

CITY OF HARTFORD

Hartford, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

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 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, 2016, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Wisconsin, as of December 31, 2016 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 17, 2017

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

City of Hartford, Wisconsin
Management Discussion and Analysis
As of and for the Year Ended December 31, 2016
(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, 2016. 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 \$126,795,971 (net position). Of this amount, \$15,932,675 (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 increased by \$1,439,673.
- At the close of the 2016 fiscal year, the City's governmental funds reported combined ending fund balances of \$14,976,212, a decrease of \$329,804 in comparison with the prior year.
- At the end of the 2016 fiscal year, unassigned fund balance for the General Fund was \$7,561,848 or 82% of the total general fund expenditures.
- As of December 31, 2016, the City of Hartford's total General Obligation debt outstanding was \$27,290,000. The city may not exceed 5% of the equalized value of taxable property within the City's jurisdiction and for 2016 the debt limit was \$58,719,845.

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, 2016 (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, 2016 (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 \$23,351,768.

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 86 of this report.

Other information –The Required Supplementary Information (RSI) is presented on pages 87 – 90. 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 88. Notes to the RSI are presented on page 90. 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 91 through 98.

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 \$126,795,971 as of December 31, 2016.

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, 2016
(Unaudited)**

City of Hartford's Net Position

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities 2016	Activities 2015	Activities 2016	Activities 2015	2016	2015
Assets						
Current and other Assets	\$ 27,969,895	\$ 30,070,213	\$ 16,789,143	\$ 17,096,193	\$ 44,759,038	\$ 47,166,406
Capital Assets	62,946,033	60,085,827	80,638,392	82,324,644	143,584,425	142,410,471
Total Assets	90,915,928	90,156,040	97,427,535	99,420,837	188,343,463	189,576,877
Deferred Outflows of Resources						
Unamortized loss on refunding	-	-	215,347	274,553	215,347	274,553
Deferred outflow related to pensions	3,405,061	1,102,739	1,120,259	281,006	4,525,320	1,383,745
Total Deferred Outflows of Resources	3,405,061	1,102,739	1,335,606	555,559	4,740,667	1,658,298
Liabilities						
Noncurrent liabilities outstanding	29,018,724	31,426,381	6,061,125	19,421,997	35,079,849	50,848,378
Other liabilities	6,169,250	3,388,917	15,622,899	5,057,714	21,792,149	8,446,631
Total Liabilities	35,187,974	34,815,298	21,684,024	24,479,711	56,871,998	59,295,009
Deferred Inflows of Resources						
Unearned revenue	7,703,977	7,745,548	-	-	7,703,977	7,745,548
Deferred inflow related to pensions	1,291,432	-	420,752	-	1,712,184	-
Total Deferred Inflows of Resources	8,995,409	7,745,548	420,752	-	9,416,161	7,745,548
Net Position:						
Net investment in capital assets	38,028,006	34,800,233	67,650,991	64,657,010	105,678,997	99,457,243
Restricted	3,032,359	4,199,695	2,151,940	2,600,219	5,184,299	6,799,914
Unrestricted	9,077,241	9,698,005	6,855,434	8,239,456	15,932,675	17,937,461
Total Net Position	\$ 50,137,606	\$ 48,697,933	\$ 76,658,365	\$ 75,496,685	\$ 126,795,971	\$ 124,194,618

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, \$15,932,675, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2016 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 \$2,601,353 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, 2016. 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 increased by \$1,439,673 in 2016, and business-type activities increased the City's net position by \$1,161,680 that same year.

City of Hartford

Management Discussion and Analysis
As of and for the Year Ended December 31, 2016
(Unaudited)

City of Hartford's Changes in Net Position

	Governmental	Governmental	Business-type	Business-type	Total	
	Activities 2016	Activities 2015	Activities 2016	Activities 2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,481,322	\$ 2,264,768	\$ 37,075,587	\$ 37,506,398	\$ 39,556,909	\$ 39,771,166
Operating Grants and Contributions	1,344,305	1,560,139	6,814	6,213	1,351,119	1,566,352
Capital Grants and Contributions	926,161	1,518,282	509,936	767,797	1,436,097	2,286,079
General revenues						
Property Tax	7,804,709	7,526,308	-	-	7,804,709	7,526,308
Grants and contributions not restricted to specific programs	872,080	870,530	-	-	872,080	870,530
Unrestricted investment earnings	116,006	89,171	62,718	50,158	178,724	139,329
Miscellaneous	950,267	891,177	55,129	55,129	1,005,396	946,306
Total Revenues and transfers	14,494,850	14,720,375	37,710,184	38,385,695	52,205,034	53,106,070
Expenses:						
General government	1,884,336	781,512	-	-	1,884,336	781,512
Protection of persons and property	4,879,051	4,582,502	-	-	4,879,051	4,582,502
Public works	4,125,570	4,112,449	-	-	4,125,570	4,112,449
Leisure activities	3,508,478	3,163,971	-	-	3,508,478	3,163,971
Conservation and development	543,454	435,827	-	-	543,454	435,827
Public service enterprise	115,985	129,119	-	-	115,985	129,119
Interest	846,532	767,387	-	-	846,532	767,387
Electric	-	-	27,718,408	28,252,742	27,718,408	28,252,742
Water	-	-	2,826,169	2,696,502	2,826,169	2,696,502
Wastewater	-	-	2,338,232	2,334,325	2,338,232	2,334,325
Other	-	-	817,466	795,288	817,466	795,288
Total expenses	15,903,406	13,972,767	33,700,275	34,078,857	49,603,681	48,051,624
Increase (decrease) in net position before transfers	(1,408,556)	747,608	4,009,909	4,306,838	2,601,353	5,054,446
Transfers	2,848,229	2,870,411	(2,848,229)	(2,870,411)	-	-
Increase in net position	1,439,673	3,618,019	1,161,680	1,436,427	2,601,353	5,054,446
Net position – beginning	48,697,933	44,596,947	75,496,685	74,543,225	124,194,618	119,140,172
Net position – ending	\$ 50,137,606	\$ 48,214,966	\$ 76,658,365	\$ 75,979,652	\$ 126,795,971	\$ 124,194,618

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2016
(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 2016</u>	<u>Net (Expense) of Service 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net (Expense) of Service 2015</u>
General Government	\$ 1,884,336	\$ (1,237,255)	\$ 781,512	\$ (231,077)
Protection of persons and property	4,879,051	(4,258,604)	4,582,502	(3,947,608)
Public Works	4,125,570	(1,870,931)	4,112,449	(1,015,726)
Leisure activities	3,508,478	(2,350,908)	3,163,971	(2,187,735)
Construction and development	543,454	(536,510)	435,827	(423,426)
Public Service Enterprise	115,985	(50,878)	129,119	(56,619)
Interest	846,532	(846,532)	767,387	(767,387)
	<u>\$ 15,903,406</u>	<u>\$ (11,151,618)</u>	<u>\$ 13,972,767</u>	<u>\$ (8,629,578)</u>

Net cost of services is 71% of total cost of services in 2016. 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, 2016 were \$37,075,587. The Business-type activities increased the City of Hartford's net position by \$1,161,680.

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.

	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>

	2015			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Revenue, Contributions, and Transfers	\$ 29,631,176	\$ 4,079,126	\$ 4,039,946	\$ 37,750,248
Expenses and Transfers	<u>29,087,104</u>	<u>3,767,894</u>	<u>3,939,922</u>	<u>36,794,920</u>
Change in net position	<u>\$ 544,072</u>	<u>\$ 311,232</u>	<u>\$ 100,024</u>	<u>\$ 955,328</u>

City of Hartford

Management Discussion and Analysis As of and for the Year Ended December 31, 2016 (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 \$14,976,212, a decrease of \$329,804 in comparison with the prior year. Of this total amount, \$7,097,127 constitutes unassigned fund balance. This unassigned fund balance includes positive fund balance of \$7.96 million, offset by approximately \$868,000 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 2016, the General Fund balance decreased by \$76,102. At the end of the year, the unassigned fund balance of the General Fund was \$7,561,848, while total fund balance was \$7,756,338. 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 82% of total general fund expenditures.

Fund balance in the Debt Service Fund decreased by \$257,188 during 2016.

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 \$76,658,365. Total growth in net position for these funds was \$1,161,680.

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 \$9,486,456 was increased to \$9,614,524 (an increase of \$128,068). This increase represents budget carry-forwards for projects which were started in 2016.

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

The General Fund operations used \$76,102 more than beginning of the year fund balance. The final amended budget anticipated a use of fund balance of \$203,000.

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2016
(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, 2016, amounts to \$143.6 million (net of accumulated depreciation). This net investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress.

	City of Hartford					
	Capital Assets at Year-end					
	Net of Accumulated Depreciation					
	Governmental		Business-type		Totals	
	<u>Activities 2016</u>	<u>Activities 2015</u>	<u>Activities 2016</u>	<u>Activities 2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,755,690	\$ 3,755,690	\$ 566,111	\$ 566,111	\$ 4,321,801	\$ 4,321,801
Construction in progress	-	6,050,829	381,274	835,417	381,274	6,886,246
Land Improvements	3,308,144	3,302,862	87,487,145	86,091,998	90,795,289	89,394,860
Buildings	35,005,485	25,629,445	29,973,627	29,908,037	64,979,112	55,537,482
Machinery & Equipment	11,917,815	11,268,691	6,679,886	7,127,038	18,597,701	18,395,729
Other property	-	-	3,460,766	3,460,766	3,460,766	3,460,766
Infrastructure	42,859,073	41,390,769	-	-	42,859,073	41,390,769
Intangibles	287,260	287,260	-	-	287,260	287,260
Accumulated depreciation	(34,187,434)	(31,599,719)	(47,910,417)	(45,744,474)	(82,097,851)	(77,344,193)
	<u>\$ 62,946,033</u>	<u>\$ 60,085,827</u>	<u>\$ 80,638,392</u>	<u>\$ 82,244,893</u>	<u>\$ 143,584,425</u>	<u>\$ 142,330,720</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, 2016, the City of Hartford, Wisconsin had general obligation bonds and notes outstanding totaling \$27,290,000. The City of Hartford has business-type activities revenue bonds and notes payable totaling \$17,126,180.

