

October 6, 2020

The Selectboard  
Town of Hartford, Vermont

In connection with audit engagements, we are required by auditing standards generally accepted in the United States of America to communicate certain matters with those charged with governance. The term “those charged with governance” means the persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, for example, the Selectboard (the Board) or a designated Board officer or committee. This communication is provided in connection with our audit of the financial statements of the Town of Hartford, Vermont (the Town) as of and for the year ended June 30, 2020.

These standards require us to communicate with you any matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. They also set the expectation that our communication will be two way, and that the Board or their designee will communicate with us matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures.

This letter summarizes those matters which we are required by professional standards to communicate to you in your oversight responsibility for the Town’s financial reporting process.

#### **Auditor’s Responsibility under Professional Standards**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States were described in our arrangement letter dated October 9, 2019. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

#### **An Overview of the Planned Scope and Timing of the Audit**

The scope of the audit was also described in our arrangement letter dated October 9, 2019. The audit was conducted in September; our exit conference with management was held on October 1, 2020; drafts of the financial statements and reports were provided to management on October 2, 2020.

#### **Accounting Policies and Practices**

- **Preferability of Accounting Policies and Practices**

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

- **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Town. The Town did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

- **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. The significant accounting estimates reflected in the Town's 2020 financial statements are depreciation expense, a long-term obligation for accrued postclosure care in the Solid Waste Fund, the State of Vermont's estimate of the Town's pension expense, pension deferrals, net pension liability for the Vermont Municipal Employees' Retirement System, and the estimated future liability for other postemployment benefits.

### **Audit Adjustments**

During the audit we proposed 7 adjustments to the general ledger balances provided for audit. Management also provided 6 adjustments to adjust additional items that were identified by management during the audit.

Management accepted the proposed adjustments and those changes are reflected in the 2020 financial statements. The significant effects of these audit adjustments were to (1) correct fund balances, (2) correct interfund transfers, (3) reclassify local option tax revenue to appropriate fund, (4) correct debt-service principal and interest allocation, and accrued interest calculation, due to covid-19 interest and admin fee waivers, and (5) record transfer of construction in progress from governmental activities to the wastewater fund.

A copy of the audit adjustments is available upon request.

### **Uncorrected Misstatements**

During the course of our audit, we accumulated one uncorrected misstatement that was determined by management to be immaterial to the financial statements, and to the related disclosures. This "passed adjustments" was to correct the prior year other postemployment benefits liability in the governmental activities.

**TOWN OF HARTFORD, VERMONT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**TOWN OF HARTFORD, VERMONT**

**JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

The Selectboard  
Town of Hartford, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hartford, Vermont (the Town) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hartford, Vermont as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules 7 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Montpelier, Vermont  
October 6, 2020

  
Madgett Bennett, P.C.

**TOWN OF HARTFORD, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

The following is a discussion and analysis of the Town of Hartford's (the Town) financial performance including an overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Readers should consider this information in conjunction with the financial statements which are located after this analysis. This discussion and analysis provides comparisons between FY 2020 and FY 2019.

**FINANCIAL HIGHLIGHTS**

**Government-wide Highlights**

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2020 by \$34,007,569 compared to \$34,320,229, at June 30, 2019. This represents a decrease of \$312,660. The change in net position for fiscal year 2020 was a decrease of \$312,660 compared to a decrease of \$451,594 for fiscal year 2019.

**Fund Highlights**

At the end of the fiscal year, the Town's governmental funds reported a combined ending fund balance of \$9,942,278, an increase of \$359,920 in comparison with an increase of \$1,615,647 for the prior year. Of the total fund balance, \$6,818,567 represents amounts restricted, committed or assigned to specific purposes, such as reserves and encumbrances approved by management, \$52,761 is nonspendable, leaving an unassigned balance of \$3,070,950.

**Long-term Debt**

The Town's long-term debt decreased \$1,760,335 during the fiscal year and had a total ending balance of \$22,813,506.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- **Independent Auditor's Report** - This is a description by the auditors of the scope of their work and their official opinion of the financial statements of the Town for the 2020 fiscal year.
- **Management's Discussion and Analysis** - An introduction to the basic financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions or conditions.
- **Basic Financial Statements** - This section of the report includes government-wide financial statements, fund financial statements, and notes to the financial statements.
- **Supplementary Schedules** - This section of the report includes schedules 1 through 6, which are not required by accounting principles generally accepted in the United States of America (U.S. GAAP) but are presented as supplementary information. These schedules contain the combining information for individual nonmajor governmental funds. This section also includes schedules 7 through 9, which are required by U.S. GAAP. These schedules contain required historical pension information for the Town's portion of VMERS and schedule of funding progress for the Town's postemployment healthcare plan.
- **Compliance Reports** - This section includes the auditor's report on the Town's internal controls over financial reporting and on compliance with a description of their findings. Internal controls deal with the Town's processes and procedures that ensure our financial statements are accurate and that Town assets are being safeguarded in a reasonable fashion. A second auditor's report on compliance and internal controls over compliance requirements of the Town's federal awards is also included.

## Government-wide Statements

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

- **Statement of Net Position** - This statement presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Town's funds are categorized as governmental, proprietary or fiduciary.

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

The Town reports 9 individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and Community Development Fund which are considered major funds. Data from the other 7 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the supplementary schedules section.

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

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

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

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

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

## FINANCIAL ANALYSIS

### Government-wide Financial Statements

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$34,007,569 at year end. Net position decreased by \$312,660 under the previous fiscal year.

**TABLE 1**  
**Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>Assets</b>						
Current Assets	\$ 10,589,431	\$ 11,657,928	\$ 9,639,409	\$ 9,568,449	\$ 20,228,840	\$ 21,226,377
Noncurrent Assets	37,028,850	38,187,707	20,716,592	19,994,130	57,745,442	58,181,837
<b>Total Assets</b>	<b>47,618,281</b>	<b>49,845,635</b>	<b>30,356,001</b>	<b>29,562,579</b>	<b>77,974,282</b>	<b>79,408,214</b>
<b>Deferred Outflows of Resources</b>						
	<b>1,486,015</b>	<b>1,308,813</b>	-	-	<b>1,486,015</b>	<b>1,308,813</b>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>Liabilities</b>						
Current Liabilities	1,524,219	2,275,661	1,157,508	1,268,809	2,681,727	3,544,470
Noncurrent Liabilities	27,575,819	28,548,240	13,340,470	12,884,991	40,916,289	41,433,231
<b>Total Liabilities</b>	<b>29,100,038</b>	<b>30,823,901</b>	<b>14,497,978</b>	<b>14,153,800</b>	<b>43,598,016</b>	<b>44,977,701</b>
<b>Deferred Inflows of Resources</b>	<b>1,542,052</b>	<b>1,731,757</b>	-	-	<b>1,542,052</b>	<b>1,731,757</b>
<b>Net Position</b>						
Net Investment in						
Capital Assets	23,084,829	24,196,160	8,318,359	8,490,421	31,403,188	32,686,581
Restricted	5,501,808	4,355,514	-	-	5,501,808	4,355,514
Unrestricted	(10,124,431)	(9,952,884)	7,539,664	6,918,358	(2,584,767)	(3,034,526)
<b>Total Net Position</b>	<b>\$ 18,462,206</b>	<b>\$ 18,598,790</b>	<b>\$ 15,858,023</b>	<b>\$ 15,408,779</b>	<b>\$ 34,320,229</b>	<b>\$ 34,007,569</b>

The larger portion of the Town's net position reflects its net investment in capital assets less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Town uses capital assets to provide services to citizens; therefore, those assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining portion of the Town's net position represents restricted and unrestricted net position.

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

**TABLE 2**  
**Change in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 2,441,186	\$ 2,478,322	\$ 4,772,875	\$ 4,650,446	\$ 7,214,061	\$ 7,128,768
Grants and Contributions	1,775,129	1,455,055	-	46,800	1,775,129	1,501,855
Other	168,894	176,969	24,745	26,025	193,639	202,994
General Revenues:						
Property Taxes	13,521,931	14,167,681	-	-	13,521,931	14,167,681
Sale of Tower	-	-	-	-	-	-
Insurance recoveries	174,661	-	2,952	-	177,613	-
Loss on disposition of of capital assets	(21,095)	(52,116)	(40,243)	-	(61,338)	(52,116)
Investment Earnings	129,384	119,081	89,718	77,613	219,102	196,694
<b>Total Revenues</b>	<b>18,190,090</b>	<b>18,344,992</b>	<b>4,850,047</b>	<b>4,800,884</b>	<b>23,040,137</b>	<b>23,145,876</b>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
<b>PROGRAM EXPENSES</b>						
General government	2,640,936	3,319,350	-	-	2,640,936	3,319,350
Public safety	7,299,326	7,674,078	-	-	7,299,326	7,674,078
Public works	4,327,148	3,541,220	-	-	4,327,148	3,541,220
Health and social services	360,163	383,410	-	-	360,163	383,410
Parks and recreation	1,583,366	1,767,895	-	-	1,583,366	1,767,895
Conservation and development	907,917	564,914	-	-	907,917	564,914
Cultural	387,942	387,168	-	-	387,942	387,168
Water	-	-	1,250,401	1,531,062	1,250,401	1,531,062
Wastewater	-	-	3,012,674	3,078,393	3,012,674	3,078,393
Solid Waste	-	-	948,073	770,318	948,073	770,318
Interest	434,885	434,125	338,900	6,603	773,785	440,728
<b>Total Program Expenses</b>	<b>17,941,683</b>	<b>18,072,160</b>	<b>5,550,048</b>	<b>5,386,376</b>	<b>23,491,731</b>	<b>23,458,536</b>
<b>Transfers In (Out)</b>	<b>(192,500)</b>	<b>(136,248)</b>	<b>192,500</b>	<b>136,248</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in Net Position</b>	<b>\$ 55,907</b>	<b>\$ 136,584</b>	<b>\$ (507,501)</b>	<b>\$ (449,244)</b>	<b>\$ (451,594)</b>	<b>\$ (312,660)</b>

Total governmental activities expenses were \$17,941,683 and \$18,072,160 in fiscal years 2019 and 2020, respectively. The expenses do not include capital outlay, which is reflected as capital asset additions in the government-wide financial statements.

Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$4,385,209 in 2019 and \$4,110,346 in 2020. Governmental activities program revenues from charges for services include licenses and permits, planning fees, forfeitures, sale of supplies and several other revenues. Program revenues in the grants and contributions category include federal, state and local grants, and local contributions that are restricted for program use.

General revenues are all other revenues not categorized as program revenues and include property taxes and investment earnings. Total general revenues from governmental activities were \$13,804,881 in fiscal 2019 and \$14,234,646 in fiscal 2020.

