

CITY OF HARTFORD

Hartford, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2014

CITY OF HARTFORD

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the City Common Council
City of Hartford
Hartford, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Hartford'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washington Heights Investors in Community Housing, LLC, a discretely presented component unit of the Hartford Community Development Authority which represents 60.1 percent, 79.7 percent and 19.7 percent, respectively, of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Washington Heights Investors in Community Housing, LLC, a discretely presented component unit of the Hartford Community Development Authority, is based solely on the report of the other auditors. 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. The financial statements of Washington Heights Investors in Community Housing, LLC, were not audited in accordance with *Government Auditing Standards*.

To the City Common Council
City of Hartford

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 over financial reporting relevant to the City of Hartford'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 City of Hartford'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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Wisconsin, as of December 31, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule and schedule of funding progress of the net OPEB liability as listed in the table of contents 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 City of Hartford's basic financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the City Common Council
City of Hartford

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015 on our consideration of the City of Hartford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Hartford's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brian Jeffrey Vichow Krause, CPA". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
July 20, 2015

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

City of Hartford, Wisconsin

Management Discussion and Analysis As of and for the Year Ended December 31, 2014 (Unaudited)

As management of the City of Hartford, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. The discussion and analysis presents the highlights of financial activities and financial position for the City of Hartford (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Financial Highlights

- The total assets of the City exceeded its total liability at the close of the most recent fiscal year by \$116,497,626 (net position). Of this amount, \$16,664,382 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,443,158.
- At the close of the 2014 fiscal year, the City's governmental funds reported combined ending fund balances of \$12,964,393, a decrease of \$942,586 in comparison with the prior year.
- At the end of the 2014 fiscal year, unassigned fund balance for the General Fund was \$7,132,696 or 79% of the total general fund expenditures.
- As of December 31, 2014, the City of Hartford's total General Obligation debt outstanding was \$23,365,000. The city may not exceed 5% of the equalized value of taxable property within the City's jurisdiction and for 2014 the debt limit was \$56,006,100.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreased in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City'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 and sick leave).

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2014 (Unaudited)

Both the government-wide financial statements distinguish functions of the City of Hartford that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hartford include general government, protection of persons and property, public works, leisure activities, conservation and development and public service enterprises. Business-type activities of the City include the Electric, Water and Wastewater Utilities, Airport, Emergency Squad Fund and Cable Television Fund.

The government-wide financial statements include the City of Hartford and the following discretely presented component unit: The Community Development Authority. Financial information for this component unit is reported separately from the financial statements of the primary government. See Note I-A, page 27, of the Notes to the Financial Statements for more information. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the City.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hartford, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Hartford maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund, and the City Hall Projects Fund, all of which are considered to be major funds. Individual fund data for each of the remaining non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2014 (Unaudited)

Proprietary funds – The City of Hartford maintains two types of proprietary funds: Enterprise funds that are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hartford maintains six enterprise funds.

The City has Internal Service Funds which are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains three internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water and wastewater operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Hartford's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund for the City is an agency fund. Total assets of the fiduciary fund were \$15,318,565.

The basic fiduciary funds financial statements can be found on page 24 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 76 of this report.

Other information –The Required Supplementary Information (RSI) is presented on pages 77 – 79. The City of Hartford adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget on page 77 of this report. The City also reports a schedule of the funding progress of the net OPEB liability which is presented on page 78. Notes to the RSI are presented on page 79. The combining statements referred to earlier in connection with non-major governmental funds are presented in the Supplementary Information section of the report immediately following the RSI on 80 through 87.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hartford, assets exceeded liabilities by \$116,497,626 as of December 31, 2014.

The largest portion of the City of Hartford's net position reflects its net investment in capital assets (e.g., land, buildings, improvements, and machinery and equipment), used to acquire those assets that is still outstanding. The City of Hartford uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in 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.

City of Hartford

Management Discussion and Analysis
As of and for the Year Ended December 31, 2014
(Unaudited)

City of Hartford's Net Position

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities 2013	Activities 2014	Activities 2013	Activities 2014	2013	2014
Assets						
Current and other Assets	\$ 26,284,142	\$ 25,831,168	\$ 19,493,046	\$ 17,614,834	\$ 45,777,188	\$ 43,446,002
Capital Assets	50,535,427	54,098,330	81,377,022	83,455,035	131,912,449	137,553,365
Total Assets	76,819,569	79,929,498	100,870,068	101,069,869	177,689,637	180,999,367
Deferred Outflows of Resources						
Unamortized loss on refunding	-	-	392,968	333,761	392,968	333,761
Total Deferred Outflows of Resources	-	-	392,968	333,761	392,968	333,761
Liabilities						
Noncurrent liabilities outstanding	24,695,551	27,273,266	23,724,730	20,947,211	48,420,281	48,220,477
Other liabilities	2,226,896	2,706,848	6,056,122	6,367,163	8,283,018	9,074,011
Total Liabilities	26,922,447	29,980,114	29,780,852	27,314,374	56,703,299	57,294,488
Deferred Inflows of Resources						
Unearned revenue	7,267,303	7,459,319	57,535	81,695	7,324,838	7,541,014
Total Deferred Inflows of Resources	7,267,303	7,459,319	57,535	81,695	7,324,838	7,541,014
Net Position:						
Net investment in capital assets	29,935,114	31,298,550	58,369,653	63,178,177	88,304,767	94,476,727
Restricted	3,167,735	3,055,320	2,267,551	2,301,197	5,435,286	5,356,517
Unrestricted	9,526,970	8,136,195	10,787,445	8,528,187	20,314,415	16,664,382
Total Net Position	\$ 42,629,819	\$ 42,490,065	\$ 71,424,649	\$ 74,007,561	\$ 114,054,468	\$ 116,497,626

A restricted portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16,664,382, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2014 fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

The City's total net position decreased by \$2,443,158 during the current fiscal year.

Analysis of the City's Operations - The following schedule highlights the City's revenues and expenses for the fiscal year ended December 31, 2014. These two main components are subtracted to yield the change in net position. The table utilizes the full accrual method of accounting. The table below demonstrates that governmental activities decreased by \$139,754 in 2014, and business-type activities increased the City's net position by \$2,582,912 that same year.

City of Hartford

Management Discussion and Analysis
As of and for the Year Ended December 31, 2014
(Unaudited)

City of Hartford's Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2014	Business-type Activities 2013	Business-type Activities 2014	Total	
					2013	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,205,351	\$ 2,074,277	\$ 35,864,591	\$ 36,940,969	\$ 38,069,942	\$ 39,015,246
Operating Grants and Contributions	2,436,314	1,423,265	5,920	6,116	2,442,234	1,429,381
Capital Grants and Contributions	113,521	96,444	326,682	2,471,771	440,203	2,568,215
General revenues						
Property Tax	8,830,376	7,333,189	-	-	8,830,376	7,333,189
Grants and contributions						
not restricted to specific programs	835,294	866,203	-	-	835,294	866,203
Unrestricted investment earnings	68,903	103,531	39,105	62,556	108,008	166,087
Miscellaneous	420,060	324,764	6,013,298	44,418	6,433,358	369,182
Total Revenues and transfers	14,909,819	12,221,673	42,249,596	39,525,830	57,159,415	51,747,503
Expenses:						
General government	1,817,532	1,518,627	-	-	1,817,532	1,518,627
Protection of persons and property	4,528,989	5,155,445	-	-	4,528,989	5,155,445
Public works	4,101,109	4,317,222	-	-	4,101,109	4,317,222
Leisure activities	3,620,008	3,018,321	-	-	3,620,008	3,018,321
Conservation and development	554,982	327,025	-	-	554,982	327,025
Public service enterprise	121,561	119,792	-	-	121,561	119,792
Interest	702,266	775,406	-	-	702,266	775,406
Electric	-	-	26,989,431	28,198,544	26,989,431	28,198,544
Water	-	-	2,663,767	2,780,707	2,663,767	2,780,707
Wastewater	-	-	2,359,703	2,316,393	2,359,703	2,316,393
Other	-	-	754,857	776,863	754,857	776,863
Total expenses	15,446,447	15,231,838	32,767,758	34,072,507	48,214,205	49,304,345
Increase (decrease) in net position before transfers	(536,628)	(3,010,165)	9,481,838	5,453,323	8,945,210	2,443,158
Transfers	2,625,871	2,870,411	(2,625,871)	(2,870,411)	-	-
Increase in net position	2,089,243	(139,754)	6,855,967	2,582,912	8,945,210	2,443,158
Net position – beginning as restated	40,540,576	42,629,819	64,568,682	71,424,649	105,109,258	114,054,468
Net position – ending	\$ 42,629,819	\$ 42,490,065	\$ 71,424,649	\$ 74,007,561	\$ 114,054,468	\$ 116,497,626

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2014
(Unaudited)**

Governmental Activities

The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs that must be covered by local taxes or other general revenue or transfers.

<u>Programs</u>	<u>Total Cost of Services 2013</u>	<u>Net (Expense) of Service 2013</u>	<u>Total Cost of Services 2014</u>	<u>Net (Expense) of Service 2014</u>
General Government	\$ 1,817,532	\$ (1,331,317)	\$ 1,518,627	\$ (1,089,901)
Protection of persons and property	4,528,989	(3,778,521)	5,155,445	(4,523,768)
Public Works	4,101,109	(2,685,419)	4,317,222	(2,790,291)
Leisure activities	3,620,008	(1,634,567)	3,018,321	(2,097,117)
Construction and development	554,982	(506,855)	327,025	(316,182)
Public Service Enterprise	121,561	(52,316)	119,792	(45,187)
Interest	702,266	(702,266)	775,406	(775,406)
	<u>\$ 15,446,447</u>	<u>\$ (10,691,261)</u>	<u>\$ 15,231,838</u>	<u>\$ (11,637,852)</u>

Net cost of services is 76% of total cost of services in 2014. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

Business-Type Activities

Total Business-type activities' charges for service revenues for the year ending December 31, 2014 were \$34,072,507. The Business-type activities increased the City of Hartford's net position by \$2,582,912.

The table below shows the relationship between revenues and expenses for the City of Hartford electric, water utilities and wastewater, the major enterprise funds of the city.

	2013			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue, Contributions, and Transfers	\$ 27,908,529	\$ 4,026,551	\$ 9,422,865	\$ 41,357,945
Expenses and Transfers	<u>27,648,789</u>	<u>3,392,252</u>	<u>3,480,105</u>	<u>34,521,146</u>
Change in net position	<u>\$ 259,740</u>	<u>\$ 634,299</u>	<u>\$ 5,942,760</u>	<u>\$ 6,836,799</u>

	2014			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue, Contributions, and Transfers	\$ 29,292,867	\$ 3,933,745	\$ 5,632,458	\$ 38,859,070
Expenses and Transfers	<u>28,981,665</u>	<u>3,761,777</u>	<u>3,445,510</u>	<u>36,188,952</u>
Change in net position	<u>\$ 311,202</u>	<u>\$ 171,968</u>	<u>\$ 2,186,948</u>	<u>\$ 2,670,118</u>

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2014 (Unaudited)

Financial Analysis of the Government's Funds

As noted earlier, the City of Hartford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This section will discuss major developments within the City's governmental funds and proprietary funds.

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

As of the end of the current fiscal year, the City's governmental funds – General Fund, Debt Service Fund, City Hall Projects Fund, and all Other Governmental Funds – reported combined ending fund balances of \$12,964,393, a decrease of \$942,586 in comparison with the prior year. Of this total amount, \$6,930,624 constitutes unassigned fund balance. This unassigned fund balance includes positive fund balance of \$7.1 million, offset by approximately \$202,000 of deficit fund balance related to Non-major funds. The unassigned fund balance is available for spending at the government's discretion, subject to cash flow availability and fund restrictions.

The General Fund is the chief operating fund of the City. During 2014, the General Fund balance decreased by \$943,413. At the end of the year, the unassigned fund balance of the General Fund was \$7,132,696, while total fund balance was \$7,819,646. As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 79% of total general fund expenditures.

Fund balance in the Debt Service Fund decreased by \$304,608 during 2014.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Electric, Water, Wastewater and other Enterprise Funds at the end of the year amounted to \$74,007,561. Total growth in net position for these funds was \$2,582,912.

General Fund Budgetary Highlights.

Differences between the original budget and the final amended budget for the General Fund can be summarized as follows:

- The total original expenditure budget of \$9,092,217 was increased to \$9,349,717 (an increase of \$257,500). This increase represents budget carry-forwards for projects which were not started or completed in 2013.

During the year, however, revenues and expenditures were less than budgetary revenues and budgetary expenditures, respectively.

The General Fund operations used \$943,413 of its beginning of the year fund balance. The final amended budget anticipated a use of fund balance of \$1,071,854.