In the current year, the City paid off \$10,233,549 in principal and \$690,824 in interest on outstanding governmental activities debt.

Business-Type Activities paid \$7,988,394 in principal and \$817,651 in interest on outstanding debt in the current year.

The total of principal on debt that will become due within one year is approximately \$6,200,876 million.

City of Hartford

**Management Discussion and Analysis
As of and for the Year Ended December 31, 2016
(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 2016	Activities 2015	Activities 2016	Activities 2015	2016	2015
General Obligations						
Bonds & Notes	\$ 27,249,900	\$ 27,168,449	\$ 40,100	\$ 61,551	\$ 27,290,000	\$ 27,230,000
Revenue Bonds	-	-	17,126,180	20,213,123	17,126,180	20,213,123
Total	27,249,900	27,168,449	17,166,280	20,274,674	44,416,180	47,443,123

Additional information about the City's long-term debt can be found in Note IV 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, 2016 (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:

- Construction on the Veterans Memorial Aquatic Center was completed in 2016 and the pool was open to the public on July 11, 2016.
- The Hartford Utilities are in the process of doing an Electric and Water rate case studies. The studies are expected to be completed in 2017.
- A new Tax Increment Financing (TIF) District was created in Washington County, for the redevelopment of the downtown area.

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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 20,755,574	\$ 4,992,695	\$ 25,748,269	\$ 235,193
Receivables				
Current	4,121,553	4,269,145	8,390,698	24,866
Noncurrent	113,893	-	113,893	688,270
Due from other governments	11,562	-	11,562	58,402
Inventory	24,266	731,721	755,987	-
Prepayments	231,327	118,222	349,549	28,052
Due from (to) component unit	853,840	-	853,840	(853,840)
Restricted assets				
Cash and investments	924,391	6,566,437	7,490,828	625,010
Accounts, notes and leases receivable	588,346	-	588,346	780,437
Accrued investment income receivable	3	-	3	3,167
Prepayments and inventory	140	-	140	19,291
Investment in CVMIC	345,000	-	345,000	-
Capital assets, net of depreciation/amortization	62,946,033	80,638,392	143,584,425	3,694,448
Other	-	110,923	110,923	-
Total Assets	<u>90,915,928</u>	<u>97,427,535</u>	<u>188,343,463</u>	<u>5,303,296</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding	-	215,347	215,347	-
Deferred outflow related to pensions	3,405,061	1,120,259	4,525,320	380,541
Total Deferred Outflows of Resources	<u>3,405,061</u>	<u>1,335,606</u>	<u>4,740,667</u>	<u>380,541</u>
LIABILITIES				
Accounts payable and other current liabilities	1,632,627	2,435,490	4,068,117	522,627
Accrued interest payable	272,955	-	272,955	148,172
Community commitment	-	94,159	94,159	-
Deposits	483,827	9,537	493,364	91,514
Current liabilities payable from restricted assets				
Current portion of long-term debt	-	2,595,875	2,595,875	-
Accrued interest payable	-	268,085	268,085	-
Unearned revenue	197,823	634,996	832,819	178,715
Noncurrent liabilities:				
Accrued compensated absences	403,084	179,930	583,014	-
Deferred development fee payable	-	-	-	416,568
Net pension liability	613,657	199,932	813,589	68,651
Due within one year	3,582,018	22,983	3,605,001	2,353,075
Due in more than one year	28,001,983	15,243,037	43,245,020	893,788
Total Liabilities	<u>35,187,974</u>	<u>21,684,024</u>	<u>56,871,998</u>	<u>4,673,110</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	7,703,977	-	7,703,977	-
Deferred inflow related to pensions	1,291,432	420,752	1,712,184	144,474
Total Deferred Inflows of Resources	<u>8,995,409</u>	<u>420,752</u>	<u>9,416,161</u>	<u>144,474</u>
NET POSITION				
Net investment in capital assets	38,028,006	67,650,991	105,678,997	1,257,527
Restricted for:				
Loan programs	1,512,818	-	1,512,818	-
Library	1,112,387	-	1,112,387	-
Debt Service	407,154	-	407,154	-
Equipment replacement	-	660,546	660,546	-
Revenue bond covenants	-	1,491,394	1,491,394	-
Grant programs	-	-	-	431,104
Unrestricted (deficit)	<u>9,077,241</u>	<u>6,855,434</u>	<u>15,932,675</u>	<u>(822,378)</u>
TOTAL NET POSITION	<u>\$ 50,137,806</u>	<u>\$ 76,658,365</u>	<u>\$ 126,795,971</u>	<u>\$ 866,253</u>

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

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	\$ 1,884,336	\$ 586,922	\$ 60,159	\$ -	\$ (1,237,255)	\$ -	\$ (1,237,255)	\$ -
Protection of persons and property	4,879,051	514,571	105,876	-	(4,258,604)	-	(4,258,604)	-
Public works	4,125,570	503,662	824,816	926,161	(1,870,931)	-	(1,870,931)	-
Leisure activities	3,508,478	804,116	353,454	-	(2,350,908)	-	(2,350,908)	-
Conservation and development	543,454	6,944	-	-	(536,510)	-	(536,510)	-
Public service enterprise	115,985	65,107	-	-	(50,878)	-	(50,878)	-
Interest	846,532	-	-	-	(846,532)	-	(846,532)	-
Total Governmental Activities	15,903,406	2,481,322	1,344,305	926,161	(11,151,618)	-	(11,151,618)	-
Business-type Activities								
Electric Utility	27,718,408	28,598,696	-	18,146	-	898,434	898,434	-
Water Utility	2,826,169	4,054,033	-	-	-	1,227,864	1,227,864	-
Wastewater Treatment	2,338,232	3,505,203	-	491,790	-	1,658,761	1,658,761	-
Other	817,466	917,655	6,814	-	-	107,003	107,003	-
Total Business-type Activities	33,700,275	37,075,587	6,814	509,936	-	3,892,062	3,892,062	-
Total Primary Government	\$ 49,603,681	\$ 39,556,909	\$ 1,351,119	\$ 1,436,097	(11,151,618)	3,892,062	(7,259,556)	-
Component Unit								
Hartford Community Development Authority	\$ 2,339,394	\$ 1,191,788	\$ 1,137,524	\$ -	-	-	-	(10,082)
General Revenues								
Taxes								
Property taxes levied for general purposes					3,817,793	-	3,817,793	-
Property taxes levied for debt service					2,407,021	-	2,407,021	-
Property taxes levied for all other purposes					1,579,895	-	1,579,895	-
Intergovernmental revenues not restricted to specific programs					872,080	-	872,080	-
Investment income					116,006	62,718	178,724	13,887
Other					950,267	55,129	1,005,396	-
Transfers					2,848,229	(2,848,229)	-	-
Total general revenues and transfers					12,591,291	(2,730,382)	9,860,909	13,887
Change in net position					1,439,673	1,161,680	2,601,353	3,805
NET POSITION - Beginning of Year					48,697,933	75,496,685	124,194,618	862,448
NET POSITION - END OF YEAR					\$ 50,137,606	\$ 76,658,365	\$ 126,795,971	\$ 866,253

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	General	Debt Service	Capital Project Fund Veterans Park Pool Project	Nonmajor Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 9,208,984	\$ 2,050,833	\$ -	\$ 6,548,958	\$ 17,808,775
Accounts receivable	116,859	178,492	-	12,134	307,485
Special assessments receivable					
Due after 2017	113,893	-	-	-	113,893
Accrued investment income receivable	9,212	-	-	273	9,485
Taxes receivable	1,782,222	1,420,439	-	466,472	3,669,133
Due from other funds	641,285	-	-	15,697	656,982
Due from other governments	-	-	-	11,562	11,562
Due from component unit	853,840	-	-	-	853,840
Inventories	18,530	-	-	-	18,530
Prepayments	175,960	-	-	35,743	211,703
Restricted assets					
Cash and investments	-	-	-	924,391	924,391
Accounts and notes receivable	-	-	-	588,346	588,346
Accrued investment income receivable	-	-	-	3	3
Prepayments	-	-	-	140	140
TOTAL ASSETS	\$ 12,920,785	\$ 3,649,764	\$ -	\$ 8,603,719	\$ 25,174,268

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project Fund Veterans Park Pool Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<i>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</i>					
Liabilities					
Accounts payable	\$ 351,754	\$ 362	\$ 227,229	\$ 183,820	\$ 763,165
Accrued liabilities	-	-	277	20,612	20,889
Due to other governmental agencies	-	-	-	5,883	5,883
Due to other funds	15,697	-	640,236	1,049	656,982
Deposits	483,827	-	-	-	483,827
Accrued payroll	543,213	-	-	-	543,213
Total Liabilities	1,394,491	362	867,742	211,364	2,473,959
Deferred Inflows of Resources					
Unavailable revenues	20,120	-	-	-	20,120
Unearned revenues	3,749,836	2,969,293	-	984,848	7,703,977
Total Deferred Inflows of Resources	3,769,956	2,969,293	-	984,848	7,724,097
Fund Balances (Deficit)					
Nonspendable	194,490	-	-	35,743	230,233
Restricted	-	680,109	-	2,604,972	3,285,081
Committed	-	-	-	647,322	647,322
Assigned	-	-	-	3,716,449	3,716,449
Unassigned (Deficit)	7,561,848	-	(867,742)	403,021	7,097,127
Total Fund Balances (Deficits)	7,756,338	680,109	(867,742)	7,407,507	14,976,212
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 12,920,785	\$ 3,649,764	\$ -	\$ 8,603,719	

See accompanying notes to the financial statements.