### Fund Financial Statements

- **Governmental Funds** - The combined fund balance of the governmental funds was \$9,582,358 at June 30, 2019 and \$9,942,278 at June 30, 2020. \$6,818,597 of the FY 2020 fund balance is restricted, committed or assigned; \$52,761 is nonspendable, leaving a remaining unassigned balance of \$3,070,950. The fund balance of the General Fund increased from \$6,893,825 in FY 2019 to \$7,083,015 in FY 2020.

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

- **Proprietary Funds** - The Town's proprietary funds provide the same information found in the government-wide financial statements. Total net position of the Town's proprietary funds at June 30, 2020 was \$15,408,779, a decrease of \$449,244 under the previous fiscal year.

## Capital Assets

The following is a schedule of capital assets as of June 30, 2019 and 2020.

	<b>Capital Assets June 30,</b>		<b>Business-type Activities</b>	
	<b>Governmental Activities</b>		<b>2019</b>	<b>2020</b>
	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>
Land	\$ 1,431,658	\$ 1,431,658	\$ 424,307	\$ 424,307
Construction in Progress	2,726,657	3,818,801	278,651	1,121,177
Land improvements	1,278,767	1,336,946	147,002	147,002
Buildings and improvements	18,931,468	19,779,127	27,858,484	27,858,484
Vehicles and equipment	9,521,226	10,787,441	1,295,449	1,284,846
Infrastructure	<u>37,640,773</u>	<u>38,203,077</u>	<u>25,489,256</u>	<u>25,539,613</u>
Total Capital Assets	71,530,549	75,357,050	55,493,149	56,375,429
Less Accumulated Depreciation	<u>36,169,897</u>	<u>38,865,878</u>	<u>34,776,557</u>	<u>36,381,299</u>
Capital Assets, Net	<u>\$ 35,360,652</u>	<u>\$ 36,491,172</u>	<u>\$ 20,716,592</u>	<u>\$ 19,994,130</u>

The Town has a net investment in capital assets of \$56,077,244 and \$56,485,302 on June 30, 2019 and June 30, 2020, respectively. The net increase (including additions and deductions) between the two periods amounted to \$408,058.

## Debt

The following is a schedule of long-term debt as of June 30, 2019 and 2020.

	<b>2019</b>	<b>2020</b>
<b>Governmental Activities -</b>		
Bond payable - 2012 Series 3	\$ 105,000	\$ -
Bond payable - 2012 Series 1	794,658	737,897
Bond payable - 2017 Series 4	4,616,250	4,308,500
Bond payable - 2014 Series 3	720,000	675,000
Bond payable - 2014 Series 3	3,920,000	3,675,000
Bond payable - 2017 Series 3	<u>2,019,700</u>	<u>1,913,400</u>
Total Long-term Debt	<u>\$12,175,608</u>	<u>\$11,309,797</u>
<b>Business-type Activities -</b>		
Bond payable - RF3-069	\$ 1,122,400	\$ 942,248
Bond payable - AR1-006	462,981	431,443
Bond payable - AR1-099	5,305,413	4,841,246
Bond payable - AR1-041	3,783,129	3,531,396
Bond payable - RF3-329	1,638,948	1,573,695
Bond payable - RF1-188	69,675	69,675
Bond payable - RF1-202	15,687	15,687
Bond payable - RF1-222	<u>-</u>	<u>98,319</u>
Total Long-term Debt	<u>\$12,398,233</u>	<u>\$11,503,709</u>

At the end of the fiscal year, the Town had \$11,309,797 in long-term debt outstanding in governmental activities compared to \$12,175,608 in the prior year. For the business-type activities, long-term debt decreased from \$12,398,233 to \$11,503,709.

At the end of the fiscal year, the Town had \$985,215 in capital lease obligations in governmental activities compared to \$100,215 in the prior year.

### **REQUESTS FOR INFORMATION**

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

**TOWN OF HARTFORD, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**  
(Page 1 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>ASSETS:</b>			
Current assets -			
Cash and cash equivalents	\$ 13,851,124	\$ 4,280,996	\$ 18,132,120
Investments	17,667	-	17,667
Property taxes receivable	832,701	-	832,701
Accounts receivable, net	1,426,340	786,956	2,213,296
Grants receivable	5,000	-	5,000
Prepaid expenses	25,593	-	25,593
Due (to) from other activities	(4,500,497)	4,500,497	-
Total current assets	<u>11,657,928</u>	<u>9,568,449</u>	<u>21,226,377</u>
Noncurrent assets -			
Notes receivable, net	1,696,535	-	1,696,535
Capital assets	75,357,050	56,375,429	131,732,479
less - accumulated depreciation	(38,865,878)	(36,381,299)	(75,247,177)
Total noncurrent assets	<u>38,187,707</u>	<u>19,994,130</u>	<u>58,181,837</u>
Total assets	<u>49,845,635</u>	<u>29,562,579</u>	<u>79,408,214</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred pension expense	<u>1,308,813</u>	<u>-</u>	<u>1,308,813</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	986,741	316,727	1,303,468
Accrued wages	358,870	56,841	415,711
Due to school district	1,609	-	1,609
Accrued interest	32,705	-	32,705
Current portion of accrued postclosure liability	-	23,000	23,000
Current portion of long-term debt	760,811	872,241	1,633,052
Current portion of capital lease obligation	134,925	-	134,925
Total current liabilities	<u>2,275,661</u>	<u>1,268,809</u>	<u>3,544,470</u>
Noncurrent liabilities -			
Accrued compensated absences	572,328	91,615	663,943
Other postemployment benefits	13,104,037	1,977,908	15,081,945
Net pension liability	3,472,599	-	3,472,599
Accrued postclosure liability	-	184,000	184,000
Long-term debt	10,548,986	10,631,468	21,180,454
Capital lease obligation	850,290	-	850,290
Total noncurrent liabilities	<u>28,548,240</u>	<u>12,884,991</u>	<u>41,433,231</u>
Total liabilities	<u>30,823,901</u>	<u>14,153,800</u>	<u>44,977,701</u>

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

**TOWN OF HARTFORD, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**  
(Page 2 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Customer tax overpayments	116,255	-	116,255
Deferred grant revenue	1,412,678	-	1,412,678
Deferred pension credits	<u>202,824</u>	<u>-</u>	<u>202,824</u>
Total deferred inflows of resources	<u>1,731,757</u>	<u>-</u>	<u>1,731,757</u>
<b>NET POSITION:</b>			
Net investment in capital assets	24,196,160	8,490,421	32,686,581
Restricted	4,355,514	-	4,355,514
Unrestricted	<u>(9,952,884)</u>	<u>6,918,358</u>	<u>(3,034,526)</u>
Total net position	\$ <u>18,598,790</u>	\$ <u>15,408,779</u>	\$ <u>34,007,569</u>

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



**TOWN OF HARTFORD, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2020**

(Page 1 of 2)

	<u>General</u> <u>Fund</u>	<u>Community</u> <u>Development</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,958,835	\$ 89,806	\$ 1,802,483	\$ 13,851,124
Investments	-	-	17,667	17,667
Property taxes receivable	832,701	-	-	832,701
Accounts receivable, net	644,342	45,300	736,698	1,426,340
Grants receivable	-	-	5,000	5,000
Prepaid expenditures	25,593	-	-	25,593
Notes receivable	-	1,696,535	-	1,696,535
Due from other funds	-	265,690	407,516	673,206
	<u>-</u>	<u>265,690</u>	<u>407,516</u>	<u>673,206</u>
Total assets	\$ <u>13,461,471</u>	\$ <u>2,097,331</u>	\$ <u>2,969,364</u>	\$ <u>18,528,166</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 193,596	\$ 43,458	\$ 749,687	\$ 986,741
Accrued wages	358,870	-	-	358,870
Due to school district	-	-	1,609	1,609
Due to other funds	5,173,703	-	-	5,173,703
	<u>5,173,703</u>	<u>-</u>	<u>-</u>	<u>5,173,703</u>
Total liabilities	<u>5,726,169</u>	<u>43,458</u>	<u>751,296</u>	<u>6,520,923</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred property tax revenue	536,032	-	-	536,032
Customer tax overpayments	116,255	-	-	116,255
Deferred note revenue	-	1,412,678	-	1,412,678
	<u>-</u>	<u>1,412,678</u>	<u>-</u>	<u>1,412,678</u>
Total deferred inflows of resources	<u>652,287</u>	<u>1,412,678</u>	<u>-</u>	<u>2,064,965</u>
<b>FUND EQUITY:</b>				
Fund balances -				
Nonspendable	25,593	-	27,168	52,761
Restricted	-	641,195	2,380,216	3,021,411
Committed	1,948,130	-	-	1,948,130
Assigned	1,849,026	-	-	1,849,026
Unassigned	3,260,266	-	(189,316)	3,070,950
	<u>7,083,015</u>	<u>641,195</u>	<u>2,218,068</u>	<u>9,942,278</u>
Total fund balances	<u>7,083,015</u>	<u>641,195</u>	<u>2,218,068</u>	<u>9,942,278</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>13,461,471</u>	\$ <u>2,097,331</u>	\$ <u>2,969,364</u>	\$ <u>18,528,166</u>

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

**TOWN OF HARTFORD, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
(Page 2 of 2)

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

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ 9,942,278
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	75,357,050
Accumulated depreciation	(38,865,878)
Liabilities not due and payable in the year are not reported in the governmental funds.	
Accrued compensated absences	(572,328)
Other postemployment benefits	(13,104,037)
Accrued interest on long-term debt	(32,705)
Long-term debt	(11,309,797)
Capital lease obligation	(985,215)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	
Deferred property taxes	536,032
Balances related to net position asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.	
Deferred pension expense	1,308,813
Deferred pension credits	(202,824)
Net pension liability	<u>(3,472,599)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>18,598,790</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 1 of 2)

	General Fund	Community Development Fund	Other Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 13,707,898	\$ -	\$ 522,232	\$ 14,230,130
Intergovernmental	480,796	63,558	910,701	1,455,055
Fees, licenses and permits	626,409	-	-	626,409
Charges for goods and services	1,851,913	-	-	1,851,913
Investment income	101,857	14,389	2,835	119,081
Miscellaneous	138,095	200	38,674	176,969
Total revenues	<u>16,906,968</u>	<u>78,147</u>	<u>1,474,442</u>	<u>18,459,557</u>
<b>EXPENDITURES:</b>				
Current -				
General government	1,617,393	-	9,122	1,626,515
Public safety	7,166,506	-	111,820	7,278,326
Public works	1,765,081	-	-	1,765,081
Health and social services	381,924	-	-	381,924
Parks and recreation	1,104,554	-	27,852	1,132,406
Conservation and development	544,979	19,935	-	564,914
Cultural	355,864	-	-	355,864
Contingencies	517	-	-	517
Reserve expenditures	245,173	-	-	245,173
Capital outlay	3,172,273	72,678	952,782	4,197,733
Debt service - principal - long-term debt	714,511	-	151,300	865,811
- principal - capital lease	140,809	-	-	140,809
- interest	350,955	-	83,170	434,125
Total expenditures	<u>17,560,539</u>	<u>92,613</u>	<u>1,336,046</u>	<u>18,989,198</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(653,571)	(14,466)	138,396	(529,641)
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital lease proceeds	1,025,809	-	-	1,025,809
Interfund transfers in (out), net	(183,048)	-	46,800	(136,248)
Total other financing sources (uses)	<u>842,761</u>	<u>-</u>	<u>46,800</u>	<u>889,561</u>
NET CHANGE IN FUND BALANCES	189,190	(14,466)	185,196	359,920
FUND BALANCES, July 1, 2019	<u>6,893,825</u>	<u>655,661</u>	<u>2,032,872</u>	<u>9,582,358</u>
FUND BALANCES, June 30, 2020	\$ <u>7,083,015</u>	\$ <u>641,195</u>	\$ <u>2,218,068</u>	\$ <u>9,942,278</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 2 of 2)

