Municipal Employees Retirement System. The governmental funds reports deferred inflows of resources from four sources; prepaid taxes, unavailable property taxes, unavailable intergovernmental revenues, unavailable charges for services. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

8. 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.

9. 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.

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	\$ 10,000	N/A
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.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

10. 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.

11. 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. Fourteen years remain of the Town's obligation under the statutes. The Town's engineers estimated this liability at \$322,000. This liability has been recorded as an accrued expense as of June 30, 2015. A total of \$480,061 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.

12. 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 liabilities on their balance sheets.

13. Long-term Liabilities

Long-term liabilities include bonds payable, notes payable, capital leases and other obligations such as compensated absences and the Town's net pension liability. 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 statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

14. Fund Equity

Fund equity is 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 position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds 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 Board of Selectmen's intended use of the resources); and unassigned. The Town has established a policy to require the Board of Selectmen to approve all fund assignments and document such approvals in the board meeting minutes.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, whereas 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 expenditures (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 as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, 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 proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the Town’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

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 position, including both cash amounts transferred for future capital expenditures and those amounts that are intended to be assigned for future operating expenditures.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

B. Restatement of Net Position

Effective June 30, 2015, the Town implemented GASB Statement No. 68, "Financial Reporting for Pension Plans" – An amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town's participation in the Vermont Municipal Employees' Retirement System (VMERS) as well as additional disclosures and required supplemental information.

As a result of adopting this new accounting principle, beginning net position of the governmental activities was reduced by \$458,481 resulting from the proportionate share of the net pension liability of \$714,931 at June 30, 2014 net of the deferred outflows of resources of \$256,450 of required contributions made during fiscal year 2014. The governmental activities net position has been restated from \$28,507,724 to \$28,049,243.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash

At year end, the Town's carrying amount of deposits was \$12,796,318, and the bank balance was \$12,844,688. Of the bank balance, \$520,601, was covered by federal depository insurance. Of the remaining balance, \$12,324,087 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, 2015, consisted of various mutual fund investments in Fidelity Funds, which had a cost basis of \$10,863 and a fair value of \$16,058. Unrealized gains and losses, which are included in revenue, resulted in an increase in value of \$895 for the year ended June 30, 2015.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town's mutual funds are exempt from the credit risk disclosure.

Concentration of Credit Risk. Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. There are no investments in any one issuer, other than mutual funds, that represent more than 5% of total investments.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

C. Accounts receivable

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

	Governmental Activities	Business-type Activities	Total
Ambulance accounts receivable (net of allowance of \$891,134)	\$ 67,926	\$ -	\$ 67,926
Miscellaneous receivables	36,737	6,826	43,563
Employee advances	23,854	-	23,854
Due from developer	21,758	-	21,758
Impact fees receivable	39,220	19,745	58,965
Accrued interest receivable	180	-	180
User charges receivable (net of allowance of \$29,500)			
-Billed	-	419,468	419,468
-Unbilled	-	355,859	355,859
	<u>\$ 189,675</u>	<u>\$ 801,898</u>	<u>\$ 991,573</u>

D. Notes Receivable

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

Notes receivable, various revolving loans, six loans outstanding, interest at 5.25%, various due dates, secured by business assets and personal guarantees. Of the six loans, two are in arrears as of June 30, 2015	\$ 169,499
Note receivable, Upper Valley Housing Associates, 0% interest, monthly payments of \$2,133 beginning January 1, 2034, through December 1, 2059, secured by third mortgage	<u>640,000</u>
Total	809,499
Less allowance for doubtful notes receivable	<u>(651,520)</u>
Reported value as of June 30, 2015	<u>\$ 157,979</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

E. Capital assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,107,776	\$ 230,882	\$ -	\$ 1,338,658
Construction in progress	9,410,367	6,048,354	6,033,514	9,425,207
Total capital assets, not being depreciated	<u>10,518,143</u>	<u>6,279,236</u>	<u>6,033,514</u>	<u>10,763,865</u>
Capital assets, being depreciated:				
Land improvements	908,594	-	17,290	891,304
Buildings and building improvements	4,973,086	5,860,046	423,272	10,409,860
Vehicles and equipment	7,664,748	659,145	431,429	7,892,464
Roads, bridges and sidewalks	31,174,638	820,281	-	31,994,919
Totals	<u>44,721,066</u>	<u>7,339,472</u>	<u>871,991</u>	<u>51,188,547</u>
Less accumulated depreciation for:				
Land improvements	264,177	29,968	3,842	290,303
Buildings and building improvements	2,883,674	179,279	378,636	2,684,317
Vehicles and equipment	4,836,891	729,674	429,562	5,137,003
Roads, bridges and sidewalks	15,551,509	1,456,033	-	17,007,542
Totals	<u>23,536,251</u>	<u>2,394,954</u>	<u>812,040</u>	<u>25,119,165</u>
Total capital assets, being depreciated	<u>21,184,815</u>	<u>4,944,518</u>	<u>59,951</u>	<u>26,069,382</u>
Governmental activity capital assets, net	<u>\$ 31,702,958</u>	<u>\$ 11,223,754</u>	<u>\$ 6,093,465</u>	<u>\$ 36,833,247</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 424,307	\$ -	\$ -	\$ 424,307
Construction in progress	1,344,252	317,766	1,322,466	339,552
Total capital assets, not being depreciated	<u>1,768,559</u>	<u>317,766</u>	<u>1,322,466</u>	<u>763,859</u>
Capital assets, being depreciated:				
Land improvements	147,002	-	-	147,002
Buildings and building improvements	28,842,425	2,592,257	343,864	31,090,818
Vehicles and equipment	1,218,492	206,513	24,930	1,400,075
Distribution and collection systems	23,530,957	215,724	-	23,746,681
Totals	<u>53,738,876</u>	<u>3,014,494</u>	<u>368,794</u>	<u>56,384,576</u>
Less accumulated depreciation for:				
Land improvements	63,475	7,349	-	70,824
Buildings and building improvements	13,179,838	1,136,033	343,864	13,972,007
Vehicles and equipment	903,148	73,043	24,930	951,261
Distribution and collection systems	12,267,721	700,089	-	12,967,810
Totals	<u>26,414,182</u>	<u>1,916,514</u>	<u>368,794</u>	<u>27,961,902</u>
Total capital assets, being depreciated	<u>27,324,694</u>	<u>1,097,980</u>	<u>-</u>	<u>28,422,674</u>
Business-type activity capital assets, net	<u>\$ 29,093,253</u>	<u>\$ 1,415,746</u>	<u>\$ 1,322,466</u>	<u>\$ 29,186,533</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Depreciation was charged to programs as follows:

Governmental activities		
General government		
Administration	\$	53,661
Elections and vital statistics		2,552
Public safety		
Police		144,557
Fire and ambulance		344,543
Dispatch		28,006
Public works		
Highways		1,741,546
Public works administration		1,744
Health and social services		3,729
Recreation and parks		
Recreation programs		840
Parks		52,097
Cultural		<u>21,679</u>
Total depreciation expense	\$	<u>2,394,954</u>
Business-type activities		
Solid waste	\$	75,440
Water		379,289
Wastewater		1,447,262
Outdoor facilities		<u>14,523</u>
Total depreciation expense	\$	<u>1,916,514</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, 2015 is as follows:

Fund	Due from other funds	Due to other funds
General Fund	\$ 494,061	\$ -
Public Safety Funds	-	11,575
Recreation Funds	-	271
Community Development Funds	-	386,615
Hurricane Irene Fund	-	95,507
Permanent Fund	-	<u>93</u>
Total	<u>\$ 494,061</u>	<u>\$ 494,061</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Interfund transfers for the year ended June 30, 2015 were as follows:

Transfer From	Transfer To	Purpose	Amount
General Fund - Unassigned	General Fund - Assigned	Addition to capital reserves	\$ 651,595
	Debt Service Fund	Bond payments and bond reserve fund	758,780
	Solid Waste Fund	Fund curbside recycling program	150,000
	Outdoor Facilities Fund - Undesignated	Fund debt service payments	206,911
	General Fund - Unassigned	Reimbursement from capital reserves	<u>644,290</u>
General Fund - Assigned			
Total General Fund			<u>\$ 2,411,576</u>
Nonmajor Governmental Funds	General Fund - Unassigned	Reimbursement from special revenue funds	\$ 1,293
	General Fund - Unassigned	Impact Fees	<u>1,762</u>
Total Nonmajor Governmental Funds			<u>\$ 3,055</u>

G. Accrued Compensated Absences

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

	Governmental activities	Business-type activities	Total
Beginning balance	\$ 375,788	\$ 93,159	\$ 468,947
Additions	<u>37,993</u>	<u>3,956</u>	<u>41,949</u>
Ending balance	<u>\$ 413,781</u>	<u>\$ 97,115</u>	<u>\$ 510,896</u>
Due within one year	<u>\$ 413,781</u>	<u>\$ 97,115</u>	<u>\$ 510,896</u>

H. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$7,123 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$268,542 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Governmental Activities is \$275,665.

I. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$50,356 of prepaid taxes and \$559,503 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Governmental Activities is \$609,859.

Deferred inflows of resources in the General Fund consist of \$211,055 of delinquent property taxes, penalties and interest on those taxes, \$60,000 of intergovernmental revenues and \$17,974 in charges billed that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. This also includes \$50,356 of prepaid property taxes. Total deferred inflows of resources in the General Fund are \$339,385.

Deferred inflows of resources in the Capital Projects Fund consist of \$278,646 of intergovernmental revenues that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consist of \$153,745 of intergovernmental revenues that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

J. Long-term Liabilities

General Obligation Bonds. The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. 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. New bonds generally are issued as 15 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded. 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 and low-interest revolving loan programs 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.

Net Pension Liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

General obligation bonds and revolving loans outstanding at June 30, 2015, are as follows:

<u>Purpose</u>	<u>Interest/Admin Rates</u>	<u>Amount</u>
<u>Governmental Activities - Bonds</u>		
DPW Building	1.87% - 4.73%	\$ 525,000
Quechee Covered Bridge Bond	1.10% - 3.91%	1,021,703
2013 Municipal Improvements	0.44% - 4.64%	3,472,250
2014 Tax Increment Financing	0.51% - 3.99%	900,000
2014 Town Hall Building	0.51% - 3.99%	4,900,000
<u>Governmental Activities - Revolving Loans</u>		
Combined Sewer Overflow - #2	0.00%	561,617
Total governmental activities		<u>11,380,570</u>
<u>Business-type Activities - Bonds</u>		
2013 Barwood Arena Renovation Bond	0.44% - 4.64%	2,375,000
2001 Quechee Water Bond	2.80% - 4.98%	30,000
2001 Quechee Wastewater Bond	2.80% - 4.98%	150,000
<u>Business-type Activities - Revolving Loans</u>		
2004 Wilder Well Loan	3.00%	1,666,882
2012 ARI-006 Clean Water Loan (Fund 60 Portion)	2.00%	239,182
2012 ARI-006 Clean Water Loan (Fund 65 Portion)	2.00%	343,887
2013 Hartford W/W Treatment Facility Loan	2.00%	6,958,802
2013 Quechee W/W Treatment Facility Loan	2.00%	4,908,327
Total business-type activities		<u>16,672,080</u>
Total bonds and notes payable		<u>\$ 28,052,650</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable	\$ 5,363,464	\$ 5,800,000	\$ 344,511	\$ 10,818,953	\$ 634,511
Revolving loans payable	636,552	-	74,935	561,617	74,935
Other postemployment benefits	2,628,351	560,541	144,355	3,044,537	-
Net pension liability	<u>714,931</u>	<u>-</u>	<u>533,486</u>	<u>181,445</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 9,343,298</u>	<u>\$ 6,360,541</u>	<u>\$ 1,097,287</u>	<u>\$ 14,606,552</u>	<u>\$ 709,446</u>
Business-type Activities					
Bonds payable	\$ 2,770,000	\$ -	\$ 215,000	\$ 2,555,000	\$ 215,000
Revolving loans payable	14,815,351	-	698,271	14,117,080	713,502
Other postemployment benefits	531,566	111,617	25,181	618,002	-
Accrued postclosure costs	<u>345,000</u>	<u>-</u>	<u>23,000</u>	<u>322,000</u>	<u>23,000</u>
Total Business-type Activities					
Long-term Liabilities	<u>\$ 18,461,917</u>	<u>\$ 111,617</u>	<u>\$ 961,452</u>	<u>\$ 17,612,082</u>	<u>\$ 951,502</u>