CITY OF HARTFORD

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	<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	\$ 7,756,338	\$ 680,109	\$ (867,742)	\$ 7,407,507	\$ 14,976,212
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)					62,903,833
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.					20,120
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.					(613,657)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.					3,405,061
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.					(1,291,432)
Internal service funds are reported in the statement of net position as governmental activities					2,997,507
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>(32,260,038)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES					<u>\$ 50,137,606</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, 2016

	General	Debt Service	Capital Project Fund Veterans Park Pool Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 3,817,792	\$ 2,407,021	\$ -	\$ 1,579,895	\$ 7,804,708
Special assessments	72,990	-	-	50,195	123,185
Intergovernmental revenues	1,647,270	-	-	475,555	2,122,825
Licenses and permits	424,087	-	-	-	424,087
Fines, forfeitures and penalties	195,345	-	-	-	195,345
Public charges for services	905,282	-	-	564,120	1,469,402
Intergovernmental charges	354,964	-	-	-	354,964
Miscellaneous revenues	206,443	33,589	750,209	201,117	1,191,358
Total Revenues	<u>7,624,173</u>	<u>2,440,610</u>	<u>750,209</u>	<u>2,870,882</u>	<u>13,685,874</u>
EXPENDITURES					
Current					
General government	1,010,896	-	-	555,223	1,566,119
Public safety	4,295,864	-	-	-	4,295,864
Public works	2,440,607	-	-	230,273	2,670,880
Leisure activities	800,147	-	260,273	1,535,075	2,595,495
Conservation and development	123,568	-	-	232,095	355,663
Public service enterprise	113,537	-	-	-	113,537
Capital Outlay	404,958	-	3,642,237	833,379	4,880,574
Debt Service					
Principal, interest and fees	-	11,079,015	-	76,727	11,155,742
Total Expenditures	<u>9,189,577</u>	<u>11,079,015</u>	<u>3,902,510</u>	<u>3,462,772</u>	<u>27,633,874</u>
Excess (deficiency) of revenues over expenditures	<u>(1,565,404)</u>	<u>(8,638,405)</u>	<u>(3,152,301)</u>	<u>(591,890)</u>	<u>(13,948,000)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	6,915,000	163,000	3,237,000	10,315,000
Premium on long term debt issued	-	300,519	-	74,800	375,319
Gain on disposal of capital asset	-	-	-	6,000	6,000
Transfers in	2,675,764	1,172,222	27,500	1,203,032	5,078,518
Transfers out	<u>(1,186,462)</u>	<u>(6,524)</u>	-	<u>(963,655)</u>	<u>(2,156,641)</u>
Total Other Financing Sources (Uses)	<u>1,489,302</u>	<u>8,381,217</u>	<u>190,500</u>	<u>3,557,177</u>	<u>13,618,196</u>
Net Change in Fund Balances	(76,102)	(257,188)	(2,961,801)	2,965,287	(329,804)
FUND BALANCES - Beginning of Year	<u>7,832,440</u>	<u>937,297</u>	<u>2,094,059</u>	<u>4,442,220</u>	<u>15,306,016</u>
FUND BALANCES (DEFICITS) - END 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>

See accompanying notes to the financial statements.

CITY OF HARTFORD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$	(329,804)
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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		4,880,574
Some items reported as expenditures were capitalized		192,835
Depreciation is reported in the government-wide statements		(2,848,308)
Net book value of assets retired		(136,637)
State funded capital asset additions		802,976

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

Debt issued		(10,315,000)
Principal repaid		10,233,549

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.

99,417

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		822
Other post employment benefits		(242,702)
Net pension liability		(1,609,281)
Deferred outflows related to pension		2,302,322
Deferred inflows related to pension		(1,291,432)
Accrued interest on debt		(62,285)

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

Premium on debt issued		(375,319)
Amortization of debt premium		137,946

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,439,673</u>
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CITY OF HARTFORD

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2016**

	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	\$ 2,206,555	\$ 87,195	\$ 2,178,477	\$ 520,468	\$ 4,992,695	\$ 2,946,799
Accounts receivable	2,647,739	516,806	268,820	198,062	3,631,427	134,194
Accrued investment income receivable	2,520	763	1,596	113	4,992	1,256
Inventories	659,982	47,053	-	24,686	731,721	5,736
Prepaid expenses	32,689	57,551	21,151	6,831	118,222	19,624
Restricted assets - cash and investments	349,535	694,435	715,509	-	1,759,479	-
Total Current Assets	5,899,020	1,403,803	3,185,553	750,160	11,238,536	3,107,609
NON-CURRENT ASSETS						
Restricted Assets						
Cash and investments	1,057,194	2,908,756	841,008	-	4,806,958	-
Capital Assets						
Land	121,402	44,148	60,270	340,291	566,111	-
Buildings	7,949,168	751,313	21,040,053	233,093	29,973,627	-
Improvements other than buildings	28,326,329	40,513,312	18,133,723	513,781	87,487,145	-
Machinery and equipment	2,906,967	1,386,303	1,612,807	773,809	6,679,886	319,594
Construction in progress	23,509	357,765	-	-	381,274	-
Other property	193,532	-	3,267,234	-	3,460,766	-
Less: Accumulated depreciation	(18,663,194)	(11,774,588)	(16,837,432)	(635,203)	(47,910,417)	(277,393)
Other Assets						
Investment in CVMIC	-	-	-	-	-	345,000
Special assessments - due upon development	-	221,603	411,123	-	632,726	-
Due from other funds	3,875,300	-	-	-	3,875,300	-
Other post employment benefit asset	-	-	110,923	-	110,923	-
Total Non-Current Assets	25,790,207	34,408,612	28,639,709	1,225,771	90,064,299	387,201
Total Assets	31,689,227	35,812,415	31,825,262	1,975,931	101,302,835	3,494,810
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow related to pensions	597,653	204,991	211,081	106,534	1,120,259	-
Unamortized loss on refunding	145,406	69,941	-	-	215,347	-
Total Deferred Outflows of Resources	743,059	274,932	211,081	106,534	1,335,606	-

See accompanying notes to the financial statements.

CITY OF HARTFORD

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2016

	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	\$ 2,113,500	\$ 126,427	\$ 75,455	\$ 8,101	\$ 2,323,483	\$ 8,160
Accrued liabilities	60,382	27,682	18,205	5,738	112,007	291,320
Community commitment	94,159	-	-	-	94,159	-
Customer deposits	1,599	7,938	-	-	9,537	-
Current portion of general obligation debt	-	-	-	22,983	22,983	-
Unearned revenue	-	-	-	-	-	197,823
Liabilities payable from restricted assets						
Current portion of revenue bonds	510,660	1,039,340	1,045,875	-	2,595,875	-
Accrued interest payable	75,453	174,372	18,260	-	268,085	-
Total Current Liabilities	<u>2,855,753</u>	<u>1,375,759</u>	<u>1,157,795</u>	<u>36,822</u>	<u>5,426,129</u>	<u>497,303</u>
NON-CURRENT LIABILITIES						
Long-term debt	<u>3,841,155</u>	<u>8,996,725</u>	<u>1,875,302</u>	<u>17,120</u>	<u>14,730,302</u>	<u>-</u>
Compensated absences	<u>108,834</u>	<u>45,474</u>	<u>24,466</u>	<u>1,156</u>	<u>179,930</u>	<u>-</u>
Net Pension Liability	<u>106,901</u>	<u>36,505</u>	<u>37,507</u>	<u>19,019</u>	<u>199,932</u>	<u>-</u>
Other post employment benefit obligation	<u>301,276</u>	<u>211,459</u>	<u>-</u>	<u>-</u>	<u>512,735</u>	<u>-</u>
Due to other funds	<u>-</u>	<u>3,875,300</u>	<u>-</u>	<u>-</u>	<u>3,875,300</u>	<u>-</u>
Unearned revenue	<u>-</u>	<u>221,603</u>	<u>413,393</u>	<u>-</u>	<u>634,996</u>	<u>-</u>
Total Liabilities	<u>7,213,919</u>	<u>14,762,825</u>	<u>3,508,463</u>	<u>74,117</u>	<u>25,559,324</u>	<u>497,303</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred outflow related to pensions	<u>224,971</u>	<u>76,823</u>	<u>78,933</u>	<u>40,025</u>	<u>420,752</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	17,708,498	24,220,885	24,535,940	1,185,668	67,650,991	42,201
Restricted bond covenants	274,082	520,063	1,357,795	-	2,151,940	-
Unrestricted (deficit)	<u>7,010,816</u>	<u>(3,493,249)</u>	<u>2,555,212</u>	<u>782,655</u>	<u>6,855,434</u>	<u>2,955,306</u>
TOTAL NET POSITION	<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>