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2014
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets. The City of Hartford's net investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$137.6 million (net of accumulated depreciation). This net investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

City of Hartford						
Capital Assets at Year-end						
Net of Accumulated Depreciation						
	Governmental		Business-type		Totals	
	Activities 2013	Activities 2014	Activities 2013	Activities 2014	2013	2014
Land	\$ 3,755,690	\$ 3,755,690	\$ 558,135	\$ 558,135	\$ 4,313,825	\$ 4,313,825
Construction in progress	562,907	34,453	446,594	1,596,999	1,009,501	1,631,452
Land Improvements	2,249,270	2,923,378	82,881,949	84,188,812	85,131,219	87,112,190
Buildings	22,017,645	25,375,123	29,809,798	29,809,798	51,827,443	55,184,921
Machinery & Equipment	10,686,700	11,112,783	6,812,399	6,876,302	17,499,099	17,989,085
Other property	-	-	193,533	3,460,766	193,533	3,460,766
Infrastructure	39,921,590	40,120,279	-	-	39,921,590	40,120,279
Intangibles	45,300	287,260	-	-	45,300	287,260
Accumulated depreciation	(28,703,675)	(29,510,636)	(39,325,386)	(43,035,777)	(68,029,061)	(72,546,413)
	<u>\$ 50,535,427</u>	<u>\$ 54,098,330</u>	<u>\$ 81,377,022</u>	<u>\$ 83,455,035</u>	<u>\$ 131,912,449</u>	<u>\$ 137,553,365</u>

Additional information on the City's capital assets can be found in Note IV on pages 50 through 52 of this report.

Long-term debt - As of December 31, 2014, the City of Hartford, Wisconsin had general obligation bonds and notes outstanding totaling \$23,365,000. The City of Hartford has business-type activities revenue bonds and notes payable totaling \$23,031,631.

In the current year, the City paid off \$3,444,173 in principal and \$664,982 in interest on outstanding governmental activities debt.

Business-Type Activities paid \$2,781,367 in principal and \$1,013,004 in interest on outstanding debt in the current year.

The total of debt that will become due within one year is approximately \$5.96 million.

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2014
(Unaudited)**

Capital Assets and Debt Administration (continued)

In 2014 the City of Hartford received a Standard & Poor's AA rating.

City of Hartford's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental		Business-type		Totals	
	Activities 2013	Activities 2014	Activities 2013	Activities 2014	2013	2014
General Obligations						
Bonds & Notes	\$ 21,510,567	\$ 23,281,394	\$ 104,433	\$ 83,606	\$ 21,615,000	\$ 23,365,000
Revenue Bonds	-	-	25,792,171	23,031,631	25,792,171	23,031,631
Total	21,510,567	23,281,394	25,896,604	23,115,237	47,407,171	46,396,631

Additional information about the City's long-term debt can be found in Note IV on pages 55 through 60 of the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City of Hartford, located in southeastern Wisconsin approximately 30 miles north of Milwaukee, lies predominantly in Washington County with a portion in Dodge County. The city's favorable geographic location, availability of developable land, and proximity to major transportation routes has contributed to tremendous growth over the past 17 years, however, like other communities this growth has slowed dramatically. Wealth levels approximate state averages, and while the city's employment base is somewhat reliant on manufacturing (traditionally somewhat more vulnerable to economic fluctuations), Washington County has maintained a stable local economy.

Other key economic factors are as follows:

- Construction on the Veterans Memorial Aquatic Center is scheduled to begin in August 2015. Funding for the project will be a combination of municipal bond funds, capital campaign funds, and other available financial resources.
- In 2015 the City will be reviewing plans for the possibility of a new TIF in the Dodge Industrial Park.

Requests for information

This financial report is designed to provide a general overview of the City of Hartford's finances for all those with an interest in the government's finances. Readers having question about any of the information in this report or needing additional information should contact Finance Director, City of Hartford, 109 North Main Street, Hartford, WI 53027 or call 262-673-8203.

BASIC FINANCIAL STATEMENTS

CITY OF HARTFORD

STATEMENT OF NET POSITION
As of December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 18,813,995	\$ 6,875,873	\$ 25,689,868	\$ 24,820
Receivables				
Current	3,823,312	4,252,202	8,075,514	23,435
Noncurrent	161,483	-	161,483	688,270
Due from other governments	233,715	-	233,715	89,659
Inventory	18,481	922,275	940,756	-
Prepayments	345,672	208,968	554,640	30,044
Due from (to) component unit	535,597	-	535,597	(535,597)
Restricted assets				
Cash and investments	411,060	5,279,902	5,690,962	586,287
Accounts, notes and leases receivable	1,142,784	-	1,142,784	982,624
Accrued investment income receivable	7	-	7	5,240
Prepayments and inventory	62	-	62	35,194
Investment in CVMIC	345,000	-	345,000	-
Capital assets, net of depreciation/amortization	54,098,330	83,455,035	137,553,365	4,014,043
Other	-	75,614	75,614	11,825
Total Assets	79,929,498	101,069,869	180,999,367	5,955,844
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	-	333,761	333,761	-
Total Deferred Outflows of Resources	-	333,761	333,761	-
LIABILITIES				
Accounts payable and other current liabilities	1,828,499	2,489,599	4,318,098	500,944
Accrued interest payable	215,795	-	215,795	331,325
Deposits	470,908	9,537	480,445	91,232
Current liabilities payable from restricted assets				
Current portion of long-term debt	-	2,818,507	2,818,507	-
Accrued interest payable	-	403,108	403,108	-
Unearned revenue	191,646	646,412	838,058	143,684
Noncurrent liabilities:				
Accrued compensated absences	620,376	173,826	794,202	-
Deferred development fee payable	-	-	-	416,568
Due within one year	3,117,945	22,054	3,139,999	191,404
Due in more than one year	23,534,945	20,751,331	44,286,276	3,442,980
Total Liabilities	29,980,114	27,314,374	57,294,488	5,118,137
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	7,459,319	81,695	7,541,014	-
Total Deferred Inflows of Resources	7,459,319	81,695	7,541,014	-
NET POSITION				
Net investment in capital assets	31,298,550	63,178,177	94,476,727	1,320,516
Restricted for:				
Loan programs	1,539,598	-	1,539,598	-
TID #5 activities	707,265	-	707,265	-
Library	754,435	-	754,435	-
Debt Service	54,022	-	54,022	-
Equipment replacement	-	660,546	660,546	-
Revenue bond covenants	-	1,640,651	1,640,651	-
Grant programs	-	-	-	431,957
Unrestricted (deficit)	8,136,195	8,528,187	16,664,382	(914,766)
TOTAL NET POSITION	\$ 42,490,065	\$ 74,007,561	\$ 116,497,626	\$ 837,707

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities							
General government	\$ 1,518,627	\$ 369,567	\$ 59,159	\$ -	\$ (1,089,901)	\$ -	\$ (1,089,901)
Protection of persons and property	5,155,445	538,877	92,800	-	(4,523,768)	-	(4,523,768)
Public works	4,317,222	449,628	984,075	93,228	(2,790,291)	-	(2,790,291)
Leisure activities	3,018,321	633,973	287,231	-	(2,097,117)	-	(2,097,117)
Conservation and development	327,025	7,627	-	3,216	(316,182)	-	(316,182)
Public service enterprise	119,792	74,605	-	-	(45,187)	-	(45,187)
Interest	775,406	-	-	-	(775,406)	-	(775,406)
Total Governmental Activities	<u>15,231,838</u>	<u>2,074,277</u>	<u>1,423,265</u>	<u>96,444</u>	<u>(11,637,852)</u>	<u>-</u>	<u>(11,637,852)</u>
Business-type Activities							
Electric Utility	28,198,544	28,977,473	-	-	-	778,929	778,929
Water Utility	2,780,707	3,924,896	-	-	-	1,144,189	1,144,189
Wastewater Treatment	2,316,393	3,130,253	-	2,471,771	-	3,285,631	3,285,631
Other	776,863	908,347	6,116	-	-	137,600	137,600
Total Business-type Activities	<u>34,072,507</u>	<u>36,940,969</u>	<u>6,116</u>	<u>2,471,771</u>	<u>-</u>	<u>5,346,349</u>	<u>5,346,349</u>
Total Primary Government	<u>\$ 49,304,345</u>	<u>\$ 39,015,246</u>	<u>\$ 1,429,381</u>	<u>\$ 2,568,215</u>	<u>(11,637,852)</u>	<u>5,346,349</u>	<u>(6,291,503)</u>
Component Unit							
Hartford Community Development Authority	<u>\$ 2,828,404</u>	<u>\$ 1,221,178</u>	<u>\$ 1,471,611</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(135,615)</u>
General Revenues							
Taxes							
Property taxes levied for general purposes					3,817,849	-	3,817,849
Property taxes levied for debt service					2,359,000	-	2,359,000
Property taxes levied for all other purposes					1,156,340	-	1,156,340
Intergovernmental revenues not restricted to specific programs					866,203	-	866,203
Investment income					101,119	62,556	163,675
Other					327,176	44,418	371,594
Transfers - net					2,870,411	(2,870,411)	-
Total general revenues and transfers					<u>11,498,098</u>	<u>(2,763,437)</u>	<u>8,734,661</u>
Change in net position					<u>(139,754)</u>	<u>2,582,912</u>	<u>2,443,158</u>
NET POSITION - Beginning of Year					<u>42,629,819</u>	<u>71,424,649</u>	<u>114,054,468</u>
NET POSITION - END OF YEAR					<u>\$ 42,490,065</u>	<u>\$ 74,007,561</u>	<u>\$ 116,497,626</u>

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2014

	General	Debt Service	Capital Project Fund		Nonmajor Governmental Funds	Totals
			City Hall	Project		
ASSETS						
Cash and investments	\$ 9,863,359	\$ 1,351,444	\$ 1,086,624	\$ 3,750,259	\$ 16,051,686	
Accounts receivable	59,591	189,094	-	378	249,063	
Special assessments receivable						
Current	634	-	-	-	634	
Due after 2014	161,483	-	-	-	161,483	
Accrued investment income receivable	5,476	-	730	1,144	7,350	
Taxes receivable	1,821,503	1,088,640	-	645,634	3,555,777	
Due from other funds	150,080	-	-	12,565	162,645	
Due from other governments	-	-	-	233,715	233,715	
Due from component unit	535,597	-	-	-	535,597	
Inventories	9,562	-	-	-	9,562	
Prepayments	229,388	-	-	40,165	269,553	
Restricted assets						
Cash and investments	-	-	-	411,060	411,060	
Accounts and notes receivable	-	-	-	1,142,784	1,142,784	
Accrued investment income receivable	-	-	-	7	7	
Prepayments	-	-	-	62	62	
TOTAL ASSETS	\$ 12,836,673	\$ 2,629,178	\$ 1,087,354	\$ 6,237,773	\$ 22,790,978	

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2014

	General	Debt Service	Capital Project Fund City Hall Project	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 247,839	\$ 361	\$ 617,377	\$ 170,643	\$ 1,036,220
Accrued liabilities	-	-	-	38,956	38,956
Due to other governmental agencies	300	-	-	10,747	11,047
Due to other funds	12,565	-	-	150,080	162,645
Deposits	470,908	-	-	-	470,908
Accrued payroll	444,142	-	-	-	444,142
Total Liabilities	<u>1,175,754</u>	<u>361</u>	<u>617,377</u>	<u>370,426</u>	<u>2,163,918</u>
Deferred Inflows of Resources					
Unavailable revenues	20,120	-	-	183,228	203,348
Unearned revenues	3,821,153	2,359,000	-	1,279,166	7,459,319
Total Deferred Inflows of Resources	<u>3,841,273</u>	<u>2,359,000</u>	<u>-</u>	<u>1,462,394</u>	<u>7,662,667</u>
Fund Balances					
Nonspendable	238,950	-	-	40,165	279,115
Restricted	-	269,817	-	2,978,421	3,248,238
Committed	-	-	-	612,535	612,535
Assigned	448,000	-	469,977	975,904	1,893,881
Unassigned (deficit)	7,132,696	-	-	(202,072)	6,930,624
Total Fund Balances	<u>7,819,646</u>	<u>269,817</u>	<u>469,977</u>	<u>4,404,953</u>	<u>12,964,393</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,836,673	\$ 2,629,178	\$ 1,087,354	\$ 6,237,773	

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2014

	General	Debt Service	Capital Project Fund City Hall Project	Nonmajor Governmental Funds	Totals
Total fund balances from previous page	\$ 7,819,646	\$ 269,817	\$ 469,977	\$ 4,404,953	\$ 12,964,393
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. (See Note II)					54,026,518
Some receivables that are not currently available are reported as deferred revenue in the fund financial statement but are recognized as revenue when earned in the government-wide statements.					203,348
Internal service funds are reported in the statement of net position as governmental activities					2,784,867
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. (See Note II)					(27,489,061)
NET POSITION OF GOVERNMENTAL ACTIVITIES					\$ 42,490,065