The annual requirements to amortize all bonds and notes outstanding as of June 30, 2015, including interest payments, are as follows:

Year Ending 30-Jun	Governmental Activities		Business-type Activities	
	Principal	Interest/ Admin Fees	Principal	Interest/ Admin Fees
2016	\$ 709,446	\$ 338,711	\$ 928,502	\$ 387,613
2017	709,446	328,240	944,074	365,881
2018	1,046,258	316,114	869,995	345,531
2019	634,512	302,010	886,276	322,988
2020	634,512	285,921	902,922	306,829
2021-2025	2,647,556	1,195,131	4,777,791	1,211,157
2026-2030	2,647,556	736,151	4,500,537	648,387
2031-2035	<u>2,351,284</u>	<u>219,719</u>	<u>2,861,983</u>	<u>140,457</u>
Total	<u>\$ 11,380,570</u>	<u>\$ 3,721,997</u>	<u>\$ 16,672,080</u>	<u>\$ 3,728,843</u>

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

K. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be 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 Board of Selectmen's intended use of the resources); and unassigned.

TOWN OF HARTFORD, VERMONT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015
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Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

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.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are non-spendable as follows:

Non-Major Funds

Permanent Fund:

Town Trust Funds – Restricted by Trust Agreement (Non-Expendable)	\$ <u>27,168</u>
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Total Non-spendable Fund Balances	\$ <u>27,168</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Capital Projects Fund:

CSO Fund – Restricted by Bond Agreement	\$ 83,059
Municipal Building – Restricted by Bond Agreement	<u>99,744</u>

Total Capital Projects Fund	<u>182,803</u>
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Non-Major Funds

Special Revenue Funds:

Police Drug Forfeiture Fund – Restricted by Statute	4,519
Police Youth Safety Fair – Restricted by Donor Agreement	3,003
Engine 494 Fund – Restricted by Donor Agreement	7,215
Dog Park Fund – Restricted by Donor Agreement	8,635
Glory Days Fund – Restricted by Donor Agreement	1,875
Trees Matter Fund – Restricted by Donor Agreement	4,166
Community Development – Restricted by Grant Agreement	42,040
Revolving Loan and Rehabilitation – Restricted by Grant Agreement	466,477
Impact Fees Funds – Restricted by Statute	<u>134,161</u>

Total Special Revenue Funds	<u>672,091</u>
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Capital Project Fund:

TIF Fund – Restricted by Bond Agreement	<u>115,864</u>
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TOWN OF HARTFORD, VERMONT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015
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Debt Service Fund:		
CSO Bond Reserve Fund – Restricted by Bond Agreement		\$ <u>262,122</u>
Permanent Fund:		
Town Trust Funds – Restricted by Trust Agreement (Expendable)		<u>9,349</u>
Total Non-Major Funds		<u>1,059,426</u>
Total Restricted Fund Balances		<u>\$1,242,229</u>

The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:		
Assigned to Town Clerk Record Restoration		\$ 96,019
Assigned to Town Clerk Digital Imaging		26,755
Assigned to Building Energy Improvements		13,014
Assigned to Accounting Software		6,131
Assigned to Revaluation		380,598
Assigned to Fire/EMS Capital Purchases		452,816
Assigned to Communications Center Upgrade		8,052
Assigned to Highway Equipment Expenditures		35,986
Assigned to Highway Bridges and Culverts		624,696
Assigned to Highway Capital Expenditures		262,754
Assigned to Street Light Maintenance Reserve		9,562
Assigned to Street Light Replacement Reserve		32,479
Assigned to Senior/Center Renovations		16,531
Assigned to Recreation Expenses		64,369
Assigned to Conservation and Development Expenditures		95,641
Assigned to Police Radios and Evidence Room		32,000
Assigned to Road Winter Maintenance		20,000
Assigned to Street Globes and Lights		7,000
Assigned to Sidewalks		131,377
Assigned to Paving		22,500
Assigned to WRJ Revitalization		59,119
Assigned to Conservation of Subdivision Regulation		2,000
Assigned to Town Portion of Conservation and Development Grants		10,000
Assigned to Wright Reservoir		7,203
Assigned to West Hartford Library		50,147
Assigned to Energy Commission		15,000
Assigned to Subsequent Year Expenditures		<u>375,000</u>
Total General Fund		<u>2,856,749</u>
Capital Project Fund:		
Maxfield Sports Complex – Assigned to Design and construction of Sports Complex		55,505
DPW Garage – Assigned to Capital Expenditures		52,055
Children’s Pool and Pump House Fund – Assigned to Capital Expenditures		217,863
Bridge Street Underpass – Assigned to Underpass Renovation		3,338
Assigned in Excess of Available Fund Balance		<u>(125,194)</u>
Total Capital Project Fund		<u>203,567</u>
Total Assigned Fund Balances		<u>\$3,060,316</u>

TOWN OF HARTFORD, VERMONT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015
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L. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2015 consisted of the following:

Governmental Activities:

CSO Fund – Restricted by Bond Agreement	\$ 83,059
Police Drug Forfeiture Fund – Restricted by Statute	4,519
Police Youth Safety Fair – Restricted by Donor Agreement	3,003
Engine 494 Fund – Restricted by Donor Agreement	7,215
Dog Park Fund – Restricted by Donor Agreement	8,635
Glory Days Fund – Restricted by Donor Agreement	1,875
Trees Matter Fund – Restricted by Donor Agreement	4,166
Community Development – Restricted by Grant Agreement	42,040
Revolving Loan and Rehabilitation – Restricted by Grant Agreement	466,477
Impact Fees Funds – Restricted by Statute	134,161
CSO Bond Reserve Fund – Restricted by Bond Agreement	262,122
Town Trust Funds – Restricted by Trust Agreement (Non-Expendable)	27,168
Town Trust Funds – Restricted by Trust Agreement (Expendable)	<u>9,349</u>

Total Governmental Activities	<u>\$1,053,789</u>
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Business-type Activities:

Central Water Impact Fee Fund – Restricted by Statute	\$ 128,307
Quechee Water Impact Fee Fund – Restricted by Statute	57,264
Central Wastewater Impact Fee Fund – Restricted by Statute	667,349
Quechee Wastewater Impact Fee Fund – Restricted by Statute	<u>215,534</u>

Total Business-type Activities Restricted Net Position	<u>\$1,068,454</u>
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The negative unassigned fund balances within the Special Revenue Funds of \$129,306 will be restored through future grant proceeds to be received from other governments.

