

CITY OF HARTFORD

Hartford, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

CITY OF HARTFORD

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CITY OF HARTFORD

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INDEPENDENT AUDITORS' REPORT

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 aggregate 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, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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.

To the City Common Council
City of Hartford

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Wisconsin, as of December 31, 2017 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 required supplementary information 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 supplementary information 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 supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 2, 2018

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

City of Hartford, Wisconsin

Management Discussion and Analysis As of and for the Year Ended December 31, 2017 (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, 2017. 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 and deferred outflows of resources of the City exceeded its total liability and deferred inflows of resources at the close of the most recent fiscal year by \$130,117,232 (net position). Of this amount, \$18,334,223 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total governmental activities net position decreased by \$(673,268).
- At the close of the 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$12,694,385, a decrease of \$2,281,827 in comparison with the prior year.
- At the end of the 2017 fiscal year, unassigned fund balance for the General Fund was \$6,791,427 or 74% of the total general fund expenditures.
- As of December 31, 2017, the City of Hartford's total General Obligation debt outstanding was \$23,685,002. The city may not exceed 5% of the equalized value of taxable property within the City's jurisdiction and for 2017 the debt limit was \$61,860,490.

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, 2017 (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.

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.

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2017 (Unaudited)

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 \$23,314,308.

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 87 of this report.

Other information –The Required Supplementary Information (RSI) is presented on pages 88 – 91. 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 87 of this report. The City also reports a schedule of the funding progress of the net OPEB liability which is presented on page 89. Notes to the RSI are presented on page 91. 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 92 through 99.

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 and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$130,117,232 as of December 31, 2017.

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, 2017
(Unaudited)

City of Hartford's Net Position

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities 2017	Activities 2016	Activities 2017	Activities 2016	2017	2016
Assets						
Current and other Assets	\$ 25,379,446	\$ 27,969,895	\$ 18,328,440	\$ 16,789,143	\$ 43,707,886	\$ 44,759,038
Capital Assets	61,801,637	62,946,033	80,173,010	80,638,392	141,974,647	143,584,425
Total Assets	87,181,083	90,915,928	98,501,450	97,427,535	185,682,533	188,343,463
Deferred Outflows of Resources						
Unamortized loss on refunding	-	-	366,228	215,347	366,228	215,347
Deferred outflow related to pensions	2,412,070	3,405,061	757,227	1,120,259	3,169,297	4,525,320
Total Deferred Outflows of Resources	2,412,070	3,405,061	1,123,455	1,335,606	3,535,525	4,740,667
Liabilities						
Noncurrent liabilities outstanding	25,611,308	29,018,724	5,900,722	6,061,125	31,512,030	35,079,849
Other liabilities	5,744,206	6,169,250	12,762,306	15,622,899	18,506,512	21,792,149
Total Liabilities	31,355,514	35,187,974	18,663,028	21,684,024	50,018,542	56,871,998
Deferred Inflows of Resources						
Unearned revenue	7,798,976	7,703,977	-	-	7,798,976	7,703,977
Deferred inflow related to pensions	974,325	1,291,432	308,983	420,752	1,283,308	1,712,184
Total Deferred Inflows of Resources	8,773,301	8,995,409	308,983	420,752	9,082,284	9,416,161
Net Position:						
Net investment in capital assets	38,851,452	38,028,006	67,817,756	67,650,991	106,669,208	105,678,997
Restricted	2,916,752	3,032,359	2,197,049	2,151,940	5,113,801	5,184,299
Unrestricted	7,696,134	9,077,241	10,638,089	6,855,434	18,334,223	15,932,675
Total Net Position	\$ 49,464,338	\$ 50,137,606	\$ 80,652,894	\$ 76,658,365	\$ 130,117,232	\$ 126,795,971

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, \$18,334,223, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2017 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 increased by \$3,321,261 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, 2017. 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 \$673,268 in 2017, and business-type activities increased the City's net position by \$3,994,529 that same year.

City of Hartford

Management Discussion and Analysis
As of and for the Year Ended December 31, 2017
(Unaudited)

City of Hartford's Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total	
					2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,482,490	\$ 2,481,322	\$ 37,560,395	\$ 37,075,587	\$ 41,042,885	\$ 39,556,909
Operating Grants and Contributions	1,398,913	1,344,305	6,575	6,814	1,405,488	1,351,119
Capital Grants and Contributions	287,816	926,161	2,349,371	509,936	2,637,187	1,436,097
General revenues						
Property Tax	7,782,642	7,804,709	-	-	7,782,642	7,804,709
Grants and contributions						
not restricted to specific programs	860,428	872,080	-	-	860,428	872,080
Unrestricted investment earnings	84,656	116,006	87,758	62,718	172,414	178,724
Miscellaneous	621,991	950,267	78,170	55,129	700,161	1,005,396
Total Revenues and transfers	14,518,936	14,494,850	40,082,269	37,710,184	54,601,205	52,205,034
Expenses:						
General government	1,289,410	1,884,336	-	-	1,289,410	1,884,336
Protection of persons and property	5,452,894	4,879,051	-	-	5,452,894	4,879,051
Public works	4,575,518	4,125,570	-	-	4,575,518	4,125,570
Leisure activities	3,394,488	3,508,478	-	-	3,394,488	3,508,478
Conservation and development	1,589,636	543,454	-	-	1,589,636	543,454
Public service enterprise	115,147	115,985	-	-	115,147	115,985
Interest	635,860	846,532	-	-	635,860	846,532
Electric	-	-	28,172,258	27,718,408	28,172,258	27,718,408
Water	-	-	2,732,995	2,826,169	2,732,995	2,826,169
Wastewater	-	-	2,433,946	2,338,232	2,433,946	2,338,232
Other	-	-	887,792	817,466	887,792	817,466
Total expenses	17,052,953	15,903,406	34,226,991	33,700,275	51,279,944	49,603,681
Increase (decrease) in net position before transfers						
	(2,534,017)	(1,408,556)	5,855,278	4,009,909	3,321,261	2,601,353
Transfers	1,860,749	2,848,229	(1,860,749)	(2,848,229)	-	-
Increase in net position	(673,268)	1,439,673	3,994,529	1,161,680	3,321,261	2,601,353
Net position – beginning	50,137,606	48,697,933	76,658,365	75,496,685	126,795,971	124,194,618
Net position – ending	\$ 49,464,338	\$ 50,137,606	\$ 80,652,894	\$ 76,658,365	\$ 130,117,232	\$ 126,795,971

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2017
(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 2017</u>	<u>Net (Expense) of Service 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net (Expense) of Service 2016</u>
General Government	\$ 1,289,410	\$ (41,218)	\$ 1,884,336	\$ (1,237,255)
Protection of persons and property	5,452,894	(4,652,275)	4,879,051	(4,258,604)
Public Works	4,575,518	(2,895,645)	4,125,570	(1,870,931)
Leisure activities	3,394,488	(2,038,538)	3,508,478	(2,350,908)
Construction and development	1,589,636	(1,585,951)	543,454	(536,510)
Public Service Enterprise	115,147	(34,247)	115,985	(50,878)
Interest	635,860	(635,860)	846,532	(846,532)
	<u>\$ 17,052,953</u>	<u>\$ (11,883,734)</u>	<u>\$ 15,903,406</u>	<u>\$ (11,151,618)</u>

Net cost of services is 70% of total cost of services in 2017. 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, 2017 were \$37,560,395. The Business-type activities increased the City of Hartford's net position by \$3,994,529.

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.

	2017			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue, Contributions, and Transfers	\$ 29,286,378	\$ 4,755,074	\$ 5,338,435	\$ 39,379,887
Expenses and Transfers	<u>28,772,528</u>	<u>3,605,921</u>	<u>3,127,389</u>	<u>35,505,838</u>
Change in net position	<u>\$ 513,850</u>	<u>\$ 1,149,153</u>	<u>\$ 2,211,046</u>	<u>\$ 3,874,049</u>

	2016			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue, Contributions, and Transfers	\$ 28,956,777	\$ 4,060,690	\$ 4,015,558	\$ 37,033,025
Expenses and Transfers	<u>28,351,846</u>	<u>3,766,065</u>	<u>3,759,044</u>	<u>35,876,955</u>
Change in net position	<u>\$ 604,931</u>	<u>\$ 294,625</u>	<u>\$ 256,514</u>	<u>\$ 1,156,070</u>

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2017 (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 \$12,694,385, a decrease of \$2,281,827 in comparison with the prior year. Of this total amount, \$6,496,187 constitutes unassigned fund balance. This unassigned fund balance includes positive fund balance of \$6.9 million, offset by approximately \$417,000 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 2017, the General Fund balance decreased by \$792,069. At the end of the year, the unassigned fund balance of the General Fund was \$6,791,427, while total fund balance was \$6,964,269. 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 70% of total general fund expenditures.

Fund balance in the Debt Service Fund decreased by \$318,340 during 2017.

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 \$80,652,894. Total growth in net position for these funds was \$3,994,529.

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 \$9,693,725 was increased to \$9,706,066 (an increase of \$12,341). This increase represents budget carry-forwards for projects which were started in 2017.

During the year, revenues were higher than budgetary revenues and expenses were less budgetary expenditures.

The General Fund operations used \$792,069 more than beginning of the year fund balance. The final amended budget anticipated a use of fund balance of \$1,173,884.

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2017
(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, 2017, amounts to \$141.9 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 2017	Activities 2016	Activities 2017	Activities 2016	2017	2016
Land	\$ 3,755,690	\$ 3,755,690	\$ 562,475	\$ 566,111	\$ 4,318,165	\$ 4,321,801
Construction in progress	-	-	138,521	381,274	138,521	381,274
Land Improvements	3,308,144	3,308,144	89,129,990	87,487,145	92,438,134	90,795,289
Buildings	35,005,485	35,005,485	29,988,747	29,973,627	64,994,232	64,979,112
Machinery & Equipment	12,166,262	11,917,815	6,688,560	6,679,886	18,854,822	18,597,701
Other property	-	-	3,460,766	3,460,766	3,460,766	3,460,766
Infrastructure	44,235,457	42,859,073	-	-	44,235,457	42,859,073
Intangibles	287,260	287,260	-	-	287,260	287,260
Accumulated depreciation	(36,956,661)	(34,187,434)	(49,796,049)	(47,910,417)	(86,752,710)	(82,097,851)
	<u>\$ 61,801,637</u>	<u>\$ 62,946,033</u>	<u>\$ 80,173,010</u>	<u>\$ 80,638,392</u>	<u>\$ 141,974,647</u>	<u>\$ 143,584,425</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, 2017, the City of Hartford, Wisconsin had general obligation bonds and notes outstanding totaling \$23,685,002. The City of Hartford has business-type activities revenue bonds and notes payable totaling \$14,557,420.

In the current year, the City paid off \$3,582,018 in principal and \$826,105 in interest on outstanding governmental activities debt.

Business-Type Activities paid \$8,338,861 in principal and \$583,174 in interest on outstanding debt in the current year.

The total of principal on debt that will become due within one year is \$6,100,302.

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2017
(Unaudited)**

Capital Assets and Debt Administration (continued)

In 2015 the City of Hartford received a Standard & Poor's AA rating.