CITY OF HARTFORD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General	Debt Service	Capital Project Fund City Hall Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,817,848	\$ 2,359,000	\$ -	\$ 1,156,340	\$ 7,333,188
Special assessments	49,103	-	-	44,125	93,228
Intergovernmental revenues	1,652,569	-	-	384,462	2,037,031
Licenses and permits	200,859	-	-	-	200,859
Fines, forfeitures and penalties	238,225	-	-	-	238,225
Public charges for services	747,453	-	-	521,572	1,269,025
Intergovernmental charges	339,994	-	-	-	339,994
Miscellaneous revenues	164,070	32,715	27,162	299,762	523,709
Total Revenues	<u>7,210,121</u>	<u>2,391,715</u>	<u>27,162</u>	<u>2,406,261</u>	<u>12,035,259</u>
EXPENDITURES					
Current					
General government	994,750	-	15,097	131,579	1,141,426
Public safety	4,069,768	-	-	-	4,069,768
Public works	2,346,576	-	-	205,792	2,552,368
Leisure activities	688,843	-	-	1,741,022	2,429,865
Conservation and development	75,362	-	-	182,479	257,841
Public service enterprise	113,234	-	-	-	113,234
Capital Outlay	699,114	-	5,417,181	1,045,204	7,161,499
Debt Service					
Principal, interest and fees	-	4,219,815	1,628	8,885	4,230,328
Total Expenditures	<u>8,987,647</u>	<u>4,219,815</u>	<u>5,433,906</u>	<u>3,314,961</u>	<u>21,956,329</u>
Excess (deficiency) of revenues over expenditures	<u>(1,777,526)</u>	<u>(1,828,100)</u>	<u>(5,406,744)</u>	<u>(908,700)</u>	<u>(9,921,070)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	590,000	4,000,000	625,000	5,215,000
Premium on long term debt issued	-	-	200,811	31,377	232,188
Gain on disposal of capital asset	-	-	3,186	-	3,186
Transfers in	2,000,420	940,187	1,649,455	404,082	4,994,144
Transfers out	<u>(1,166,307)</u>	<u>(6,695)</u>	<u>-</u>	<u>(293,032)</u>	<u>(1,466,034)</u>
Total Other Financing Sources (Uses)	<u>834,113</u>	<u>1,523,492</u>	<u>5,853,452</u>	<u>767,427</u>	<u>8,978,484</u>
Net Change in Fund Balances	<u>(943,413)</u>	<u>(304,608)</u>	<u>446,708</u>	<u>(141,273)</u>	<u>(942,586)</u>
FUND BALANCES - Beginning of Year	<u>8,763,059</u>	<u>574,425</u>	<u>23,269</u>	<u>4,546,226</u>	<u>13,906,979</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,819,646</u>	<u>\$ 269,817</u>	<u>\$ 469,977</u>	<u>\$ 4,404,953</u>	<u>\$ 12,964,393</u>

See accompanying notes to the financial statements.

CITY OF HARTFORD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$	(942,586)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		7,161,499
Some items reported as capital outlay were not capitalized		(389,555)
Depreciation is reported in the government-wide statements		(2,519,138)
Net book value of assets retired		(659,887)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued		(5,215,000)
Principal repaid		3,444,173

Revenues are reported in the governmental funds when current financial resources are available, but are recognized when earned in the statement of activities.		183,228
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Internal service funds are used by management to charge various internal costs to individual funds. The change in net position of the internal service fund is reported with governmental activities.		(377,642)
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(108,900)
Other post employment benefits		(494,507)
Accrued interest on debt		(17,958)

Governmental funds report debt premiums and discounts as other financing sources (uses) of expenditures. However, in the statement of net position, these are deferred and reported as additions or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.		
Premium on debt issued		(232,188)
Amortization of debt premium		28,707

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(139,754)</u>
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CITY OF HARTFORD

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and investments	\$ 2,850,294	\$ 21,038	\$ 3,521,178	\$ 483,363	\$ 6,875,873	\$ 2,762,309
Accounts receivable	2,764,923	342,299	311,914	179,668	3,598,804	8,880
Accrued investment income receivable	3,241	349	3,139	257	6,986	1,608
Inventories	826,822	63,279	-	32,174	922,275	8,919
Prepaid expenses	61,002	120,002	20,098	7,866	208,968	76,119
Restricted assets - cash and investments	379,425	782,288	882,046	-	2,043,759	-
Total Current Assets	6,885,707	1,329,255	4,738,375	703,328	13,656,665	2,857,835
NON-CURRENT ASSETS						
Restricted Assets						
Cash and investments	749,417	1,645,718	841,008	-	3,236,143	-
Capital Assets						
Land	122,962	44,148	50,734	340,291	558,135	-
Buildings	7,850,929	751,313	20,974,463	233,093	29,809,798	-
Improvements other than buildings	25,997,975	39,993,864	17,683,192	513,781	84,188,812	-
Machinery and equipment	2,796,387	1,835,396	1,523,699	720,820	6,876,302	301,889
Construction in progress	1,596,999	-	-	-	1,596,999	-
Other property	193,533	-	3,267,233	-	3,460,766	-
Less: Accumulated depreciation	(16,387,713)	(10,678,541)	(15,472,207)	(497,316)	(43,035,777)	230,077
Other Assets						
Investment in CVMIC	-	-	-	-	-	345,000
Special assessments - due upon development	-	211,590	434,822	-	646,412	-
Due from other funds	1,769,000	-	-	-	1,769,000	-
Other post employment benefit asset	-	-	75,614	-	75,614	-
Total Non-Current Assets	22,920,489	33,803,488	29,378,558	1,310,669	87,413,204	876,966
Total Assets	29,806,196	35,132,743	34,116,933	2,013,997	101,069,869	3,734,801
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding	217,435	116,326	-	-	333,761	-
Total Deferred Outflows of Resources	217,435	116,326	-	-	333,761	-

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds	Total	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts payable	\$ 2,213,812	\$ 15,982	\$ 76,226	\$ 6,559	\$ 2,312,579	\$ 33,219
Accrued liabilities	97,823	43,344	29,826	6,027	177,020	264,915
Customer deposits	1,599	7,938	-	-	9,537	-
Current portion of general obligation debt	-	-	-	22,054	22,054	-
Unearned revenue	-	-	-	-	-	191,646
Liabilities payable from restricted assets	511,683	1,033,317	1,273,507	-	2,818,507	-
Current portion of revenue bonds	104,831	265,236	33,041	-	403,108	-
Accrued interest payable	2,929,748	1,365,817	1,412,600	34,640	5,742,805	489,780
Total Current Liabilities	4,888,816	11,137,163	4,258,123	61,553	20,345,655	-
NON-CURRENT LIABILITIES						
Long-term debt	109,153	40,335	23,334	1,004	173,826	-
Compensated absences	223,449	182,227	-	-	405,676	-
Other post employment benefit obligation	-	1,769,000	-	-	1,769,000	-
Due to other funds	-	211,590	434,822	-	646,412	-
Unearned revenue	8,151,166	12,937,132	6,128,879	97,197	27,314,374	489,780
Total Liabilities	81,695	81,695	81,695	81,695	81,695	-
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	17,737,425	21,537,744	22,675,946	1,227,062	63,178,177	71,812
Total Deferred Inflows of Resources	274,594	517,052	1,509,551	-	2,301,197	-
Unrestricted (deficit)	5,547,751	(1,511,859)	3,802,557	689,738	8,528,187	2,713,055
TOTAL NET POSITION	\$ 23,559,770	\$ 20,542,937	\$ 27,988,054	\$ 1,916,800	\$ 74,007,561	\$ 2,784,867

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities -					Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES						
Charges for services	\$ 28,801,615	\$ 3,912,192	\$ 3,130,253	\$ 664,034	\$ 36,508,094	\$ 3,106,171
Other operating income	175,858	12,704	-	244,313	432,875	-
Total Operating Revenues	28,977,473	3,924,896	3,130,253	908,347	36,940,969	3,106,171
OPERATING EXPENSES						
Operating and maintenance	26,800,786	1,424,164	1,397,036	687,981	30,309,967	2,780,160
Depreciation	1,138,572	780,281	701,479	64,432	2,684,764	60,378
Taxes	-	-	-	21,873	21,873	-
Total Operating Expenses	27,939,358	2,204,445	2,098,515	774,286	33,016,604	2,840,538
Operating income	1,038,115	1,720,451	1,031,738	134,061	3,924,365	265,633
NONOPERATING REVENUES (EXPENSES)						
Operating grants	-	-	-	6,116	6,116	-
Investment income	23,296	6,529	30,434	2,297	62,556	16,764
Interest expense	(223,172)	(553,069)	(217,878)	(2,577)	(996,696)	(2,340)
Amortization of loss on refunding	(36,014)	(23,193)	-	-	(59,207)	-
Amortization of debt premium	6,031	2,320	-	-	8,351	-
Income from merchandising	36,067	-	-	-	36,067	-
Total Nonoperating Revenues (Expenses)	(193,792)	(567,413)	(187,444)	5,836	(942,813)	14,424
Income before contributions and transfers	844,323	1,153,038	844,294	139,897	2,981,552	280,057
CAPITAL CONTRIBUTIONS						
Pike Lake Collection System	-	-	2,167,684	-	2,167,684	-
Reserve capacity assessment	-	-	304,087	-	304,087	-
TRANSFERS IN	250,000	-	-	7,566	257,566	-
TRANSFERS OUT	(783,121)	(981,070)	(1,129,117)	(234,669)	(3,127,977)	(657,699)
Change in Net Position	311,202	171,968	2,186,948	(87,206)	2,582,912	(377,642)
NET POSITION - Beginning of Year	23,248,568	20,370,969	25,801,106	2,004,006	71,424,649	3,162,509
NET POSITION - END OF YEAR	\$ 23,559,770	\$ 20,542,937	\$ 27,988,054	\$ 1,916,800	\$ 74,007,561	\$ 2,784,867

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2014

	Business Type Activities - Enterprise Funds				Totals	Governmental Activities-
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 29,132,214	\$ 3,965,934	\$ 3,079,047	\$ 902,577	\$ 37,079,772	\$ 4,090,720
Paid to vendors for goods and services	(25,496,825)	(864,184)	(962,266)	(419,695)	(27,742,970)	(2,908,901)
Paid to employees for services	(933,988)	(529,810)	(412,845)	(289,067)	(2,165,710)	(65,191)
Net Cash Flows From Operating Activities	2,701,401	2,571,940	1,703,936	193,815	7,171,092	1,116,628
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in (out)	(533,121)	(981,070)	(1,129,117)	(227,103)	(2,870,411)	(657,699)
Paid to other funds	-	(25,000)	-	-	(25,000)	-
Net Cash Flows From Non-Capital Financing Activities	(533,121)	(1,006,070)	(1,129,117)	(227,103)	(2,895,411)	(657,699)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	23,389	6,545	31,672	2,334	63,940	16,954
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(1,505,223)	(8,958)	(1,171,864)	(4,800)	(2,690,845)	(30,362)
Salvage on retirement of plant	38,468	(4,540)	-	-	33,928	-
Debt retired	(505,366)	(1,009,634)	(1,245,540)	(20,827)	(2,781,367)	-
Reserve capacity assessments	-	-	304,087	-	304,087	-
Interest paid	(230,727)	(571,125)	(224,852)	(2,653)	(1,029,357)	(2,340)
Special assessments received	-	428	-	-	428	-
Net Cash Flows From Capital and Related Financing Activities	(2,202,848)	(1,593,829)	(2,338,169)	(28,280)	(6,163,126)	(32,702)
Net Change in Cash and Cash Equivalents	(11,179)	(21,414)	(1,731,678)	(59,234)	(1,823,505)	443,181
CASH AND CASH EQUIVALENTS - Beginning of Year	3,990,315	2,470,458	6,975,910	542,597	13,979,280	2,319,128
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,979,136	\$ 2,449,044	\$ 5,244,232	\$ 483,363	\$ 12,155,775	\$ 2,762,309
CASH AND CASH EQUIVALENTS - END OF YEAR						
Unrestricted	\$ 2,850,294	\$ 21,038	\$ 3,521,178	\$ 483,363	\$ 6,875,873	\$ 2,762,309
Restricted	1,128,842	2,428,006	1,723,054	-	5,279,902	-
	\$ 3,979,136	\$ 2,449,044	\$ 5,244,232	\$ 483,363	\$ 12,155,775	\$ 2,762,309
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income	\$ 1,038,115	\$ 1,720,451	\$ 1,031,738	\$ 134,061	\$ 3,924,365	\$ 265,633
Adjustments to reconcile operating income to net cash flows from operating activities						
Depreciation and amortization	1,146,313	823,364	712,479	64,432	2,746,588	60,378
Change in assets and liabilities						
Customer accounts receivable	93,673	(2,045)	2,542	(3,468)	90,702	-
Other accounts receivable	36,068	-	(53,748)	4,663	(13,017)	55,152
Receivable from municipality	25,000	-	-	-	25,000	-
Deferred credits	-	-	-	(6,965)	(6,965)	6,618
Due from/to other funds	-	-	-	-	-	726,431
Inventory	28,876	(550)	-	(1,572)	26,754	(1,857)
Prepayments	5,114	2,793	(957)	2,923	9,873	(58,068)
Accounts payable	219,608	(8,242)	20,434	(1,694)	230,106	30,341
Accrued liabilities	-	-	-	1,435	1,435	32,000
OPEB	39,077	16,104	(19,234)	-	35,947	-
Other current liabilities	60,903	16,278	8,338	-	85,519	-
Accrued sick leave	8,654	3,787	2,344	-	14,785	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 2,701,401	\$ 2,571,940	\$ 1,703,936	\$ 193,815	\$ 7,171,092	\$ 1,116,628
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Pike Lake Collection System	\$ -	\$ -	\$ 2,167,684	\$ -	\$ 2,167,684	\$ -

CITY OF HARTFORD

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2014**

	<u>Agency Fund</u> Tax Collection Fund
ASSETS	
Cash and investments	\$ 7,879,558
Taxes receivable	<u>7,439,007</u>
Total Assets	<u>\$ 15,318,565</u>
LIABILITIES	
Due to other governmental agencies	<u>\$ 15,318,565</u>

See accompanying notes to the financial statements.