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 \$10,354 in unemployment claims during the fiscal year ended June 30, 2015.

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.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

C. Commitments

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. In June, 2015, the Governor of Vermont signed legislation authorizing the formation of the East Central Vermont Telecommunications District (the “District”). By the end of 2015, East Central Vermont Community Fiber Network, formed under an InterLocal Contract (“ILC”) entered into by the Organization’s 24 member municipalities on September 8, 2008, expects to transfer ownership of its assets and liabilities, including ownership of BCF Holding, LLC, to the District. The principal difference is that whereas the ILC is an unincorporated instrumentality of the 24 municipalities, the District is a body politic recognized by Vermont State law. Both before and after the transfer of assets and liabilities, the Organization will continue to be owned by a consortium of the same 24 municipalities, controlled by a Governing Board comprised of one delegate from each municipality.

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.

E. Defined Contribution Pension Plans

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 \$1,733,490. Town contributions for the year ended June 30, 2015, were \$138,679.

F. Vermont Municipal Employees’ Retirement System – Defined Benefit Plan

Plan Description

The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of credible services.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2014, the measurement date selected by the State of Vermont, VMERS was funded at 98.32% and had a plan fiduciary net position of \$534,525,477 and a total pension liability of \$543,652,090 resulting in a net pension liability of \$9,126,613. As of June 30, 2015, the Town's proportionate share of this was 1.9881% resulting in a liability of \$181,445. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2014, the Town's proportion of 1.9881% was an increase of 0.0245% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$275,345.

As of June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources.

	Deferred outflows of resources	Deferred inflows of resources
Changes in proportional share of contributions	\$ 7,123	\$ -
Difference between projected and actual earnings on pension plan investments	-	559,503
Town's required employer contributions made subsequent to the measurement date	<u>268,542</u>	<u>-</u>
	<u>\$ 275,665</u>	<u>\$ 559,503</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$268,542 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2016	\$110,476
2017	110,476
2018	110,476
2019	110,476
2020	<u>110,476</u>
Total	<u>\$552,380</u>

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B and Group C provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC): Groups B and C – Average annual compensation during the highest three (3) consecutive years.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Service Retirement Allowance:

Eligibility: Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years or service. Group C – Age 55 with five (5) years of service.

Amount: Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Group C. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility: Age 55 with five (5) years of service for Group B.

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in the Consumer Price Index but not more than 3% for Groups B and C.

Member Contributions: Group B – 4.75% effective July 1, 2014 (increased from 4.625%). Group C – 9.625% effective July 1, 2014 and 9.75% effective January 1, 2015 (increased from 9.5%). However, the Town has agreed for certain union employees, to limit their contributions to the extent the employer contribution exceeds the required percentage.

Employer Contributions: Group B – 5.375% effective July 1, 2014 (increased from 5.125%). Group C – 6.875% from July 1, 2014 to December 31, 2014 (increased from 6.625%) and then 7.0% effective January 1, 2015. However, the Town has agreed that for certain union employees, it will contribute at least 7%, resulting in the employee contribution less than the required percentage.

TOWN OF HARTFORD, VERMONT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015
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Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary Increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Group B and C members.

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Note: For funding purposes – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

TOWN OF HARTFORD, VERMONT NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015
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Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate: The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%).

<u>1% Decrease (7.23%)</u>	<u>Discount Rate (8.23%)</u>	<u>1% Increase (9.23%)</u>
\$1,528,569	\$181,445	\$(948,751)

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

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 Town's annual OPEB cost is made up of an annual required contribution (ARC) of \$738,577, interest on the net OPEB obligation of \$94,798 and an adjustment to the ARC of \$(161,217). The following table shows the components of the Town's annual OPEB cost for the year.

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
Annual OPEB Cost	\$ 560,541	\$ 111,617	\$ 672,158
Contributions Made	<u>144,355</u>	<u>25,181</u>	<u>169,536</u>
Increase in Net OPEB Obligation	416,186	86,436	502,622
Net OPEB Obligation, Beginning of Year	<u>2,628,351</u>	<u>531,566</u>	<u>3,159,917</u>
Net OPEB Obligation, End of Year	<u>\$ 3,044,537</u>	<u>\$ 618,002</u>	<u>\$ 3,662,539</u>
Percentage of Annual OPEB Cost Contribution			<u>25.22%</u>

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

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

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

In the June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3.0 percent investment rate of return (discount rate) and an annual healthcare cost trend rate of 5.0 percent initially. The level dollar amortization method and a thirty year amortization period is being used.

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

	Total FYE 06/30/14	Total FYE 6/30/13
Annual OPEB Cost	\$ 544,105	\$ 544,105
Contributions Made	<u>175,060</u>	<u>183,443</u>
Increase in Net OPEB Obligation	369,045	360,662
Net OPEB Obligation, Beginning of Year	<u>2,790,872</u>	<u>2,430,210</u>
Net OPEB Obligation, End of Year	<u>\$ 3,159,917</u>	<u>\$ 2,790,872</u>
Percentage of Annual OPEB Cost Contribution	<u>32.17%</u>	<u>33.71%</u>

TOWN OF HARTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

H. Tax Increment Financing District

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

The TIF District will allow the Town to undertake and pay for infrastructure improvements that will allow for increased economic and community development. The Town cannot incur any new TIF District debt until each project or group of projects is approved by VEPC and then by the voters. The Town voters approve the Prospect Street TIF revenue, however, is a general obligation of the Town if TIF District revenues are not sufficient. The Town has a signed agreement with the construction contractor guaranteeing that they will cover any costs to complete the project in excess of \$900,000.

With a TIF District, the value of property within the District are frozen at the time the District is created. All property taxes generated by the original base continue to go to the municipal General Fund and the State Education Fund,. For twenty (20) years from first debt incursion, the municipal and education property taxes generated by any “new” development are shared with 75% going to finance TIF District infrastructure debt and 25% going to the municipal General Fund and State Education Fund.