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

Net change in fund balances - total governmental funds \$ 359,920

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Additions to capital assets, net of dispositions	4,164,117
Depreciation	(3,033,597)

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

(Increase) decrease in compensated absences	(122,716)
(Increase) decrease in other postemployment benefits	(475,528)
(Increase) decrease in accrued interest on long-term debt	1,579
Proceeds from capital lease	(1,025,809)
Principal payments on long-term debt	865,811
Principal payments on capital lease	140,809

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

Prior year - deferred property taxes	(598,481)
Current year - deferred property taxes	536,032

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

Net (increase) decrease in net pension obligation	<u>(675,553)</u>
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Change in net position of governmental activities - Government-wide Statement of Activities	\$ 136,584
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The notes to financial statements are an integral part of this statement.

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 1 of 3)

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over (Under) <u>(Under)</u>
<b>REVENUES:</b>			
Property taxes	\$ 13,792,345	\$ 13,707,898	\$ (84,447)
Intergovernmental	414,525	480,796	66,271
Fees, licenses and permits	370,750	626,409	255,659
Charges for services	1,463,250	1,851,913	388,663
Investment income	54,250	101,857	47,607
Fund balance carryforward	865,013	-	(865,013)
Miscellaneous	<u>110,550</u>	<u>138,095</u>	<u>27,545</u>
Total revenues	<u>17,070,683</u>	<u>16,906,968</u>	<u>(163,715)</u>
<b>EXPENDITURES:</b>			
General government -			
Selectboard	76,765	66,344	(10,421)
Boards and commissions	7,744	10,283	2,539
Administrative manager	415,900	395,863	(20,037)
Election administration	14,319	14,217	(102)
Advice and litigation	50,000	107,846	57,846
Vital statistics	177,412	178,471	1,059
Municipal offices	83,995	106,519	22,524
Financial management	385,533	349,548	(35,985)
Auditing	37,000	31,409	(5,591)
Valuation	195,064	179,621	(15,443)
Delinquent tax collection	26,370	25,697	(673)
Information technology	<u>199,002</u>	<u>209,219</u>	<u>10,217</u>
Total general government	<u>1,669,104</u>	<u>1,675,037</u>	<u>5,933</u>
Public safety -			
Police services	3,348,068	2,873,647	(474,421)
Special duty police	-	5,227	5,227
Emergency services	3,705,798	3,502,492	(203,306)
Dispatch services	950,352	883,518	(66,834)
County judicial services	<u>102,000</u>	<u>104,043</u>	<u>2,043</u>
Total public safety	<u>8,106,218</u>	<u>7,368,927</u>	<u>(737,291)</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 2 of 3)

	<u>Original and Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
Public works -			
Summer maintenance	1,270,158	1,055,073	(215,085)
Winter maintenance	735,537	645,732	(89,805)
Bridge maintenance	312,700	10,768	(301,932)
Street and traffic lighting	52,000	58,402	6,402
Traffic control	35,000	21,729	(13,271)
Sidewalk maintenance	6,000	4,061	(1,939)
Equipment operation and maintenance	537,318	519,222	(18,096)
General highway	<u>197,180</u>	<u>190,624</u>	<u>(6,556)</u>
Total public works	<u>3,145,893</u>	<u>2,505,611</u>	<u>(640,282)</u>
Health and social services -			
Cemeteries	15,800	17,571	1,771
Trees	1,000	-	(1,000)
Health inspection	1,615	5,627	4,012
Community health	74,532	74,532	-
Mental health services	16,995	16,995	-
Senior services	150,021	138,093	(11,928)
Low income services	9,000	9,000	-
Youth and adult services	25,744	25,744	-
General appropriated services	<u>94,362</u>	<u>94,362</u>	<u>-</u>
Total health and social services	<u>389,069</u>	<u>381,924</u>	<u>(7,145)</u>
Parks and recreation -			
Program administration	234,994	227,823	(7,171)
Swim program	2,421	1,023	(1,398)
Youth program	263,986	279,135	15,149
Adult program	16,200	6,817	(9,383)
Community activities	43,802	32,049	(11,753)
Parks maintenance	247,814	208,223	(39,591)
Buildings maintenance	12,837	10,103	(2,734)
Maxfield sports grounds	86,310	47,677	(38,633)
Maxfield sports buildings	17,869	11,884	(5,985)
Barwood arena	473,616	447,993	(25,623)
Welcome center	<u>65,508</u>	<u>51,661</u>	<u>(13,847)</u>
Total parks and recreation	<u>1,465,357</u>	<u>1,324,388</u>	<u>(140,969)</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 3 of 3)

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over <u>(Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
Conservation and development -			
Conservation	3,005	1,291	(1,714)
Zoning	120,322	111,503	(8,819)
Planning and development	442,416	427,879	(14,537)
Housing and community development	6,275	473	(5,802)
Historic preservation	3,250	1,076	(2,174)
Energy	6,890	2,697	(4,193)
Resilience	<u>1,760</u>	<u>60</u>	<u>(1,700)</u>
Total conservation and development	<u>583,918</u>	<u>544,979</u>	<u>(38,939)</u>
Cultural -			
Library services	1,929	-	(1,929)
Library appropriations	<u>357,205</u>	<u>355,864</u>	<u>(1,341)</u>
Total cultural	<u>359,134</u>	<u>355,864</u>	<u>(3,270)</u>
Employee insurance costs	<u>-</u>	<u>14,892</u>	<u>14,892</u>
Contingencies	<u>-</u>	<u>517</u>	<u>517</u>
Capital expenditures	<u>-</u>	<u>1,040,336</u>	<u>1,040,336</u>
Reserve expenditures	<u>-</u>	<u>1,307,077</u>	<u>1,307,077</u>
Debt service -			
Debt service - principal	334,665	326,476	(8,189)
Debt service - interest	<u>714,512</u>	<u>714,511</u>	<u>(1)</u>
Total debt service	<u>1,049,177</u>	<u>1,040,987</u>	<u>(8,190)</u>
Total expenditures	<u>16,767,870</u>	<u>17,560,539</u>	<u>792,669</u>
EXCESS OF REVENUES OR (EXPENDITURES)	302,813	(653,571)	(956,384)
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital lease proceeds	-	1,025,809	1,025,809
Interfund transfers in (out), net	<u>(302,813)</u>	<u>(183,048)</u>	<u>119,765</u>
Total other financing sources (uses)	<u>(302,813)</u>	<u>842,761</u>	<u>1,145,574</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>189,190</u>	\$ <u>189,190</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	<u>Water</u> <u>Fund</u>	<u>Wastewater</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	<u>Totals</u> <u>Proprietary</u> <u>Funds</u>
<b>ASSETS:</b>				
Current assets -				
Cash and cash equivalents	\$ 1,148,742	\$ 2,649,896	\$ 482,358	\$ 4,280,996
Accounts receivable, net	253,744	508,988	24,224	786,956
Due from other funds	<u>1,760,082</u>	<u>2,632,190</u>	<u>108,225</u>	<u>4,500,497</u>
Total current assets	<u>3,162,568</u>	<u>5,791,074</u>	<u>614,807</u>	<u>9,568,449</u>
Noncurrent assets -				
Capital assets	14,656,433	39,346,539	2,372,457	56,375,429
less - accumulated depreciation	<u>(7,923,029)</u>	<u>(26,390,422)</u>	<u>(2,067,848)</u>	<u>(36,381,299)</u>
Total noncurrent assets	<u>6,733,404</u>	<u>12,956,117</u>	<u>304,609</u>	<u>19,994,130</u>
Total assets	<u>9,895,972</u>	<u>18,747,191</u>	<u>919,416</u>	<u>29,562,579</u>
<b>LIABILITIES:</b>				
Current liabilities -				
Accounts payable	183,964	96,621	36,142	316,727
Accrued wages	18,815	30,356	7,670	56,841
Current portion of accrued postclosure liability	-	-	23,000	23,000
Current portion of long-term debt	<u>218,085</u>	<u>654,156</u>	<u>-</u>	<u>872,241</u>
Total current liabilities	<u>420,864</u>	<u>781,133</u>	<u>66,812</u>	<u>1,268,809</u>
Noncurrent liabilities -				
Accrued compensated absences	28,642	49,685	13,288	91,615
Other postemployment benefits	586,889	1,280,857	110,162	1,977,908
Accrued postclosure liability	-	-	184,000	184,000
Long-term debt	<u>2,297,858</u>	<u>8,333,610</u>	<u>-</u>	<u>10,631,468</u>
Total noncurrent liabilities	<u>2,913,389</u>	<u>9,664,152</u>	<u>307,450</u>	<u>12,884,991</u>
Total liabilities	<u>3,334,253</u>	<u>10,445,285</u>	<u>374,262</u>	<u>14,153,800</u>
<b>NET POSITION:</b>				
Net investment in capital assets	4,217,461	3,968,351	304,609	8,490,421
Unrestricted	<u>2,344,258</u>	<u>4,333,555</u>	<u>240,545</u>	<u>6,918,358</u>
Total net position	\$ <u>6,561,719</u>	\$ <u>8,301,906</u>	\$ <u>545,154</u>	\$ <u>15,408,779</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Water Fund	Wastewater Fund	Solid Waste Fund	Totals Proprietary Funds
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,418,082	\$ 2,767,995	\$ 464,369	\$ 4,650,446
Miscellaneous	<u>10</u>	<u>3,399</u>	<u>22,616</u>	<u>26,025</u>
Total operating revenues	<u>1,418,092</u>	<u>2,771,394</u>	<u>486,985</u>	<u>4,676,471</u>
<b>OPERATING EXPENSES:</b>				
Operation and maintenance	250,608	745,517	446,259	1,442,384
Salaries and benefits	889,814	1,175,661	256,569	2,322,044
Depreciation	<u>390,640</u>	<u>1,157,215</u>	<u>67,490</u>	<u>1,615,345</u>
Total operating expenses	<u>1,531,062</u>	<u>3,078,393</u>	<u>770,318</u>	<u>5,379,773</u>
Operating income (loss)	<u>(112,970)</u>	<u>(306,999)</u>	<u>(283,333)</u>	<u>(703,302)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Capital contribution	-	46,800	-	46,800
Investment income	22,388	49,692	5,533	77,613
Interest expense	<u>(1,291)</u>	<u>(5,312)</u>	<u>-</u>	<u>(6,603)</u>
Total nonoperating revenues (expenses)	<u>21,097</u>	<u>91,180</u>	<u>5,533</u>	<u>117,810</u>
INCOME (LOSS) BEFORE TRANSFERS	(91,873)	(215,819)	(277,800)	(585,492)
Operating transfers in	-	-	197,313	197,313
Operating transfers out	<u>-</u>	<u>(61,065)</u>	<u>-</u>	<u>(61,065)</u>
Operating transfers, net	<u>-</u>	<u>(61,065)</u>	<u>197,313</u>	<u>136,248</u>
CHANGE IN NET POSITION	(91,873)	(276,884)	(80,487)	(449,244)
NET POSITION, July 1, 2019	<u>6,653,592</u>	<u>8,578,790</u>	<u>625,641</u>	<u>15,858,023</u>
NET POSITION, June 30, 2020	\$ <u>6,561,719</u>	\$ <u>8,301,906</u>	\$ <u>545,154</u>	\$ <u>15,408,779</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 1 of 2)