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, 2016

	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	\$ 28,271,041	\$ 4,044,362	\$ 3,505,203	\$ 727,637	\$ 36,548,243	\$ 3,531,216
Other operating income	327,655	9,671	-	190,018	527,344	-
Total Operating Revenues	<u>28,598,696</u>	<u>4,054,033</u>	<u>3,505,203</u>	<u>917,655</u>	<u>37,075,587</u>	<u>3,531,216</u>
OPERATING EXPENSES						
Operating and maintenance	26,116,680	1,465,218	1,534,671	722,489	29,839,058	3,339,961
Depreciation	1,367,591	814,402	677,965	68,943	2,928,901	31,234
Taxes	-	-	-	24,600	24,600	-
Total Operating Expenses	<u>27,484,271</u>	<u>2,279,620</u>	<u>2,212,636</u>	<u>816,032</u>	<u>32,792,559</u>	<u>3,371,195</u>
Operating income	<u>1,114,425</u>	<u>1,774,413</u>	<u>1,292,567</u>	<u>101,623</u>	<u>4,283,028</u>	<u>160,021</u>
NONOPERATING REVENUES (EXPENSES)						
Operating grants	-	-	-	6,814	6,814	-
Gain (loss) on disposals	18,146	-	-	-	18,146	-
Investment income	37,126	4,337	18,565	2,690	62,718	13,116
Interest expense	(198,123)	(523,356)	(125,596)	(1,434)	(848,509)	(72)
Amortization of loss on refunding	(36,014)	(23,193)	-	-	(59,207)	-
Amortization of debt premium	6,031	2,320	-	-	8,351	-
Income from merchandising	46,778	-	-	-	46,778	-
Total Nonoperating Revenues (Expenses)	<u>(126,056)</u>	<u>(539,892)</u>	<u>(107,031)</u>	<u>8,070</u>	<u>(764,909)</u>	<u>13,044</u>
Income before contributions and transfers	988,369	1,234,521	1,185,536	109,693	3,518,119	173,065
CAPITAL CONTRIBUTIONS						
Customers	-	-	12,230	-	12,230	-
Pike Lake Collection System	-	-	508	-	508	-
Reserve capacity assessment	-	-	479,052	-	479,052	-
TRANSFERS IN	250,000	-	-	13,505	263,505	-
TRANSFERS OUT	<u>(633,438)</u>	<u>(939,896)</u>	<u>(1,420,812)</u>	<u>(117,588)</u>	<u>(3,111,734)</u>	<u>(73,648)</u>
Change in Net Position	604,931	294,625	256,514	5,610	1,161,680	99,417
NET POSITION - Beginning of Year	<u>24,388,465</u>	<u>20,953,074</u>	<u>28,192,433</u>	<u>1,962,713</u>	<u>75,496,685</u>	<u>2,898,090</u>
NET POSITION - END 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>

See accompanying notes to the financial statements.

CITY OF HARTFORD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	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	\$ 26,717,556	\$ 3,933,048	\$ 3,594,310	\$ 884,221	\$ 35,129,135	\$ 3,412,749
Paid to vendors for goods and services	(25,093,100)	1,157,437	(1,257,056)	(603,820)	(25,796,539)	(3,178,745)
Paid to employees for services	(962,903)	(557,356)	(308,175)	(136,003)	(1,964,437)	(73,467)
Net Cash Flows From Operating Activities	<u>661,553</u>	<u>4,533,129</u>	<u>2,029,079</u>	<u>144,398</u>	<u>7,368,159</u>	<u>160,537</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in (out)	<u>(383,438)</u>	<u>(939,896)</u>	<u>(1,420,812)</u>	<u>(104,083)</u>	<u>(2,848,229)</u>	<u>(73,648)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	<u>38,531</u>	<u>5,459</u>	<u>20,843</u>	<u>2,996</u>	<u>67,829</u>	<u>14,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(479,979)	(570,312)	(335,463)	-	(1,385,754)	-
Contribution received for construction	-	-	491,790	-	491,790	-
Special assessments received	-	3,401	23,699	-	27,100	-
Debt issuance costs	25,720	102,882	-	-	128,602	-
Debt retired	(510,660)	(1,199,340)	(1,336,946)	(21,450)	(3,068,396)	-
Interest paid	(219,509)	(594,709)	(133,252)	(1,576)	(949,046)	(72)
Net Cash Flows From Capital and Related Financing Activities	<u>(1,184,428)</u>	<u>(2,258,078)</u>	<u>(1,290,172)</u>	<u>(23,026)</u>	<u>(4,755,704)</u>	<u>(72)</u>
Net Change in Cash and Cash Equivalents	<u>(867,782)</u>	<u>1,340,614</u>	<u>(661,062)</u>	<u>20,285</u>	<u>(167,945)</u>	<u>101,199</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>4,481,066</u>	<u>2,349,772</u>	<u>4,396,056</u>	<u>500,183</u>	<u>11,727,077</u>	<u>2,845,600</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,613,284</u>	<u>\$ 3,690,386</u>	<u>\$ 3,734,994</u>	<u>\$ 520,468</u>	<u>\$ 11,559,132</u>	<u>\$ 2,946,799</u>
CASH AND CASH EQUIVALENTS - END OF YEAR						
Unrestricted	\$ 2,206,555	\$ 87,195	\$ 2,178,477	\$ 520,468	\$ 4,992,695	\$ 2,946,799
Restricted	<u>1,406,729</u>	<u>3,603,191</u>	<u>1,556,517</u>	<u>-</u>	<u>6,566,437</u>	<u>-</u>
	<u>\$ 3,613,284</u>	<u>\$ 3,690,386</u>	<u>\$ 3,734,994</u>	<u>\$ 520,468</u>	<u>\$ 11,559,132</u>	<u>\$ 2,946,799</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating income	\$ 1,114,425	\$ 1,774,413	\$ 1,292,567	\$ 101,623	\$ 4,283,028	\$ 160,021
Adjustments to reconcile operating income to net cash flows from operating activities						
Non-operating income	46,778	-	-	6,814	53,592	-
Depreciation and amortization	1,367,591	814,402	677,965	68,943	2,928,901	31,234
Depreciation charged to other accounts	-	41,501	-	-	41,501	-
Change in assets and liabilities						
Customer accounts receivable	18,933	(163,669)	84,620	(37,428)	(97,544)	-
Other accounts receivable	-	-	2,889	(2,820)	69	(119,038)
Receivable from municipality	(1,946,851)	1,183	1,597	-	(1,944,071)	-
Inventory	(517)	(211)	-	3,508	2,780	689
Prepayments	12,997	56,393	3,902	(1,598)	71,694	7,411
Accounts payable	(30,199)	40,138	11,722	3,781	25,442	329
Accrued liabilities	3,028	2,303	32	17	5,380	-
OPEB	38,751	13,840	(31,172)	-	21,419	-
Payable to municipality	(2,779)	1,946,851	-	-	1,944,072	-
Other current liabilities	20,391	(938)	(23,830)	(4,940)	(9,317)	79,320
Pension related deferrals and liabilities	19,005	6,923	8,787	6,498	41,213	-
Unearned revenue	-	-	-	-	-	571
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 661,553</u>	<u>\$ 4,533,129</u>	<u>\$ 2,029,079</u>	<u>\$ 144,398</u>	<u>\$ 7,368,159</u>	<u>\$ 160,537</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from refunding debt issued	\$ 976,000	\$ 3,904,000	\$ -	\$ -	\$ 4,880,000	\$ -
Payment to escrow agent	<u>\$ 1,016,000</u>	<u>\$ 4,064,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,080,000</u>	<u>\$ -</u>

CITY OF HARTFORD

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CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016

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, 2016. 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

In February 2015, the GASB issued statement No. 72 - Fair Value Measurement and Application. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

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, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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, 2016

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
- TID #5 Fund
- Transportation Program Fund
- Recreation Center Fund
- Business Improvement District Fund

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

- Parks Fund
- Capital Improvements Fund
- Other Projects Fund
- City Hall Project 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, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

Tax Collection Fund

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

Government-Wide Financial Statements

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

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

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

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

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits and Investments

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

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

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

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

Custodial Risk

Deposits and investments may only be made at entities that are insured by FDIC. Further, it is the City's policy to require that time deposits in excess of FDIC limits be secured by collateral or private insurance unless the financial institution meets certain prescribed standards as detailed in the City's investment policy. The City was not in compliance with this provision at December 31, 2016.

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, 2016

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, 2016, 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, 2016

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 – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2019

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, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

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

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016

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, 2016, 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, 2016 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, 2016

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, 2016, 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, 2016.