TOWN OF HARTFORD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND - UNASSIGNED
FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 11,382,226	\$ 11,488,809	\$ 106,583
Tax penalties and interest	189,000	258,624	69,624
Permits and licenses	16,050	15,506	(544)
Intergovernmental revenues	513,547	341,890	(171,657)
Charges for current services	1,372,556	1,490,747	118,191
Fines and forfeits	122,650	24,045	(98,605)
Interest	4,000	920	(3,080)
Other revenues	105,300	105,442	142
	<u>13,705,329</u>	<u>13,725,983</u>	<u>20,654</u>
EXPENDITURES			
Current expenditures			
General government			
Administration	777,704	933,214	(155,510)
Elections and vital statistics	192,122	181,072	11,050
Finance	345,223	367,115	(21,892)
Valuation	184,113	189,583	(5,470)
Boards and commissions	3,633	6,090	(2,457)
Public safety			
Police	2,455,347	2,445,299	10,048
Fire and ambulance	2,694,244	2,615,696	78,548
Dispatch	629,263	672,039	(42,776)
Public works			
Highways	1,841,344	1,685,899	155,445
Public works administration	138,403	129,760	8,643
Health and social services	271,544	268,606	2,938
Recreation and parks			
Recreation administration	190,826	203,070	(12,244)
Recreation programs	306,756	357,957	(51,201)
Parks	221,039	200,420	20,619
Conservation and development	485,787	453,049	32,738
Cultural	311,000	310,847	153
Capital expenditures			
General government			
Administration	15,600	62,783	(47,183)
Public safety			
Police	80,500	81,732	(1,232)
Fire and ambulance	152,300	132,468	19,832
Dispatch	7,780	-	7,780
Public works			
Highways	1,481,200	1,227,345	253,855
Recreation and parks			
Recreation programs	20,000	-	20,000
Parks	50,150	21,026	29,124
	<u>12,855,878</u>	<u>12,545,070</u>	<u>310,808</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	833,436	647,345	(186,091)
Transfers out	(1,687,887)	(1,767,285)	(79,398)
Proceeds from sale of capital assets	5,000	13,687	8,687
	<u>(849,451)</u>	<u>(1,106,253)</u>	<u>(256,802)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 74,660</u>	<u>\$ 74,660</u>

RECONCILIATION OF CHANGE IN FUND BALANCE - BUDGETARY BASIS
TO CHANGE IN FUND BALANCE - GAAP BASIS

Change in Fund Balance - Budgetary Basis	\$ 74,660
Transfer to Assigned Fund Balance	651,595
Transfer from Assigned Fund Balance	(644,291)
Expenditures from Assigned Fund Balance	(13,781)
Interest Income from Assigned Fund Balance	2,146
Change in Fund Balance - GAAP Basis	<u>\$ 70,329</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARTFORD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
JUNE 30, 2015

	2015
Total Plan Net Pension Liability	\$ 9,126,613
Town's Proportion of the Net Pension Liability	1.9881%
Town's Proportionate Share of the Net Pension Liability	\$ 181,445
Town's Covered Employee Payroll	\$ 4,153,140
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	4.3689%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.32% as of June 30, 2014

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: None.

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Disclaimer in Accompanying Independent Auditor's Report.

**TOWN OF HARTFORD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
VMERS DEFINED BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

	2015
Contractually Required Contribution (Actuarially Determined)	\$ 268,542
Contributions in Relation to the Actuarially Determined Contributions	268,542
Contribution Excess/(Deficiency)	\$ -
Town's Covered Employee Payroll	\$ 4,153,140
Contributions as a Percentage of Town's Covered Employee Payroll	6.466%

Notes to Schedule

Valuation Date: June 30, 2014

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARTFORD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
HARTFORD POSTEMPLOYMENT HEALTHCARE PLAN
JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	\$ -	\$ 10,169,000	\$ 10,169,000	0.0%	N/A *	N/A *
6/30/2012	-	7,511,586	7,511,586	0.0%	6,366,601	117.98%
6/30/2015	-	9,641,428	9,641,428	0.0%	6,236,251	154.6%

* Not Available

Notes to Schedule

Plan Changes since last Actuarial Valuation (FYE 6/30/12):

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

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

Changes in Assumptions:

Employee and Spouse Participation Rates: Non-retired at Valuation - 90% of those meeting eligibility assumed to elect retiree medical; 50% of this group assumed to elect 2-life coverage; 10% assumed to opt-out in exchange for cash payment

Medical Cost Trend (Annual Rates):

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

Per-Capita Costs (Annual):

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

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

Plan Coverage Rates:

Pre-65:	BCBS/HRA	85%
	VHC Stipend	15%
Post-65:	MVP	80%
	Benistar	20%

Assumed HRA Utilization (Pre-65 Coverage Only): 40%

Employer reimburses retirees not yet 65 who participate in the High Deductible Health Plan a portion of the deductible (approximately 82%). Single life coverage deductibles for 2014 and 2015 are \$6,350 and \$6,450, of which the Town reimburses up to \$5,225 (2014) and \$5,325 (2015).

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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, 2015

	<u>Unassigned</u>	<u>Assigned</u>	<u>Total</u>
REVENUES			
Taxes	\$ 11,488,809	\$ -	\$ 11,488,809
Tax penalties and interest	258,624	-	258,624
Permits and licenses	15,506	-	15,506
Intergovernmental revenues	341,890	-	341,890
Charges for current services	1,490,747	-	1,490,747
Fines and forfeits	24,045	-	24,045
Interest	920	2,146	3,066
Other revenues	105,442	-	105,442
	<u>13,725,983</u>	<u>2,146</u>	<u>13,728,129</u>
Total Revenues			
EXPENDITURES			
Current expenditures			
General government			
Administration	933,214	-	933,214
Elections and vital statistics	181,072	-	181,072
Finance	367,115	-	367,115
Valuation	189,583	-	189,583
Boards and commissions	6,090	-	6,090
Public safety			
Police	2,445,299	8,628	2,453,927
Fire and ambulance	2,615,696	-	2,615,696
Dispatch	672,039	-	672,039
Public works			
Highways	1,685,899	5,153	1,691,052
Public works administration	129,760	-	129,760
Health and social services			
Recreation and parks	268,606	-	268,606
Recreation and parks			
Recreation administration	203,070	-	203,070
Recreation programs	357,957	-	357,957
Parks	200,420	-	200,420
Conservation and development			
Cultural	453,049	-	453,049
Cultural	310,847	-	310,847
Capital expenditures			
General government			
Administration	62,783	-	62,783
Public safety			
Police	81,732	-	81,732
Fire and ambulance	132,468	-	132,468
Public works			
Highways	1,227,345	-	1,227,345
Recreation and parks			
Parks	21,026	-	21,026
	<u>12,545,070</u>	<u>13,781</u>	<u>12,558,851</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under)			
Expenditures	1,180,913	(11,635)	1,169,278
	<u>1,180,913</u>	<u>(11,635)</u>	<u>1,169,278</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	647,345	651,595	1,298,940
Transfers out	(1,767,285)	(644,291)	(2,411,576)
Proceeds from sale of capital assets	13,687	-	13,687
	<u>(1,106,253)</u>	<u>7,304</u>	<u>(1,098,949)</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	74,660	(4,331)	70,329
Fund Balances - July 1, 2014	1,121,894	2,486,080	3,607,974
	<u>1,121,894</u>	<u>2,486,080</u>	<u>3,607,974</u>
Fund Balances - June 30, 2015	\$ 1,196,554	\$ 2,481,749	\$ 3,678,303
	<u>\$ 1,196,554</u>	<u>\$ 2,481,749</u>	<u>\$ 3,678,303</u>