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Solid Waste Fund</u>	<u>Totals Proprietary Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 1,412,008	\$ 2,767,021	\$ 496,189	\$ 4,675,218
Cash paid to suppliers for goods and services	(136,805)	(761,650)	(478,773)	(1,377,228)
Cash paid to employees for services	<u>(589,209)</u>	<u>(955,347)</u>	<u>(292,298)</u>	<u>(1,836,854)</u>
Net cash provided (used) by operating activities	<u>685,994</u>	<u>1,050,024</u>	<u>(274,882)</u>	<u>1,461,136</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Purchases of capital assets	(682,307)	(210,576)	-	(892,883)
Capital contributions	-	46,800	-	46,800
Proceeds from long-term debt	-	98,319	-	98,319
Transfers in (out)	-	(46,800)	-	(46,800)
Principal paid on bonds	(245,405)	(747,438)	-	(992,843)
Interest paid on bonds	<u>(1,291)</u>	<u>(5,312)</u>	<u>-</u>	<u>(6,603)</u>
Net cash provided (used) by capital and related financing activities	<u>(929,003)</u>	<u>(865,007)</u>	<u>-</u>	<u>(1,794,010)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in (out)	-	(14,265)	197,313	183,048
Change in due to/from other funds	<u>(262,162)</u>	<u>(215,128)</u>	<u>65,510</u>	<u>(411,780)</u>
Net cash provided (used) by noncapital financing activities	<u>(262,162)</u>	<u>(229,393)</u>	<u>262,823</u>	<u>(228,732)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income	<u>22,388</u>	<u>49,692</u>	<u>5,533</u>	<u>77,613</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(482,783)	5,316	(6,526)	(483,993)
CASH AND CASH EQUIVALENTS, July 1, 2019	<u>1,631,525</u>	<u>2,644,580</u>	<u>488,884</u>	<u>4,764,989</u>
CASH AND CASH EQUIVALENTS, June 30, 2020	\$ <u>1,148,742</u>	\$ <u>2,649,896</u>	\$ <u>482,358</u>	\$ <u>4,280,996</u>

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

**TOWN OF HARTFORD, VERMONT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

(Page 2 of 2)

	<u>Water</u> <u>Fund</u>	<u>Wastewater</u> <u>Fund</u>	<u>Solid Waste</u> <u>Fund</u>	Totals <u>Proprietary</u> <u>Funds</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (112,970)	\$ (306,999)	\$ (283,333)	\$ (703,302)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	390,640	1,157,215	67,490	1,615,345
(Increase) decrease in accounts receivable	(6,084)	(4,373)	9,204	(1,253)
Increase (decrease) in -				
Accounts payable	161,680	63,478	(9,514)	215,644
Accrued interest	(47,877)	(79,611)	-	(127,488)
Accrued postclosure liability	-	-	(23,000)	(23,000)
Accrued wages	2,455	4,623	(3,112)	3,966
Other postemployment benefits	286,061	208,599	(31,804)	462,856
Accrued compensated absences	<u>12,089</u>	<u>7,092</u>	<u>(813)</u>	<u>18,368</u>
Net cash provided (used) by operating activities	\$ <u>685,994</u>	\$ <u>1,050,024</u>	\$ <u>(274,882)</u>	\$ <u>1,461,136</u>

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

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1. Summary of significant accounting policies:**

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

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

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

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

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

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

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

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1. Summary of significant accounting policies (continued):**

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

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

Community Development Fund - The Community Development Fund is used to account for community development grant programs and the Hartford Business Revolving Loan Fund.

The Town reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1. Summary of significant accounting policies (continued):**

- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Selectboard (the Board) based on the education and municipal grant lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town's department heads may make adjustments to appropriations within their department, while adjustments between departments can only be made with the approval of the Town Manager and Finance Director. The legal level of budgetary control is at the department level. No formal amendments were made to the budget that was approved and adopted. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1<sup>st</sup>. Listers establish a grand list of all property and the Board sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2020 were payable in two installments due August 16, 2019 and February 7, 2020.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- The Town has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. No liabilities have been accrued as the Town is not able to make an estimate as to any future costs. The Town paid \$14,631, in unemployment claims during the year end June 30, 2020.
- I. Cash, cash equivalents and investments - The Town considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the Town are reported at fair value using quoted prices in active markets for identical assets. This is considered a level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value. The Town does not own investments valued with level 2 or level 3 inputs, which would use quoted prices for similar assets, or in inactive markets, or other methods for estimating fair value.
- J. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**1. Summary of significant accounting policies (continued):**

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

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

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

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

N. Other postemployment benefits (OPEB) - The Town provides postemployment benefits for health insurance coverage for any employee who was hired prior to January 1, 2013, has attained age 55 and retires with a minimum of ten years of service (twenty years of service for employees hired after January 1, 1999). Other postemployment benefits are reported in the government-wide and proprietary fund financial statements. Governmental funds report other postemployment benefits as an expenditure when the benefit is paid.

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

**TOWN OF HARTFORD, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**1. Summary of significant accounting policies (continued):**

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

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

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

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

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

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

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

**2. Deposits and investments:**

Fair value and classification - Deposits and investments are stated at fair value as described in note 1.I. The classification of investments as of June 30, 2020 is as follows:

<u>Investment</u>	<u>Fair Value</u>
Mutual funds	\$ <u>17,667</u>

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The Town does not have a policy for custodial credit risk. As of June 30, 2020, \$970,617 of the Town's bank balance of \$20,210,463 was uninsured and uncollateralized.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2020, the Town does not hold more than 5% of its investments in any one issuer, other than mutual funds.

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**3. Notes receivable:**

The Town, through various federal loan programs, has received grants and advanced funds to encourage community development. These loans, generally secured by subordinated collateral positions, are recorded as notes receivable. Notes receivable as of June 30, 2020 are as follows:

Loan, secured, to Piecemeal LLC, interest at 5.5%, monthly payments of \$812, matures June 2021, extended to December 2021 due to Covid-19.	\$ 11,907
Loan, secured, to Vermod Real Estate Holdings, LLC, interest at 5.25%, monthly payments of \$337, matures February 2026, extended to August 2026 due to Covid-19.	42,566
Loan, secured and guaranteed, to West Hartford Village Store, interest at 2.0%, monthly payments of \$125, matures April 2025, extended to October 2025 due to Covid-19.	7,260
Loan, secured, to KAG Hartford RE, LLC, interest at 5.75%, monthly payments of \$1,053, matures July 2023, extended to January 2024 due to Covid-19.	143,368
Loan, secured and guaranteed, to Woodstock Area Adult Day Services, interest at 7.0%, monthly payments of \$581, matures February 2029.	34,256
Loan, secured and guaranteed, to Tafts Flat Properties, LLC, interest at 8.50%, monthly payments of \$1,026, matures July 2024, extended to January 2025 due to Covid-19.	44,500
Loan, secured by a mortgage, to Upper Valley Housing Associates, with no interest, monthly payments beginning January 2034, matures December 2059.	640,000
Loan, secured, to Hartford Scattered Site LP, with no interest, no payments until maturity, matures March 2036.	378,433
Loan, secured, to Bridge and Main Housing L.P., with no interest, no payments until maturity, matures October 2047.	<u>394,245</u>
	<u>\$ 1,696,535</u>

**4. Capital assets:**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental activities -</b>				
Capital assets, not depreciated:				
Construction in progress	\$ 2,726,657	\$ 1,210,725	\$ 118,581	\$ 3,818,801
Land	<u>1,431,658</u>	<u>-</u>	<u>-</u>	<u>1,431,658</u>
Total capital assets, not depreciated	<u>4,158,315</u>	<u>1,210,725</u>	<u>118,581</u>	<u>5,250,459</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**4. Capital assets (continued):**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>Governmental activities (continued) -</b>				
Capital assets, depreciated:				
Land improvements	1,278,767	58,179	-	1,336,946
Buildings and improvements	18,931,468	847,659	-	19,779,127
Vehicles and equipment	9,521,226	1,609,147	342,932	10,787,441
Infrastructure	37,640,773	562,304	-	38,203,077
Total capital assets, depreciated	<u>67,372,234</u>	<u>3,077,289</u>	<u>342,932</u>	<u>70,106,591</u>
Less accumulated depreciation for:				
Land improvements	456,390	47,731	-	504,121
Buildings and improvements	5,712,305	850,095	-	6,562,400
Vehicles and equipment	6,870,155	697,350	337,616	7,229,889
Infrastructure	23,131,047	1,438,421	-	24,569,468
Total accumulated depreciation	<u>36,169,897</u>	<u>3,033,597</u>	<u>337,616</u>	<u>38,865,878</u>
Total capital assets, depreciated, net	<u>31,202,337</u>	<u>43,692</u>	<u>5,316</u>	<u>31,240,713</u>
Capital assets, net, governmental activities	<u>35,360,652</u>	<u>1,254,417</u>	<u>123,897</u>	<u>36,491,172</u>
<b>Business-type activities -</b>				
Capital assets, not depreciated:				
Construction in progress	278,651	842,526	-	1,121,177
Land	424,307	-	-	424,307
Total capital assets, not depreciated	<u>702,958</u>	<u>842,526</u>	<u>-</u>	<u>1,545,484</u>
Capital assets, depreciated:				
Land improvements	147,002	-	-	147,002
Buildings and improvements	27,858,484	-	-	27,858,484
Vehicles and equipment	1,295,449	-	10,603	1,284,846
Infrastructure	25,489,256	50,357	-	25,539,613
Total capital assets, depreciated	<u>54,790,191</u>	<u>50,357</u>	<u>10,603</u>	<u>54,829,945</u>
Less accumulated depreciation for:				
Land improvements	99,310	5,520	-	104,830
Buildings and improvements	17,823,259	870,656	-	18,693,915
Vehicles and equipment	1,101,425	89,987	10,603	1,180,809
Infrastructure	15,752,563	649,182	-	16,401,745
Total accumulated depreciation	<u>34,776,557</u>	<u>1,615,345</u>	<u>10,603</u>	<u>36,381,299</u>
Total capital assets, depreciated, net	<u>20,013,634</u>	<u>(1,564,988)</u>	<u>-</u>	<u>18,448,646</u>
Capital assets, net, business-type activities	<u>20,716,592</u>	<u>(722,462)</u>	<u>-</u>	<u>19,994,130</u>
Capital assets, net	\$ <u>56,077,244</u>	\$ <u>531,955</u>	\$ <u>123,897</u>	\$ <u>56,485,302</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**4. Capital assets (continued):**

Depreciation expense of \$3,033,597 in the governmental activities was allocated to expenses of the general government (\$174,927), public safety (\$414,252), public works (\$1,776,139), health and social services (\$1,486), parks and recreation (\$635,489) and cultural (\$31,304) programs based on capital assets assigned to those functions.