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

	Governmental	Governmental	Business-type	Business-type	Totals	
	Activities 2017	Activities 2016	Activities 2017	Activities 2016	2017	2016
General Obligations						
Bonds & Notes	\$ 23,667,882	\$ 27,249,900	\$ 17,120	\$ 40,100	\$ 23,685,002	\$ 27,290,000
Revenue Bonds	-	-	14,540,299	17,126,180	14,540,299	17,126,180
Total	23,667,882	27,249,900	14,557,419	17,166,280	38,225,301	44,416,180

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

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2017 (Unaudited)

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 18 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:

- 1) The construction of the Cobblestone Hotel and Wissota Chop House began in the fall of 2017 and is scheduled for completion in the spring of 2018. This hotel is part of TIF #10 which was created for the redevelopment of the downtown area.
- 2) Phase 1 and 2 of the Airport Runway Extension Project are expected to be completed in late fall of 2018.
- 3) The Hartford Electric rate case application expected to be approved by the PSC in 2017 is now planned for approval in the spring of 2018. An increase of less than 1% is anticipated.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 18,604,671	\$ 6,300,079	\$ 24,904,750	\$ (216,188)
Receivables				
Current	4,480,839	6,785,848	11,266,687	1,498
Noncurrent	116,945	-	116,945	-
Due from other governments	107,013	-	107,013	82,000
Inventory	23,457	663,042	686,499	-
Prepayments	212,605	136,820	349,425	68,303
Restricted assets				
Cash and investments	1,059,296	4,442,651	5,501,947	1,090,976
Accounts, notes and leases receivable	429,562	-	429,562	654,444
Accrued investment income receivable	4	-	4	2,589
Prepayments and inventory	54	-	54	21,136
Investment in CVMIC	345,000	-	345,000	-
Capital assets, net of depreciation/amortization	61,801,637	80,173,010	141,974,647	3,534,223
Total Assets	<u>87,181,083</u>	<u>98,501,450</u>	<u>185,682,533</u>	<u>5,238,981</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	-	366,228	366,228	-
Deferred outflow related to pensions	2,412,070	757,227	3,169,297	266,471
Total Deferred Outflows of Resources	<u>2,412,070</u>	<u>1,123,455</u>	<u>3,535,525</u>	<u>266,471</u>
LIABILITIES				
Accounts payable and other current liabilities	1,576,886	2,257,420	3,834,306	267,791
Accrued interest payable	161,846	-	161,846	17,714
Community commitment	-	93,450	93,450	-
Deposits	490,613	10,694	501,307	91,618
Current liabilities payable from restricted assets				
Current portion of long-term debt	-	2,775,302	2,775,302	-
Accrued interest payable	-	114,877	114,877	-
Unearned revenue	206,981	631,859	838,840	225,138
Noncurrent liabilities:				
Accrued compensated absences	439,404	172,278	611,682	-
Net pension liability	303,613	107,012	410,625	32,559
Due within one year	3,307,880	17,120	3,325,000	173,888
Due in more than one year	24,868,291	12,483,016	37,351,307	3,515,356
Total Liabilities	<u>31,355,514</u>	<u>18,663,028</u>	<u>50,018,542</u>	<u>4,324,064</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	7,798,976	-	7,798,976	-
Deferred inflow related to pensions	974,325	308,983	1,283,308	110,468
Total Deferred Inflows of Resources	<u>8,773,301</u>	<u>308,983</u>	<u>9,082,284</u>	<u>110,468</u>
NET POSITION				
Net investment in capital assets	38,851,452	67,817,756	106,669,208	1,027,328
Restricted for:				
Loan programs	1,488,916	-	1,488,916	-
Library	1,228,003	-	1,228,003	-
Debt Service	199,833	-	199,833	-
Equipment replacement	-	630,182	630,182	-
Revenue bond covenants	-	1,566,867	1,566,867	-
Grant programs	-	-	-	73,503
Unrestricted (deficit)	<u>7,696,134</u>	<u>10,638,089</u>	<u>18,334,223</u>	<u>(29,911)</u>
TOTAL NET POSITION	<u>\$ 49,464,338</u>	<u>\$ 80,652,894</u>	<u>\$ 130,117,232</u>	<u>\$ 1,070,920</u>

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

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	Totals	
Primary Government								
Governmental Activities								
General government	\$ 1,289,410	\$ 1,188,033	\$ 60,159	\$ -	\$ (41,218)	\$ -	\$ (41,218)	\$ -
Protection of persons and property	5,452,894	646,313	154,306	-	(4,652,275)	-	(4,652,275)	-
Public works	4,575,518	517,537	874,520	287,816	(2,895,645)	-	(2,895,645)	-
Leisure activities	3,394,488	1,046,022	309,928	-	(2,038,538)	-	(2,038,538)	-
Conservation and development	1,589,636	3,685	-	-	(1,585,951)	-	(1,585,951)	-
Public service enterprise	115,147	80,900	-	-	(34,247)	-	(34,247)	-
Interest	635,860	-	-	-	(635,860)	-	(635,860)	-
Total Governmental Activities	<u>17,052,953</u>	<u>3,482,490</u>	<u>1,398,913</u>	<u>287,816</u>	<u>(11,883,734)</u>	<u>-</u>	<u>(11,883,734)</u>	<u>-</u>
Business-type Activities								
Electric Utility	28,172,258	28,897,243	-	47,249	-	772,234	772,234	-
Water Utility	2,732,995	4,124,097	-	586,441	-	1,977,543	1,977,543	-
Wastewater Treatment	2,433,946	3,596,022	-	1,715,681	-	2,877,757	2,877,757	-
Other	887,792	943,033	6,575	-	-	61,816	61,816	-
Total Business-type Activities	<u>34,226,991</u>	<u>37,560,395</u>	<u>6,575</u>	<u>2,349,371</u>	<u>-</u>	<u>5,689,350</u>	<u>5,689,350</u>	<u>-</u>
Total Primary Government	<u>\$ 51,279,944</u>	<u>\$ 41,042,885</u>	<u>\$ 1,405,488</u>	<u>\$ 2,637,187</u>	<u>(11,883,734)</u>	<u>5,689,350</u>	<u>(6,194,384)</u>	<u>-</u>
Component Unit								
Hartford Community Development Authority	\$ 2,416,968	\$ 1,195,844	\$ 1,270,719	\$ -	-	-	-	49,595
General Revenues								
Taxes								
Property taxes levied for general purposes					3,845,612	-	3,845,612	-
Property taxes levied for debt service					2,969,293	-	2,969,293	-
Property taxes levied for all other purposes					967,737	-	967,737	-
Intergovernmental revenues not restricted to specific programs					860,428	-	860,428	-
Investment income					84,656	87,758	172,414	155,072
Other					621,991	78,170	700,161	-
Transfers					1,860,749	(1,860,749)	-	-
Total general revenues and transfers					<u>11,210,466</u>	<u>(1,694,821)</u>	<u>9,515,645</u>	<u>155,072</u>
Change in net position					(673,268)	3,994,529	3,321,261	204,667
NET POSITION - Beginning of Year					<u>50,137,606</u>	<u>76,658,365</u>	<u>126,795,971</u>	<u>866,253</u>
NET POSITION - END OF YEAR					\$ 49,464,338	\$ 80,652,894	\$ 130,117,232	\$ 1,070,920

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General	Debt Service	Capital Project Fund Veterans Park Pool Project	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 9,537,216	\$ 1,657,298	\$ -	\$ 4,742,462	\$ 15,936,976
Accounts receivable	186,249	173,589	-	11,000	370,838
Special assessments receivable					
Due after 2017	116,945	-	-	-	116,945
Accrued investment income receivable	8,985	101	-	4,426	13,512
Taxes receivable	1,942,582	1,533,151	-	498,042	3,973,775
Due from other funds	366,586	-	-	-	366,586
Due from other governments	-	-	-	107,013	107,013
Inventories	16,707	-	-	-	16,707
Prepayments	156,135	-	-	36,959	193,094
Restricted assets					
Cash and investments	-	-	-	1,059,296	1,059,296
Accounts and notes receivable	-	-	-	429,562	429,562
Accrued investment income receivable	-	-	-	4	4
Prepayments	-	-	-	54	54
TOTAL ASSETS	\$ 12,331,405	\$ 3,364,139	\$ -	\$ 6,888,818	\$ 22,584,362

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	General	Debt Service	Capital Project Fund Veterans Park Pool Project	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
Liabilities					
Accounts payable	\$ 422,360	\$ -	\$ 49,393	\$ 110,110	\$ 581,863
Accrued liabilities	-	-	564	23,159	23,723
Due to other governmental agencies	-	-	-	5,883	5,883
Due to other funds	-	-	366,586	-	366,586
Deposits	490,613	-	-	-	490,613
Accrued payroll	579,548	-	-	-	579,548
Total Liabilities	<u>1,492,521</u>	<u>-</u>	<u>416,543</u>	<u>139,152</u>	<u>2,048,216</u>
Deferred Inflows of Resources					
Unavailable revenues	42,785	-	-	-	42,785
Unearned revenues	3,831,830	3,002,460	-	964,686	7,798,976
Total Deferred Inflows of Resources	<u>3,874,615</u>	<u>3,002,460</u>	<u>-</u>	<u>964,686</u>	<u>7,841,761</u>
Fund Balances (Deficits)					
Nonspendable	172,842	-	-	36,959	209,801
Restricted	-	361,679	-	2,696,859	3,058,538
Committed	-	-	-	758,172	758,172
Assigned	-	-	-	2,171,687	2,171,687
Unassigned (Deficit)	6,791,427	-	(416,543)	121,303	6,496,187
Total Fund Balances (Deficits)	<u>6,964,269</u>	<u>361,679</u>	<u>(416,543)</u>	<u>5,784,980</u>	<u>12,694,385</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)					
	<u>\$ 12,331,405</u>	<u>\$ 3,364,139</u>	<u>\$ -</u>	<u>\$ 6,888,818</u>	

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project Fund Veterans Park Pool Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Total fund balances from previous page	\$ 6,964,269	\$ 361,679	\$ (416,543)	\$ 5,784,980	\$ 12,694,385
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)					61,780,955
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.					42,785
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.					(303,613)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.					2,412,070
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.					(974,325)
Internal service funds are reported in the statement of net position as governmental activities					2,589,502
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)					<u>(28,777,421)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES					<u>\$ 49,464,338</u>