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, 2016

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, 2016

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, 2016

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	\$ 62,946,033
Less Internal Service Fund Capital Assets	<u>(42,201)</u>
Adjustment for Capital Assets	<u>\$ 62,903,832</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	\$ 27,249,900
Compensated absences	403,084
Other post employment benefits	3,596,032
Accrued interest	272,955
Unamortized debt premium	<u>738,069</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 32,260,040</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Fund	Budget Expenditures	Actual Expenditures	Excess Expenditure Over Budget
Debt Service Fund	\$ 10,947,742	\$ 11,079,015	\$ (131,273)
Special Revenue Funds			
State Fund	2,617	2,679	(62)
Transportation Program	228,224	230,273	(2,049)
Business Improvement District	83,652	89,508	(5,856)
Capital Projects Funds			
Capital Improvements Funds	734,900	765,401	(30,501)
Other Projects	234,719	357,044	(122,325)

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, 2016, the following individual fund held a deficit balance:

Capital Project Fund - Veterans Park Pool Project	\$	867,742
Capital Project Fund - East Jackson Project		1,049

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

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

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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	\$ 480	\$ -	N/A
Demand deposits	7,476,404	6,654,416	Custodial
Certificates of deposit	4,000,000	4,017,071	Custodial
US agencies	10,935,213	10,935,213	Credit, custodial, concentration of credit and interest rate
LGIP	<u>18,934,059</u>	<u>18,934,059</u>	Credit
 Total Cash and Investments	 <u>\$ 41,346,156</u>	 <u>\$ 40,540,759</u>	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 25,748,269		
Restricted cash and investments	7,490,828		
Per statement of assets and liabilities -			
Agency Fund	<u>8,107,059</u>		
 Total Cash and Investments	 <u>\$ 41,346,156</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, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

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

As of December 31, 2016, \$60,002 of the City's total deposit bank balances of \$10,671,487 were exposed to custodial credit risk as uninsured and uncollateralized.

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

The City had \$2,147,817 of investments subject to custodial credit risk as of December 31, 2016. 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, 2016, the City's investments were rated as follows:

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2016, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FNMA	US Agency – Adjustable Rate Mortgages	15.6%

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016, the City's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Years)
US Agency - Adjustable Rate Mortgages	\$ 10,935,213	3.99

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, 2016			
	Level 1	Level 2	Level 3	Total
US Agency - Adjustable Rate Mortgages	\$ -	\$ 9,435,855	\$ -	\$ 9,435,855
Government Agency Notes	1,499,358	-	-	1,499,358
Total	\$ 1,499,358	\$ 9,435,855	\$ -	\$ 10,935,213

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 \$113,893 and notes receivable of \$588,346.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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	\$ 7,703,977	\$ -
Special assessments	-	20,120
Total Unearned/Unavailable Revenue for Governmental Funds	\$ 7,703,977	\$ 20,120
Unearned revenue included in deferred inflows	\$ 7,703,977	
Total Unearned Revenue for Governmental Funds	\$ 7,703,977	

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 \$221,603 and \$413,393, respectively.

C. RESTRICTED ASSETS

SPECIAL REVENUE FUND

Certain cash and investments, accounts and notes receivable totaling approximately \$1.5 million at December 31, 2016 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, 2016

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	\$	330,783
Reserve Account		1,057,194
Depreciation		18,752
Water Utility		
Special Redemption Fund		
Interest and Principal Account		694,435
Reserve Account		2,908,756
Wastewater Treatment		
Equipment Replacement Fund		660,546
Special Redemption Fund		
Interest and Principal Account		715,509
Reserve Account		<u>180,462</u>
Total	\$	<u>6,566,437</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 \$1,427,905 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, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. RESTRICTED ASSETS (continued)

Accounts and notes receivable at December 31, 2016 were comprised of the following:

	<u>Special Revenue</u>	<u>Community Development Authority</u>
Notes receivable - other	\$ 588,346	\$ 780,437
Total Accounts and Notes Receivable	<u>\$ 588,346</u>	<u>\$ 780,437</u>
Current	\$ 50,000	\$ 30,000
Noncurrent	<u>538,346</u>	<u>750,437</u>
Total Accounts and Notes Receivable	<u>\$ 588,346</u>	<u>\$ 780,437</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 \$279,257, and mortgage notes of \$175,000. The notes to the not for profit agencies were initially financed with borrowings incurred by the Authority.

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

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,755,690	\$ -	\$ -	\$ 3,755,690
Construction in progress	6,050,829	3,325,211	9,376,040	-
Total Capital Assets Not Being Depreciated	9,806,519	3,325,211	9,376,040	3,755,690
Capital assets being depreciated/amortized				
Buildings	25,629,445	9,376,040	-	35,005,485
Improvements	3,302,862	5,282	-	3,308,144
Machinery and equipment	11,268,691	949,003	299,879	11,917,815
Infrastructure	41,390,769	1,596,890	128,586	42,859,073
Intangibles	287,260	-	-	287,260
Total Capital Assets Being Depreciated/Amortized	81,879,027	11,927,215	428,465	93,377,777
Less: Accumulated depreciation/amortization for				
Buildings	(6,191,628)	(862,934)	-	(7,054,562)
Improvements	(1,354,722)	(142,717)	-	(1,497,439)
Machinery and equipment	(8,335,956)	(538,022)	226,660	(8,647,318)
Infrastructure	(15,604,028)	(1,245,233)	46,346	(16,802,915)
Intangibles	(113,385)	(71,815)	-	(185,200)
Total Accumulated Depreciation/Amortization	(31,599,719)	(2,860,721)	273,006	(34,187,434)
Capital Assets, Net of Depreciation/Amortization	50,279,308	9,066,494	155,459	59,190,343
Total Governmental Activities Capital Assets, Net of Depreciation/ Amortization	\$ 60,085,827	\$ 12,391,705	\$ 9,531,499	\$ 62,946,033

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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	\$ 67,450
Protection of persons and property	377,755
Public works	1,559,010
Leisure activities	804,373
Conservation and development	37,273
Public service enterprise	2,448
Depreciation Expense-Allocated with Internal Service Fund	<u>12,412</u>
Total Governmental Activities Depreciation/ Amortization Expense	<u>\$ 2,860,721</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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	\$ -	\$ -	\$ 566,111
Construction in progress	835,417	381,274	835,417	381,274
Total Capital Assets Not Being Depreciated	<u>1,401,528</u>	<u>381,274</u>	<u>835,417</u>	<u>947,385</u>
Capital assets being depreciated				
Buildings	29,908,037	65,590	-	29,973,627
Improvements other than buildings	86,091,998	1,568,147	173,000	87,487,145
Machinery and equipment	7,127,038	88,490	535,642	6,679,886
Other property	3,460,766	-	-	3,460,766
Total Capital Assets Being Depreciated	<u>126,587,839</u>	<u>1,722,227</u>	<u>708,642</u>	<u>127,601,424</u>
Less: Accumulated depreciation for				
Buildings	(12,417,424)	(562,069)	-	(12,979,493)
Improvements other than buildings	(24,115,648)	(1,886,046)	268,817	(25,732,877)
Machinery and equipment	(7,838,556)	(471,691)	535,642	(7,774,605)
Other Property	<u>(1,372,846)</u>	<u>(50,596)</u>	<u>-</u>	<u>(1,423,442)</u>
Total Accumulated Depreciation	<u>(45,744,474)</u>	<u>(2,970,402)</u>	<u>804,459</u>	<u>(47,910,417)</u>
 Total Capital Assets, Net of Accumulated Depreciation	 <u>\$ 82,244,893</u>	 <u>\$ 2,348,518</u>	 <u>\$ 739,600</u>	 <u>\$ 80,638,392</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Electric	\$ 1,367,591
Water	814,402
Wastewater	677,965
Other Enterprise Funds	<u>68,943</u>
 Total Business-Type Activities Depreciation Expense	 <u>\$ 2,928,901</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, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount
<u>Governmental Funds</u>		
Special Revenue - Business District	General Fund	\$ 15,697
General Fund	Capital Project Fund - Veterans Park Pool Project	640,236
General Fund	Capital Project Fund - East Jackson Project Fund	<u>1,049</u>
		<u>\$ 656,982</u>
General Fund	Component Unit - Community Development Authority	<u>\$ 854,889</u>
<u>Enterprise Funds</u>		
Electric Utility	Water Utility	<u>\$ 3,875,300</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, 2016

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	616,519
	Enterprise Fund - Water	654,257
	Enterprise Fund - Wastewater	611,000
	Internal Service Fund - Risk Management Fund	45,659
	Capital Project Fund - Other Projects	421,594
	Special Revenue T.I.D. #5	211,735
Special Revenue Funds		
Recreation Fund	General Fund	331,806
Library	Internal Service Fund - Data Processing Fund	5,000
Capital Projects Funds		
Parks	Internal Service Fund - Risk Management Fund	15,000
Veterans Park Pool Project	Enterprise Fund - Water	27,500
Capital Improvements	General Fund	45,900
Capital Improvements	Capital Project Fund - City Hall Project	305,326
T.I.D. #10	General Fund	500,000
Debt Service Fund		
	General Fund	308,756
	Special Revenue Fund - Library	25,000
	Enterprise Fund - Electric	16,919
	Enterprise Fund - Water	8,139
	Enterprise Fund - Wastewater	809,812
	Enterprise Fund - Airport	453
	Enterprise Fund - Emergency Squad	1,732
	Enterprise Fund - Cable Television	403
	Internal Service Fund - Data Processing Fund	756
	Internal Service Fund - Risk Management Fund	168
	Internal Service Fund - Health Self - Insurance	85
Enterprise Fund - Airport	Debt Service Fund	6,524
Enterprise Fund - Airport	Internal Service Fund - Risk Management Fund	6,981
Enterprise Fund - Electric	Enterprise Fund - Water	250,000
Subtotal - Fund Financial Statements		5,342,024
Less: Fund Eliminations		(2,413,622)
Less: Government Wide Eliminations		(80,173)
Total Transfers - Government Wide Statement of Activities		\$ 2,848,229