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CITY OF HARTFORD

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CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hartford, Wisconsin (the "City") conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City of Hartford. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Blended Component Unit

The Hartford Downtown Business Improvement District serves all the citizens of the government and is governed by a board appointed and approved by the Common Council. The rates for user charges and bond issuance authorizations are approved by the government's council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The District is reported as a special revenue fund. Separately issued financial statements of the District may be obtained from the District office.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. *REPORTING ENTITY* (continued)

Discretely Presented Component Unit

Hartford Community Development Authority

The government-wide financial statements include the Hartford Community Development Authority ("Authority") as a component unit. The Authority is a legally separate organization. The board of the Authority is appointed by the City Common Council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the Authority, and also create a potential financial benefit to or burden on the City. As a component unit, the Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2014. Separately issued financial statements of the Hartford Community Development Authority may be obtained from the Authority's office at 109 N. Main Street, Hartford, WI 53027.

B. *GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS*

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of city are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditure/expenses.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and 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.

The City reports the following major governmental funds:

General Fund – accounts for the City’s primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.

City Hall Project Fund – used to account for and report financial resources that are assigned to expenditures for construction costs and other capital assets for the remodeling of City Hall.

The City reports the following major enterprise funds:

Electric Utility – accounts for operations of the electric system.

Water Utility – accounts for operations of the water system.

Wastewater Treatment – accounts for operation of the sanitary sewer system.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The City reports the following non-major governmental and enterprise funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Development Loan Fund
- State Fund
- Library Fund
- TID #5 Fund
- Transportation Program Fund
- Recreation Center Fund
- Business Improvement District Fund

Capital Projects – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other assets.

- Parks Fund
- Capital Improvements Fund
- Other Projects Fund
- Veterans Park Pool Project Fund
- East Jackson Project Fund
- 2014-2015 Capital Projects Fund

Non-Major Enterprise Funds

Enterprise Funds – used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Airport Fund
- Emergency Squad Fund
- Cable Television Fund

In addition, the City reports the following fund types:

Internal service funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

- Data Processing Fund
- Risk Management Fund
- Health Self-Insurance Fund

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

Agency funds are used to account for and report assets held by the City in a trustee capacity for the City or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's electric, water and sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for insurance proceeds which must be collected within approximately 120 days. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Fund Financial Statements

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advances of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater, Electric Utility, Airport, Emergency Squad and Cable TV are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That policy contains the following guidelines:

Custodial Risk

Deposits and investments may only be made at entities that are insured by FDIC. Further, it is the City's policy to require that time deposits in excess of FDIC limits be secured by collateral or private insurance unless the financial institution meets certain prescribed standards as detailed in the City's investment policy. The City was not in compliance with this provision at December 31, 2014.

Credit Risk

The City's investment policy does not address this risk.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

1. Deposits and Investments (continued)

Concentration of Credit Risk

The City's investment policy includes diversification provisions. Under this policy, the City is limited as follows:

- > No more than 75% of its portfolio can be invested in US Government Agency securities, certificates of deposits, repurchase agreements, local government investment pool, commercial paper and the Wisconsin Investment Trust.
- > Up to 100% of the total portfolio can be invested in US Treasury obligations.
- > Certificates of deposit can not have more than 50% of the total face value at any one financial institution.
- > Repurchase agreements can not have more than 50% of the total face value at any one financial institution, unless agreement is for 5 days or less.

Interest Rate Risk

The City's investment policy requires that the City attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances. Reserve or other funds with longer-term investment horizons may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average cash balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2014, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV.A. for further information.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net position.

Property tax calendar – 2014 tax roll:

Lien date and levy date	December 2014
Tax bills mailed	December 2014
Payment in full, or	January 31, 2015
First installment due	January 31, 2015
Second installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Tax sale – 2014 delinquent real estate taxes	October 2017

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provisions for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

The City has received federal and state grants funds for economic development and housing rehabilitation loan program to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has not been reduced by an allowance for uncollectible accounts.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

2. Receivables (continued)

Metered electric and water sales to consumers are billed at rates approved by the Public Service Commission of Wisconsin. Sewer service charges to consumers are billed at rates established by the City's Common Council. All customers are billed on a monthly basis, payable in 20 days. Delinquent balances at the time of the property tax lien date are placed on the customer's tax bill and collected through the normal tax collection process.

3. Inventories and Prepaid Items

Governmental fund inventories and supplies, if material, are recorded at cost based on the first-in, first-out (FIFO) method using the consumption method of accounting. Proprietary fund inventories are generally used for replacement parts. They are not for resale. They are valued at the lower of cost or market on a FIFO basis based on physical quantities on hand.

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.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and/or other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position. Restricted net position principally represents Special Redemption Funds, Equipment Replacement Funds and certain loan program restricted assets.

5. Capital Assets

Government–Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital and infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

5. Capital Assets (continued)

Government–Wide Statements (continued)

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed funds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method over the range of estimated useful lives by type of asset or is computed under that straight-line method using rates certified by the Public Service Commission for the Electric and Water utilities.

The range of estimated useful lives by type of asset is as follows:

Buildings	40	Years
Land Improvements other than building	15-20	Years
Machinery and Equipment	5-20	Years
Utility System	5-90	Years
Infrastructure	20-50	Years
Intangibles	3-5	Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

7. Compensated Absences

The amounts of unpaid vacation and sick leave accumulated by City employees for services to the Proprietary Funds are accrued as expenses when earned in Proprietary Funds. Earned but unpaid vacation is reflected as a current liability in these funds.

In governmental fund types, only the amounts that would normally be liquidated with expendable available financial resources are accrued as current year expenditures. The City uses the last-in, first-out method of recognizing the use of compensated absences. Thus unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expenditure is accrued. Compensated absences that will not be liquidated with expendable available financial resources are recorded as a liability.

The City compensates all employees upon termination for earned vacations not taken and prorated to the date of termination. Generally, credit for paid vacation vests at the employee's anniversary date.

An employee can accumulate sick leave up to a maximum of 736 hours for patrolmen and 720 hours for all others. These benefits vest at 100% upon retirement or in the event of death while employed by the City. At December 31, 2014, vested accumulated unpaid sick leave is reported as a long-term obligation.

The amounts of unpaid vacation and sick leave accumulated by the Community Development Authority employees are accrued as expenses when earned. Earned but unpaid vacation is reflected as a current liability. The Authority uses the last-in, first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences will be used in excess of a normal year's accumulation, no additional expense is accrued.

The Authority compensates all employees upon termination for earned vacations not taken and prorated to the date of termination. Generally, credit for paid vacation vests at the employee's anniversary date. An employee can accumulate sick leave up to a maximum of 720 hours, and benefits vests at 100% upon retirement or in the event of death while employed by the Authority.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2014 are determined on the basis of current salary rates and include salary related payments.

Effective January 1, 2015, the City will be replacing vacation and sick leave time with Paid Time Off (PTO), which will accumulated biweekly.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, unfunded retirement liabilities, capital lease obligations and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts is reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position.

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014, there were three series of Industrial Revenue Bonds outstanding. In 1995, the issuance of \$6.5 million of industrial revenue bonds was approved. Of this amount, \$4 million pertains to the City and \$2.5 million pertains to the Community Development Authority, a component unit of the City. In December, 2004, the Community Development Authority approved the issuance of industrial revenue bonds of \$4.2 million. During 2007, the City approved the issuance of industrial revenue bonds of \$2.5 million. Therefore, the total conduit debt obligations of City are \$13.2 million for those obligations with outstanding balances at December 31, 2014.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

10. Equity Classifications

Government–Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not expendable in form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (continued)

10. Equity Classifications (continued)

Fund Statements (continued)

- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the Finance Director to assign amounts for a specific purpose. The Finance Director may take official action to assign amounts. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned – Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed or assigned for those purposes.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has a formal minimum fund balance policy. That policy is to maintain a working capital fund of \$500,000. This amount is included in unassigned General Fund fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

See Note IV. G, for further information.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	\$ 54,098,330
Less Internal Service Fund Capital Assets	<u>(71,812)</u>
Adjustment for Capital Assets	<u>\$ 54,026,518</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net position.

Bonds and notes payable	\$ 23,281,394
Compensated absences	620,376
Other post employment benefits	2,945,047
Accrued interest	215,795
Unamortized debt premium	<u>426,449</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 27,489,061</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Budget Expenditures	Actual Expenditures	Excess Expenditure Over Budget
Debt Service Fund	\$ 4,440,308	\$ 5,144,560	\$ (704,252)
Special Revenue Funds			
Development Loan	38,005	39,768	(1,763)
State Fund	3,979	4,067	(88)
TID #5	271,937	272,613	(676)
Business Improvement District	70,558	83,177	(12,619)
Capital Projects Funds			
Other Projects	156,568	175,342	(18,774)
Veterans Park Pool Replacement Fund	-	140,946	(140,946)
East Jackson Project Fund	-	1,040	(1,040)

The City controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the City's year-end budget to actual report.

B. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2014, the following individual fund held a deficit balance:

Capital Project Fund - Other Projects	\$	60,142
Capital Project Fund - East Jackson Project		1,040
Capital Project Fund - Veterans Park Pool Project		140,890

These deficits will be funded by future tax levy, long-term debt or donations.

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Petty cash	\$ 980	\$ -	N/A
Demand deposits	2,925,330	2,587,714	Custodial
Certificates of deposit	7,000,000	7,013,662	Custodial
US agencies	10,760,273	10,760,273	Credit, custodial, concentration of credit and interest rate
LGIP	18,573,805	18,573,805	Credit
Total Cash and Investments	\$ 39,260,388	\$ 38,935,454	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 25,689,868		
Restricted cash and investments	5,690,962		
Per statement of assets and liabilities -			
Fiduciary Funds	7,879,558		
Total Cash and Investments	\$ 39,260,388		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned to the City.

As of December 31, 2014, \$8,290,516 of the City’s total deposit bank balances of \$9,601,376 were exposed to custodial credit risk as uninsured and uncollateralized.

Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City had \$2,949,165 of investments subject to custodial credit risk as of December 31, 2014. Of this amount, the entire balance was covered by securities held by an agency in the City’s name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As of December 31, 2014, the City’s investments were rated as follows:

Investment Type	Standard & Poor’s	Fitch Ratings	Moody’s Investor Service
US agencies	AA+	Not Available	Aaa

The City also had investments in the LGIP which is an external pool that is not rated.

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.

At December 31, 2014, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FNMA	US Agency – Adjustable Rate Mortgages	10.8%

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment.

As of December 31, 2014, the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
US Agency - Adjustable Rate Mortgages	<u>\$ 10,760,273</u>	3.79

The City's investment policy requires that investment instruments not have maturities that exceed one year for the general and other operating funds and two years for all other funds at the time of purchase. As identified above certain investment instruments exceed the maturity limits of the policy.

See Note I. D. 1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for special assessments of \$161,483 and notes receivable of \$1,142,784.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds and internal service funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 7,459,319	\$ -
Special assessments	-	20,120
Health insurance premiums for 2015	191,646	-
Local road improvement program	-	183,228
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 7,650,965	 \$ 203,348
 Unearned revenue included in liabilities	 \$ 191,646	
Unearned revenue included in deferred inflows	7,459,319	
 Total Unearned Revenue for Governmental Funds	 \$ 7,650,965	

Enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the Electric Utility had \$81,695 in unearned revenue related to public benefit revenue, and the Water Utility and Wastewater Utility had unearned revenue related to special assessments of \$211,590 and \$434,822, respectfully.