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Debt Service	Capital Project Fund Veterans Park Pool Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,845,612	\$ 2,969,293	\$ -	\$ 967,737	\$ 7,782,642
Special assessments	83,116	-	-	50,810	133,926
Intergovernmental revenues	1,650,461	-	-	480,760	2,131,221
Licenses and permits	414,523	-	-	-	414,523
Fines, forfeitures and penalties	231,786	-	-	-	231,786
Public charges for services	1,058,443	-	-	776,593	1,835,036
Intergovernmental charges	359,661	-	-	-	359,661
Miscellaneous revenues	189,939	38,028	474,004	155,670	857,641
Total Revenues	<u>7,833,541</u>	<u>3,007,321</u>	<u>474,004</u>	<u>2,431,570</u>	<u>13,746,436</u>
EXPENDITURES					
Current					
General government	1,013,066	-	-	98,274	1,111,340
Public safety	4,459,904	-	-	-	4,459,904
Public works	2,274,952	-	-	215,635	2,490,587
Leisure activities	874,508	-	19,418	1,544,602	2,438,528
Conservation and development	129,589	-	-	852,701	982,290
Public service enterprise	113,923	-	-	-	113,923
Capital Outlay	256,320	-	3,387	2,265,552	2,525,259
Debt Service					
Principal, interest and fees	-	4,411,629	-	8,801	4,420,430
Total Expenditures	<u>9,122,262</u>	<u>4,411,629</u>	<u>22,805</u>	<u>4,985,565</u>	<u>18,542,261</u>
Excess (deficiency) of revenues over expenditures	<u>(1,288,721)</u>	<u>(1,404,308)</u>	<u>451,199</u>	<u>(2,553,995)</u>	<u>(4,795,825)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	595,949	595,949
Transfers in	2,148,610	1,092,309	-	564,065	3,804,984
Transfers out	(1,651,958)	(6,431)	-	(228,546)	(1,886,935)
Total Other Financing Sources (Uses)	<u>496,652</u>	<u>1,085,878</u>	<u>-</u>	<u>931,468</u>	<u>2,513,998</u>
Net Change in Fund Balances	(792,069)	(318,430)	451,199	(1,622,527)	(2,281,827)
FUND BALANCES (DEFICITS) - Beginning of Year	<u>7,756,338</u>	<u>680,109</u>	<u>(867,742)</u>	<u>7,407,507</u>	<u>14,976,212</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 6,964,269</u>	<u>\$ 361,679</u>	<u>\$ (416,543)</u>	<u>\$ 5,784,980</u>	<u>\$ 12,694,385</u>

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, 2017

Net change in fund balances - total governmental funds	\$ (2,281,827)
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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	2,525,259
Some items reported as expenditures were capitalized	(771,457)
Depreciation is reported in the government-wide statements	(2,939,882)
Net book value of assets retired	(90,689)
State funded capital asset additions	153,890

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.

Principal repaid	3,582,018
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Revenues are reported in the governmental funds when current financial resources are available, but are recognized when earned in the statement of activities.

22,661

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.

(408,005)

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	(36,320)
Other post employment benefits	(265,628)
Net pension liability	310,044
Deferred outflows related to pension	(992,991)
Deferred inflows related to pension	317,107
Accrued interest on debt	111,112

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.

Amortization of debt premium	91,440
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (673,268)
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CITY OF HARTFORD

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2017

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
CURRENT ASSETS						
Cash and investments	\$ 833,709	\$ 1,555,526	\$ 3,367,728	\$ 543,116	\$ 6,300,079	\$ 2,667,695
Accounts receivable	5,100,899	409,878	437,380	203,287	6,151,444	120,111
Accrued investment income receivable	2,007	3,740	4,936	362	11,045	2,603
Inventories	587,856	45,700	-	29,486	663,042	6,750
Prepayments	41,486	62,113	25,839	7,382	136,820	19,511
Restricted assets - cash and investments	313,131	646,044	722,569	-	1,681,744	-
Total Current Assets	6,879,088	2,723,001	4,558,452	783,633	14,944,174	2,816,670
NON-CURRENT ASSETS						
Restricted Assets						
Cash and investments	695,617	1,435,108	630,182	-	2,760,907	-
Capital Assets						
Land	121,402	40,512	60,270	340,291	562,475	-
Buildings	7,949,168	751,313	21,055,173	233,093	29,988,747	-
Improvements other than buildings	28,645,222	41,536,736	18,434,251	513,781	89,129,990	-
Machinery and equipment	2,881,686	1,216,473	1,778,111	812,290	6,688,560	319,594
Construction in progress	106,423	32,098	-	-	138,521	-
Other property	193,532	-	3,267,234	-	3,460,766	-
Less: Accumulated depreciation	(19,698,800)	(12,010,947)	(17,494,647)	(591,655)	(49,796,049)	(298,910)
Other Assets						
Investment in CVMIC	-	-	-	-	-	345,000
Special assessments - due upon development	-	221,603	401,756	-	623,359	-
Due from other funds	3,957,070	-	-	-	3,957,070	-
Other post employment benefit asset	-	-	118,587	-	118,587	-
Total Non-Current Assets	24,851,320	33,222,896	28,250,917	1,307,800	87,632,933	365,684
Total Assets	31,730,408	35,945,897	32,809,369	2,091,433	102,577,107	3,182,354
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow related to pensions	404,405	138,431	143,757	70,634	757,227	-
Unamortized loss on refunding	159,813	206,415	-	-	366,228	-
Total Deferred Outflows of Resources	564,218	344,846	143,757	70,634	1,123,455	-

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2017

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION						
CURRENT LIABILITIES						
Accounts payable	\$ 2,006,831	\$ 48,922	\$ 75,266	\$ 9,541	\$ 2,140,560	\$ 7,187
Accrued liabilities	65,723	29,250	16,094	5,793	116,860	378,684
Community commitment	93,450	-	-	-	93,450	-
Customer deposits	2,756	7,938	-	-	10,694	-
Current portion of general obligation debt	-	-	-	17,120	17,120	-
Unearned revenue	-	-	-	-	-	206,981
Liabilities payable from restricted assets						
Current portion of revenue bonds	546,660	1,153,340	1,075,302	-	2,775,302	-
Accrued interest payable	39,801	69,374	5,702	-	114,877	-
Total Current Liabilities	<u>2,755,221</u>	<u>1,308,824</u>	<u>1,172,364</u>	<u>32,454</u>	<u>5,268,863</u>	<u>592,852</u>
NON-CURRENT LIABILITIES						
Long-term debt	<u>3,363,862</u>	<u>8,075,923</u>	<u>620,000</u>	<u>-</u>	<u>12,059,785</u>	<u>-</u>
Compensated absences	<u>105,815</u>	<u>44,228</u>	<u>20,953</u>	<u>1,282</u>	<u>172,278</u>	<u>-</u>
Net Pension Liability	<u>56,600</u>	<u>19,579</u>	<u>19,626</u>	<u>11,207</u>	<u>107,012</u>	<u>-</u>
Other post employment benefit obligation	<u>340,027</u>	<u>201,791</u>	<u>-</u>	<u>-</u>	<u>541,818</u>	<u>-</u>
Due to other funds	<u>-</u>	<u>3,957,070</u>	<u>-</u>	<u>-</u>	<u>3,957,070</u>	<u>-</u>
Unearned revenue	<u>-</u>	<u>230,103</u>	<u>401,756</u>	<u>-</u>	<u>631,859</u>	<u>-</u>
Total Liabilities	<u>6,621,525</u>	<u>13,837,518</u>	<u>2,234,699</u>	<u>44,943</u>	<u>22,738,685</u>	<u>592,852</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow related to pensions	<u>165,855</u>	<u>56,373</u>	<u>58,434</u>	<u>28,321</u>	<u>308,983</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	17,143,541	23,978,445	25,405,090	1,290,680	67,817,756	20,684
Restricted bond covenants	273,330	576,670	1,347,049	-	2,197,049	-
Unrestricted (deficit)	<u>8,090,375</u>	<u>(2,158,263)</u>	<u>3,907,854</u>	<u>798,123</u>	<u>10,638,089</u>	<u>2,568,818</u>
TOTAL NET POSITION	\$ 25,507,246	\$ 22,396,852	\$ 30,659,993	\$ 2,088,803	\$ 80,652,894	\$ 2,589,502

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, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric Utility	Water Utility	Wastewater Treatment	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES						
Charges for services	\$ 28,639,718	\$ 4,110,868	\$ 3,561,336	\$ 742,704	\$ 37,054,626	\$ 3,640,845
Other operating income	257,525	13,229	34,686	200,329	505,769	-
Total Operating Revenues	<u>28,897,243</u>	<u>4,124,097</u>	<u>3,596,022</u>	<u>943,033</u>	<u>37,560,395</u>	<u>3,640,845</u>
OPERATING EXPENSES						
Operating and maintenance	26,482,245	1,463,334	1,668,913	771,851	30,386,343	4,053,794
Depreciation	1,478,814	819,056	681,847	89,814	3,069,531	21,517
Taxes	-	-	-	25,101	25,101	-
Total Operating Expenses	<u>27,961,059</u>	<u>2,282,390</u>	<u>2,350,760</u>	<u>886,766</u>	<u>33,480,975</u>	<u>4,075,311</u>
Operating income (loss)	<u>936,184</u>	<u>1,841,707</u>	<u>1,245,262</u>	<u>56,267</u>	<u>4,079,420</u>	<u>(434,466)</u>
NONOPERATING REVENUES (EXPENSES)						
Operating grants	-	-	-	6,575	6,575	-
Gain (loss) on disposals	1,140	(3,637)	14,500	-	12,003	-
Investment income	34,742	23,510	26,732	2,774	87,758	15,474
Interest expense	(175,185)	(427,412)	(83,186)	(1,026)	(686,809)	(5,952)
Amortization of loss on refunding	(36,014)	(23,193)	-	-	(59,207)	-
Amortization of debt premium	10,707	21,026	-	-	31,733	-
Income from merchandising	46,437	-	-	-	46,437	-
Insurance Recoveries	-	-	-	-	-	74,239
Total Nonoperating Revenues (Expenses)	<u>(118,173)</u>	<u>(409,706)</u>	<u>(41,954)</u>	<u>8,323</u>	<u>(561,510)</u>	<u>83,761</u>
Income (loss) before contributions and transfers	818,011	1,432,001	1,203,308	64,590	3,517,910	(350,705)
CAPITAL CONTRIBUTIONS						
Customers	46,109	590,078	-	-	636,187	-
Pike Lake Collection System	-	-	4,444	-	4,444	-
Reserve capacity assessment	-	-	1,696,737	-	1,696,737	-
TRANSFERS IN	250,000	-	-	173,688	423,688	-
TRANSFERS OUT	<u>(600,270)</u>	<u>(872,926)</u>	<u>(693,443)</u>	<u>(117,798)</u>	<u>(2,284,437)</u>	<u>(57,300)</u>
Change in Net Position	513,850	1,149,153	2,211,046	120,480	3,994,529	(408,005)
NET POSITION - Beginning of Year	<u>24,993,396</u>	<u>21,247,699</u>	<u>28,448,947</u>	<u>1,968,323</u>	<u>76,658,365</u>	<u>2,997,507</u>
NET POSITION - END OF YEAR	<u>\$ 25,507,246</u>	<u>\$ 22,396,852</u>	<u>\$ 30,659,993</u>	<u>\$ 2,088,803</u>	<u>\$ 80,652,894</u>	<u>\$ 2,589,502</u>

See accompanying notes to the financial statements.