Depreciation expense of \$1,615,345 in the business-type activities was allocated to expenses of the water (\$390,640), wastewater (\$1,157,215) and solid waste (\$67,490) programs based on capital assets assigned to those functions.

**5. Interfund receivable and payable balances:**

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2020 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental funds -</b>		
General Fund	\$ -	\$ 5,173,703
Community Development Fund	265,690	-
Other Governmental Funds	<u>407,516</u>	<u>-</u>
	<u>673,206</u>	<u>5,173,703</u>
<b>Proprietary funds -</b>		
Water Fund	1,760,082	-
Wastewater Fund	2,632,190	-
Solid Waste Fund	<u>108,225</u>	<u>-</u>
	<u>4,500,497</u>	<u>-</u>
	<u>\$ 5,173,703</u>	<u>\$ 5,173,703</u>

**6. Interfund transfers:**

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Interfund transfers for the year ended June 30, 2020 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental funds -</b>		
General Fund	\$ 14,265	\$ 197,313
Other Governmental Funds	<u>46,800</u>	<u>-</u>
	<u>61,065</u>	<u>197,313</u>
<b>Proprietary funds -</b>		
Wastewater Fund		61,065
Solid Waste Fund	<u>197,313</u>	<u>-</u>
	<u>\$ 258,378</u>	<u>\$ 258,378</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**6. Interfund transfers (continued):**

Transfers from the General Fund to the Solid Waste Fund of \$197,313 were included in the approved budget to support operations of the Solid Waste Fund. Transfers from the Wastewater Fund to the General Fund and Other Governmental Funds were to reimburse expenditures of \$14,265 and \$46,800, respectively.

**7. Long-term obligations:**

Long-term obligations activity for the year ended June 30, 2020 was as follows:

	Balance			Balance	Due Within
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>One Year</u>
<b>Governmental activities -</b>					
Accrued compensated absences	\$ 449,612	\$ 122,716	\$ -	\$ 572,328	\$ 143,082
Other postemployment benefits	12,628,509	475,528	-	13,104,037	-
Net pension liability	3,123,251	349,348	-	3,472,599	-
Long-term debt	12,175,608	-	865,811	11,309,797	760,811
Capital lease obligation	<u>100,215</u>	<u>1,025,809</u>	<u>140,809</u>	<u>985,215</u>	<u>134,925</u>
	<u>\$ 28,477,195</u>	<u>\$ 1,973,401</u>	<u>\$ 1,006,620</u>	<u>\$ 29,443,976</u>	<u>\$ 1,038,818</u>
<b>Business-type activities -</b>					
Accrued compensated absences	\$ 73,247	\$ 18,368	\$ -	\$ 91,615	\$ 22,904
Other postemployment benefits	1,515,052	462,856	-	1,977,908	-
Accrued postclosure liability	230,000	-	23,000	207,000	23,000
Long-term debt	<u>12,398,233</u>	<u>98,319</u>	<u>992,843</u>	<u>11,503,709</u>	<u>872,241</u>
	<u>\$ 14,216,532</u>	<u>\$ 579,543</u>	<u>\$ 1,015,843</u>	<u>\$ 13,780,232</u>	<u>\$ 918,145</u>
 Total long-term obligations	 <u>\$ 42,693,727</u>	 <u>\$ 2,552,944</u>	 <u>\$ 2,022,463</u>	 <u>\$ 43,224,208</u>	 <u>\$ 1,956,963</u>

**8. Landfill closure and postclosure care costs:**

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

State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for 30 years after closure and report monitoring results to the state regulatory agency. An estimated liability, estimated by the Town's engineers, of \$207,000 has been recognized in accrued postclosure liability for the future postclosure care costs. The Town is required to annually appropriate funds to finance postclosure care of the facility. The Town also maintains cash set aside to fund future postclosure care expenses. The balance of this cash account at June 30, 2020 was \$372,361. The estimate is based on the amount that would be paid if all equipment, facilities and services required to monitor and maintain the landfill were acquired as of June 30, 2020. However, the actual cost of postclosure care may be higher (or lower) due to inflation, changes in technology, or changes in landfill laws and regulations.

**TOWN OF HARTFORD, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**9. Debt:**

Long-term - Outstanding long-term debt as of June 30, 2020 is as follows:

**Governmental activities - notes from direct borrowings:**

General obligation note, Vermont Municipal Bond Bank - 2012 Series 1, various interest rates, annual principal payment of \$56,761, due November 2032.	737,897
General obligation note, Vermont Municipal Bond Bank - 2017 Series 4, various interest rates, annual principal payment of \$307,750, due November 2033.	4,308,500
General obligation note, Vermont Municipal Bond Bank - 2014 Series 3, various interest rates, annual principal payment of \$45,000, due November 2034.	675,000
General obligation note, Vermont Municipal Bond Bank - 2014 Series 3, various interest rates, annual principal payment of \$245,000, due November 2034.	3,675,000
General obligation note, Vermont Municipal Bond Bank - 2017 Series 3, various interest rates, annual principal payment of \$106,300, due November 2037.	<u>1,913,400</u>
	<u>\$ 11,309,797</u>

**Business-type activities - notes from direct borrowings:**

General obligation note, Vermont Municipal Bond Bank - RF3-069, interest at 1%, admin fee at 2%, annual payment of \$180,152, due June 2026.	\$ 942,248
General obligation note, Vermont Municipal Bond Bank - AR1-006, no interest, admin fee at 2%, annual payment of \$40,797, due September 2031.	431,443
General obligation note, Vermont Municipal Bond Bank - AR1-099, no interest, admin fee at 2%, annual payment of \$464,167, due June 2033.	4,841,246
General obligation note, Vermont Municipal Bond Bank - AR1-041, no interest, admin fee at 2%, annual payment of \$327,396, due September 2032.	3,531,396
General obligation note, Vermont Municipal Bond Bank - RF3-329, interest at 1%, admin fee at 2%, annual payment of \$97,460, due October 2037.	1,573,695
General obligation note, Vermont Municipal Bond Bank - RF1-188, no interest or admin fee, annual payment of \$6,967 (based on current borrowings), due October 2031.	69,675
General obligation note, Vermont Municipal Bond Bank - RF1-202, no interest or admin fee, annual payment of \$3,137 (based on current borrowings), due October 2026.	15,687
General obligation note, Vermont Municipal Bond Bank - RF1-222, no interest or admin fee, annual payment of \$19,664 (based on current borrowings), due October 2029.	<u>98,319</u>
	<u>\$ 11,503,709</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**9. Debt (continued):**

Long-term (continued) - Long-term debt activity for the year ended June 30, 2020 was as follows:

	<u>Balance</u> July 1, 2019	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> June 30, 2020	<u>Due</u> Within One Year
<b>Governmental activities -</b>					
Notes from direct borrowings:					
VMBB - 2012 Series 3	\$ 105,000	\$ -	\$ 105,000	\$ -	\$ -
VMBB - 2012 Series 1	794,658	-	56,761	737,897	56,761
VMBB - 2017 Series 4	4,616,250	-	307,750	4,308,500	307,750
VMBB - 2014 Series 3	720,000	-	45,000	675,000	45,000
VMBB - 2014 Series 3	3,920,000	-	245,000	3,675,000	245,000
VMBB - 2017 Series 3	2,019,700	-	106,300	1,913,400	106,300
	<u>12,175,608</u>	<u>-</u>	<u>865,811</u>	<u>11,309,797</u>	<u>760,811</u>
<b>Business-type activities -</b>					
Notes from direct borrowings:					
RF3-069	1,122,400	-	180,152	942,248	150,875
AR1-006	462,981	-	31,538	431,443	32,168
AR1-099	5,305,413	-	464,167	4,841,246	365,220
AR1-041	3,783,129	-	251,733	3,531,396	256,768
RF3-329	1,638,948	-	65,253	1,573,695	67,210
RF1-188	69,675	-	-	69,675	-
RF1-202	15,687	-	-	15,687	-
RF1-222	-	98,319	-	98,319	-
	<u>12,398,233</u>	<u>98,319</u>	<u>992,843</u>	<u>11,503,709</u>	<u>872,241</u>
	\$ <u>24,573,841</u>	\$ <u>98,319</u>	\$ <u>1,858,654</u>	\$ <u>22,813,506</u>	\$ <u>1,633,052</u>

Debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Notes from Direct Borrowings</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 760,811	\$ 387,978	\$ 872,241	\$ 124,234
2022	760,811	367,366	901,972	235,067
2023	760,811	344,523	922,055	214,983
2024	760,811	321,671	942,608	194,430
2025	760,811	283,687	983,305	173,397
2026-2030	3,804,058	1,035,109	4,430,096	566,921
2031-2035	3,382,784	331,884	2,127,779	149,236
2036-2038	318,900	17,641	323,653	19,610
	<u>\$ 11,309,797</u>	<u>\$ 3,089,859</u>	<u>\$ 11,503,709</u>	<u>\$ 1,677,878</u>

**TOWN OF HARTFORD, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**9. Debt (continued):**

Long-term (continued) -

In prior years the Vermont Municipal Bond Bank (VMBB) has refunded the 1997 Series 1, 2004 Series 1, 2013 Series 1, and both 2001 Series 1 direct borrowings with the 2007 Series 2, 2012 Series 3, 2017 Series 4, and both 2010 Series 4 direct borrowings, respectively, resulting in interest savings to the Town of \$283,491. These savings allocations, to be received between FY08 and FY34, have been reflected as a reduction of interest in the debt service requirements table. There is no remaining principal balance due on the 2007 Series 2, either 2010 Series 4, or 2012 Series 3, direct borrowings at June 30, 2020.