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, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation Long-term Debt	\$ 27,168,449	\$ 10,315,000	\$ 10,233,549	\$ 27,249,900	\$ 3,582,018
Add: Unamortized debt premium	<u>500,696</u>	<u>375,319</u>	<u>137,946</u>	<u>738,069</u>	<u>-</u>
Total Governmental Activities					
Bonds and Notes Payable	<u>27,669,145</u>	<u>10,690,319</u>	<u>10,371,495</u>	<u>27,987,969</u>	<u>3,582,018</u>
Other Liabilities					
Other postemployment obligation	3,353,330	496,220	253,518	3,596,032	-
Net pension liability (asset)	(995,624)	1,609,281	-	613,657	-
Accrued compensated absences	<u>403,906</u>	<u>2,886</u>	<u>3,708</u>	<u>403,084</u>	<u>-</u>
Total Other Liabilities	<u>2,761,612</u>	<u>2,108,387</u>	<u>257,226</u>	<u>4,612,773</u>	<u>-</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 30,430,757</u>	<u>\$ 12,798,706</u>	<u>\$ 10,628,721</u>	<u>\$ 32,600,742</u>	<u>\$ 3,582,018</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
General Obligation Debt					
Bonds and Notes Payable	\$ 61,551	\$ -	\$ 21,451	\$ 40,100	\$ 22,983
Revenue Bonds	20,213,123	4,880,000	7,966,943	17,126,180	2,595,875
Unamortized debt premium	62,629	128,603	8,351	182,881	-
Sub-total	20,337,303	5,008,603	7,996,745	17,349,161	2,618,858
Accrued compensated absences	174,550	5,380	-	179,930	-
Net pension liability (asset)	(254,230)	454,162	-	199,932	-
Other post employment obligation	380,393	98,351	76,932	401,812	-
 Total Business-Type Activities					
Long-Term Liabilities	\$ 20,638,016	\$ 5,566,496	\$ 8,073,677	\$ 18,130,835	\$ 2,618,858

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, 2016, was \$58,719,845. Total general obligation debt outstanding at year end was \$27,290,000.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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 12/31/16</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	\$ 565,000
	8/3/10	1.50-3.00	5/1/11-18	5/1 & 11/1	3,635,000	945,000
	6/26/12	1.50-3.50	5/1/14-32	5/1 & 11/1	4,975,000	4,825,000
	8/8/12	1.00-2.00	11/1/13-18	5/1 & 11/1	1,450,000	450,000
	10/1/15	2.00-3.00	9/1/16-18	9/1 & 3/1	2,475,000	1,600,000
	6/28/16	2.00-3.00	5/1/17-32	5/1 & 11/1	6,915,000	6,915,000
General Obligation						
Notes	8/3/10	1.50-3.20	8/1/11-20	2/1 & 8/1	3,580,000	1,255,000
	7/1/08	6.5	7/1/09-18	1/1 & 7/1	4,310,000	985,000
	6/26/12	1.50-2.25	5/1/13-22	5/1 & 11/1	3,070,000	1,925,000
	8/5/14	1.00-4.00	8/1/15-24	2/1 & 8/1	5,215,000	4,425,000
	6/28/16	2.00-3.00	5/1/17-26	5/1 & 11/1	3,400,000	3,400,000
						27,290,000
Less: Amounts relating to Proprietary Funds						(40,100)
						<u>\$ 27,249,900</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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 12/31/16
General Obligation Bonds and Notes						
Airport	8/3/10	1.50-3.00	5/1/11-18	5/1 & 11/1	\$ 105,000	\$ 23,520
	8/8/12	1.00-2.00	1/1/13-18	5/1 & 11/1	36,090	11,200
	10/1/15	3.00-2.00	9/1/16-19	3/1 & 9/1	2,475,000	5,380
Revenue Bonds						
Water and Electric Utility						
	6/15/09	2.00-5.00	7/1/10-26	1/1 & 7/1	13,750,000	7,100,000
	10/12/11	2.00-3.50	7/1/13-23	1/1 & 7/1	3,175,000	2,225,000
	6/28/16	2.00-2.00	7/1/07-22	1/1 & 7/1	4,880,000	4,880,000
Wastewater Treatment						
	5/18/98	2.64	5/1/00-18	5/1 & 11/1	11,414,700	1,491,180
	4/1/02	3.00-5.00	5/1/03-22	5/1 & 11/1	3,300,000	1,315,000
	5/1/05	3.25-4.125	5/1/06-15	5/1 & 11/1	3,620,000	115,000
						<u>\$ 17,166,280</u>

Debt service requirements to maturity are as follows:

	Governmental Activities Long-Term Debt		Business-Type Activities Long-Term Debt	
	Principal	Interest	Principal	Interest
2017	\$ 3,582,018	\$ 826,105	\$ 2,618,858	\$ 819,673
2018	3,307,882	644,195	2,627,422	723,783
2019	1,725,000	552,791	1,915,000	634,100
2020	1,930,000	507,666	1,950,000	534,175
2021	1,680,000	454,881	1,960,000	430,700
2022-2026	9,050,000	1,574,813	6,095,000	821,075
2027-2031	5,275,000	521,751	-	-
2032	700,000	11,375	-	-
Totals	<u>\$ 27,249,900</u>	<u>\$ 5,093,577</u>	<u>\$ 17,166,280</u>	<u>\$ 3,963,506</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 2016. 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 22% for electric, 51% for water and 29% for sewer of net revenues. The total principal and interest remaining to be paid on the bonds is \$21,088,254. Principal and interest paid for the current year and total net customer revenues were \$3,704,598 and \$7,101,391, respectively.

Current Refunding

On June 28, 2016, the City issued \$4,880,000 of general obligation bonds with an average coupon rate of 2.00% to refund \$5,230,000 of outstanding bonds with an average coupon rate of 3.94%. 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 \$6,474,800 from 2016 through 2022. The cash flow requirements on the general obligation refunding bonds are \$5,296,613 from 2017 through 2022. 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 \$304,650.

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 12/31/16</u>
Redevelopment Revenue Bonds	09/01/07	4.50	Semi-Annually	4/1 & 10/1	\$ 825,000	\$ 279,257
City of Hartford First National Bank Note	06/10/13	3.40	Annually	Annually	759,930	514,664
						<u>\$ 793,921</u>

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 73,404	\$ 40,305
2018	75,935	35,997
2019	78,257	31,817
2020	80,932	27,200
2021	83,754	22,348
2022-2026	340,705	51,720
2027	60,934	2,064
	<u>\$ 793,921</u>	<u>\$ 211,451</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

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

	<u>Interest Rate</u>	<u>Principal Payable</u>	<u>Balance 12/31/2016</u>
Mortgage Note	4.43%	Monthly to 2019	\$ <u>1,622,392</u>

See Note IV. H. for additional information.

<u>Year</u>	<u>Principal</u>
2017	\$ <u>1,622,392</u>

Other Debt Information

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

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

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

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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, 2016 includes the following:

	Governmental Activities	Business - Type Activities
Net investment in capital assets		
Land	\$ 3,755,690	\$ 566,111
Construction in progress	-	381,274
Other capital assets, net of accumulated depreciation	59,190,343	79,691,007
Less: unamortized debt premium	(738,069)	(182,880)
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(24,179,958)	(13,019,868)
Add: unamortized loss on refunding	-	215,347
Total net investment in capital assets	38,028,006	67,650,991
Restricted for loan programs	1,512,818	-
Restricted for library	1,112,387	-
Restricted for debt service	407,154	-
Restricted for equipment replacement	-	660,546
Restricted under revenue bond debt covenants	-	1,491,394
Unrestricted	9,077,241	6,855,434
Total Governmental Activities Net Assets	\$ 50,137,606	\$ 76,658,365

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

Nonspendable	
Major Funds	
General Fund	
Prepaid items	\$ 175,960
Inventories	18,530
Total General Fund	\$ 194,490
Nonmajor Funds	
Special Revenue Funds	
Library Fund - Prepaid items	\$ 20,233
Transportation Program Fund - Prepaid items	6,636
Recreation Center Fund - Prepaid items	8,874
Total Special Revenue Funds	\$ 35,743

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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	\$ <u>680,109</u>
Nonmajor Funds	
Special Revenue Funds	
State Fund - Loan programs	\$ 1,512,818
Library	<u>1,092,154</u>
Total Special Revenue Funds	<u>\$ 2,604,972</u>
Committed	
Non-Major Funds	
Special Revenue Funds	
Transportation Program	\$ 101,315
Recreation Center	524,615
Business Improvement District	<u>21,392</u>
Total Special Revenue Funds	<u>\$ 647,322</u>
Assigned	
Non-Major Funds	
Capital Projects Funds	
Parks Fund	\$ 933,781
Capital Improvements Fund	<u>2,782,668</u>
Total Capital Projects Funds	<u>\$ 3,716,449</u>
Unassigned (deficit)	
Major Funds	
General Fund	\$ 7,561,848
Capital Projects Fund - Veterans Park Pool Project	<u>(867,742)</u>
Total Major Funds	<u>\$ 6,694,106</u>
Non-Major Funds	
Capital Project Funds	
East Jackson Fund	\$ (1,049)
Other Projects Fund	<u>404,070</u>
Total Capital Project Funds	<u>\$ 403,021</u>

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

1. Basis of Accounting/Measurement Focus

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

2. Deposits and Investments

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

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

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

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, 2016 were comprised of the following:

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

	Carrying Value	Bank and Investment Balances	Associated Risks
Demand deposits	\$ 610,952	\$ 537,542	Custodial credit risk Credit risk, Interest rate risk
LGIP	4,255	4,255	
Total Deposits and Investments	615,207	\$ 541,797	

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

Unrestricted cash and investments	71,478
Restricted cash and investments	173,518
Total Cash and Investments	\$ 860,203

Reconciliation to financial statements

Per statement of net assets

Unrestricted cash and investments	\$ 235,193
Restricted cash and investments	625,010
Total Cash and Investments	\$ 860,203

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, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

4. Washington Heights Lease Agreement

The Authority entered into a lease agreement with Washington Heights Investors in Community Housing, LLC for a 50 unit elderly housing facility. The monthly payments are equal to the collected revenues derived from the project. The term of the lease is for one year with an automatic renewal for 15 successive annual one-year terms through December 31, 2018, unless the Authority provides written notice 30 days prior to the expiration of any one year term. Total lease payments made for the period ended December 31, 2016 were \$484,425. This lease ended on December 31, 2016, when Washington Heights became part of the Authority.