CITY OF HARTFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2017

	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	\$ 26,409,907	\$ 4,281,017	\$ 3,427,463	\$ 944,314	\$ 35,062,701	\$ 3,738,325
Paid to vendors for goods and services	(25,418,163)	(835,557)	(1,339,659)	(625,238)	(28,218,617)	(3,891,289)
Paid to employees for services	(983,227)	(606,886)	(330,110)	(158,960)	(2,079,183)	(77,015)
Net Cash Flows From Operating Activities	8,517	2,838,574	1,757,694	160,116	4,764,901	(229,979)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in (out)	(350,270)	(872,926)	(693,443)	55,890	(1,860,749)	(57,300)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	35,255	20,533	23,392	2,595	81,775	14,127
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(822,906)	(562,039)	(491,084)	(171,843)	(2,047,872)	-
Contribution received for construction	-	-	1,701,181	-	1,701,181	-
Special assessments received	-	-	9,364	-	9,364	-
Debt issued	-	-	940,000	-	940,000	-
Debt retired	(465,060)	(1,061,963)	(2,165,875)	(22,983)	(3,715,881)	-
Interest paid	(176,363)	(415,887)	(95,744)	(1,127)	(689,121)	(5,952)
Net Cash Flows From Capital and Related Financing Activities	(1,464,329)	(2,039,889)	(102,158)	(195,953)	(3,802,329)	(5,952)
Net Change in Cash and Cash Equivalents	(1,770,827)	(53,708)	985,485	22,648	(816,402)	(279,104)
CASH AND CASH EQUIVALENTS - Beginning of Year	3,613,284	3,690,386	3,734,994	520,468	11,559,132	2,946,799
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,842,457	\$ 3,636,678	\$ 4,720,479	\$ 543,116	\$ 10,742,730	\$ 2,667,695
CASH AND CASH EQUIVALENTS - END OF YEAR						
Unrestricted	\$ 833,709	\$ 1,555,526	\$ 3,367,728	\$ 543,116	\$ 6,300,079	\$ 2,667,695
Restricted	1,008,748	2,081,152	1,352,751	-	4,442,651	-
	\$ 1,842,457	\$ 3,636,678	\$ 4,720,479	\$ 543,116	\$ 10,742,730	\$ 2,667,695
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income	\$ 936,184	\$ 1,841,707	\$ 1,245,262	\$ 56,267	\$ 4,079,420	\$ (434,466)
Adjustments to reconcile operating income to net cash flows from operating activities						
Non-operating income	46,437	-	-	6,575	53,012	74,239
Depreciation and amortization	1,478,814	819,056	681,847	89,814	3,069,531	21,517
Depreciation charged to other accounts	-	41,492	-	-	41,492	-
Change in assets and liabilities and deferred outflows/inflows						
Customer accounts receivable	(2,453,160)	106,928	(154,513)	(1,340)	(2,502,085)	-
Other accounts receivable	-	-	(14,046)	(3,954)	(18,000)	14,083
Receivable from municipality	(81,770)	-	-	-	(81,770)	-
Inventory	72,126	1,353	-	(4,800)	68,679	(1,013)
Prepayments	(8,797)	(4,562)	(4,688)	(552)	(18,599)	113
Accounts payable	(106,688)	(77,508)	(187)	1,439	(182,924)	(974)
Accrued liabilities	(3,019)	(1,246)	(3,513)	126	(7,652)	-
Customer deposits	1,157	-	-	-	1,157	-
Other postemployment benefits	38,751	(9,668)	(7,664)	-	21,419	-
Payable to municipality	-	81,770	-	-	81,770	-
Other current liabilities	4,631	1,568	(13,748)	157	(7,392)	87,364
Pension related deferrals and liabilities	83,831	29,184	28,944	16,384	158,343	-
Unearned revenue/deferred inflows	-	8,500	-	-	8,500	9,158
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 8,517	\$ 2,838,574	\$ 1,757,694	\$ 160,116	\$ 4,764,901	\$ (229,979)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from refunding debt issued	\$ 1,149,600	\$ 3,640,400	\$ -	\$ -	\$ 4,790,000	\$ -
Payment to escrow agent	\$ (1,104,000)	\$ (3,496,000)	\$ -	\$ -	\$ (4,600,000)	\$ -
Loss on refunding	\$ 50,421	\$ 159,667	\$ -	\$ -	\$ 210,088	\$ -
Premium on refunding	\$ 34,474	\$ 109,166	\$ -	\$ -	\$ 143,640	\$ -
Amortization of loss on refunding	\$ (36,014)	\$ (23,193)	\$ -	\$ -	\$ (59,207)	\$ -
Amortization of premium on long-term debt	\$ 10,707	\$ 21,026	\$ -	\$ -	\$ 31,733	\$ -
Capital contributions	\$ 46,109	\$ 590,078	\$ -	\$ -	\$ 636,187	\$ -

See accompanying notes to the financial statements.

CITY OF HARTFORD

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
As of December 31, 2017**

	<u>Agency Fund</u>
	Tax Collection Fund
	<u> </u>
ASSETS	
Cash and investments	\$ 7,541,926
Taxes receivable	<u>15,772,382</u>
Total Assets	<u>\$ 23,314,308</u>
LIABILITIES	
Due to other governmental agencies	<u>\$ 23,314,308</u>

See accompanying notes to the financial statements.

CITY OF HARTFORD

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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, 2017

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, 2017

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, 2017. 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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

Financial statements of the 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.

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.

Veterans Park Pool – Capital Project Fund – used to account for and report financial resources that are assigned to expenditures for construction costs and other capital assets for the Veterans Park pool rehabilitation project.

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, 2017

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).

- State Fund
- Library 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
- East Jackson Project 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, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Agency fund is 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, 2017

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2017

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.

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, 2017

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 methods and inputs as outlined in Note IV. A. 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, 2017, 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, 2017

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 assets and liabilities.

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale – 2017 delinquent real estate taxes	October 2020

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, 2017

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 Prepayments

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 prepayments 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, 2017

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, 2017

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, 2017, 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 Paid Time Off (PTO) will be made at rates in effect when the benefits are used. Accumulated PTO liabilities at December 31, 2017 are determined on the basis of current salary rates and include salary related payments.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017, there were two series of Industrial Revenue Bonds outstanding. 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 \$6.7 million for those obligations with outstanding balances at December 31, 2017.

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, 2017

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 (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 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 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, 2017

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. The City Common Council has, by resolution, adopted a financial policy authorizing the Finance Director to assign amounts for a specific purpose. 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.

11. Pension

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

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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	\$ 61,801,637
Less Internal Service Fund Capital Assets	<u>(20,682)</u>
Adjustment for Capital Assets	<u>\$ 61,780,955</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	\$ 23,667,882
Compensated absences	439,404
Other post employment benefits	3,861,660
Accrued interest	161,846
Unamortized debt premium	<u>646,629</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 28,777,421</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Fund</u>	<u>Budget Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditure Over Budget</u>
Special Revenue Funds			
State Fund	\$ 2,645	\$ 3,262	\$ (617)
Capital Projects Funds			
Other Projects	831,810	1,371,072	(539,262)

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, 2017, the following individual fund held a deficit balance:

Capital Project Fund - Veterans Park Pool Project	\$	416,543
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This deficit will be funded by future 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, 2017

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	8,493,387	7,673,138	Custodial
Certificates of deposit	7,715,732	7,735,480	Custodial
US Agencies	11,030,109	11,030,109	Credit, custodial, concentration of credit and interest rate
 LGIP	<u>10,708,415</u>	<u>10,708,415</u>	Credit
 Total Cash and Investments	<u>\$ 37,948,623</u>	<u>\$ 37,147,142</u>	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 24,904,750		
Restricted cash and investments	5,501,947		
Per statement of assets and liabilities -			
Agency Fund	<u>7,541,926</u>		
 Total Cash and Investments	<u>\$ 37,948,623</u>		

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, 2017

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.

The City does not have any deposits exposed to custodial credit risk.

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 \$11,030,109 of investments subject to custodial credit risk as of December 31, 2017. 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, 2017, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Fitch Ratings</u>	<u>Moody's Investor Service</u>
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, 2017, the investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
FNMA	US Agency	13.9%
FHLMC	US Agency	6.6%

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017, the City's investments were as follows:

Investment Type	Fair Value	Maturity (Years)
US Agencies	\$ 11,030,109	2.84

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.

The city categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation method for recurring fair value measurements is as follows:

- > Quoted market prices

Investment Type	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Agency	\$ -	\$ 4,103,463	\$ -	\$ 4,103,463
Agency mortgage backed	-	5,550,994	-	5,550,994
Mortgage backed	-	1,375,652	-	1,375,652
Total	\$ -	\$ 11,030,109	\$ -	\$ 11,030,109

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 \$116,945 and notes receivable of \$429,562.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

Governmental funds report *deferred inflows* 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 inflows* and *unearned revenue* reported in the governmental funds and internal service funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 7,798,976	\$ -
Special assessments	-	42,785
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 7,798,976	\$ 42,785
Unearned revenue included in deferred inflows	\$ 7,798,976	
Total Unearned Revenue for Governmental Funds	\$ 7,798,976	

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 Water Utility and Wastewater Utility had unearned revenue shown as liabilities, related to special assessments of \$230,103 and \$401,756, respectfully.

C. RESTRICTED ASSETS

SPECIAL REVENUE FUND

Certain cash and investments, accounts and notes receivable totaling approximately \$1.49 million at December 31, 2017 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, 2017

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	\$	313,131
Reserve Account		695,617
Water Utility		
Special Redemption Fund		
Interest and Principal Account		646,044
Reserve Account		1,435,108
Wastewater Treatment		
Equipment Replacement Fund		630,182
Special Redemption Fund		
Interest and Principal Account		<u>722,569</u>
Total	\$	<u>4,442,651</u>

COMPONENT UNIT - COMMUNITY DEVELOPMENT AUTHORITY

Certain cash, cash equivalents, accounts receivable, due from other governments and notes receivable, accrued interest receivable and inventory within the Community Development Authority of the City of Hartford totaling \$1,769,145 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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS (continued)

Accounts and notes receivable at December 31, 2017 were comprised of the following:

	<u>Special Revenue</u>	<u>Community Development Authority</u>
Notes receivable - other	\$ 429,562	\$ 654,444
Total Accounts and Notes Receivable	<u>\$ 429,562</u>	<u>\$ 654,444</u>
Current	\$ 50,000	\$ 30,000
Noncurrent	<u>379,562</u>	<u>624,444</u>
Total Accounts and Notes Receivable	<u>\$ 429,562</u>	<u>\$ 654,444</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 \$222,980, notes to not for profit agencies totaling \$228,264, and mortgage notes of \$100,000. 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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,755,690	\$ -	\$ -	\$ 3,755,690
Total Capital Assets Not Being Depreciated	3,755,690	-	-	3,755,690
Capital assets being depreciated/amortized				
Buildings	35,005,485	-	-	35,005,485
Improvements	3,308,144	-	-	3,308,144
Machinery and equipment	11,917,815	301,800	53,353	12,166,262
Infrastructure	42,859,073	1,605,892	229,508	44,235,457
Intangibles	287,260	-	-	287,260
Total Capital Assets Being Depreciated/Amortized	93,377,777	1,907,692	282,861	95,002,608
Less: Accumulated depreciation/amortization for				
Buildings	(7,054,562)	(858,024)	-	(7,912,586)
Improvements	(1,497,439)	(142,848)	-	(1,640,287)
Machinery and equipment	(8,647,318)	(601,663)	26,677	(9,222,304)
Infrastructure	(16,802,915)	(1,287,049)	165,495	(17,924,469)
Intangibles	(185,200)	(71,815)	-	(257,015)
Total Accumulated Depreciation/Amortization	(34,187,434)	(2,961,399)	192,172	(36,956,661)
Capital Assets, Net of Depreciation/Amortization	59,190,343	(1,053,707)	90,689	58,045,947
Total Governmental Activities				
Capital Assets, Net of Depreciation/ Amortization	\$ 62,946,033	\$ (1,053,707)	\$ 90,689	\$ 61,801,637