In the event that the Town is in default on their payment obligations issued from the VMBB, the State Treasurer has the ability to intercept State funding until the default is cured.

Subsequent to year end the Town obtained a 2020 Series 2 direct borrowing from the VMBB in the amount of \$1,735,000, and a general obligation note through the State of Vermont Revolving Loan Fund, RF3-390, in the amount of \$1,037,771.

Subsequent to year end the Town received an increase in funding on the RF1-222 direct borrowing from the State of Vermont Revolving Loan Fund of \$849,212.

Short-term - During the year, the Town obtained a line of credit in the form of a 2.8% promissory note in the amount of \$3,000,000 which matures in April 2021. As of the date of this report, the Town has not yet borrowed on this note.

Subsequent to year end the Town obtained a line of credit in the form of a 2.8% grant anticipation note in the amount of \$9,200,000 which matures in July 2021. As of the date of this report, the Town has not yet borrowed on this note.

**10. Capital lease:**

The Town has entered into lease agreements as lessee for financing the acquisition of various capital assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, the cost and depreciation of these assets are included with other capital assets of the Town. The cost of these assets acquired by capital lease is the present value of the future lease payments. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year ending June 30,	
2021	\$ 170,361
2022	170,361
2023	140,340
2024	127,187
2025	127,187
2026-2029	<u>407,708</u>
Total minimum lease payments	1,143,144
Less: amount representing interest	<u>(157,929)</u>
Present value of minimum lease payments	\$ <u>985,215</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**10. Capital lease (continued):**

Subsequent to year end the Town obtained a capital lease in the amount of \$137,701, with 10 annual payments of \$17,790 beginning in September 2021, maturing in September 2030.

Subsequent to year end the Town obtained a capital lease in the amount of \$38,763, with five annual payments of \$8,462 beginning in November 2020, maturing in November 2024.

**11. Tax increment financing district:**

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

The TIF allows the Town to undertake and pay for infrastructure improvements that enable increased private sector economic and community development. With a TIF, the value of properties, within the TIF, are frozen at the time the TIF is created. All property taxes generated by the original base continue to go to the municipal General Fund and the State Education Fund. For twenty years from the first debt incursion, the municipal and education property taxes generated by any new development are shared, with 75% going to finance TIF infrastructure debt and 25% going to the municipal General Fund and State Education Fund. As a general obligation of the Town, if TIF revenues are not sufficient to cover the debt, the Town is still responsible for the payments. The Town cannot incur any new TIF debt until each project or group of projects is approved by the VEPC and then by the voters.

In March 2014, voters approved a \$900,000 borrowing for the first TIF project - reconstruction and realignment of Prospect Street. This included roadway, utilities, pedestrian walkways, lighting, and landscaping for phase one of a multi-phase private redevelopment project, and TIF related costs, such as legal, consultant, engineering, public notices, financing vote, and bidding process. This Town road project is now completed. A new 38,600 sq ft private office building was constructed and occupied in 2015, and a second 10,000 sq ft building was constructed and occupied in 2016. The private development of these two new buildings covers the payments for the related debt. A third building is expected in the future.

In March 2016, Town voters authorized TIF projects and borrowings in the amount of \$900,000 for public parking, storm water and sanitary sewer infrastructure improvements, and related costs. \$200,000 of the authorization was included in the VMBB 2017 Series 3 borrowing issued in August 2017. The financing for the remaining \$700,000 authorized is to be determined upon completion of the engineering work. The parking lot is in the design phase.

In March 2017, Town voters authorized TIF projects and borrowings totaling \$1,926,000 for construction of public sidewalks, roads, streetscapes, water, storm water, sanitary sewer, and South Main Street retaining wall improvements, and related costs, advances, interfund loans and third-party public infrastructure costs. Specific projects are Currier Street Extension, North Main Street sidewalks and streetscapes, and design and engineering of Gates, Currier, North Main and South Main Streets for various improvements. The entire authorization was included in the VMBB 2017 Series 3 borrowing issued in August 2017. The North Main Street sidewalk is completed; the Currier Street Project is expected to be completed in FY 2021; and section

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**11. Tax increment financing district (continued):**

one of the South Main Street project engineering is substantially completed with the remaining section anticipated to be completed in FY 2022.

In March 2019, Town voters authorized TIF projects and borrowings totaling \$5,477,000 for the engineering, design, permitting and construction of public sidewalk, road, streetscape, lighting, water, stormwater, sanitary sewer, retaining wall on South Main Street, North Main Street, and Gates Street, and related costs, TIF administrative costs, audits, advances, interfund loans and third party public infrastructure costs for such improvements and any previously approved TIF improvements. Voters also approved using any unexpended proceeds of borrowings previously issued or voter authorized, to finance the cost of TIF improvements and related costs for this project and any previously approved TIF improvements. \$849,212 of the debt authorization was issued in September 2020 through the Vermont Clean Water State Revolving Fund Loan RF1-222; \$1,037,771 of the debt authorization was issued in September 2020 through the Vermont Drinking Water State Revolving Fund Loan RF3-390; and \$1,735,000 of the debt authorization was issued in August 2020 through the VMBB 2020 Series 2 borrowing.

In March 2020, Town voters authorized TIF projects and borrowings totaling \$2,666,600, for the engineering, design, legal, surveying, permitting and construction of public sidewalk, curb, crosswalks, paving, road, parking, streetscape, landscaping, lighting, and drainage on South Main and Maple Streets, related costs, TIF administrative costs, audits, advances, interfund loans and third-party public infrastructure costs for such improvements and any previously approved TIF improvements. Voters also approved using any unexpended proceeds of bonds or notes previously issued or voter authorized, to finance the cost of TIF improvements and related costs for these projects and any previously approved TIF improvements. Due to the Covid-19 pandemic, debt issuance and project implementation have been delayed.

Also in 2020, the Vermont Legislature approved an extension of the TIF's 20-year debt issuance period from March 2021 to March 2024 due to the impact of the great recession on development in the first three years of the TIF, and the impact of the Covid-19 pandemic.

**12. Fund balances:**

As of June 30, 2020, the General Fund reported a nonspendable fund balance (\$25,593) related to prepaid expenditures. The remaining fund balances of this fund are committed (\$1,948,130) for various reserves, assigned (\$1,106,554) for various encumbrances and (\$742,472) for planned use of fund balance in the FY21 budget and unassigned (\$3,260,266).

**13. Deficit fund balances:**

As of June 30, 2020, the Recreation Fund has a deficit fund balance of \$69,014. Management intends to recover this deficit through future revenues and grant reimbursements.

As of June 30, 2020, the Capital Projects Fund has a deficit fund balance of \$120,302. Management intends to recover this deficit through future grant reimbursements and a transfer from the General Fund.

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**14. Pension plans:**

401(a) Governmental Money Purchase Plan -

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

The Town is required to make contributions to the Plan at a rate of 8% of the participant's salary. The ICMA Retirement Corporation administers the plan. Total contributions by the Town for the year ended June 30, 2020 were \$89,166.

457 Deferred Compensation Plan -

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

Vermont Municipal Employees' Retirement System -

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

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

Contributions: Defined benefit plan members are required to contribute 2.75% (Group A), 5.125% (Group B), 10.25% (Group C) or 11.6% (Group D) of their annual covered salary, and the Town is required to contribute 4.25% (Group A), 5.75% (Group B), 7.5% (Group C) or 10.1% (Group D) of the employees' compensation. Defined contribution plan members are required to contribute 5.0% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2020, 2019, and 2018, were \$431,926, \$389,629, and \$391,888, respectively. The amount contributed was equal to the required contributions for the year.

**TOWN OF HARTFORD, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**14. Pension plans (continued):**

Vermont Municipal Employees' Retirement System (continued) -

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements include the Town's proportionate share of the VMERS net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on its calculation of the Town's 2.0016% proportionate share of VMERS defined benefit plan.

Town's share of VMERS net pension liability	\$ 3,472,599
Deferred outflows of resources - Deferred pension expense	\$ 1,308,813
Deferred inflows of resources - Deferred pension credits	\$ 202,824

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

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

**15. Other postemployment benefits (OPEB) plan:**

The Town's most recent GASB 74/75 Actuarial Valuation was performed with a valuation date of July 1, 2019, with measurement dates of July 1, 2019 and July 1, 2020 for the reporting dates of June 30, 2020 and June 30, 2021, respectively. The Town's next actuarial valuation is scheduled to be performed with a valuation date of July 1, 2021.

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

Benefits provided: The Plan provides health insurance coverage for any employee who was hired prior to January 1, 2013, has attained age 55 and retires with a minimum of ten years of service (twenty years of service for employees hired after January 1, 1999). The Town pays for health insurance costs up to age 65 and then pays for any Medicare supplemental policy, in accordance with the cost-sharing arrangements that exist for regular employees.

Employees covered by benefit terms: At the valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	63
Active employees	<u>55</u>
	<u>118</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**15. Other postemployment benefits (OPEB) plan (continued):**

Total OPEB liability: The Town's total OPEB liability for the year ended June 30, 2020 is \$15,081,945. The Plan is not funded in advance so the net OPEB liability is also \$15,081,945. An analysis of the total OPEB liability is presented in Schedule 9.

Sensitivity of the total OPEB liability: A change in assumptions can have a large effect of the estimated OPEB obligation. An increase of 1% in the healthcare cost trend would increase the OPEB liability to \$18,245,045 while a decrease of 1% would reduce the OPEB liability to \$12,658,130. An increase of 1% in the discount rate used to calculate future costs would reduce the OPEB liability to \$12,927,936 while a decrease of 1% would increase the OPEB liability to \$17,808,134.

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

Actuarial cost method	Individual entry age normal
Discount rate	3.50% per annum
Healthcare cost trend rate	4.50% increase per annum
Inflation rate	2.50% per annum
Compensation increases	3.00% per annum
Mortality tables	Various RP-2014 healthy annuitant tables

**16. Subsequent event/contingencies:**

These financial statements were evaluated for subsequent events to be reported in the notes through October 6, 2020, the date the financial statements were available to be issued.