5. Capital Assets

A summary of changes in capital assets are as follows:

	Balance 1/1/2016	Additions	Retirements	Balance 12/31/16
Capital assets not being depreciated				
Land	\$ 85,978	\$ -	\$ -	\$ 85,978
Capital assets being depreciated				
Buildings and improvements	\$ 1,480,482	\$ -	\$ -	\$ 1,480,482
Furniture and fixtures	181,176	-	-	181,176
Machinery and equipment	432,060	-	11,995	420,065
Total Capital Assets Being Depreciated	2,093,718	-	11,995	2,081,723
Less: Accumulated depreciation for:				
Buildings and improvements	1,171,622	16,967	-	1,188,589
Furniture and fixtures	109,316	10,084	-	119,400
Machinery and equipment	281,085	18,380	11,995	287,470
Total Accumulated Depreciation	1,562,023	45,431	11,995	1,595,459
Capital Assets, Net of Depreciation	\$ 531,695	\$ (45,431)	\$ -	\$ 486,264

In addition to the Authority's capital assets noted above, Washington Heights, LLC, had \$230,872 of land and \$2,891,334 of other capital assets (net of accumulated depreciation) as of December 31, 2016.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

6. Long-Term Obligations

Long-term obligations activity for the years ended December 31, 2016 is as follows:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
General obligation debt	\$ 585,607	\$ -	\$ 70,943	\$ 514,664	\$ 73,404
Bonds and Notes Payable:					
Revenue bonds	328,031	-	48,774	279,257	-
Net OPEB obligation	540,949	50,735	60,999	530,685	-
Net pension liability (asset)	<u>(107,027)</u>	<u>175,678</u>	<u>-</u>	<u>68,651</u>	<u>-</u>
Total	<u>\$ 1,347,560</u>	<u>\$ 226,413</u>	<u>\$ 180,716</u>	<u>\$ 1,393,257</u>	<u>\$ 73,404</u>

In addition to the Authority's long-term obligations noted above, Washington Heights, LLC, had \$1,922,256 of mortgage notes outstanding at December 31, 2016 of which \$1,622,932 is due within one year and \$299,324 that is due to the Authority.

See Note IV.F. for additional information.

7. Employee Retirement System

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

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>.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

7. Employee Retirement System (continued)

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.

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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

7. Employee 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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
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

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, including teachers, and Executives and Elected Officials. 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, 2016 are:

	Employee	Employer
General (including teachers	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

7. Employee Retirement System (continued)

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

At December 31, 2016, the Authority reported a liability of \$68,651 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the Authority's proportion was 0.00422472%, which was a decrease of 0.00007386% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Authority recognized pension expense of \$83,465.

At December 31, 2016, 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	\$ 11,819	144,474
Changes in assumption	48,031	-
Net differences between project and actual earnings on pension plan	281,762	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,124	-
Employer contributions subsequent to the measurement date	35,805	-
Total	\$ 380,541	144,474

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

7. Employee Retirement System (continued)

\$35,805 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, 2017. 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
2017	\$ 89,520	\$ 34,963
2018	89,520	34,963
2019	89,520	34,963
2020	74,576	34,963
2021	1,600	4,622
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension asset	December 31, 2015
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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

7. 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
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	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

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 3.56%. 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, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

7. 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)	\$ 481,519	\$ 68,651	\$ (253,806)

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>.

8. Net position

Net position (liabilities) reported on the Statement of Net position on December 31, 2016 includes the following:

Net investment in capital assets	
Land	\$ 85,978
Other capital assets, net of accumulated depreciation	3,608,470
Less: related long-term debt outstanding (net of unspent proceeds of debt)	(2,436,921)
Total Net Investment in Capital Assets	1,257,527
Restricted for grant programs	431,104
Unrestricted	(298,564)
Washington Heights, LLC - Unrestricted	(523,814)
Total Net Position	\$ 866,253

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. COMPONENT UNIT (continued)

9. Joint Venture

In 2002 the Community Development Authority applied for and received tax credits related to a particular parcel of property. The Authority had to utilize a for-profit purchaser to obtain these credits. On April 11, 2003, the Authority, along with M&I Community Development Corporation ("M&I"), joined to form Washington Heights Investors in Community Housing, LLC. ("LLC"), a joint venture. The LLC was formed for the purpose of acquiring, developing, constructing, owning, leasing and operating a 50-unit elderly housing apartment complex. M&I purchased the tax credits referred to above for \$2.4 million. In order for the property to qualify for the property tax exemptions, the LLC in turn will lease the property to the Authority. At the point where the tax credits are fully depleted, the LLC is required to sell the property to the Authority. During 2003 the only activity that occurred in the LLC was the continuing construction of the apartment complex. Construction of the facility was complete in February 2004 at which time rental of the apartment facility began. The Authority's share in the annual operation of the LLC is .1%. The Authority is the Managing Member and is responsible for directing, managing and controlling the business of the LLC. The equity interest, if any, is reported in the statement of net position. Any changes in the equity interest are reported on the statement of revenues, expenses and changes in net position. As of December 31, 2016, the joint venture ceased to exist and the amount of this equity interest is \$0.

10. Other Post Employment Benefits

The Community Development Authority implemented GASB statement No. 45 – *Accounting and Financing Reporting by Employees for Postemployment Benefits Other Than Pension* effective January 1, 2008. The Authority had a Net OPEB obligation as of December 31, 2016 of \$530,685 and an actuarial accrued liability of \$634,995.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

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.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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.

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
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

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, including teachers, and Executives and Elected Officials. 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 \$480,761 in contributions from the City.

Contribution rates as of December 31, 2016 are:

	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

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

At December 31, 2016, the City reported a liability of \$813,589 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the City's proportion was .054292310%, which was a decrease of .000949130% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$970,637.

At December 31, 2016, 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	\$137,431	\$1,712,184
Changes in assumption	569,222	-
Net differences between project and actual earnings on pension plan	3,330,379	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,730	-
Employer contributions subsequent to the measurement date	451,558	-
Total	\$4,525,320	1,712,184

\$451,558 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 (asset) 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
2017	\$ 1,057,866	\$ 414,352
2018	1,057,866	414,352
2019	1,057,865	414,352
2020	881,265	414,352
2021	18,900	54,776
Thereafter	-	-

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES’ RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2014
Measurement date of net pension asset	December 31, 2015
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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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 3.56%. 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)	\$ 5,706,526	\$ 813,589	\$ (3,007,883)

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, 2016

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, 2016

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, 2016, the City had \$0 in claim liabilities in the Risk Management Fund. Changes in the fund's claims loss liability for 2016 and 2015 were as follows:

	Beginning Balance	Incurred Claims / Estimate Changes	Claims Paid/ Settled	Ending Balance
2015	\$ 49,915	\$ 29,030	\$ 78,945	-
2016	-	1,781	1,781	-

At December 31, 2016, the Risk Management Fund's net position consisted of the following:

Unrestricted net position for 2013 through 2016 claims	\$ <u>645,642</u>
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CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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 \$291,320 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, 2016 and 2015 were as follows:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2015	\$ 215,000	\$ 1,604,419	\$ 1,607,419	\$ 212,000
2016	212,000	1,595,531	1,516,211	291,320

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, 2016

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>(235,446)</u>
Annual OPEB cost	645,306
Contributions made	<u>(391,449)</u>
Increase in net OPEB obligation	253,857
Net OPEB Obligation - Beginning of Year	<u>4,274,734</u>
Net OPEB Obligation - End of Year	<u>\$ 4,528,591</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
2014	\$ 721,976	32%	\$ 2,945,047
2015	883,050	21%	4,274,734
2016	645,306	14%	4,528,591

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016, was 30 years.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016, less than 25 acres remain unsold.

E. MAJOR CUSTOMERS

The Proprietary Fund - Enterprise Funds derived 37.3% or approximately \$13.4 million of its 2016 revenue from two industrial customers, each of which are approximately 20.8% and 16.5%, 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 \$411 million as of December 31, 2016.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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, 2016 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, 2016. 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, 2016, the City had outstanding construction contracts totaling \$148,043 in relation to the Veterans Park Pool Replacement capital project.