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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	\$ 65,698
Protection of persons and property	405,117
Public works	1,613,257
Leisure activities	825,868
Conservation and development	28,718
Public service enterprise	1,224
Depreciation Expense-Allocated with Internal Service Fund	<u>21,517</u>
Total Governmental Activities Depreciation/ Amortization Expense	<u>\$ 2,961,399</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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	\$ 566,111	\$ -	\$ 3,636	\$ 562,475
Construction in progress	<u>381,274</u>	<u>138,521</u>	<u>381,274</u>	<u>138,521</u>
Total Capital Assets Not Being Depreciated	<u>947,385</u>	<u>138,521</u>	<u>384,910</u>	<u>700,996</u>
 Capital assets being depreciated				
Buildings	29,973,627	15,120	-	29,988,747
Improvements other than buildings	87,487,145	2,178,144	535,299	89,129,990
Machinery and equipment	6,679,886	698,431	689,757	6,688,560
Other property	<u>3,460,766</u>	<u>-</u>	<u>-</u>	<u>3,460,766</u>
Total Capital Assets Being Depreciated	<u>127,601,424</u>	<u>2,891,695</u>	<u>1,225,056</u>	<u>129,268,063</u>
 Less: Accumulated depreciation for				
Buildings	(12,979,493)	(551,427)	-	(13,530,920)
Improvements other than buildings	(25,732,877)	(2,069,751)	535,633	(27,266,995)
Machinery and equipment	(7,774,605)	(446,390)	689,757	(7,531,238)
Other Property	<u>(1,423,442)</u>	<u>(43,454)</u>	<u>-</u>	<u>(1,466,896)</u>
Total Accumulated Depreciation	<u>(47,910,417)</u>	<u>(3,111,022)</u>	<u>1,225,390</u>	<u>(49,796,049)</u>
Capital Assets, Net of Depreciation	<u>79,691,007</u>	<u>(219,327)</u>	<u>2,450,446</u>	<u>79,472,014</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 80,638,392</u>	<u>\$ (80,806)</u>	<u>\$ 2,835,356</u>	<u>\$ 80,173,010</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Electric	\$ 1,478,814
Water	819,056
Wastewater	681,847
Other Enterprise Funds	<u>89,814</u>
 Total Business-Type Activities Depreciation Expense	 <u>\$ 3,069,531</u>

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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Governmental Funds</u>		
General Fund	Capital Project Fund - Veterans Park Pool Project	\$ <u>366,586</u>
<u>Enterprise Funds</u>		
Electric Utility	Water Utility	\$ <u>3,957,070</u>

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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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	581,983
	Enterprise Fund - Water	614,130
	Enterprise Fund - Wastewater	610,000
	Internal Service Fund - Risk Management Fund	25,000
	Capital Improvements	202,497
Special Revenue Funds		
Recreation Fund	General Fund	331,806
Recreation Fund	Internal Service Fund - Risk Management Fund	11,210
Library	Internal Service Fund - Data Processing Fund	5,000
Capital Projects Funds		
Parks	Internal Service Fund - Risk Management Fund	15,000
Capital Project Fund - Other Projects	Capital Project Fund - East Jackson Project	1,049
T.I.D. #10	General Fund	200,000
Debt Service Fund		
	General Fund	952,895
	Special Revenue Fund - Library	25,000
	Enterprise Fund - Electric	18,287
	Enterprise Fund - Water	8,796
	Enterprise Fund - Wastewater	83,443
	Enterprise Fund - Airport	490
	Enterprise Fund - Emergency Squad	1,872
	Enterprise Fund - Cable Television	436
	Internal Service Fund - Data Processing Fund	816
	Internal Service Fund - Risk Management Fund	182
	Internal Service Fund - Health Self - Insurance	92
Enterprise Fund - Airport	Debt Service Fund	6,431
Enterprise Fund - Airport	General Fund	167,257
Enterprise Fund - Electric	Enterprise Fund - Water	250,000
	Subtotal - Fund Financial Statements	<u>4,228,672</u>
	Less: Fund Eliminations	(2,136,935)
	Less: Government Wide Eliminations	(230,988)
	Total Transfers - Government Wide Statement of Activities	<u>\$ 1,860,749</u>

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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General Obligation Long-term Debt	\$ 27,249,900	\$ -	\$ 3,582,018	\$ 23,667,882	\$ 3,307,880
Add: Unamortized debt premium	<u>738,069</u>	<u>-</u>	<u>91,440</u>	<u>646,629</u>	<u>-</u>
Total Governmental Activities					
Bonds and Notes Payable	<u>27,987,969</u>	<u>-</u>	<u>3,673,458</u>	<u>24,314,511</u>	<u>3,307,880</u>
Other Liabilities					
Other postemployment obligation	3,596,032	496,220	230,592	3,861,660	-
Net pension liability	613,657	-	310,044	303,613	-
Accrued compensated absences	<u>403,084</u>	<u>36,320</u>	<u>-</u>	<u>439,404</u>	<u>-</u>
Total Other Liabilities	<u>4,612,773</u>	<u>532,540</u>	<u>540,636</u>	<u>4,604,677</u>	<u>-</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 32,600,742</u>	<u>\$ 532,540</u>	<u>\$ 4,214,094</u>	<u>\$ 28,919,188</u>	<u>\$ 3,307,880</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within
					One Year
Business-Type Activities					
General Obligation Debt					
Bonds and Notes Payable	\$ 40,100	\$ -	\$ 22,980	\$ 17,120	\$ 17,120
Revenue Bonds	17,126,180	5,730,000	8,315,881	14,540,299	2,775,302
Unamortized debt premium	<u>182,881</u>	<u>143,640</u>	<u>31,733</u>	<u>294,788</u>	<u>-</u>
Sub-total	17,349,161	5,873,640	8,370,594	14,852,207	2,792,422
Accrued compensated absences	179,930	-	7,652	172,278	-
Net pension liability	199,932	-	92,920	107,012	-
Other post employment obligation	<u>401,812</u>	<u>98,351</u>	<u>76,932</u>	<u>423,231</u>	<u>-</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 18,130,835</u>	<u>\$ 5,971,991</u>	<u>\$ 8,548,098</u>	<u>\$ 15,554,728</u>	<u>\$ 2,792,422</u>

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, 2017, was \$61,860,490. Total general obligation debt outstanding at year end was \$23,685,002.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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 12/31/17</u>
General Obligation Bonds and Refunding Bonds	12/1/07	5.20-6.00%	4/1/08-21	4/1/ & 10/1	\$ 1,150,000	\$ 465,002
	8/3/10	1.50-3.00	5/1/11-18	5/1 & 11/1	3,635,000	400,000
	6/26/12	1.50-3.50	5/1/14-32	5/1 & 11/1	4,975,000	4,775,000
	8/8/12	1.00-2.00	11/1/13-18	5/1 & 11/1	1,450,000	200,000
	10/1/15	2.00-3.00	9/1/16-18	9/1 & 3/1	2,475,000	650,000
	6/28/16	2.00-3.00	5/1/17-32	5/1 & 11/1	6,915,000	6,715,000
General Obligation Notes	8/3/10	1.50-3.20	8/1/11-20	2/1 & 8/1	3,580,000	955,000
	7/1/08	6.5	7/1/09-18	1/1 & 7/1	4,310,000	500,000
	6/26/12	1.50-2.25	5/1/13-22	5/1 & 11/1	3,070,000	1,625,000
	8/5/14	1.00-4.00	8/1/15-24	2/1 & 8/1	5,215,000	4,325,000
	6/28/16	2.00-3.00	5/1/17-26	5/1 & 11/1	3,400,000	3,075,000
						23,685,002
Less: Amounts relating to Proprietary Funds						(17,120)
						<u>\$ 23,667,882</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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 12/31/17
General Obligation Bonds and Notes						
Airport	8/3/10	1.50-3.00%	5/1/11-18	5/1 & 11/1	\$ 105,000	\$ 9,957
	8/8/12	1.00-2.00	1/1/13-18	5/1 & 11/1	36,090	4,977
	10/1/15	3.00-2.00	9/1/16-19	3/1 & 9/1	2,475,000	2,186
Revenue Bonds						
Water and Electric Utility						
	6/15/09	2.00-5.00	7/1/10-26	1/1 & 7/1	13,750,000	1,400,000
	10/12/11	2.00-3.50	7/1/13-23	1/1 & 7/1	3,175,000	1,925,000
	6/28/16	2.00-2.00	7/1/07-22	1/1 & 7/1	4,880,000	4,730,000
Wastewater Treatment						
	5/18/98	2.64	5/1/00-18	5/1 & 11/1	11,414,700	755,299
Refunding Bonds	8/30/17	.99	8/30/17-19	5/1 & 11/1	940,000	940,000
Refunding Bonds	12/28/17	2.00-3.00	7/1/18-24	1/1 & 7/1	4,790,000	<u>4,790,000</u>
						<u>\$ 14,557,419</u>

Debt service requirements to maturity are as follows:

	Governmental Activities Long-Term Debt		Business-Type Activities Long-Term Debt	
	Principal	Interest	Principal	Interest
2018	\$ 3,307,880	\$ 644,195	\$ 2,792,422	\$ 532,460
2019	1,725,000	552,791	2,435,000	520,611
2020	1,930,000	507,666	1,825,000	250,150
2021	1,680,000	454,881	1,830,000	208,025
2022	1,625,000	414,375	1,850,000	163,500
2023-2027	8,475,000	1,328,688	3,824,997	174,000
2028-2032	4,925,000	364,875	-	-
Totals	<u>\$ 23,667,880</u>	<u>\$ 4,267,471</u>	<u>\$ 14,557,419</u>	<u>\$ 1,848,746</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 2017. 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 21% for electric, 45% for water and 20% for sewer of net revenues. The total principal and interest remaining to be paid on the bonds is \$16,388,607. Principal and interest paid for the current year and total net customer revenues were \$3,328,060 and \$7,087,854, respectively.

Current Refunding

On September 1, 2017, the City issued \$940,000 of a local bank note with an average coupon rate of 0.99% to refund \$1,120,000 of outstanding bonds with an average coupon rate of 4.45%. The net proceeds along with existing funds of the City were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$1,293,045 from 2018 through 2022. The cash flow requirements on the local bank note is \$952,368 from 2018 through 2019. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$319,915.