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TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Capital Project Fund TIF Fund	Debt Service Fund	Permanent Fund Cemetery Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$ 941,842	\$ 218,931	\$ -	\$ 20,552	\$ 1,181,325
Investments	-	-	-	16,058	16,058
Receivables (net of allowances for uncollectible accounts)					
Accounts receivable	39,400	21,758	-	-	61,158
Notes receivable	157,979	-	-	-	157,979
Due from other governments	171,079	-	-	-	171,079
Restricted assets					
Cash and cash equivalents	-	-	262,122	-	262,122
 Total Assets	 <u>\$ 1,310,300</u>	 <u>\$ 240,689</u>	 <u>\$ 262,122</u>	 <u>\$ 36,610</u>	 <u>\$ 1,849,721</u>
LIABILITIES					
Accounts payable	\$ 117,052	\$ 124,825	\$ -	\$ -	\$ 241,877
Due to other funds	493,968	-	-	93	494,061
Unearned revenue	2,750	-	-	-	2,750
 Total Liabilities	 <u>613,770</u>	 <u>124,825</u>	 <u>-</u>	 <u>93</u>	 <u>738,688</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues-intergovernmental revenues	153,745	-	-	-	153,745
 Total Deferred Inflows of Resources	 <u>153,745</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>153,745</u>
FUND BALANCES					
Non-spendable					
Permanent fund principal	-	-	-	27,168	27,168
Restricted for					
Public safety	7,522	-	-	-	7,522
Impact fees	134,161	-	-	-	134,161
Community development	508,517	-	-	-	508,517
Recreation and parks	21,891	-	-	-	21,891
Debt service	-	-	262,122	-	262,122
Other	-	115,864	-	9,349	125,213
Unassigned	(129,306)	-	-	-	(129,306)
 Total Fund Balances	 <u>542,785</u>	 <u>115,864</u>	 <u>262,122</u>	 <u>36,517</u>	 <u>957,288</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 1,310,300</u>	 <u>\$ 240,689</u>	 <u>\$ 262,122</u>	 <u>\$ 36,610</u>	 <u>\$ 1,849,721</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Project Fund TIF Fund	Debt Service Fund	Permanent Fund Cemetery Trust Fund	Total
REVENUES					
Intergovernmental revenues	\$ 795,945	\$ -	\$ -	\$ -	\$ 795,945
Impact fees	15,469	-	-	-	15,469
Interest income	8,831	-	29	922	9,782
Other revenues	<u>23,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,371</u>
Total Revenues	<u>843,616</u>	<u>-</u>	<u>29</u>	<u>922</u>	<u>844,567</u>
EXPENDITURES					
Current expenditures					
Public safety - police	74,468	-	-	-	74,468
Public safety - fire and ambulance	40,273	-	-	-	40,273
Recreation and parks	44,321	-	-	-	44,321
Conservation and development	497,299	-	-	-	497,299
Debt service expenditures					
Principal	-	-	419,446	-	419,446
Interest	-	-	296,546	-	296,546
Capital expenditures					
Public safety - police	16,855	-	-	-	16,855
Conservation and development	<u>168,100</u>	<u>781,949</u>	<u>-</u>	<u>-</u>	<u>950,049</u>
Total Expenditures	<u>841,316</u>	<u>781,949</u>	<u>715,992</u>	<u>-</u>	<u>2,339,257</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,300</u>	<u>(781,949)</u>	<u>(715,963)</u>	<u>922</u>	<u>(1,494,690)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	758,780	-	758,780
Transfers out	(3,055)	-	-	-	(3,055)
Bond proceeds	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>900,000</u>
Total Other Financing Sources (Uses)	<u>(3,055)</u>	<u>900,000</u>	<u>758,780</u>	<u>-</u>	<u>1,655,725</u>
Net Change in Fund Balances	(755)	118,051	42,817	922	161,035
Fund Balances - July 1, 2014	<u>543,540</u>	<u>(2,187)</u>	<u>219,305</u>	<u>35,595</u>	<u>796,253</u>
Fund Balances - June 30, 2015	<u>\$ 542,785</u>	<u>\$ 115,864</u>	<u>\$ 262,122</u>	<u>\$ 36,517</u>	<u>\$ 957,288</u>

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TOWN OF HARTFORD, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Public Safety Funds	Recreation Funds	Community Development Funds	Impact Fee Funds	Hurricane Irene Fund	Total
ASSETS						
Cash and cash equivalents	\$ 7,522	\$ 22,162	\$ 747,032	\$ 165,126	\$ -	\$ 941,842
Receivables (net of allowances for uncollectible accounts)						
Accounts receivable	-	-	180	39,220	-	39,400
Notes receivable	-	-	157,979	-	-	157,979
Due from other governments	11,575	-	9,019	-	150,485	171,079
	<u>11,575</u>	<u>-</u>	<u>9,019</u>	<u>-</u>	<u>150,485</u>	<u>171,079</u>
Total Assets	<u>\$ 19,097</u>	<u>\$ 22,162</u>	<u>\$ 914,210</u>	<u>\$ 204,346</u>	<u>\$ 150,485</u>	<u>\$ 1,310,300</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 13,068	\$ 70,185	\$ 33,799	\$ 117,052
Due to other funds	11,575	271	386,615	-	95,507	493,968
Unearned revenue	-	-	2,750	-	-	2,750
	<u>-</u>	<u>-</u>	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>2,750</u>
Total Liabilities	<u>11,575</u>	<u>271</u>	<u>402,433</u>	<u>70,185</u>	<u>129,306</u>	<u>613,770</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues-intergovernmental revenues	-	-	3,260	-	150,485	153,745
	<u>-</u>	<u>-</u>	<u>3,260</u>	<u>-</u>	<u>150,485</u>	<u>153,745</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>3,260</u>	<u>-</u>	<u>150,485</u>	<u>153,745</u>
FUND BALANCES						
Restricted for						
Public safety	7,522	-	-	-	-	7,522
Impact fees	-	-	-	134,161	-	134,161
Community development	-	-	508,517	-	-	508,517
Recreation and parks	-	21,891	-	-	-	21,891
Unassigned	-	-	-	-	(129,306)	(129,306)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,306)</u>	<u>(129,306)</u>
Total Fund Balances	<u>7,522</u>	<u>21,891</u>	<u>508,517</u>	<u>134,161</u>	<u>(129,306)</u>	<u>542,785</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,097</u>	<u>\$ 22,162</u>	<u>\$ 914,210</u>	<u>\$ 204,346</u>	<u>\$ 150,485</u>	<u>\$ 1,310,300</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, 2015