C. RESTRICTED ASSETS

SPECIAL REVENUE FUND

Certain cash and investments, accounts and notes receivable totaling approximately \$1.55 million at December 31, 2014 are restricted through various grant agreements with granting agencies.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS (continued)

ENTERPRISE FUNDS

Restricted assets of the Enterprise Fund are restricted in accordance with the applicable debt instruments and consist of the following cash, cash equivalents and temporary investments:

Electric Utility		
Special Redemption Fund		
Interest and Principal Account	\$	360,673
Reserve Account		749,417
Depreciation		18,752
Water Utility		
Special Redemption Fund		
Interest and Principal Account		782,288
Reserve Account		1,645,718
Wastewater Treatment		
Equipment Replacement Fund		660,546
Special Redemption Fund		
Interest and Principal Account		882,046
Reserve Account		<u>180,462</u>
Total	\$	<u>5,279,902</u>

COMPONENT UNIT - COMMUNITY DEVELOPMENT AUTHORITY

Certain cash, cash equivalents, accounts receivable and notes receivable, accrued interest receivable and inventory within the Community Development Authority of the City of Hartford totaling \$1,609,345 are restricted for various grant disbursements as established by regulations and agreements with the granting agencies and debt covenants.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS (continued)

Accounts and notes receivable at December 31, 2014 were comprised of the following:

	<u>Special Revenue</u>	<u>Community Development Authority</u>
Notes receivable - other	\$ 1,142,784	\$ 982,624
Total Accounts and Notes Receivable	<u>\$ 1,142,784</u>	<u>\$ 982,624</u>
Current	\$ 50,000	\$ 30,000
Noncurrent	<u>1,092,784</u>	<u>952,624</u>
Total Accounts and Notes Receivable	<u>\$ 1,142,784</u>	<u>\$ 982,624</u>

Special Revenue Fund notes receivable are primarily from various property and business owners with the City of Hartford and were issued to help finance housing and business improvement projects.

Community Development Authority notes receivable consist primarily of notes issued under the First Time Home Buyers Loan Program for \$103,200, certain rehabilitation notes of \$242,444, notes to not for profit agencies totaling \$461,980, and mortgage notes of \$175,000. The notes to the not for profit agencies were initially financed with borrowings incurred by the Authority.

Some of the above notes are interest free while others have interest rates which range up to 5.5%. Interest rates are set by the City of Hartford and the State of Wisconsin. Certain notes are secured by business assets, mortgages on the related property and/or personal guarantees. The notes mature through the year 2026.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,755,690	\$ -	\$ -	\$ 3,755,690
Construction in progress	562,907	5,365,855	5,894,309	34,453
Total Capital Assets Not Being Depreciated	4,318,597	5,365,855	5,894,309	3,790,143
Capital assets being depreciated/amortized				
Buildings	22,017,645	5,648,325	2,290,847	25,375,123
Improvements	2,249,270	686,688	12,580	2,923,378
Machinery and equipment	10,686,700	519,551	93,468	11,112,783
Infrastructure	39,921,590	234,235	35,546	40,120,279
Intangibles	45,300	241,960	-	287,260
Total Capital Assets Being Depreciated/Amortized	74,920,505	7,330,759	2,432,441	79,818,823
Less: Accumulated depreciation/amortization for				
Buildings	(6,615,326)	(617,408)	1,674,177	(5,558,557)
Improvements	(1,105,863)	(123,989)	12,580	(1,217,272)
Machinery and equipment	(7,614,465)	(613,890)	50,251	(8,178,104)
Infrastructure	(13,368,021)	(1,182,658)	35,546	(14,515,133)
Intangibles	-	(41,570)	-	(41,570)
Total Accumulated Depreciation/Amortization	(28,703,675)	(2,579,515)	1,772,554	(29,510,636)
Capital Assets, Net of Depreciation/Amortization	46,216,830	4,751,244	659,887	50,308,187
Total Governmental Activities Capital Assets, Net of Depreciation/ Amortization	\$ 50,535,427	\$ 10,117,099	\$ 6,554,196	\$ 54,098,330

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 94,789
Protection of persons and property	339,775
Public works	1,454,569
Leisure activities	583,576
Conservation and development	39,870
Public service enterprise	6,558
Depreciation Expense-Allocated with Internal Service Fund	<u>60,378</u>

Total Governmental Activities Depreciation/ Amortization Expense	<u>\$ 2,579,515</u>
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CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Business-Type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 558,135	\$ -	\$ -	\$ 558,135
Construction in progress	446,594	1,156,615	6,210	1,596,999
Total Capital Assets Not Being Depreciated	1,004,729	1,156,615	6,210	2,155,134
Capital assets being depreciated				
Buildings	29,809,798	-	-	29,809,798
Improvements other than buildings	82,881,949	1,465,538	158,675	84,188,812
Machinery and equipment	6,812,399	74,902	10,999	6,876,302
Other property	193,533	3,267,233	-	3,460,766
Total Capital Assets Being Depreciated	119,697,679	4,807,673	169,674	124,335,678
Less: Accumulated depreciation for				
Buildings	(11,292,608)	(569,021)	-	(11,861,629)
Improvements other than buildings	(20,658,425)	(1,853,915)	175,615	(22,336,725)
Machinery and equipment	(7,203,447)	(312,325)	-	(7,515,772)
Other Property	(170,906)	(1,150,745)	-	(1,321,651)
Total Accumulated Depreciation	(39,325,386)	(3,886,006)	175,615	(43,035,777)
Total Capital Assets, Net of Accumulated Depreciation	\$ 81,377,022	\$ 351,499	\$ 269	\$ 83,455,035

Depreciation expense was charged to functions as follows:

Business-Type Activities

Electric	\$ 1,138,572
Water	780,281
Wastewater	701,479
Other Enterprise Funds	64,432
Total Business-Type Activities Depreciation Expense	\$ 2,684,764

Depreciation expense may be different from business-type activity capital asset additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets. Included in the accumulated depreciation additions above is \$1,099,550 of additions for the Pike Lake Collection System which was donated to the City by the Town of Hartford in 2014.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
<u>Governmental Funds</u>		
Special Revenue - Business District	General Fund	\$ 12,565
General Fund	Special Revenue - Development Loan	9,988
General Fund	Capital Project Fund - Veterans Park Pool Replacement Fund	140,092
		<u>\$ 162,645</u>
General Fund	Component Unit - Community Development Authority	\$ 535,597
<u>Enterprise Funds</u>		
Electric Utility	Water Utility	\$ 1,769,000

The principal reason for the above interfund amounts relates to a time lag between the dates the transactions are recorded and the dates payments are made between funds. All of the remaining amounts are due within one year.

For the statement of net position, interfund balances which are owed within the governmental activities on business-type activities are netted and eliminated.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General Fund	Enterprise Fund - Cable Television	\$ 115,000
	Enterprise Fund - Electric	600,688
	Enterprise Fund - Water	672,684
	Enterprise Fund - Wastewater	610,000
	Internal Service Fund - Risk Management Fund	2,048
Special Revenue Funds		
Recreation Fund	General Fund	317,798
Library	Internal Service Fund - Data Processing Fund	5,000
Transportation	Internal Service Fund - Risk Management Fund	1,284
Capital Projects Funds		
Parks	Enterprise Fund - Water	15,000
Parks	Enterprise Fund - Wastewater	50,000
Parks	Internal Service Fund - Risk Management Fund	15,000
City Hall Project	General Fund	600,000
City Hall Project	Enterprise Fund - Water	150,000
City Hall Project	Enterprise Fund - Wastewater	100,000
City Hall Project	Enterprise Fund - Airport	50,000
City Hall Project	Enterprise Fund - Cable Television	117,000
City Hall Project	Internal Service Fund - Health Self - Insurance	600,000
City Hall Project	Internal Service Fund - Risk Management Fund	32,455
Debt Service Fund		
	General Fund	248,509
	Special Revenue Fund - T.I.D. #5	268,032
	Special Revenue Fund - Library	25,000
	Enterprise Fund - Electric	17,433
	Enterprise Fund - Water	8,386
	Enterprise Fund - Wastewater	369,117
	Enterprise Fund - Airport	467
	Enterprise Fund - Emergency Squad	1,786
	Enterprise Fund - Cable Television	416
	Internal Service Fund - Data Processing Fund	780
	Internal Service Fund - Risk Management Fund	174
	Internal Service Fund - Health Self - Insurance	87
Enterprise Fund - Airport	Debt Service Fund	6,695
Enterprise Fund - Emergency Squad	Internal Service Fund - Risk Management Fund	871
Subtotal - Fund Financial Statements		5,001,710
Less: Fund Eliminations		(1,466,905)
Less: Government Wide Eliminations		(664,394)
Total Transfers - Government Wide Statement of Activities		<u>\$ 2,870,411</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Transfers from the Enterprise Funds represent mainly the payments in lieu of taxes.

Generally, transfers are used to 1) move revenues from the fund that collects them to the fund that the budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Long-term Debt	\$ 21,510,567	\$ 5,215,000	\$ 3,444,173	\$ 23,281,394	\$ 3,117,945
Add: Unamortized debt premium	222,968	232,188	28,707	426,449	-
Total Governmental Activities					
Bonds and Notes Payable	21,733,535	5,447,188	3,472,880	23,707,843	3,117,945
Other Liabilities					
Other postemployment obligation	2,450,540	721,976	227,469	2,945,047	-
Accrued compensated absences	511,476	108,900	-	620,376	-
Total Other Liabilities	2,962,016	830,876	227,469	3,565,423	-
Total Governmental Activities					
Long-Term Liabilities	\$ 24,695,551	\$ 6,278,064	\$ 3,700,349	\$ 27,273,266	\$ 3,117,945

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
General Obligation Debt					
Bonds and Notes Payable	\$ 104,433	\$ -	\$ 20,827	\$ 83,606	\$ 22,054
Revenue Bonds	25,792,171	-	2,760,540	23,031,631	2,818,507
Unamortized debt premium	79,330	-	8,350	70,980	-
Sub-total	25,975,934	-	2,789,717	23,186,217	2,840,561
Accrued compensated absences	158,841	14,985	-	173,826	-
Other post employment obligation	294,115	99,178	63,231	330,062	-
Total Business-Type Activities					
Long-Term Liabilities	\$ 26,428,890	\$ 114,163	\$ 2,852,948	\$ 23,690,105	\$ 2,840,561

General Obligation Debt

The full faith credit and resources of the City have been irrevocably pledged to collateralize all of the general obligation notes and bonds. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service. Business-type activities revenue bond debt is payable by revenues from user fees of those funds. Business-type activities general obligation debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2014, was \$56,006,100. Total general obligation debt outstanding at year end was \$23,365,000.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

<u>Type</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
General Obligation Bonds and						
Refunding Bonds	1/1/06	3.75-4.50 %	9/1/07-18	3/1 & 9/1	\$ 4,540,000	\$ 3,255,000
	12/1/07	5.20-6.00	4/1/08-21	4/1/ & 10/1	1,150,000	735,000
	8/3/10	1.50-3.00	5/1/11-18	5/1 & 11/1	3,635,000	2,005,000
	6/26/12	1.50-3.50	5/1/14-32	5/1 & 11/1	4,975,000	4,925,000
	8/8/12	1.00-2.00	11/1/13-18	5/1 & 11/1	1,450,000	950,000
General Obligation Notes						
	8/3/10	1.50-3.20	8/1/11-20	2/1 & 8/1	3,580,000	1,855,000
	7/1/08	6.5	7/1/09-18	1/1 & 7/1	4,310,000	1,900,000
	6/26/12	1.50-2.25	5/1/13-22	5/1 & 11/1	3,070,000	2,525,000
	8/5/14	1.00-4.00	8/1/15-24	2/1 & 8/1	5,215,000	5,215,000
						23,365,000
Less: Amounts relating to Proprietary Funds						(83,606)
						<u>\$ 23,281,394</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities Debt

Type	Date of Loan	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/14
General Obligation Bonds and Notes						
Airport	9/1/00	4.75-5.25 %	9/1/01-10	3/1 & 9/1	\$ 17,237	\$ 10,058
	8/3/10	1.50-3.00	5/1/11-18	5/1 & 11/1	105,000	49,904
	8/8/12	1.00-2.00	1/1/13-18	5/1 & 11/1	36,090	23,644
Revenue Bonds						
Water and Electric Utility						
	7/1/00	5.25-5.80	7/1/01-15	1/1 & 7/1	1,000,000	95,000
	7/15/05	3.00-5.00	7/1/06-20	1/1 & 7/1	6,380,000	5,380,000
	6/15/09	2.00-5.00	7/1/10-26	1/1 & 7/1	13,750,000	9,200,000
	10/12/11	2.00-3.50	7/1/13-23	1/1 & 7/1	3,175,000	2,825,000
Wastewater Treatment						
	5/18/98	2.64	5/1/00-18	5/1 & 11/1	11,414,700	2,906,631
	4/1/02	3.00-5.00	5/1/03-22	5/1 & 11/1	3,300,000	1,675,000
	5/1/05	3.25-4.125	5/1/06-15	5/1 & 11/1	3,620,000	950,000
						<u>\$ 23,115,237</u>

Debt service requirements to maturity are as follows:

	Governmental Activities Long-Term Debt		Business-Type Activities Long-Term Debt	
	Principal	Interest	Principal	Interest
2015	\$ 3,117,945	\$ 699,168	\$ 2,840,561	\$ 919,089
2016	3,182,812	618,190	2,909,136	819,272
2017	3,012,169	526,242	2,618,706	721,380
2018	2,773,468	427,251	2,626,834	629,252
2019	1,100,000	328,116	1,915,000	542,500
2020-2024	7,220,000	1,178,035	8,205,000	1,503,950
2025-2029	1,800,000	340,375	2,000,000	150,000
2030-2032	1,075,000	55,563	-	-
Totals	<u>\$ 23,281,394</u>	<u>\$ 4,172,940</u>	<u>\$ 23,115,237</u>	<u>\$ 5,285,443</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt

The City has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in 1998 through 2011. Proceeds from the bonds provided financing for the City's Electric, Water and Sewer Systems, including the refunding of outstanding debt. The bonds are payable solely from revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require 27% for electric, 53% for water and 46% for sewer of net revenues. The total principal and interest remaining to be paid on the bonds is \$28,311,752. Principal and interest paid for the current year and total net customer revenues were \$3,769,632 and \$6,470,895, respectively.