Advance Refunding

On December 28, 2017, the City issued \$4,790,000 of revenue bonds with an average coupon rate of 2.97% to advance refund \$4,600,000 of outstanding bonds with an average coupon rate of 4.63%. The net proceeds along with existing funds of the City were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was \$7,653,300 from 2018 through 2026. The cash flow requirements on the revenue bonds are \$7,019,155 from 2018 through 2024. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$337,772.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – Detailed Notes on All Funds (continued)

F. LONG-TERM OBLIGATIONS (continued)

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 12/31/17</u>
Redevelopment Revenue Bonds	09/01/07	4.5%	Semi-Annually	4/1 & 10/1	\$ 825,000	\$ 228,264
City of Hartford First National Bank Note	06/10/13	3.40	Annually	Annually	759,930	441,260
						<u>\$ 669,524</u>

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 75,935	\$ 35,997
2019	78,257	31,817
2020	80,932	27,200
2021	83,754	22,348
2022	86,647	17,332
2023-2027	<u>263,999</u>	<u>36,452</u>
	<u>\$ 669,524</u>	<u>\$ 171,146</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – Detailed Notes on All Funds (continued)

F. LONG-TERM OBLIGATIONS (continued)

Component Unit Long-Term Debt - Community Development Authority (continued)

Type	Date of Issue	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 12/31/2017
Loans payable	5/1/2017	4/1/2037	2.30%	\$ 2,435,000	<u>\$ 2,382,203</u>

Loans payable requirements to maturity are as follows:

Years	Principal	Interest
2018	\$ 97,953	\$ 54,053
2019	100,230	51,776
2020	102,560	49,447
2021	104,944	47,063
2022	107,383	44,624
2023 - 2027	575,536	184,497
2028 - 2032	645,608	114,425
2033 - 2037	<u>647,989</u>	<u>36,041</u>
Totals	<u>\$ 2,382,203</u>	<u>\$ 581,926</u>

Other Debt Information

Estimated payments of compensated absences, other postemployment benefit obligation and net pension liabilities are not included in the debt service requirement schedules. The compensated absences, other postemployment benefit obligation and net pension 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, 2017

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, 2017 includes the following:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>
Net investment in capital assets		
Land	\$ 3,755,690	\$ 562,475
Construction in progress	-	138,521
Other capital assets, net of accumulated depreciation/amortization	58,045,947	79,472,014
Less: unamortized debt premium	(646,629)	(294,788)
Less: related long-term debt outstanding (net of unspent proceeds of debt and non-capital debt)	(22,303,556)	(12,426,694)
Add: unamortized loss on refunding	-	366,228
Total net investment in capital assets	<u>38,851,452</u>	<u>67,817,756</u>
Restricted for loan programs	1,488,916	-
Restricted for library	1,228,003	-
Restricted for debt service	199,833	-
Restricted for equipment replacement	-	630,182
Restricted under revenue bond debt covenants	-	1,566,867
Unrestricted	<u>7,696,134</u>	<u>10,638,089</u>
Total Governmental Activities Net Assets	<u>\$ 49,464,338</u>	<u>\$ 80,652,894</u>

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2017 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepayments	\$ 156,135
Inventories	<u>16,707</u>
Total General Fund	<u>\$ 172,842</u>
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Prepayments	\$ 20,060
Transportation Program Fund - Prepayments	7,186
Recreation Center Fund - Prepayments	9,646
Capital Project Funds	
Other Projects Fund - Prepayments	<u>67</u>
Total Special Revenue Funds	<u>\$ 36,959</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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	\$ 361,679
Nonmajor Funds	
Special Revenue Funds	
State Fund - Loan programs	\$ 1,488,916
Library	1,207,943
Total Special Revenue Funds	\$ 2,696,859
Committed	
Non-Major Funds	
Special Revenue Funds	
Transportation Program	\$ 162,104
Recreation Center	540,192
Business Improvement District	55,876
Total Special Revenue Funds	\$ 758,172
Assigned	
Non-Major Funds	
Capital Projects Funds	
Parks Fund	\$ 1,227,349
Capital Improvements Fund	944,338
Total Capital Projects Funds	\$ 2,171,687
Unassigned (deficit)	
Major Funds	
General Fund	\$ 6,791,427
Capital Projects Fund - Veterans Park Pool Project	(416,543)
Total Major Funds	\$ 6,374,884
Non-Major Funds	
Capital Project Funds	
Other Projects Fund	121,303
Total Capital Project Funds	\$ 121,303

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT

This report contains the Hartford Community Development Authority (Authority), which is included as a component unit. 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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

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

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, 2017 were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Demand deposits	\$ 870,497	\$ 940,711	Custodial credit risk Credit risk, Interest rate risk
LGIP	4,291	4,291	
Total Deposits and Investments	\$ 874,788	\$ 945,002	

Reconciliation to financial statements

Per statement of net assets

Unrestricted cash and investments	\$ (216,188)
Restricted cash and investments	1,090,976
Total Cash and Investments	\$ 874,788

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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

4. Capital Assets

A summary of changes in capital assets are as follows:

	Balance 1/1/2017	Additions	Retirements	Balance 12/31/17
Capital assets not being depreciated				
Land	\$ 316,850	\$ -	\$ -	\$ 316,850
Capital assets being depreciated				
Buildings and improvements	5,856,080	-	-	5,856,080
Furniture and fixtures	467,383	-	-	467,383
Machinery and equipment	420,065	41,214	133,068	328,211
Total Capital Assets Being Depreciated	6,743,528	41,214	133,068	6,651,674
Less: Accumulated depreciation for:				
Buildings and improvements	2,675,444	169,469	-	2,844,913
Furniture and fixtures	394,513	18,949	-	413,462
Machinery and equipment	295,973	13,021	133,068	175,926
Total Accumulated Depreciation	3,365,930	201,439	133,068	3,434,301
Capital Assets, Net of Depreciation	3,377,598	(160,225)	-	3,217,373
Total Capital Assets	\$ 3,694,448	\$ (160,225)	\$ -	\$ 3,534,223

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

5. Long-Term Obligations

Long-term obligations activity for the years ended December 31, 2017 is as follows:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017	Due Within One Year
General obligation debt	\$ 514,664	\$ -	\$ 73,404	\$ 441,260	\$ 75,935
Bonds and Notes Payable:					
Revenue bonds	279,257	-	50,993	228,264	-
Mortgage note payable	1,797,393	-	1,697,393	100,000	-
Deferred development fee payable	416,568	-	416,568	-	-
Operating deficit loan	124,864	-	124,864	-	-
Loans payable	-	2,435,000	52,797	2,382,203	97,953
Net OPEB obligation	530,685	50,735	43,903	537,517	-
Net pension liability (asset)	68,651	-	36,092	32,559	-
Total	<u>\$ 3,732,082</u>	<u>\$ 2,485,735</u>	<u>\$ 2,496,014</u>	<u>\$ 3,721,803</u>	<u>\$ 173,888</u>

See Note IV.F. for additional information.

6. Employee Retirement System

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. 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, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Employee Retirement System (continued)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

Post-Retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Employee Retirement System (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General employee category. Required contributions for protective employees are the same rate 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.

During the reporting period, the WRS recognized \$35,805 in contributions from the Authority.

Contribution rates as of December 31, 2017 are:

	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Authority reported a liability of \$32,559 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the Authority's proportion was 0.00395019%, which was a decrease of 0.00003845% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Authority recognized pension expense of \$78,736.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Employee Retirement System (continued)

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,302	\$ 110,468
Changes in assumption	36,726	-
Net differences between project and actual earnings on pension plan	178,426	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,253	-
Employer contributions subsequent to the measurement date	34,764	-
Total	\$ 266,471	\$ 110,468

\$34,764 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 84,173	\$ 35,268
2019	84,173	35,268
2020	68,910	35,268
2021	(5,623)	4,664
2022	74	-

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Employee Retirement System (continued)

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability	December 31, 2016
Actuarial cost method	Entry Age
Asset valuation method	Fair Market Value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2015. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Employee Retirement System (continued)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5

Variable Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Employee Retirement System (continued)

Sensitivity of the Authority's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Authority proportionate share of the net position liability (asset)	\$ 428,335	\$ 32,559	\$ (272,206)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

7. Net position

Net position (liabilities) reported on the Statement of Net position on December 31, 2017 includes the following:

Net investment in capital assets	
Land	\$ 316,850
Other capital assets, net of accumulated depreciation	3,217,373
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(2,923,463)
Add: noncapital related debt	416,568
Total Net Investment in Capital Assets	1,027,328
Restricted for grant programs	73,503
Unrestricted	(29,911)
Total Net Position	\$ 1,070,920

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

8. Other Post Employment Benefits ("OPEB")

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, 2017 of \$537,517 and an actuarial accrued liability of \$585,328. See Note V. C. for more information. The Community Development Authority portion of the obligation is included in the data in Note V.C.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Post-Retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate 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.

During the reporting period, the WRS recognized \$476,736 in contributions from the City.

Contribution rates as of December 31, 2017 are:

	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the City reported a liability of \$410,625 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the City's proportion was .05376890%, which was a decrease of .00052341% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the City recognized pension expense of \$1,045,197.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 155,684	\$ 1,283,308
Changes in assumption	426,640	-
Net differences between project and actual earnings on pension plan	2,027,603	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,423	-
Employer contributions subsequent to the measurement date	520,947	-
Total	\$ 3,169,297	\$ 1,283,308

\$520,947 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflows of Resources	Deferred Inflow of Resources
2018	\$ 962,057	\$ 409,715
2019	962,055	409,715
2020	787,594	409,715
2021	(64,264)	54,163
2022	908	-

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2015
Measurement date of net pension liability	December 31, 2016
Actuarial cost method	Entry Age
Asset valuation method	Fair Market Value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases	
Salary increases	3.2%
Salary increases	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments	2.1%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Variable Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70%	70%	7.6%	4.7%
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
City proportionate share of the net position liability (asset)	\$ 5,402,036	\$ 410,625	\$ (3,432,988)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (continued)

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, 2017

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, 2016. At December 31, 2017, the City had \$75,218 in claim liabilities in the Risk Management Fund. Changes in the fund's claims loss liability for 2017 and 2016 were as follows:

	<u>Beginning Balance</u>	<u>Incurring Claims / Estimate Changes</u>	<u>Claims Paid/ Settled</u>	<u>Ending Balance</u>
2016	\$ -	\$ 1,781	\$ 1,781	\$ -
2017	-	259,364	184,146	75,218

At December 31, 2017, the Risk Management Fund's net position consisted of the following:

Unrestricted net position for 2014 through 2017 claims	<u>\$ 653,915</u>
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CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

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 \$2,051,787 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 \$303,466 at December 31, 2016 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, 2017 and 2016 were as follows:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2016	\$ 212,000	\$ 1,595,531	\$ 1,516,211	\$ 291,320
2017	291,320	1,622,447	1,610,301	303,466

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, 2017

NOTE V – OTHER INFORMATION (continued)

C. OTHER POSTEMPLOYMENT BENEFITS (continued)

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	\$ 674,632
Interest on net OPEB obligation	206,120
Adjustment to annual required contribution	<u>(235,508)</u>
Annual OPEB cost	645,244
Contributions made	<u>(351,427)</u>
Increase in net OPEB obligation	293,817
Net OPEB Obligation - Beginning of Year	<u>4,528,591</u>
Net OPEB Obligation - End of Year	<u>\$ 4,822,408</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
2015	\$ 883,050	21%	\$ 4,274,734
2016	645,306	14%	4,528,591
2017	645,244	13%	4,822,408

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (continued)

C. OTHER POSTEMPLOYMENT BENEFITS (continued)

The funded status of the plan as of January 1, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 6,752,193
Actuarial value of plan assets	<u>(528,136)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 6,224,057</u>
Funded ratio (actuarial value of plan assets/AAL)	7.8%
Covered payroll (active plan members)	\$ 6,955,517
UAAL as a percentage of covered payroll	89%

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, 2017, was 30 years.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017, less than 25 acres remain unsold.