	Public Safety Funds	Recreation Funds	Community Development Funds	Impact Fee Funds	Hurricane Irene Fund	Total
REVENUES						
Intergovernmental revenues	\$ 134,887	\$ 25,320	\$ 95,967	\$ -	\$ 539,771	\$ 795,945
Impact fees	-	-	-	15,469	-	15,469
Interest income	9	21	8,679	122	-	8,831
Other revenues	-	22,871	500	-	-	23,371
Total Revenues	134,896	48,212	105,146	15,591	539,771	843,616
EXPENDITURES						
Current expenditures						
Public safety - police	74,468	-	-	-	-	74,468
Public safety - fire and ambulance	40,273	-	-	-	-	40,273
Recreation and parks	-	44,321	-	-	-	44,321
Conservation and development	-	-	77,833	-	419,466	497,299
Capital expenditures						
Public safety - police	16,855	-	-	-	-	16,855
Conservation and development	-	-	-	-	168,100	168,100
Total Expenditures	131,596	44,321	77,833	-	587,566	841,316
Excess (Deficiency) of Revenues Over Expenditures	3,300	3,891	27,313	15,591	(47,795)	2,300
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,293)	-	-	(1,762)	-	(3,055)
Total Other Financing Sources (Uses)	(1,293)	-	-	(1,762)	-	(3,055)
Net Change in Fund Balances	2,007	3,891	27,313	13,829	(47,795)	(755)
Fund Balances - July 1, 2014	5,515	18,000	481,204	120,332	(81,511)	543,540
Fund Balances - June 30, 2015	<u>\$ 7,522</u>	<u>\$ 21,891</u>	<u>\$ 508,517</u>	<u>\$ 134,161</u>	<u>\$ (129,306)</u>	<u>\$ 542,785</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF NET POSITION
WATER AND WASTEWATER FUNDS
JUNE 30, 2015

	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	\$ 1,169,946	\$ 978,163	\$ 2,148,109	\$ 2,334,380	\$ 1,820,780	\$ 4,155,160
Accounts receivable (net of allowance for uncollectible accounts)	181,335	64,725	246,060	329,768	215,881	545,649
Due from other governments	-	-	-	215,963	-	215,963
Total Current Assets	<u>1,351,281</u>	<u>1,042,888</u>	<u>2,394,169</u>	<u>2,880,111</u>	<u>2,036,661</u>	<u>4,916,772</u>
Noncurrent Assets						
Capital assets						
Land and land improvements	20,000	14,000	34,000	171,158	88,967	260,125
Buildings and building improvements	276,160	4,000	280,160	16,427,756	9,533,317	25,961,073
Vehicles and equipment	182,726	133,435	316,161	315,371	206,410	521,781
Distribution and collection systems	8,972,633	2,317,885	11,290,518	4,089,212	8,366,951	12,456,163
Construction in progress	21,787	20,784	42,571	-	49,519	49,519
Less accumulated depreciation	(4,739,387)	(1,293,292)	(6,032,679)	(11,115,829)	(8,474,660)	(19,590,489)
Total Noncurrent Assets	<u>4,733,919</u>	<u>1,196,812</u>	<u>5,930,731</u>	<u>9,887,668</u>	<u>9,770,504</u>	<u>19,658,172</u>
Total Assets	<u>6,085,200</u>	<u>2,239,700</u>	<u>8,324,900</u>	<u>12,767,779</u>	<u>11,807,165</u>	<u>24,574,944</u>
LIABILITIES						
Current Liabilities						
Accounts payable	16,918	16,238	33,156	31,650	13,861	45,511
Accrued payroll and benefits payable	3,883	3,883	7,766	16,684	10,109	26,793
Accrued compensated absences payable	18,334	11,668	30,002	27,796	25,471	53,267
Accrued interest payable	4,167	93	4,260	15,584	88,002	103,586
Bonds and notes payable - current portion	130,146	15,000	145,146	336,943	321,413	658,356
Total Current Liabilities	<u>173,448</u>	<u>46,882</u>	<u>220,330</u>	<u>428,657</u>	<u>458,856</u>	<u>887,513</u>
Noncurrent Liabilities						
Other postemployment benefits	115,697	50,270	165,967	186,165	143,476	329,641
Bonds and notes payable - noncurrent portion	1,536,736	15,000	1,551,736	6,861,041	5,080,801	11,941,842
Total Noncurrent Liabilities	<u>1,652,433</u>	<u>65,270</u>	<u>1,717,703</u>	<u>7,047,206</u>	<u>5,224,277</u>	<u>12,271,483</u>
Total Liabilities	<u>1,825,881</u>	<u>112,152</u>	<u>1,938,033</u>	<u>7,475,863</u>	<u>5,683,133</u>	<u>13,158,996</u>
NET POSITION						
Net investment in capital assets	3,067,037	1,166,812	4,233,849	2,689,684	4,368,290	7,057,974
Restricted	128,307	57,264	185,571	667,349	215,534	882,883
Unrestricted	1,063,975	903,472	1,967,447	1,934,883	1,540,208	3,475,091
Total Net Position	<u>\$ 4,259,319</u>	<u>\$ 2,127,548</u>	<u>\$ 6,386,867</u>	<u>\$ 5,291,916</u>	<u>\$ 6,124,032</u>	<u>\$ 11,415,948</u>