Current Refunding

On August 5, 2014, the City issued \$5,215,000 of general obligation notes, \$590,000 of which was used to refund the 2015 and 2016 principal payments in the amount of \$590,000 of the August 1, 2006 general obligation promissory notes on August 8, 2014.

Component Unit Long-Term Debt - Community Development Authority

<u>Type</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Interest Payable</u>	<u>Original Amount</u>	<u>Balance 12/31/14</u>
Redevelopment Revenue Bonds	09/01/07	4.50	Semi-Annually	4/1 & 10/1	\$ 825,000	\$ 461,980
City of Hartford First National Bank Note	06/10/13	3.40	Annually	Annually	721,714	<u>654,946</u>
						<u>\$ 1,116,926</u>

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 68,321	\$ 48,712
2016	70,624	44,783
2017	73,119	40,590
2018	75,644	36,288
2019	120,935	31,817
2020-2024	533,333	88,999
2025-2027	<u>174,950</u>	<u>14,333</u>
	<u>\$ 1,116,926</u>	<u>\$ 305,522</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Component Unit Long-Term Debt - Community Development Authority– Washington Heights Investors in Community Housing, LLC

	Interest Rate	Principal Payable	Balance 12/31/2014
Mortgage Note	4.43%	Monthly to 2019	<u>\$ 1,863,581</u>

See Note IV. H. for additional information.

Year	Principal
2015	\$ 123,083
2016	128,225
2017	133,583
2018	139,164
2019	<u>1,339,526</u>
	<u>\$ 1,863,581</u>

Other Debt Information

Estimated payments of compensated absences and unfunded retirement liabilities are not included in the debt service requirement schedules. The compensated absences and unfunded retirement liabilities are attributable to governmental activities will be liquidated primarily by the General Fund.

A statutory mortgage lien upon the City's utility system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES

Net position (liabilities) reported on the government wide Statement of Net Position on December 31, 2014 includes the following:

	Governmental Activities	Business - Type Activities
Net investment in capital assets		
Land	\$ 3,755,690	\$ 558,135
Construction in progress	34,453	1,596,999
Other capital assets, net of accumulated depreciation	50,308,187	81,299,901
Less: unamortized debt premium	(426,449)	(70,980)
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(22,373,331)	(20,539,639)
Add: unamortized loss on refunding	-	333,761
Total net investment in capital assets	<u>31,298,550</u>	<u>63,178,177</u>
Restricted for loan programs	1,539,598	-
Restricted for TID activities	707,265	-
Restricted for library	754,435	-
Restricted for debt service	54,022	-
Restricted for equipment replacement	-	660,546
Restricted under revenue bond debt covenants	-	1,640,651
Unrestricted	8,136,195	8,528,187
Total Governmental Activities Net Assets	<u>\$ 42,490,065</u>	<u>\$ 74,007,561</u>

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 229,388
Inventories	9,562
Total General Fund	<u>\$ 238,950</u>
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Prepaid items	\$ 27,217
Transportation Program Fund - Prepaid items	6,031
Recreation Center Fund - Prepaid items	6,917
Total Special Revenue Funds	<u>\$ 40,165</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Governmental Fund Balances (continued)

Restricted	
Major Funds	
Debt Service Fund	
Debt Service	\$ 269,817
Nonmajor Funds	
Special Revenue Funds	
Development Loan Fund - Loan programs	\$ 35
State Fund - Loan programs	1,539,563
Library	727,218
T.I.D. #5 - TID activities	707,265
Total Special Revenue Funds	\$ 2,974,081
Capital Projects Funds	
Capital Improvements Fund	\$ 4,340
Committed	
Non-Major Funds	
Special Revenue Funds	
Transportation Program	\$ 91,620
Recreation Center	509,405
Business Improvement District	11,510
Total Special Revenue Funds	\$ 612,535
Assigned	
Major Funds	
General Fund - Subsequent year's budget appropriations	\$ 448,000
Capital Project Fund - City Hall Project Fund	469,977
Total Major Funds	\$ 917,977
Non-Major Funds	
Capital Projects Funds	
Parks Fund	\$ 773,567
201-2015 Capital Projects	202,337
Total Capital Projects Funds	\$ 975,904

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. NET POSITION / FUND BALANCES (continued)

Governmental Fund Balances (continued)

Unassigned (deficit)	
Major Funds	
General Fund	\$ 7,132,696
Non-Major Funds	
Capital Project Funds	
Veterans Park Pool Fund	\$ (140,890)
East Jackson Fund	(1,040)
Other Projects Fund	(60,142)
Total Capital Project Funds	\$ (202,072)

H. COMPONENT UNIT

This report contains the Hartford Community Development Authority (Authority), which is included as a component unit. Washington Heights Investors in Community Housing, LLC (referred to Washington Heights, LLC) is a component unit of the Authority. See Note IV.1.9. for more information. Financial information is presented as a discrete column in the statement of net position and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

1. Basis of Accounting/Measurement Focus

The Authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

2. Deposits and Investments

The Authority, as a component unit of the City of Hartford, also maintains separate cash and investment accounts at the same financial institutions utilized by the City. Federal depository insurance and the State of Wisconsin Guarantee Fund insurance apply to the City of Hartford as an individual municipality and, accordingly, the amount of insured funds is not determinable for the Authority as a component unit of the City.

Mandatory segregations of cash, cash equivalents and temporary investments by other external parties are presented as restricted assets.

The Authority's cash and investments at year end were comprised of the following:

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

2. Deposits and Investments (continued)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority. The Authority maintains its deposits at the same financial institutions as the City and consequently, the custodial credit risk pertaining specifically to the Authority's resources cannot be determined. The Authority's cash and investments at December 31, 2014 were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Demand deposits	\$ 396,330	\$ 211,865	Custodial credit risk Credit risk, Interest rate risk
LGIP	4,231	4,231	
Total Deposits and Investments	400,561	\$ 216,096	

Cash and Cash Equivalents of Washington Heights, LLC a component unit of the authority:

Unrestricted cash and investments	39,583
Restricted cash and investments	170,963
Total Cash and Investments	\$ 611,107

Reconciliation to financial statements Per statement of net assets

Unrestricted cash and investments	\$ 24,820
Restricted cash and investments	586,287
Total Cash and Investments	\$ 611,107

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash and cash equivalents.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

4. Washington Heights Lease Agreement

The Authority entered into a lease agreement with Washington Heights Investors in Community Housing, LLC for a 50 unit elderly housing facility. The monthly payments are equal to the collected revenues derived from the project. The term of the lease is for one year with an automatic renewal for 15 successive annual one-year terms through December 31, 2018, unless the Authority provides written notice 30 days prior to the expiration of any one year term. Total lease payments made for the period ended December 31, 2014 were \$485,353.

5. Capital Assets

A summary of changes in capital assets are as follows:

	Balance 1/1/2014	Additions	Retirements	Balance 12/31/14
Capital assets not being depreciated				
Land	\$ 85,978	\$ -	\$ -	\$ 85,978
Capital assets being depreciated				
Buildings and improvements	\$ 1,480,482	\$ -	\$ -	\$ 1,480,482
Furniture and fixtures	181,176	-	-	181,176
Machinery and equipment	478,686	24,390	71,016	432,060
Total Capital Assets Being Depreciated	2,140,344	24,390	71,016	2,093,718
Less: Accumulated depreciation for:				
Buildings and improvements	1,137,690	16,967	-	1,154,657
Furniture and fixtures	68,776	21,841	-	90,617
Machinery and equipment	329,848	10,196	69,155	270,889
Total Accumulated Depreciation	1,536,314	49,004	69,155	1,516,163
Capital Assets, Net of Depreciation	\$ 604,030	\$ (24,614)	\$ 1,861	\$ 577,555

In addition to the Authority's capital assets noted above, Washington Heights, LLC, had \$230,832 of land and \$3,119,678 of other capital assets (net of accumulated depreciation) as of December 31, 2014.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Long-Term Obligations

Long-term obligations activity for the years ended December 31, 2014 is as follows:

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
General obligation debt	\$ 721,714	\$ -	\$ 66,768	\$ 654,946	\$ 68,321
Bonds and Notes Payable:					
Revenue bonds	502,801	-	40,821	461,980	-
Net OPEB obligation	<u>408,413</u>	<u>70,464</u>	<u>-</u>	<u>478,877</u>	<u>-</u>
 Total	 <u>\$ 1,632,928</u>	 <u>\$ 70,464</u>	 <u>\$ 107,589</u>	 <u>\$ 1,595,803</u>	 <u>\$ 68,321</u>

In addition to the Authority's long-term obligations noted above, Washington Heights, LLC, had \$2,038,581 of mortgage notes outstanding at December 31, 2014 of which \$123,083 is due within one year and \$175,000 that is due to the Authority.

See Note IV.F. for additional information.

7. Employee Retirement System

All eligible Authority employees participate in the Wisconsin Retirement System ("System"), a cost-sharing defined benefit multiple-employer public employee retirement system (PERS). The payroll for employees covered by the System for the year ended December 31, 2014 was \$597,380, the Authority's total payroll was \$601,472.

The total required contribution for the year ended December 31, 2014 was \$83,633 or 14.0% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2013 and 2012 were \$85,457 and \$80,482 respectively, equal to the required contributions for each year.

Details regarding the entire municipality's unfunded commitment to the plan can be found in the City of Hartford's financial statements. This liability was determined in accordance with provisions of GASB Statement 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

8. Net position

Net position (liabilities) reported on the Statement of Net position on December 31, 2014 includes the following:

Net investment in capital assets	
Land	\$ 316,810
Other capital assets, net of accumulated depreciation	3,697,233
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(2,693,527)</u>
Total Net Investment in Capital Assets	1,320,516
Restricted for grant programs	431,957
Unrestricted	(270,215)
Washington Heights, LLC - Unrestricted	<u>(644,551)</u>
Total Net Position	<u>\$ 837,707</u>

9. Joint Venture

In 2002 the Community Development Authority applied for and received tax credits related to a particular parcel of property. The Authority had to utilize a for-profit purchaser to obtain these credits. On April 11, 2003, the Authority, along with M&I Community Development Corporation ("M&I"), joined to form Washington Heights Investors in Community Housing, LLC. ("LLC"), a joint venture. The LLC was formed for the purpose of acquiring, developing, constructing, owning, leasing and operating a 50-unit elderly housing apartment complex. M&I purchased the tax credits referred to above for \$2.4 million. In order for the property to qualify for the property tax exemptions, the LLC in turn will lease the property to the Authority. At the point where the tax credits are fully depleted, the LLC is required to sell the property to the Authority. During 2003 the only activity that occurred in the LLC was the continuing construction of the apartment complex. Construction of the facility was complete in February 2004 at which time rental of the apartment facility began. The Authority's share in the annual operation of the LLC is .1%. The Authority is the Managing Member and is responsible for directing, managing and controlling the business of the LLC. The equity interest, if any, is reported in the statement of net position. Any changes in the equity interest are reported on the statement of revenues, expenses and changes in net position. As of December 31, 2014, the amount of this equity interest is \$11,260.