E. MAJOR CUSTOMERS

The Proprietary Fund - Enterprise Funds derived 33.97% or approximately \$12.3 million of its 2017 revenue from two industrial customers, each of which are approximately 17.06% and 16.91%, 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 2015, a majority of WPPI Energy members ratified an eighteen year extension to their existing contract. All but two of the remaining members ratified the same extension in 2016. The new contract expires at midnight on December 31, 2055.

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 \$388 million as of December 31, 2017.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (continued)

G. 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, 2017 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, 2017. 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, 2017, the City had outstanding construction contracts totaling \$58,897 in relation to various capital projects.

H. SUBSEQUENT EVENT

On April 10, 2018, the City issued general obligation promissory notes in the amount of \$2,900,000 with an interest rate of 2.35%. This amount will be used for the projects costs in the City's Capital Improvement Plan.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,843,458	\$ 3,843,458	\$ 3,845,612	2,154
Special assessments	100,300	100,300	83,116	(17,184)
Intergovernmental	1,616,651	1,616,651	1,650,461	33,810
Licenses and permits	274,999	274,999	414,523	139,524
Fines, forfeitures and penalties	248,900	248,900	231,786	(17,114)
Public charges for services	997,796	997,796	1,058,443	60,647
Interdepartmental revenues	358,661	358,661	359,661	1,000
Miscellaneous revenues	102,179	114,520	189,939	75,419
Total Revenues	<u>7,542,944</u>	<u>7,555,285</u>	<u>7,833,541</u>	<u>278,256</u>
EXPENDITURES				
Current				
General government	1,123,220	1,124,688	1,013,066	111,622
Public Safety	4,627,199	4,627,199	4,459,904	167,295
Public works	2,417,726	2,382,726	2,274,952	107,774
Leisure activities	930,112	930,112	874,508	55,604
Conservation and development	116,022	116,022	129,589	(13,567)
Public service enterprise	135,171	135,171	113,923	21,248
Capital Outlay	344,275	390,148	256,320	133,828
Total Expenditures	<u>9,693,725</u>	<u>9,706,066</u>	<u>9,122,262</u>	<u>583,804</u>
Excess of revenues over (under) expenditures	<u>(2,150,781)</u>	<u>(2,150,781)</u>	<u>(1,288,721)</u>	<u>862,060</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,368,855	2,368,855	2,148,610	(220,245)
Transfers out	<u>(1,391,958)</u>	<u>(1,391,958)</u>	<u>(1,651,958)</u>	<u>(260,000)</u>
Net Changes in Fund Balance	<u>\$ (1,173,884)</u>	<u>\$ (1,173,884)</u>	(792,069)	<u>\$ 381,815</u>
FUND BALANCE - Beginning of Year			<u>7,756,338</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,964,269</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, 2017

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						
01/01/11	\$ -	\$ 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%
01/01/16	528,136	6,752,193	6,224,057	8%	6,955,517	89%

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

CITY OF HARTFORD

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2017**

<u>WRS Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/14	0.05524144%	\$ (1,249,857)	\$ 6,146,412	20.33%	102.74%
12/31/15	0.05429231%	813,589	6,245,170	13.03%	98.20%
12/31/16	0.05376890%	410,625	6,307,985	6.37%	99.12%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2017**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 476,369	\$ 476,369	\$ -	6,245,170	7.63%
12/31/16	451,558	451,558	-	6,307,985	7.16%
12/31/17	520,947	520,947	-	6,513,767	8.00%

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, 2017

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.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

CITY OF HARTFORD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2017

	Special Revenue Funds					Capital Project Funds			Total Nonmajor Funds
	State	Library Fund	Transportation Program	Recreation Center	Business Improvement District	Parks	Capital Improvements	Other Projects	
ASSETS									
Current Assets									
Cash and investments	\$ -	\$ 1,590,789	\$ 88,478	\$ 563,774	\$ 39,793	\$ 1,236,846	\$ 959,085	\$ 263,697	\$ 4,742,462
Taxes receivable	-	335,281	10,697	-	-	-	-	152,064	498,042
Accounts receivable	-	-	-	-	-	-	-	11,000	11,000
Due from other governmental agencies	-	-	90,930	-	16,083	-	-	-	107,013
Accrued investment income receivable	-	1,418	75	575	-	951	1,253	154	4,426
Prepayments	-	20,060	7,186	9,646	-	-	-	67	36,959
Total Current Assets	-	1,947,548	197,366	573,995	55,876	1,237,797	960,338	426,982	5,399,902
Restricted Assets									
Cash and investments	1,059,296	-	-	-	-	-	-	-	1,059,296
Notes receivable	429,562	-	-	-	-	-	-	-	429,562
Accrued investment income receivable	4	-	-	-	-	-	-	-	4
Prepayments	54	-	-	-	-	-	-	-	54
Total Restricted Assets	1,488,916	-	-	-	-	-	-	-	1,488,916
TOTAL ASSETS	\$ 1,488,916	\$ 1,947,548	\$ 197,366	\$ 573,995	\$ 55,876	\$ 1,237,797	\$ 960,338	\$ 426,982	\$ 6,888,818
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ 22,886	\$ 1,244	\$ 24,157	\$ -	\$ 10,448	\$ 16,000	\$ 35,375	\$ 110,110
Accrued liabilities	-	23,159	-	-	-	-	-	-	23,159
Due to other governmental agencies	-	-	5,883	-	-	-	-	-	5,883
Total Liabilities	-	46,045	7,127	24,157	-	10,448	16,000	35,375	139,152
Deferred Inflows of Resources									
Unearned revenues	-	673,500	20,949	-	-	-	-	270,237	964,686
Total Deferred Inflows of Resources	-	673,500	20,949	-	-	-	-	270,237	964,686
Fund Balances									
Nonspendable	-	20,060	7,186	9,646	-	-	-	67	36,959
Restricted	1,488,916	1,207,943	-	-	-	-	-	-	2,696,859
Committed	-	-	162,104	540,192	55,876	-	-	-	758,172
Assigned	-	-	-	-	-	1,227,349	944,338	-	2,171,687
Unassigned	-	-	-	-	-	-	-	121,303	121,303
Total Fund Balances	1,488,916	1,228,003	169,290	549,838	55,876	1,227,349	944,338	121,370	5,784,980
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,488,916	\$ 1,947,548	\$ 197,366	\$ 573,995	\$ 55,876	\$ 1,237,797	\$ 960,338	\$ 426,982	\$ 6,888,818

CITY OF HARTFORD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds					Capital Project Funds				Total Nonmajor Funds
	State	Library Fund	Transportation Program	Recreation Center	Business Improvement District	Parks	Capital Improvements	East Jackson Project	Other Projects	
REVENUES										
Taxes										
General property tax	\$	\$ 643,805	\$ 62,329	\$	\$	\$ -	\$ -	\$	\$	\$ 706,134
Increment									261,603	261,603
Special assessments					50,810					50,810
Intergovernmental										
Federal grants and aids			99,817							99,817
State grants and aids			57,325						17,838	75,163
County aids		305,980								305,980
Public charges for services										
Fees/fares		14,881	66,132	332,174	31,076	330,330				776,593
Miscellaneous revenues										
Investment income	8,260	9,842	769	3,404	18	5,540	14,847		3,031	45,711
Other		26,572	23,370	30,317	18,700				11,000	109,959
Total Revenues	<u>8,260</u>	<u>1,001,080</u>	<u>311,542</u>	<u>365,895</u>	<u>100,804</u>	<u>335,870</u>	<u>14,847</u>		<u>293,472</u>	<u>2,431,570</u>
EXPENDITURES										
Current										
General government	32,154				66,120					98,274
Public works			215,635							215,635
Leisure activities		852,040		892,562						1,544,602
Conservation and development						41,375			811,326	852,701
Debt Service										
Interest expense and fees	8	3,240	172			2,173	2,863		345	8,601
Capital Outlay		10,184	34,396			13,754	1,847,817		559,401	2,265,552
Total Expenditures	<u>32,162</u>	<u>865,464</u>	<u>250,203</u>	<u>892,562</u>	<u>66,120</u>	<u>57,302</u>	<u>1,650,680</u>		<u>1,371,072</u>	<u>4,985,565</u>
Excess (deficiency) of revenues over expenditures	<u>(23,902)</u>	<u>135,616</u>	<u>61,339</u>	<u>(326,667)</u>	<u>34,484</u>	<u>278,568</u>	<u>(1,635,833)</u>		<u>(1,077,600)</u>	<u>(2,553,995)</u>
OTHER FINANCING SOURCES (USES)										
Proceeds from sale of capital assets									595,949	595,949
Transfers in		5,000		343,016		15,000		1,049	200,000	564,065
Transfers out		(25,000)					(202,497)		(1,049)	(228,546)
Total Other Financing Sources (Uses)		<u>(20,000)</u>		<u>343,016</u>		<u>15,000</u>	<u>(202,497)</u>	<u>1,049</u>	<u>794,900</u>	<u>931,468</u>
Net change in fund balances	<u>(23,902)</u>	<u>115,616</u>	<u>61,339</u>	<u>16,349</u>	<u>34,484</u>	<u>293,568</u>	<u>(1,838,330)</u>	<u>1,049</u>	<u>(282,700)</u>	<u>(1,622,527)</u>
FUND BALANCES (DEFICITS) - Beginning of Year	<u>1,512,818</u>	<u>1,112,387</u>	<u>107,951</u>	<u>533,489</u>	<u>21,392</u>	<u>933,781</u>	<u>2,782,668</u>	<u>(1,049)</u>	<u>404,070</u>	<u>7,407,507</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,488,916</u>	<u>\$ 1,228,003</u>	<u>\$ 169,290</u>	<u>\$ 549,838</u>	<u>\$ 55,876</u>	<u>\$ 1,227,349</u>	<u>\$ 944,338</u>	<u>\$ -</u>	<u>\$ 121,370</u>	<u>\$ 5,784,980</u>