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TOWN OF HARTFORD, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
WATER AND WASTEWATER FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 1,007,957	\$ 343,654	\$ 1,351,611	\$ 1,601,298	\$ 1,090,490	\$ 2,691,788
Rents and other income	13,887	3,576	17,463	29,134	9,852	38,986
Total Operating Revenues	<u>1,021,844</u>	<u>347,230</u>	<u>1,369,074</u>	<u>1,630,432</u>	<u>1,100,342</u>	<u>2,730,774</u>
OPERATING EXPENSES						
Personal services	417,056	142,328	559,384	554,304	363,755	918,059
Administration expenses	19,899	3,904	23,803	11,242	14,308	25,550
Utilities	72,745	31,274	104,019	166,496	82,337	248,833
Contract services	14,571	5,119	19,690	86,328	86,348	172,676
Equipment operation	8,135	3,737	11,872	30,012	31,395	61,407
Repairs and maintenance	31,718	25,851	57,569	26,928	11,739	38,667
Materials and supplies	51,460	6,289	57,749	60,415	28,532	88,947
Insurance expense	10,553	2,620	13,173	28,334	10,237	38,571
Small equipment	8,337	4,991	13,328	3,426	3,471	6,897
Depreciation	282,897	96,392	379,289	660,518	786,744	1,447,262
Total Operating Expenses	<u>917,371</u>	<u>322,505</u>	<u>1,239,876</u>	<u>1,628,003</u>	<u>1,418,866</u>	<u>3,046,869</u>
Operating Income (Loss)	<u>104,473</u>	<u>24,725</u>	<u>129,198</u>	<u>2,429</u>	<u>(318,524)</u>	<u>(316,095)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest income	1,016	507	1,523	1,726	1,134	2,860
Interest expense	(53,481)	(1,784)	(55,265)	(150,035)	(114,767)	(264,802)
Total Nonoperating Revenues (Expenses)	<u>(52,465)</u>	<u>(1,277)</u>	<u>(53,742)</u>	<u>(148,309)</u>	<u>(113,633)</u>	<u>(261,942)</u>
Change in Net Position	52,008	23,448	75,456	(145,880)	(432,157)	(578,037)
Net Position - July 1, 2014	<u>4,207,311</u>	<u>2,104,100</u>	<u>6,311,411</u>	<u>5,437,796</u>	<u>6,556,189</u>	<u>11,993,985</u>
Net Position - June 30, 2015	<u>\$ 4,259,319</u>	<u>\$ 2,127,548</u>	<u>\$ 6,386,867</u>	<u>\$ 5,291,916</u>	<u>\$ 6,124,032</u>	<u>\$ 11,415,948</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

Board of Selectmen
Town of Hartford
171 Bridge Street
Hartford, Vermont 05001

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartford, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hartford, Vermont's basic financial statements and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2015-1, 2015-2 and 2015-3, that we consider to be significant deficiencies.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of Hartford, Vermont in a separate letter dated March 4, 2016.

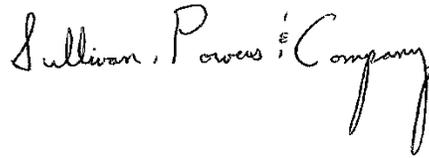
Town of Hartford, Vermont's Responses to Deficiencies in Internal Control

The Town of Hartford, Vermont's responses to the deficiencies in internal control identified in our audit are included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Hartford, Vermont's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

March 4, 2016
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

2015-1 Cash Cutoff/Checks Processed After Year End

Criteria:

Internal controls should be in place such that cash transactions are recorded in the period when they actually occur.

Condition:

The Town did not have adequate internal controls over the cutoff of transactions for cash. As a result, the first check run for the 2016 fiscal year, dated July 2, 2015, was recorded back to the year ending June 30, 2015. This understated cash and accounts payable by \$162,884.

Cause:

Unknown.

Effect:

Transactions could be recorded in the wrong period.

Recommendation:

The individual reviewing the bank reconciliation should review transactions occurring just before and after the period to ensure they are recorded in the correct period.

Management Response:

Controls have been put into place for all month end cut offs beginning December, 2015.

2015-2 Reconciliation of Bank Accounts

Criteria:

Internal controls should be in place to ensure that all cash accounts are reconciled on a monthly basis to safeguard assets and identify posting errors.

Condition:

The Town did not prepare bank account reconciliations on a timely basis. Bank statements for August 2014 through October 2014 were not reconciled until May 2015. Bank statements for November 2014 through March 2015 were not reconciled until June 2015. The bank statements for April 2015 were not reconciled until July 2015. The bank statements for May 2015 were not reconciled until August 2015.

TOWN OF HARTFORD, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

Cause:

Unknown.

Effect:

Errors may not be corrected on a timely basis.

Recommendation:

We recommend that the Town reconcile bank statements to the general ledger cash accounts on a monthly basis as soon as the bank statement is received. The individual reviewing the bank reconciliations should inquire with the individual responsible for the reconciliation if they are not received on a timely basis.

Management Response:

Since the change in finance director, monthly reconciliations of all cash accounts have begun, along with monthly reconciliations of most balance sheet accounts

2015-3 Recording of Receivables and Revenues

Criteria:

In order to ensure the accuracy of financial statements and general ledger amounts, policies and procedures should be in place to provide for monthly recording of receivables and revenues.

Condition:

The Town records many of its revenues on the cash basis during the year and does not adjust for receivables and deferred inflows. This could cause interim financial statements to be misstated. The related revenues and receivables include ambulance and property taxes. Also, these items and some grant revenues were not recorded properly at year end due to deferred inflows of resources resulting from receivables not collected within sixty (60) days.

Cause:

Unknown.

Effect:

Interim financial statements may not be accurate and asset, liability, deferred inflows of resources and revenue accounts may need adjustments at year end. Further, asset (receivable) balances are not being monitored appropriately.

Recommendation:

We recommend that the Town record receivables monthly for property taxes and ambulance fees. At year end, deferred inflows of resources should be recorded for receivables not collected within sixty (60) days.

Management Response:

As stated above monthly reconciliations of most balance sheet accounts has begun. Year-end adjustments such as deferred inflows were not a priority for the year ended June 30, 2015; however with better month end procedures implemented during the current fiscal year this should not be a problem going forward