10. Other Post Employment Benefits

The Community Development Authority implemented GASB statement No. 45 – *Accounting and Financing Reporting by Employees for Postemployment Benefits Other Than Pension* effective January 1, 2008. The Authority had a Net OPEB obligation as of December 31, 2014 of \$478,877 and an actuarial accrued liability of \$712,571.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives and Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

The payroll for City employees covered by the WRS for the year ended December 31, 2014 was \$6,743,792; the employer's total payroll was \$7,258,599. The total required contribution for the year ended December 31, 2014 was \$1,006,138 or 14.92% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2013 and 2012 were \$978,541 and \$871,015, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension related debt for the City as of December 31, 2014.

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City participates in a public entity risk pool called Cities and Villages Mutual Insurance Company ("CVMIC") to provide coverage for losses from torts; errors and omission; and workers compensation. The risks of theft of, damage to or destruction of assets are covered through the purchase of commercial insurance, with minimal deductibles. The City is self insured for the health care of its employees. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

In 1988, the City issued \$345,000 taxable general obligation promissory notes, subsequently refinanced in 1990 with \$345,000 taxable general obligation refunding bonds to provide financing for the City's participation in the Wisconsin Municipal Insurance Commission (WMIC).

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 0.96%, or \$175,000.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Public Entity Risk Pool (continued)

Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance Company (CVMIC) (continued)

Financial statements of WMIC and CVMIC can be obtained directly from CVMIC's offices.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$345,000 in the Risk Management Fund.

The City pays an annual premium to CVMIC for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$50,000 per occurrence and an annual aggregate limit of \$200,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2014. A total liability of approximately \$49,915 at December 31, 2014, was recorded as claims payable in the Risk Management Fund. Changes in the fund's claims loss liability for 2014 and 2013 were as follows:

	Beginning Balance	Incurred Claims / Estimate Changes	Claims Paid/ Settled	Ending Balance
2013	\$ -	\$ 79,187	\$ 47,937	\$ 31,250
2014	31,250	55,691	37,026	49,915

At December 31, 2014, the Risk Management Fund's net position consisted of the following:

Unrestricted net position for 2012 through 2014 claims	\$ <u>637,809</u>
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CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Self-Insured Medical Care Coverage Plan

The City maintains a self-insured medical care coverage plan for its employees which are accounted for in the Internal Service Fund. The plan provides coverage up to a maximum of \$55,000 per contract and approximately \$1,903,989 for the aggregate of contracts. The City purchases commercial insurance for claims in excess of coverage provided by the fund.

All funds of the City participate in the plan. The City does not maintain a reserve for the coverage of catastrophe losses. The claims liability of \$215,000 at December 31, 2014 is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the claims liability amount for the years ended December 31, 2014 and 2013 were as follows:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2013	\$ 208,000	\$ 1,471,947	\$ 1,466,765	\$ 213,182
2014	183,000	1,487,276	1,455,276	215,000

C. OTHER POSTEMPLOYMENT BENEFITS

The City administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees until eligible for Medicare. Once the retiree is eligible for Medicare, they may continue on the City's plan by paying 100% of the group premium. The City's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

C. OTHER POSTEMPLOYMENT BENEFITS

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the Authority's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 742,895
Interest on net OPEB obligation	147,032
Adjustment to annual required contribution	<u>(167,951)</u>
Annual OPEB cost	721,976
Contributions made	<u>(227,469)</u>
Increase in net OPEB obligation	494,507
Net OPEB Obligation - Beginning of Year	<u>2,450,540</u>
Net OPEB Obligation - End of Year	<u><u>\$ 2,945,047</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for current year and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 673,728	46%	\$ 1,962,503
2013	769,605	37%	2,450,540
2014	721,976	32%	2,945,047

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

C. OTHER POSTEMPLOYMENT BENEFITS (continued)

The funded status of the plan as of January 1, 2014, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 6,885,467
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,885,467</u>
Funded ratio (actuarial value of plan assets/AAL)	4%
Covered payroll (active plan members)	6,743,792
UAAL as a percentage of covered payroll	102%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the City's actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 6 percent investment rate of return and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of .5 percent to an ultimate rate of 5.5 percent after 10 years. Both rates include an inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The amortization period at December 31, 2014, was 30 years.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

D. DONATION OF LAND

The City purchased approximately 500 acres of land in 1987 for the possible creation of an industrial park. In 1988, 200 acres of land was donated to the Hartford Area Development Corporation (HADC), a not-for-profit corporation. It is presently the intent of HADC to sell this land and utilize the land sale proceeds in its marketing and development efforts related to the City's industrial parks. As of December 31, 2014, less than 25 acres remain unsold.

E. MAJOR CUSTOMERS

The Proprietary Fund - Enterprise Funds derived 38.1% or approximately \$13.9 million of its 2014 revenue from two industrial customers, each of which are approximately 21.5% and 16.6%, respectively, of user charges.

F. PURCHASED POWER CONTRACT

The Hartford Electric Utility is one of 51 WPPI Energy members located throughout the State of Wisconsin. On December 1, 1989, each initial WPPI Energy member commenced purchasing electric service from WPPI Energy under a long-term Power Supply Contract for Participating Members (long-term contract). Under the long-term contract, WPPI Energy is obligated to provide and sell, and each member is obligated to take and pay for, the electric power and energy required for the operation of each member's electric utility.

The long-term contract requires all WPPI Energy members to pay for all power and energy requirements supplied or made available by WPPI Energy at rates sufficient to cover WPPI's Energy's revenue requirement including power supply costs, administrative expenses and debt service. WPPI Energy's subsequent years' operating budget and rates are approved annually by its Board of Directors, consisting of representatives from each member. The members have agreed to charge rates to the retail customers sufficient to meet their WPPI Energy obligations. The long-term contract provides that all payments to WPPI Energy constitute operating expenses of the utility payable from any operating and maintenance fund established for that system.

In 2002, all WPPI Energy members ratified a 13 year extension to their original 35 year contracts. The new contract expires at midnight on December 31, 2037.

WPPI Energy's outstanding debt service obligation to be paid by its members through their wholesale power charges through the remainder of the long-term contract was \$455 million as of December 31, 2014.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

G. TAX INCREMENTAL FINANCING DISTRICTS (TID'S) AND RELATED INTERFUND AMOUNTS

As of December 31, 2014, the City had one Tax Incremental Financing District active, District No. 5. Tax increment financing, as authorized by Wisconsin Statutes, is a method by which the City can recover its development and public improvement costs in District's designated area. These costs are recovered from property taxes generated on taxable value over a base valuation determined at the start of the project. The City has financed development and public improvement costs in certain designated areas through the issuance of long-term debt and amounts made available by other City Funds. Tax increments are reported as revenue in the Special Revenue Fund. Resources are transferred to the Debt Service Fund to the extent required for maturing debt obligations which were incurred to provide financing for development and public improvement costs within the respective Districts. Recovery of project costs through tax increments is limited by State law to a period of twenty-seven years.

H. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the City becomes party to claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position.

The City has several environmental issues presently pending concerning groundwater and soil contamination. At the present time, remedial action plans and related costs cannot be determined.

The City and the Hartford Community Development Authority participate in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2014 have not yet been conducted. Accordingly, the City's and Authority's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City and Authority expect such amounts, if any, to be immaterial.

The City has active construction projects as of December 31, 2014. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. As of December 31, 2014, the City had outstanding construction contracts totaling \$604,000 in relation to various capital projects.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (continued)

I. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 71, *Pension – Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARTFORD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,832,628	\$ 3,832,628	\$ 3,817,848	(14,780)
Special assessments	55,500	55,500	49,103	(6,397)
Intergovernmental	1,668,530	1,668,530	1,652,569	(15,961)
Licenses and permits	183,120	183,120	200,859	17,739
Fines, forfeitures and penalties	254,100	254,100	238,225	(15,875)
Public charges for services	741,399	741,399	747,453	6,054
Interdepartmental revenues	357,459	357,459	339,994	(17,465)
Miscellaneous revenues	146,079	135,725	164,070	28,345
Total Revenues	<u>7,238,815</u>	<u>7,228,461</u>	<u>7,210,121</u>	<u>(18,340)</u>
EXPENDITURES				
Current				
General government	1,042,577	1,042,577	994,750	47,827
Public Safety	4,280,240	4,202,740	4,069,768	132,972
Public works	2,438,697	2,446,697	2,346,576	100,121
Leisure activities	703,906	703,906	688,843	15,063
Conservation and development	85,340	85,340	75,362	9,978
Public service enterprise	135,082	135,082	113,234	21,848
Capital Outlay	406,375	733,375	699,114	34,261
Total Expenditures	<u>9,092,217</u>	<u>9,349,717</u>	<u>8,987,647</u>	<u>362,070</u>
Excess of revenues over (under) expenditures	<u>(1,853,402)</u>	<u>(2,121,256)</u>	<u>(1,777,526)</u>	<u>343,730</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,090,709	2,090,709	2,000,420	(90,289)
Transfers out	<u>(1,041,307)</u>	<u>(1,041,307)</u>	<u>(1,166,307)</u>	<u>(125,000)</u>
Net Changes in Fund Balance	<u>\$ (804,000)</u>	<u>\$ (1,071,854)</u>	<u>(943,413)</u>	<u>\$ 128,441</u>
FUND BALANCE - Beginning of Year			<u>8,763,059</u>	
FUND BALANCE - END OF YEAR			<u>\$ 7,819,646</u>	

See independent auditors' report and notes to required supplementary information.

CITY OF HARTFORD

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS OF NET OPEB LIABILITY
 For the Year Ended December 31, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected unit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Postemployment Health Care Plan						
01/01/09	\$ -	\$ 6,780,688	\$ 6,780,688	0%	\$ 6,915,724	98%
01/01/11	-	7,821,491	7,821,491	0%	6,640,944	118%
01/01/14	-	6,885,467	6,885,467	0%	6,743,792	102%

See independent auditors' report and notes to required supplementary information.

CITY OF HARTFORD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and For the Year Ended December 31, 2014

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting as described in Note I C.

The City adopted annual Governmental Fund budgets for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. These budgets are adopted in accordance with Wisconsin Statute 65.90. All appropriations lapse at year-end unless specifically carried over by the Common Council. Budgetary control is exercised at the fund level for all funds.

FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issue by the actuary.

See independent auditors' report.

CITY OF HARTFORD

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014**

	Special Revenue Funds										Capital Project Funds					Total Nonmajor Funds
	Development Loan	State	Library Fund	T.I.D. #5	Transportation Program	Recreation Center	Business Improvement District	Parks	Capital Improvements	Veterans Park Pool Project	East Jackson Project	2014-2015 Capital Projects	Other Projects			
REVENUES																
Taxes																
General property tax	\$ -	\$ -	\$ 584,500	\$ -	\$ 12,160	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Room tax	39,700	-	-	-	-	-	-	-	-	-	-	-	-	-		
Increment	-	-	-	3,045,546	-	-	-	-	-	-	-	-	185,434	-		
Special assessments	-	-	-	-	-	44,125	-	-	-	-	-	-	-	-		
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Federal grants and aids	-	-	3,382	3,216	38,208	-	-	-	-	-	-	-	-	38,208		
State grants and aids	-	-	283,849	-	55,807	-	-	-	-	-	-	-	-	62,405		
County aids	-	-	-	-	-	-	-	-	-	-	-	-	-	283,849		
Public charges for services	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Fees/fares	-	-	22,476	-	67,399	339,225	39,972	52,500	-	-	-	-	-	521,572		
Miscellaneous revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Investment income	12	991	2,161	4,258	238	2,608	5	5,047	56	-	1,546	-	469	17,672		
Interest on loans	-	14,791	-	-	-	-	-	-	-	-	-	-	-	14,791		
Other	-	-	221,363	-	18,276	27,660	-	-	-	-	-	-	-	267,289		
Total Revenues	39,712	15,782	1,117,731	342,020	192,088	369,483	84,102	57,547	56	1,546	-	185,903	-	2,406,261		
EXPENDITURES																
Current																
General government	39,768	4,053	-	4,581	-	-	83,177	-	-	-	-	-	-	131,579		
Public works	-	-	-	-	204,752	-	-	-	1,040	-	-	-	-	205,792		
Leisure activities	-	-	955,625	-	-	652,790	-	-	132,607	-	-	-	-	1,741,022		
Conservation and development	-	-	-	-	-	-	-	24,309	-	-	-	158,170	-	182,479		
Interest on advances	-	14	4,494	-	35	4,928	-	610	-	-	3,649	55	-	8,865		
Capital Outlay	-	-	8,528	-	-	-	-	361,654	8,339	-	451,937	17,117	-	1,045,204		
Total Expenditures	39,768	4,067	968,647	4,581	204,787	657,718	83,177	386,573	140,946	1,040	455,586	175,342	-	3,314,961		
Excess (deficiency) of revenues over expenditures	(56)	11,715	149,084	337,439	(12,699)	(286,225)	925	(329,026)	(140,890)	(1,040)	(454,040)	10,561	-	(908,700)		
OTHER FINANCING SOURCES (USES)																
General obligation debt issued	-	-	-	-	-	-	-	-	-	-	625,000	-	-	625,000		
Premium on long term debt issued	-	-	5,000	-	-	-	-	-	-	-	31,377	-	-	31,377		
Transfers in	-	-	(25,000)	(266,032)	1,284	317,798	-	80,000	-	-	-	-	-	404,052		
Transfers out	-	-	(20,000)	(266,032)	1,284	317,798	-	80,000	-	-	656,377	-	-	(293,032)		
Total Other Financing Sources (Uses)	-	-	(20,000)	(266,032)	1,284	317,798	-	80,000	-	-	656,377	-	-	767,427		
Net change in fund balances	(56)	11,715	129,084	69,407	(11,415)	29,573	925	(249,026)	(140,890)	(1,040)	202,337	10,561	-	(141,273)		
FUND BALANCES (DEFICITS) - Beginning of Year	91	1,527,848	625,351	637,858	109,066	486,749	10,585	1,022,593	-	-	-	(70,703)	-	4,546,226		
FUND BALANCES (DEFICITS) - END OF YEAR	35	1,539,563	754,435	707,265	97,651	516,322	11,510	773,567	4,340	(1,040)	202,337	(60,142)	-	4,404,953		