**TOWN OF HARTFORD, VERMONT**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

Schedule 1

	Public Safety <u>Fund</u>	Recreation <u>Fund</u>	Impact Fees <u>Fund</u>	FEMA <u>Fund</u>	TIF <u>Fund</u>	Capital Projects <u>Fund</u>	Cemetery Trust <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 4,290	\$ 29,417	\$ 151	\$ -	\$ 1,745,200	\$ -	\$ 23,425	\$ 1,802,483
Investments	-	-	-	-	-	-	17,667	17,667
Accounts receivable	72,981	-	-	5,135	-	658,582	-	736,698
Grants receivable	-	5,000	-	-	-	-	-	5,000
Due from other funds	156,060	-	5,250	386,502	87,505	-	-	635,317
Notes receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 233,331</u>	<u>\$ 34,417</u>	<u>\$ 5,401</u>	<u>\$ 391,637</u>	<u>\$ 1,832,705</u>	<u>\$ 658,582</u>	<u>\$ 41,092</u>	<u>\$ 3,197,165</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>								
<b>LIABILITIES:</b>								
Accounts payable	\$ 36,000	\$ 1,711	\$ -	\$ -	\$ 59,173	\$ 652,803	\$ -	\$ 749,687
Accrued wages	1,609	-	-	-	-	-	-	1,609
Due to other funds	-	101,720	-	-	-	126,081	-	227,801
Total liabilities	<u>37,609</u>	<u>103,431</u>	<u>-</u>	<u>-</u>	<u>59,173</u>	<u>778,884</u>	<u>-</u>	<u>979,097</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>								
Deferred note revenue	-	-	-	-	-	-	-	-
<b>FUND EQUITY:</b>								
Fund balances -								
Nonspendable	-	-	-	-	-	-	27,168	27,168
Restricted	195,722	-	5,401	391,637	1,773,532	-	13,924	2,380,216
Unassigned	-	(69,014)	-	-	-	(120,302)	-	(189,316)
Total fund balances (deficit)	<u>195,722</u>	<u>(69,014)</u>	<u>5,401</u>	<u>391,637</u>	<u>1,773,532</u>	<u>(120,302)</u>	<u>41,092</u>	<u>2,218,068</u>
Total liabilities, deferred inflows of resources and fund equity	<u>\$ 233,331</u>	<u>\$ 34,417</u>	<u>\$ 5,401</u>	<u>\$ 391,637</u>	<u>\$ 1,832,705</u>	<u>\$ 658,582</u>	<u>\$ 41,092</u>	<u>\$ 3,197,165</u>

**TOWN OF HARTFORD, VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 2

	Public Safety <u>Fund</u>	Recreation <u>Fund</u>	Impact Fees <u>Fund</u>	FEMA <u>Fund</u>	TIF <u>Fund</u>	Capital Projects <u>Fund</u>	Cemetery Trust <u>Fund</u>	<u>Total</u>
<b>REVENUES:</b>								
Intergovernmental	\$ 117,229	\$ 5,000	\$ -	\$ 5,705	\$ -	\$ 782,767	\$ -	\$ 910,701
Property taxes	-	-	-	-	522,232	-	-	522,232
Miscellaneous revenues	16,525	22,149	-	-	-	-	-	38,674
Investment income	<u>30</u>	<u>375</u>	<u>2</u>	<u>-</u>	<u>2,272</u>	<u>-</u>	<u>156</u>	<u>2,835</u>
Total revenues	<u>133,784</u>	<u>27,524</u>	<u>2</u>	<u>5,705</u>	<u>524,504</u>	<u>782,767</u>	<u>156</u>	<u>1,474,442</u>
<b>EXPENDITURES:</b>								
General government	-	-	-	-	8,732	390	-	9,122
Public safety	111,820	-	-	-	-	-	-	111,820
Recreation	-	27,852	-	-	-	-	-	27,852
Capital outlay	4,400	-	-	-	165,645	782,737	-	952,782
Debt service - principal	-	-	-	-	151,300	-	-	151,300
Debt service - interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,170</u>	<u>-</u>	<u>-</u>	<u>83,170</u>
Total expenditures	<u>116,220</u>	<u>27,852</u>	<u>-</u>	<u>-</u>	<u>408,847</u>	<u>783,127</u>	<u>-</u>	<u>1,336,046</u>
EXCESS OF REVENUES OR (EXPENDITURES)	17,564	(328)	2	5,705	115,657	(360)	156	138,396
<b>OTHER FINANCING SOURCES (USES):</b>								
Interfund transfers in (out), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,800</u>	<u>-</u>	<u>-</u>	<u>46,800</u>
NET CHANGE IN FUND BALANCES	17,564	(328)	2	5,705	162,457	(360)	156	185,196
FUND BALANCES (DEFICIT), July 1, 2019	<u>178,158</u>	<u>(68,686)</u>	<u>5,399</u>	<u>385,932</u>	<u>1,611,075</u>	<u>(119,942)</u>	<u>40,936</u>	<u>2,032,872</u>
FUND BALANCES (DEFICIT), June 30, 2020	\$ <u>195,722</u>	\$ <u>(69,014)</u>	\$ <u>5,401</u>	\$ <u>391,637</u>	\$ <u>1,773,532</u>	\$ <u>(120,302)</u>	\$ <u>41,092</u>	\$ <u>2,218,068</u>

**TOWN OF HARTFORD, VERMONT**  
**COMBINING STATEMENT OF NET POSITION - WATER FUND**  
**JUNE 30, 2020**

Schedule 3

	<u>Central Water Fund</u>	<u>Quechee Water Fund</u>	<u>Total Water Fund</u>
<b>ASSETS:</b>			
Current assets -			
Cash and cash equivalents	\$ 434,388	\$ 714,354	\$ 1,148,742
Accounts receivable, net	175,667	78,077	253,744
Due from other funds	<u>859,032</u>	<u>901,050</u>	<u>1,760,082</u>
Total current assets	<u>1,469,087</u>	<u>1,693,481</u>	<u>3,162,568</u>
Noncurrent assets -			
Capital assets	10,440,374	4,216,059	14,656,433
less - accumulated depreciation	<u>(6,074,372)</u>	<u>(1,848,657)</u>	<u>(7,923,029)</u>
Total noncurrent assets	<u>4,366,002</u>	<u>2,367,402</u>	<u>6,733,404</u>
Total assets	<u>5,835,089</u>	<u>4,060,883</u>	<u>9,895,972</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	178,187	5,777	183,964
Accrued wages	14,142	4,673	18,815
Current portion of long-term debt	<u>150,875</u>	<u>67,210</u>	<u>218,085</u>
Total current liabilities	<u>343,204</u>	<u>77,660</u>	<u>420,864</u>
Noncurrent liabilities -			
Accrued compensated absences	27,067	1,575	28,642
Other postemployment benefits	486,849	100,040	586,889
Long-term debt	<u>791,373</u>	<u>1,506,485</u>	<u>2,297,858</u>
Total noncurrent liabilities	<u>1,305,289</u>	<u>1,608,100</u>	<u>2,913,389</u>
Total liabilities	<u>1,648,493</u>	<u>1,685,760</u>	<u>3,334,253</u>
<b>NET POSITION:</b>			
Net investment in capital assets	3,423,754	793,707	4,217,461
Unrestricted	<u>762,842</u>	<u>1,581,416</u>	<u>2,344,258</u>
Total net position	<u>\$ 4,186,596</u>	<u>\$ 2,375,123</u>	<u>\$ 6,561,719</u>

**TOWN OF HARTFORD, VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - WATER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 4

	Central Water <u>Fund</u>	Quechee Water <u>Fund</u>	Total Water <u>Fund</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 991,176	\$ 426,906	\$ 1,418,082
Miscellaneous	<u>10</u>	<u>-</u>	<u>10</u>
Total operating revenues	<u>991,186</u>	<u>426,906</u>	<u>1,418,092</u>
<b>OPERATING EXPENSES:</b>			
Operation and maintenance	193,014	57,594	250,608
Salaries and benefits	733,233	156,581	889,814
Depreciation	<u>261,539</u>	<u>129,101</u>	<u>390,640</u>
Total operating expenses	<u>1,187,786</u>	<u>343,276</u>	<u>1,531,062</u>
Operating income (loss)	<u>(196,600)</u>	<u>83,630</u>	<u>(112,970)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	10,603	11,785	22,388
Interest expense, net of accrued interest	<u>2,806</u>	<u>(4,097)</u>	<u>(1,291)</u>
Total nonoperating revenues (expenses)	<u>13,409</u>	<u>7,688</u>	<u>21,097</u>
CHANGE IN NET POSITION	(183,191)	91,318	(91,873)
NET POSITION, July 1, 2019	<u>4,369,787</u>	<u>2,283,805</u>	<u>6,653,592</u>
NET POSITION, June 30, 2020	\$ <u>4,186,596</u>	\$ <u>2,375,123</u>	\$ <u>6,561,719</u>

**TOWN OF HARTFORD, VERMONT**  
**COMBINING STATEMENT OF NET POSITION - WASTEWATER FUND**  
**JUNE 30, 2020**

Schedule 5

	<u>Central Wastewater Fund</u>	<u>Quechee Wastewater Fund</u>	<u>Total Wastewater Fund</u>
<b>ASSETS:</b>			
Current assets -			
Cash and cash equivalents	\$ 1,540,717	\$ 1,109,179	\$ 2,649,896
Accounts receivable, net	294,502	214,486	508,988
Due from other funds	<u>1,294,808</u>	<u>1,337,382</u>	<u>2,632,190</u>
Total current assets	<u>3,130,027</u>	<u>2,661,047</u>	<u>5,791,074</u>
Noncurrent assets -			
Capital assets	21,074,212	18,272,327	39,346,539
less - accumulated depreciation	<u>(14,246,394)</u>	<u>(12,144,028)</u>	<u>(26,390,422)</u>
Total noncurrent assets	<u>6,827,818</u>	<u>6,128,299</u>	<u>12,956,117</u>
Total assets	<u>9,957,845</u>	<u>8,789,346</u>	<u>18,747,191</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	79,558	17,063	96,621
Accrued wages	17,913	12,443	30,356
Current portion of long-term debt	<u>384,193</u>	<u>269,963</u>	<u>654,156</u>
Total current liabilities	<u>481,664</u>	<u>299,469</u>	<u>781,133</u>
Noncurrent liabilities -			
Accrued compensated absences	34,275	15,410	49,685
Other postemployment benefits	980,062	300,795	1,280,857
Long-term debt	<u>4,802,030</u>	<u>3,531,580</u>	<u>8,333,610</u>
Total noncurrent liabilities	<u>5,816,367</u>	<u>3,847,785</u>	<u>9,664,152</u>
Total liabilities	<u>6,298,031</u>	<u>4,147,254</u>	<u>10,445,285</u>
<b>NET POSITION:</b>			
Net investment in capital assets	1,641,595	2,326,756	3,968,351
Unrestricted	<u>2,018,219</u>	<u>2,315,336</u>	<u>4,333,555</u>
Total net position	<u>\$ 3,659,814</u>	<u>\$ 4,642,092</u>	<u>\$ 8,301,906</u>

**TOWN OF HARTFORD, VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - WASTEWATER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Schedule 6