CITY OF HARTFORD

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2017

	Airport	Emergency Squad	Cable Television	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and investments	\$ 160,268	\$ 55,479	\$ 327,369	\$ 543,116
Customer accounts receivable	11,092	191,662	-	202,754
Other accounts receivable	-	533	-	533
Accrued investment income receivable	-	54	308	362
Inventories	29,486	-	-	29,486
Prepaid expenses	879	4,528	1,975	7,382
Total Current Assets	<u>201,725</u>	<u>252,256</u>	<u>329,652</u>	<u>783,633</u>
Noncurrent Assets				
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	490,807	43,879	812,290
	<u>1,357,969</u>	<u>497,607</u>	<u>43,879</u>	<u>1,899,455</u>
Less: Accumulated depreciation	339,920	212,805	38,930	591,655
Net Property, Plant and Equipment	<u>1,018,049</u>	<u>284,802</u>	<u>4,949</u>	<u>1,307,800</u>
Total Noncurrent Assets	<u>1,018,049</u>	<u>284,802</u>	<u>4,949</u>	<u>1,307,800</u>
Total Assets	<u>1,219,774</u>	<u>537,058</u>	<u>334,601</u>	<u>2,091,433</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	-	49,738	20,896	70,634
LIABILITIES				
Current liabilities				
Accounts payable	1,454	7,585	502	9,541
Other accrued liabilities	82	-	5,711	5,793
Current portion of general obligation debt	17,120	-	-	17,120
Total Current Liabilities	<u>18,656</u>	<u>7,585</u>	<u>6,213</u>	<u>32,454</u>
Noncurrent liabilities				
Net Pension Liability	-	8,373	2,834	11,207
Accrued compensated absences	-	-	1,282	1,282
Total Liabilities	<u>18,656</u>	<u>15,958</u>	<u>10,329</u>	<u>44,943</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Amounts	-	19,890	8,431	28,321
NET POSITION				
Net investment in capital assets	1,000,929	284,802	4,949	1,290,680
Unrestricted	200,189	266,146	331,788	798,123
TOTAL NET POSITION	<u>\$ 1,201,118</u>	<u>\$ 550,948</u>	<u>\$ 336,737</u>	<u>\$ 2,088,803</u>

CITY OF HARTFORD

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2017**

	<u>Airport</u>	<u>Emergency Squad</u>	<u>Cable Television</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ -	\$ 547,639	\$ 195,065	\$ 742,704
Other revenue	<u>188,253</u>	<u>11,526</u>	<u>550</u>	<u>200,329</u>
Total Operating Revenues	<u>188,253</u>	<u>559,165</u>	<u>195,615</u>	<u>943,033</u>
OPERATING EXPENSES				
Operating and maintenance	180,953	528,023	62,875	771,851
Depreciation	27,332	60,181	2,301	89,814
Taxes	<u>2,177</u>	<u>20,351</u>	<u>2,573</u>	<u>25,101</u>
Total Operating Expenses	<u>210,462</u>	<u>608,555</u>	<u>67,749</u>	<u>886,766</u>
Operating Income (Loss)	<u>(22,209)</u>	<u>(49,390)</u>	<u>127,866</u>	<u>56,267</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental aid	-	6,575	-	6,575
Investment income	129	915	1,730	2,774
Interest expense	<u>(903)</u>	<u>(123)</u>	<u>-</u>	<u>(1,026)</u>
Total Non-Operating Revenue (Expenses)	<u>(774)</u>	<u>7,367</u>	<u>1,730</u>	<u>8,323</u>
Net Income (Loss) Before Transfers	<u>(22,983)</u>	<u>(42,023)</u>	<u>129,596</u>	<u>64,590</u>
TRANSFERS IN	173,688	-	-	173,688
TRANSFERS OUT	<u>(490)</u>	<u>(1,872)</u>	<u>(115,436)</u>	<u>(117,798)</u>
Change in net position	150,215	(43,895)	14,160	120,480
Net Position - Beginning of Year	<u>1,050,903</u>	<u>594,843</u>	<u>322,577</u>	<u>1,968,323</u>
NET POSITION - END OF YEAR	<u>\$ 1,201,118</u>	<u>\$ 550,948</u>	<u>\$ 336,737</u>	<u>\$ 2,088,803</u>

CITY OF HARTFORD

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2017**

	Airport	Emergency Squad	Cable Television	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 184,299	\$ 564,400	\$ 195,615	\$ 944,314
Payments to vendors	(158,903)	(439,952)	(26,383)	(625,238)
Payments to employees	(28,760)	(95,497)	(34,703)	(158,960)
Net Cash Flows From Operating Activities	<u>(3,364)</u>	<u>28,951</u>	<u>134,529</u>	<u>160,116</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in (out)	<u>173,198</u>	<u>(1,872)</u>	<u>(115,436)</u>	<u>55,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>147</u>	<u>915</u>	<u>1,533</u>	<u>2,595</u>
Net Cash Flows From Investing Activities	<u>147</u>	<u>915</u>	<u>1,533</u>	<u>2,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(22,983)	-	-	(22,983)
Interest paid	(1,004)	(123)	-	(1,127)
Acquisition and construction of capital assets	-	(171,843)	-	(171,843)
Net Cash Flows From Capital and Related Financing Activities	<u>(23,987)</u>	<u>(171,966)</u>	<u>-</u>	<u>(195,953)</u>
Change in cash and cash equivalents	<u>145,994</u>	<u>(143,972)</u>	<u>20,626</u>	<u>22,648</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>14,274</u>	<u>199,451</u>	<u>306,743</u>	<u>520,468</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 160,268</u>	<u>\$ 55,479</u>	<u>\$ 327,369</u>	<u>\$ 543,116</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Income (loss) from operations	\$ (22,209)	\$ (49,390)	\$ 127,866	\$ 56,267
Adjustments to reconcile income (loss) to net cash flows from operating activities:				
Non-operating income	-	6,575	-	6,575
Depreciation	27,332	60,181	2,301	89,814
Change in assets, deferred outflow/inflows and liabilities				
Customer accounts receivable	-	(1,340)	-	(1,340)
Other accounts receivable	(3,954)	-	-	(3,954)
Inventory	(4,800)	-	-	(4,800)
Prepayments	(10)	(394)	(148)	(552)
Accounts payable	277	702	460	1,439
Accrued liabilities	-	-	126	126
Other current liabilities	-	-	157	157
Pension related deferrals and liabilities	-	12,617	3,767	16,384
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (3,364)</u>	<u>\$ 28,951</u>	<u>\$ 134,529</u>	<u>\$ 160,116</u>

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

CITY OF HARTFORD

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
As of December 31, 2017**

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 156,734	\$ 383,227	\$ 2,127,734	\$ 2,667,695
Accounts receivable	-	-	120,111	120,111
Accrued investment income receivable	167	332	2,104	2,603
Inventories	6,750	-	-	6,750
Prepaid expenses	17,577	712	1,222	19,511
Total Current Assets	<u>181,228</u>	<u>384,271</u>	<u>2,251,171</u>	<u>2,816,670</u>
Machinery and Equipment	319,594	-	-	319,594
Less: Accumulated depreciation	<u>(298,910)</u>	-	-	<u>(298,910)</u>
Net Property, Plant and Equipment	<u>20,684</u>	-	-	<u>20,684</u>
Other Assets - Investment with CVMIC	-	<u>345,000</u>	-	<u>345,000</u>
Total Assets	<u>201,912</u>	<u>729,271</u>	<u>2,251,171</u>	<u>3,182,354</u>
LIABILITIES				
Accounts payable	5,424	138	1,625	7,187
Accrued liabilities	-	75,218	303,466	378,684
Unearned revenue	-	-	206,981	206,981
Total Current Liabilities	<u>5,424</u>	<u>75,356</u>	<u>512,072</u>	<u>592,852</u>
NET POSITION				
Net investment in capital assets	20,684	-	-	20,684
Unrestricted	<u>175,804</u>	<u>653,915</u>	<u>1,739,099</u>	<u>2,568,818</u>
TOTAL NET POSITION	<u>\$ 196,488</u>	<u>\$ 653,915</u>	<u>\$ 1,739,099</u>	<u>\$ 2,589,502</u>

CITY OF HARTFORD

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS For the Year Ended December 31, 2017

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 228,547	\$ 469,452	\$ 2,942,846	\$ 3,640,845
OPERATING EXPENSES				
Operating and maintenance	210,132	484,280	3,359,382	4,053,794
Depreciation	21,517	-	-	21,517
Total Operating Expenses	<u>231,649</u>	<u>484,280</u>	<u>3,359,382</u>	<u>4,075,311</u>
Operating Income (Loss)	<u>(3,102)</u>	<u>(14,828)</u>	<u>(416,536)</u>	<u>(434,466)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	920	1,013	13,541	15,474
Interest expense	(383)	(759)	(4,810)	(5,952)
Insurance recoveries	-	74,239	-	74,239
Total Nonoperating Revenues (Expenses)	<u>537</u>	<u>74,493</u>	<u>8,731</u>	<u>83,761</u>
Income (Loss) Before Transfers	(2,565)	59,665	(407,805)	(350,705)
TRANSFERS IN (OUT)	<u>(5,816)</u>	<u>(51,392)</u>	<u>(92)</u>	<u>(57,300)</u>
Change in net position	(8,381)	8,273	(407,897)	(408,005)
NET POSITION - Beginning of Year	<u>204,869</u>	<u>645,642</u>	<u>2,146,996</u>	<u>2,997,507</u>
NET POSITION - END OF YEAR	<u>\$ 196,488</u>	<u>\$ 653,915</u>	<u>\$ 1,739,099</u>	<u>\$ 2,589,502</u>

CITY OF HARTFORD

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2017**

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 228,547	\$ 538,940	\$ 2,970,838	\$ 3,738,325
Payments to vendors	(154,439)	(396,660)	(3,340,190)	(3,891,289)
Payments to employees	(55,986)	(15,440)	(5,589)	(77,015)
Net Cash Flows From Operating Activities	<u>18,122</u>	<u>126,840</u>	<u>(374,941)</u>	<u>(229,979)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>815</u>	<u>814</u>	<u>12,498</u>	<u>14,127</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES				
Interest paid	<u>(383)</u>	<u>(759)</u>	<u>(4,810)</u>	<u>(5,952)</u>
Net Cash Flows From Capital and Financing Activities	<u>(383)</u>	<u>(759)</u>	<u>(4,810)</u>	<u>(5,952)</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
Transfers (out) in	<u>(5,816)</u>	<u>(51,392)</u>	<u>(92)</u>	<u>(57,300)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(5,816)</u>	<u>(51,392)</u>	<u>(92)</u>	<u>(57,300)</u>
Net change in cash and cash equivalents	12,738	75,503	(367,345)	(279,104)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>143,996</u>	<u>307,724</u>	<u>2,495,079</u>	<u>2,946,799</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 156,734	\$ 383,227	\$ 2,127,734	\$ 2,667,695
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating (loss) income	\$ (3,102)	\$ (14,828)	\$ (416,536)	\$ (434,466)
Adjustments to reconcile operating (loss) income to net cash flows from operating activities				
Non-operating income	-	74,239	-	74,239
Depreciation	21,517	-	-	21,517
Change in assets, deferred outflows/inflows and liabilities				
Accounts receivable	-	-	14,083	14,083
Inventory	(1,013)	-	-	(1,013)
Prepayments	(1,186)	(46)	1,345	113
Accounts payable	1,906	(2,992)	112	(974)
Other current liabilities	-	75,218	12,146	87,364
Deferred inflow of resources	-	(4,751)	13,909	9,158
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 18,122	\$ 126,840	\$ (374,941)	\$ (229,979)
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				