CITY OF HARTFORD

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2014

	<u>Airport</u>	<u>Emergency Squad</u>	<u>Cable Television</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS				
Current assets				
Cash and investments	\$ 29,331	\$ 182,941	\$ 271,091	\$ 483,363
Customer accounts receivable	-	169,161	-	169,161
Other accounts receivable	10,507	-	-	10,507
Accrued investment income receivable	14	103	140	257
Inventories	32,174	-	-	32,174
Prepaid expenses	796	5,473	1,597	7,866
Total Current Assets	<u>72,822</u>	<u>357,678</u>	<u>272,828</u>	<u>703,328</u>
Capital Assets				
Land	340,291	-	-	340,291
Buildings	226,293	6,800	-	233,093
Improvements other than buildings	513,781	-	-	513,781
Machinery and equipment	277,604	393,535	49,681	720,820
	1,357,969	400,335	49,681	1,807,985
Less: Accumulated depreciation	257,924	208,919	30,473	497,316
Net Property, Plant and Equipment	<u>1,100,045</u>	<u>191,416</u>	<u>19,208</u>	<u>1,310,669</u>
Total Assets	<u>1,172,867</u>	<u>549,094</u>	<u>292,036</u>	<u>2,013,997</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,726	4,657	176	6,559
Other accrued liabilities	420	-	5,607	6,027
Current portion of general obligation debt	22,054	-	-	22,054
Total Current Liabilities	<u>24,200</u>	<u>4,657</u>	<u>5,783</u>	<u>34,640</u>
General Obligation Long-Term Debt net of current maturities	61,553	-	-	61,553
Accrued compensated absences	-	-	1,004	1,004
Total Liabilities	<u>85,753</u>	<u>4,657</u>	<u>6,787</u>	<u>97,197</u>
NET POSITION				
Net investment in capital assets	1,016,438	191,416	19,208	1,227,062
Unrestricted	70,676	353,021	266,041	689,738
TOTAL NET POSITION	<u>\$ 1,087,114</u>	<u>\$ 544,437</u>	<u>\$ 285,249</u>	<u>\$ 1,916,800</u>

CITY OF HARTFORD

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014

	Airport	Emergency Squad	Cable Television	Totals
OPERATING REVENUES				
Charges for services	\$ -	\$ 459,491	\$ 204,543	\$ 664,034
Other revenue	243,100	1,213	-	244,313
Total Operating Revenues	<u>243,100</u>	<u>460,704</u>	<u>204,543</u>	<u>908,347</u>
OPERATING EXPENSES				
Operating and maintenance	223,386	411,618	52,977	687,981
Depreciation	27,332	30,541	6,559	64,432
Taxes	1,932	17,639	2,302	21,873
Total Operating Expenses	<u>252,650</u>	<u>459,798</u>	<u>61,838</u>	<u>774,286</u>
Operating Income (Loss)	<u>(9,550)</u>	<u>906</u>	<u>142,705</u>	<u>134,061</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental aid	-	6,116	-	6,116
Investment income	179	821	1,297	2,297
Interest expense	(2,425)	(152)	-	(2,577)
Gain (loss) on disposal of capital assets	-	-	-	-
Total Non-Operating Revenue (Expenses)	<u>(2,246)</u>	<u>6,785</u>	<u>1,297</u>	<u>5,836</u>
Net Income (Loss) Before Transfers	<u>(11,796)</u>	<u>7,691</u>	<u>144,002</u>	<u>139,897</u>
TRANSFERS IN	6,695	871	-	7,566
TRANSFERS OUT	<u>(467)</u>	<u>(1,786)</u>	<u>(232,416)</u>	<u>(234,669)</u>
Change in net position	<u>(5,568)</u>	<u>6,776</u>	<u>(88,414)</u>	<u>(87,206)</u>
Net Position - Beginning of Year	<u>1,092,682</u>	<u>537,661</u>	<u>373,663</u>	<u>2,004,006</u>
NET POSITION - END OF YEAR	<u>\$ 1,087,114</u>	<u>\$ 544,437</u>	<u>\$ 285,249</u>	<u>\$ 1,916,800</u>

CITY OF HARTFORD

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2014

	Airport	Emergency Squad	Cable Television	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 241,647	\$ 456,387	\$ 204,543	\$ 902,577
Payments to vendors	(201,891)	(193,570)	(24,234)	(419,695)
Payments to employees	(24,969)	(234,209)	(29,889)	(289,067)
Net Cash Flows From Operating Activities	<u>14,787</u>	<u>28,608</u>	<u>150,420</u>	<u>193,815</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in (out)	<u>6,228</u>	<u>(915)</u>	<u>(232,416)</u>	<u>(227,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>179</u>	<u>811</u>	<u>1,344</u>	<u>2,334</u>
Net Cash Flows From Investing Activities	<u>179</u>	<u>811</u>	<u>1,344</u>	<u>2,334</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(20,827)	-	-	(20,827)
Interest paid	(2,501)	(152)	-	(2,653)
Acquisition and construction of capital assets	-	-	(4,800)	(4,800)
Net Cash Flows From Capital and Related Financing Activities	<u>(23,328)</u>	<u>(152)</u>	<u>(4,800)</u>	<u>(28,280)</u>
Net change in cash and cash equivalents	<u>(2,134)</u>	<u>28,352</u>	<u>(85,452)</u>	<u>(59,234)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>31,465</u>	<u>154,589</u>	<u>356,543</u>	<u>542,597</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 29,331</u>	<u>\$ 182,941</u>	<u>\$ 271,091</u>	<u>\$ 483,363</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Income (loss) from operations	\$ (9,550)	\$ 906	\$ 142,705	\$ 134,061
Adjustments to reconcile income (loss) to net cash flows from operating activities:				
Depreciation	27,332	30,541	6,559	64,432
Change in assets and liabilities				
Customer accounts receivable	-	(3,468)	-	(3,468)
Other accounts receivable	(1,453)	6,116	-	4,663
Deferred credits	-	(6,965)	-	(6,965)
Inventory	(1,572)	-	-	(1,572)
Prepayments	119	2,904	(100)	2,923
Accounts payable	(89)	(1,426)	(179)	(1,694)
Accrued liabilities	-	-	1,435	1,435
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 14,787</u>	<u>\$ 28,608</u>	<u>\$ 150,420</u>	<u>\$ 193,815</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				

CITY OF HARTFORD

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
As of December 31, 2014

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 210,880	\$ 286,912	\$ 2,264,517	\$ 2,762,309
Accounts receivable	-	-	8,880	8,880
Accrued investment income receivable	125	149	1,334	1,608
Inventories	8,919	-	-	8,919
Prepaid expenses	15,484	60,548	87	76,119
Total Current Assets	<u>235,408</u>	<u>347,609</u>	<u>2,274,818</u>	<u>2,857,835</u>
Machinery and Equipment	301,889	-	-	301,889
Less: Accumulated depreciation	<u>(230,077)</u>	-	-	<u>(230,077)</u>
Net Property, Plant and Equipment	<u>71,812</u>	-	-	<u>71,812</u>
Other Assets - Investment with CVMIC	-	345,000	-	345,000
Total Assets	<u>307,220</u>	<u>692,609</u>	<u>2,274,818</u>	<u>3,274,647</u>
LIABILITIES				
Accounts payable	9,642	4,885	18,692	33,219
Accrued liabilities	-	49,915	215,000	264,915
Unearned revenue	-	-	191,646	191,646
Total Current Liabilities	<u>9,642</u>	<u>54,800</u>	<u>425,338</u>	<u>489,780</u>
NET POSITION				
Net investment in capital assets	71,812	-	-	71,812
Unrestricted	<u>225,766</u>	<u>637,809</u>	<u>1,849,480</u>	<u>2,713,055</u>
TOTAL NET POSITION	<u>\$ 297,578</u>	<u>\$ 637,809</u>	<u>\$ 1,849,480</u>	<u>\$ 2,784,867</u>

CITY OF HARTFORD

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 228,240	\$ 395,203	\$ 2,482,728	\$ 3,106,171
OPERATING EXPENSES				
Operating and maintenance	189,708	375,483	2,214,969	2,780,160
Depreciation	60,378	-	-	60,378
Total Operating Expenses	<u>250,086</u>	<u>375,483</u>	<u>2,214,969</u>	<u>2,840,538</u>
Operating Income (Loss)	<u>(21,846)</u>	<u>19,720</u>	<u>267,759</u>	<u>265,633</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,001	2,878	12,885	16,764
Interest expense	(191)	(91)	(2,058)	(2,340)
Total Nonoperating Revenues (Expenses)	<u>810</u>	<u>2,787</u>	<u>10,827</u>	<u>14,424</u>
(Loss) Income Before Transfers	<u>(21,036)</u>	<u>22,507</u>	<u>278,586</u>	<u>280,057</u>
TRANSFERS IN (OUT)	<u>(38,235)</u>	<u>(19,377)</u>	<u>(600,087)</u>	<u>(657,699)</u>
Change in net position	<u>(59,271)</u>	<u>3,130</u>	<u>(321,501)</u>	<u>(377,642)</u>
NET POSITION - Beginning of Year	<u>356,849</u>	<u>634,679</u>	<u>2,170,981</u>	<u>3,162,509</u>
NET POSITION - END OF YEAR	<u>\$ 297,578</u>	<u>\$ 637,809</u>	<u>\$ 1,849,480</u>	<u>\$ 2,784,867</u>

CITY OF HARTFORD

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2014**

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 228,240	\$ 915,203	\$ 2,947,277	\$ 4,090,720
Payments to vendors	(142,224)	(596,937)	(2,169,740)	(2,908,901)
Payments to employees	(46,934)	(14,464)	(3,793)	(65,191)
Net Cash Flows From Operating Activities	<u>39,082</u>	<u>303,802</u>	<u>773,744</u>	<u>1,116,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>1,011</u>	<u>2,578</u>	<u>13,365</u>	<u>16,954</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES				
Interest paid	(191)	(91)	(2,058)	(2,340)
Acquisition and construction of capital assets	(30,362)	-	-	(30,362)
Net Cash Flows From Capital and Financing Activities	<u>(30,553)</u>	<u>(91)</u>	<u>(2,058)</u>	<u>(32,702)</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
Transfers (out) in	(38,235)	(19,377)	(600,087)	(657,699)
Net Cash Flows From Noncapital Financing Activities	<u>(38,235)</u>	<u>(19,377)</u>	<u>(600,087)</u>	<u>(657,699)</u>
Net change in cash and cash equivalents	(28,695)	286,912	184,964	443,181
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>239,575</u>	<u>-</u>	<u>2,079,553</u>	<u>2,319,128</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 210,880	\$ 286,912	\$ 2,264,517	\$ 2,762,309
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating (loss) income	\$ (21,846)	\$ 19,720	\$ 267,759	\$ 265,633
Adjustments to reconcile operating (loss) income to net cash flows from operating activities				
Depreciation	60,378	-	-	60,378
Change in assets and liabilities				
Accounts receivable	-	-	55,152	55,152
Deferred credits	-	-	6,618	6,618
Inventory	(1,857)	-	-	(1,857)
Prepayments	332	(60,063)	1,663	(58,068)
Accounts payable	2,075	20,493	7,773	30,341
Accrued liabilities	-	-	32,000	32,000
Due to other funds	-	323,652	402,779	726,431
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 39,082	\$ 303,802	\$ 773,744	\$ 1,116,628
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				