	Central Wastewater <u>Fund</u>	Quechee Wastewater <u>Fund</u>	Total Wastewater <u>Fund</u>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,615,640	\$ 1,152,355	\$ 2,767,995
Miscellaneous	<u>129</u>	<u>3,270</u>	<u>3,399</u>
Total operating revenues	<u>1,615,769</u>	<u>1,155,625</u>	<u>2,771,394</u>
<b>OPERATING EXPENSES:</b>			
Operation and maintenance	475,705	269,812	745,517
Salaries and benefits	931,576	244,085	1,175,661
Depreciation	<u>547,063</u>	<u>610,152</u>	<u>1,157,215</u>
Total operating expenses	<u>1,954,344</u>	<u>1,124,049</u>	<u>3,078,393</u>
Operating income (loss)	<u>(338,575)</u>	<u>31,576</u>	<u>(306,999)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Capital contribution	46,800	-	46,800
Investment income	22,053	27,639	49,692
Interest expense, net of accrued interest	<u>8,439</u>	<u>(13,751)</u>	<u>(5,312)</u>
Total nonoperating revenues (expenses)	<u>77,292</u>	<u>13,888</u>	<u>91,180</u>
INCOME (LOSS) BEFORE TRANSFERS	(261,283)	45,464	(215,819)
Operating transfers out	<u>(61,065)</u>	<u>-</u>	<u>(61,065)</u>
CHANGE IN NET POSITION	(322,348)	45,464	(276,884)
NET POSITION, July 1, 2019	<u>3,982,162</u>	<u>4,596,628</u>	<u>8,578,790</u>
NET POSITION, June 30, 2020	\$ <u>3,659,814</u>	\$ <u>4,642,092</u>	\$ <u>8,301,906</u>

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

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
VMERS  
JUNE 30, 2020**

Schedule 7

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Town's proportion of the net pension liability	2.0016%	2.2202%	2.0727%	1.9987%	2.0337%	1.9881%
Town's proportionate share of the net pension liability	\$ 3,472,599	\$ 3,123,251	\$ 2,511,201	\$ 2,572,277	\$ 1,567,870	\$ 181,445
Town's covered payroll	\$ 5,704,684	\$ 5,320,692	\$ 5,472,234	\$ 4,398,702	\$ 4,294,168	\$ 4,153,140
Town's proportionate share of the net pension liability as a percentage of its covered payroll	60.873%	58.700%	45.890%	58.478%	36.512%	4.369%
VMERS net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**SCHEDULE OF TOWN'S CONTRIBUTIONS  
VMERS  
JUNE 30, 2020**

Schedule 8

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 419,606	\$ 384,575	\$ 388,880	\$ 313,738	\$ 303,770	\$ 268,542
Contributions in relation to the contractually required contribution	<u>419,606</u>	<u>384,575</u>	<u>388,880</u>	<u>313,738</u>	<u>303,770</u>	<u>268,542</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 5,704,684	\$ 5,320,692	\$ 5,472,234	\$ 4,398,702	\$ 4,294,168	\$ 4,153,140
Contributions as a percentage of covered payroll	7.355%	7.228%	7.106%	7.133%	7.074%	6.466%

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

**SCHEDULE OF CHANGES IN THE TOWN'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS PLAN  
JUNE 30, 2020**

Schedule 9

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability:</b>			
Changes for the year-			
Service cost	\$ 314,552	\$ 347,699	\$ 295,097
Interest	464,064	453,840	345,611
Difference between expected and actual plan experience	352,119	-	3,022,954
Changes in assumptions	203,486	-	-
Benefit payments	<u>(429,825)</u>	<u>(477,373)</u>	<u>(296,328)</u>
Net OPEB expense	904,396	324,166	3,367,334
Total OPEB Liability - beginning of year	14,177,549	13,853,383	9,889,027
Changes in assumptions for GASB 75	<u>-</u>	<u>-</u>	<u>597,022</u>
Total OPEB Liability - end of year	\$ <u>15,081,945</u>	\$ <u>14,177,549</u>	\$ <u>13,853,383</u>
Covered-employee payroll	\$ 7,389,688	\$ 7,251,836	\$ 7,052,376
Total OPEB liability as a percentage of covered-employee payroll	49.00%	51.15%	50.91%

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

The Selectboard  
Town of Hartford, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hartford, Vermont (the Town) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 6, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

## **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'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's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont  
October 6, 2020

*Melgett Jennett* 4  
*Shook-Nixon, P.L.*

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

The Selectboard  
Town of Hartford, Vermont

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Hartford, Vermont's (the Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2020. The Town's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Town of Hartford, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## **Report on Internal Control Over Compliance**

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

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

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

### ***Purpose of this Report***

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

Montpelier, Vermont  
October 6, 2020

*Melgett Jenett* 4  
*Shosh-Nisa, P.L.*

**TOWN OF HARTFORD, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

(Page 1 of 2)

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Housing and Urban Development:</b>				
Passed through the Vermont Agency of Commerce and Community Development - Community Development Block Grants	14.228	07110-IG-2018-Hartford-06	\$ -	\$ 1,658
<b>U.S. Department of the Interior:</b>				
Passed through the Vermont Agency of Commerce and Community Development - Historic Preservation Fund Grants-In-Aid	15.904	07110-VT-19-002	-	5,527
<b>U.S. Department of Justice:</b>				
Bulletproof Vest Partnership Program	16.607	N/A	-	2,997
<b>U.S. Department of Transportation:</b>				
Passed through the Vermont Agency of Transportation -				
Highway Planning and Construction	20.205	CA0337	-	1,461
Highway Planning and Construction	20.205	EH0015	-	44,198
Highway Planning and Construction	20.205	BR0571	-	8,000
Highway Planning and Construction	20.205	ER0135	-	22,938
Highway Planning and Construction	20.205	CA0135	-	782,737
Total Highway Planning and Construction			-	859,334
Passed through the Vermont Department of Public Safety - National Priority Safety Programs	20.616	02140-NH20405C-701h	-	8,533
Total U.S. Department of Transportation			-	867,867
<b>U.S. National Endowment for the Humanities:</b>				
Passed through the Vermont Department of Libraries - Grants to States	45.310	01130 Courier LSTA19.1.91	-	390
<b>U.S. Environmental Protection Agency:</b>				
Passed through the Vermont State Revolving Fund -				
Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan RF1-222	-	108,142
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Loan RF3-390	-	111,206
Total U.S. Environmental Protection Agency			-	219,348

**TOWN OF HARTFORD, VERMONT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

(Page 2 of 2)

<u>Federal Grantor/Pass-through Grantor</u> <u>Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Passed</u> <u>Through to</u> <u>Subrecipients</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services:</b>				
Passed through the Vermont				
Department of Health -				
Public Health Emergency Response:				
Cooperative Agreement for Emergency				
Response: Public Health Crisis Response	93.354	03420-08296	<u>-</u>	<u>16,145</u>
<b>U.S. Department of Homeland Security:</b>				
Passed through the Vermont				
Department of Public Safety -				
Disaster Grants - Public Assistance				
(Presidentially Declared Disasters)	97.036	02140-84445-014	-	32,867
Hazard Mitigation Grant	97.039	02140-34356-003C	-	4,042
Homeland Security Grant Program	97.067	02140-77152-1723	<u>-</u>	<u>150</u>
Total U.S. Department of Homeland Security			<u>-</u>	<u>37,059</u>
Total expenditures of federal awards			\$ <u>-</u>	\$ <u>1,150,991</u>

**TOWN OF HARTFORD, VERMONT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**1. Basis of presentation:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town.

**2. Summary of significant accounting policies:**

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

**TOWN OF HARTFORD, VERMONT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**A. Summary of Auditor's Results:**

**Financial Statements -**

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? *No*

**Federal Awards -**

Internal control over major programs:

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

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

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

Identification of major program:

- *U.S. Department of Transportation  
CFDA 20.205 - Highway Planning and Construction*

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

Auditee qualified as low-risk auditee? *Yes*

**B. Audit Findings - Financial Statements:**

**2020-001 - Welcoming Hartford Ordinance**

Condition - The *Welcoming Hartford Ordinance* (WHO) was authorized by voters at the annual Town Meeting in March 2020. The WHO restricts communications between Town employees and federal agencies regarding citizenship or immigration status of undocumented immigrants in Hartford. This restriction appears to be in conflict with federal laws 8 U.S.C. §1644 and §1373. The Town has obtained conflicting legal guidance as to the effects of any deemed noncompliance on the Town's current or future participation in federal grant or loan programs. Grantor agencies were not advised of the WHO or consulted as to specific impacts of any noncompliance with all applicable federal laws on current federal grant or loan programs.

After adoption of the WHO, the Town implemented new certification procedures for federal awards. Town staff and department heads verify data accuracy and the Town's Selectboard Chair signs any compliance certification on federal award documents, requisitions and reports.

**TOWN OF HARTFORD, VERMONT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**B. Audit Findings - Financial Statements (continued):**

**2020-001 - Welcoming Hartford Ordinance (continued)**

Criteria - Town management is responsible for compliance with all applicable federal statutes, regulations, and the terms and conditions of federal award agreements applicable to Town participation in federal grant or loan programs. Management is also required to certify compliance to grantor agencies and should identify and report to grantor agencies any known or potential noncompliance with those laws, regulations, or terms and conditions of grant agreements.

Cause - The ordinance was adopted in March 2020 and became effective 60 days after adoption in May 2020. In February 2020, the Second Circuit Court of Appeals (of which Vermont is a member) issued a decision in State of New York V. Department of Justice that would be a precedent for Vermont Towns. Town management does certify Town compliance with all applicable federal laws. The Court determined that the term “all applicable federal laws” effectively refers to all federal laws that regulate state and local governments in some way.

Effect - The Welcoming Hartford Ordinance could be deemed noncompliant with federal laws 8 U.S.C. §1644 and §1373, which could affect current and future participation in federally funded programs for Town projects. Future federal grant or loan programs could be denied, or repayment of federal funding could be required.

Recommendation - We recommend that the Town communicate with their grantor agencies to determine if the Welcoming Hartford Ordinance does affect federally funded projects of the Town. Legal assistance may be needed to amend the ordinance to eliminate any language which is determined to cause noncompliance with federal laws 8 U.S.C. §1644 and §1373.

**C. Audit Findings - Federal Awards:**

There were no audit findings identified for the year ended June 30, 2020.

**STATUS OF PRIOR AUDIT FINDINGS  
AS OF JUNE 30, 2020**

There are no prior audit findings applicable to this auditee.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

### **Consultations with Other Accountants**

We are not aware of any consultations that management may have had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed with Management**

We did not have correspondence with management regarding significant issues arising from the audit. We have discussed accounting matters relating to the Town's accounting estimates and audit adjustments. We have also discussed the Town's Welcoming Hartford Ordinance (WHO) and the potential impact it may have on federal funding.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in working with management during the audit.

### **Material Weaknesses**

We identified no material weaknesses in the Town's system of internal control over financial reporting during our audit of the financial statements.

### **Certain Written Communications between Management and Our Firm**

Management provided written representations in connection with the audit in a letter to our firm dated October 6, 2020. A copy of the letter is available upon your request.

This report is intended solely for the information and use of the Selectboard and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this letter. We appreciate the opportunity to be of service to the Town.

Very truly yours,  
Mudgett, Jennett & Krogh-Wisner, P.C.

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*