CITY OF HARTFORD

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (continued)

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

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

- > *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- > *Statement No. 81, Irrevocable Split-Interest Agreements*
- > *Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,823,242	\$ 3,823,242	\$ 3,817,792	(5,450)
Special assessments	102,300	102,300	72,990	(29,310)
Intergovernmental	1,631,740	1,631,740	1,647,270	15,530
Licenses and permits	221,492	221,492	424,087	202,595
Fines, forfeitures and penalties	258,900	258,900	195,345	(63,555)
Public charges for services	820,633	820,633	905,282	84,649
Interdepartmental revenues	353,964	353,964	354,964	1,000
Miscellaneous revenues	194,270	194,270	206,443	12,173
Total Revenues	7,406,541	7,406,541	7,624,173	217,632
EXPENDITURES				
Current				
General government	1,091,299	1,095,299	1,010,896	84,403
Public Safety	4,494,426	4,494,426	4,295,864	198,562
Public works	2,387,352	2,456,352	2,440,607	15,745
Leisure activities	784,134	797,302	800,147	(2,845)
Conservation and development	128,177	128,177	123,568	4,609
Public service enterprise	90,279	132,179	113,537	18,642
Capital Outlay	510,789	510,789	404,958	105,831
Total Expenditures	9,486,456	9,614,524	9,189,577	424,947
Excess of revenues over (under) expenditures	(2,079,915)	(2,207,983)	(1,565,404)	642,579
OTHER FINANCING SOURCES (USES)				
Transfers in	2,609,277	2,691,445	2,675,764	(15,681)
Transfers out	(732,362)	(686,462)	(1,186,462)	(500,000)
Net Changes in Fund Balance	\$ (203,000)	\$ (203,000)	(76,102)	\$ 126,898
FUND BALANCE - Beginning of Year			7,832,440	
FUND BALANCE - END OF YEAR			\$ 7,756,338	

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, 2016

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, 2016

<u>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>
12/31/15	0.05524144%	\$ 1,249,854	\$ 6,146,412	20.33%	102.74%
12/31/16	0.05429231%	813,589	6,245,170	13.03%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

<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%

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

CITY OF HARTFORD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and For the Year Ended December 31, 2016

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, 2016

	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
ASSETS										
Current Assets										
Cash and investments	\$ -	\$ 1,477,880	\$ 129,774	\$ 551,407	\$ 19,047	\$ 933,797	\$ 2,897,936	\$ -	\$ 539,117	\$ 6,548,958
Taxes receivable	-	307,981	29,817	-	-	-	-	-	128,674	466,472
Accounts receivable	-	491	-	-	-	363	1,280	-	10,000	12,134
Due from other funds	-	-	-	-	15,697	-	-	-	-	15,697
Due from other governmental agencies	-	-	11,562	-	-	-	-	-	-	11,562
Accrued investment income receivable	-	-	41	232	-	-	-	-	-	273
Prepayments	-	20,233	6,636	8,874	-	-	-	-	-	35,743
Total Current Assets	-	1,806,585	177,830	560,513	34,744	934,160	2,899,216	-	677,791	7,090,839
Restricted Assets										
Cash and investments	924,391	-	-	-	-	-	-	-	-	924,391
Notes receivable	588,346	-	-	-	-	-	-	-	-	588,346
Accrued investment income receivable	3	-	-	-	-	-	-	-	-	3
Prepayments	78	-	-	-	-	-	-	-	62	140
Total Restricted Assets	1,512,818	-	-	-	-	-	-	-	62	1,512,880
TOTAL ASSETS	\$ 1,512,818	\$ 1,806,585	\$ 177,830	\$ 560,513	\$ 34,744	\$ 934,160	\$ 2,899,216	\$ -	\$ 677,853	\$ 8,603,719
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -	\$ 12,670	\$ 1,667	\$ 27,024	\$ 13,352	\$ 379	\$ 116,548	\$ -	\$ 12,180	\$ 183,820
Accrued liabilities	-	20,612	-	-	-	-	-	-	-	20,612
Due to other governmental agencies	-	-	5,883	-	-	-	-	-	-	5,883
Due to other funds	-	-	-	-	-	-	-	1,049	-	1,049
Total Liabilities	-	33,282	7,550	27,024	13,352	379	116,548	1,049	12,180	211,364
Deferred Inflows of Resources										
Unearned revenues	-	660,916	62,329	-	-	-	-	-	261,603	984,848
Total Deferred Inflows of Resources	-	660,916	62,329	-	-	-	-	-	261,603	984,848
Fund Balances (Deficits)										
Nonspendable	-	20,233	6,636	8,874	-	-	-	-	-	35,743
Restricted	1,512,818	1,092,154	-	-	-	-	-	-	-	2,604,972
Committed	-	-	101,315	524,615	21,392	-	-	-	-	647,322
Assigned	-	-	-	-	-	933,781	2,782,668	-	-	3,716,449
Unassigned (Deficits)	-	-	-	-	-	-	-	(1,049)	404,070	403,021
Total Fund Balances (Deficits)	1,512,818	1,112,387	107,951	533,489	21,392	933,781	2,782,668	(1,049)	404,070	7,407,507
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,512,818	\$ 1,806,585	\$ 177,830	\$ 560,513	\$ 34,744	\$ 934,160	\$ 2,899,216	\$ -	\$ 677,853	\$ 8,603,719

CITY OF HARTFORD

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Funds	
	State	Library Fund	T.I.D. #5	Transportation Program	Recreation Center	Business Improvement District	Parks	Capital Improvements	City Hall Project	East Jackson Project		Other Projects
REVENUES												
Taxes												
General property tax	\$ -	\$ 616,400	\$ 674,771	\$ 26,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 1,317,568
Increment	-	-	-	-	-	-	-	-	-	-	262,327	262,327
Special assessments	-	-	-	-	-	50,195	-	-	-	-	-	50,195
Intergovernmental												
Federal grants and aids	-	-	-	70,228	-	-	-	-	-	-	-	70,228
State grants and aids	-	3,293	-	43,429	-	-	31,324	4,850	-	-	3,594	86,490
County aids	-	318,837	-	-	-	-	-	-	-	-	-	318,837
Public charges for services												
Fees/fares	-	18,353	-	64,391	353,988	32,468	94,920	-	-	-	-	564,120
Miscellaneous revenues												
Investment income	12,617	7,178	-	428	2,651	5	3,999	6,784	-	-	986	34,648
Interest on loans	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	45,874	-	26,210	24,619	18,766	6,000	30,000	-	-	15,000	166,469
Total Revenues	<u>12,617</u>	<u>1,009,935</u>	<u>674,771</u>	<u>231,083</u>	<u>381,258</u>	<u>101,434</u>	<u>136,243</u>	<u>41,634</u>	<u>-</u>	<u>-</u>	<u>281,907</u>	<u>2,870,882</u>
EXPENDITURES												
Current												
General government	2,679	-	463,036	-	-	89,508	-	-	-	-	-	555,223
Public works	-	-	-	230,273	-	-	-	-	-	-	-	230,273
Leisure activities	-	845,082	-	-	689,993	-	-	-	-	-	-	1,535,075
Conservation and development	-	-	-	-	-	-	12,316	-	-	-	219,779	232,095
Debt Service												
Interest expense and fees	-	-	-	-	-	-	-	75,543	-	5	1,179	76,727
Capital Outlay	-	7,030	-	-	-	-	405	689,858	-	-	136,086	833,379
Total Expenditures	<u>2,679</u>	<u>852,112</u>	<u>463,036</u>	<u>230,273</u>	<u>689,993</u>	<u>89,508</u>	<u>12,721</u>	<u>765,401</u>	<u>-</u>	<u>5</u>	<u>357,044</u>	<u>3,462,772</u>
Excess (deficiency) of revenues over expenditures	<u>9,938</u>	<u>157,823</u>	<u>211,735</u>	<u>810</u>	<u>(308,735)</u>	<u>11,926</u>	<u>123,522</u>	<u>(723,767)</u>	<u>-</u>	<u>(5)</u>	<u>(75,137)</u>	<u>(591,890)</u>
OTHER FINANCING SOURCES (USES)												
General obligation debt issued	-	-	-	-	-	-	-	3,237,000	-	-	-	3,237,000
Premium on long term debt issued	-	-	-	-	-	-	-	74,800	-	-	-	74,800
Gain on disposal of capital asset	-	-	-	-	-	-	-	6,000	-	-	-	6,000
Transfers in	-	5,000	-	-	331,806	-	15,000	351,226	-	-	500,000	1,203,032
Transfers out	-	(25,000)	(211,735)	-	-	-	-	(421,594)	(305,326)	-	-	(963,655)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(20,000)</u>	<u>(211,735)</u>	<u>-</u>	<u>331,806</u>	<u>-</u>	<u>15,000</u>	<u>3,247,432</u>	<u>(305,326)</u>	<u>-</u>	<u>500,000</u>	<u>3,557,177</u>
Net change in fund balances	<u>9,938</u>	<u>137,823</u>	<u>-</u>	<u>810</u>	<u>23,071</u>	<u>11,926</u>	<u>138,522</u>	<u>2,523,665</u>	<u>(305,326)</u>	<u>(5)</u>	<u>424,863</u>	<u>2,965,287</u>
FUND BALANCES (DEFICITS) - Beginning of Year	<u>1,502,880</u>	<u>974,564</u>	<u>-</u>	<u>107,141</u>	<u>510,418</u>	<u>9,466</u>	<u>795,259</u>	<u>259,003</u>	<u>305,326</u>	<u>(1,044)</u>	<u>(20,793)</u>	<u>4,442,220</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 1,512,818</u>	<u>\$ 1,112,387</u>	<u>\$ -</u>	<u>\$ 107,951</u>	<u>\$ 533,489</u>	<u>\$ 21,392</u>	<u>\$ 933,781</u>	<u>\$ 2,782,668</u>	<u>\$ -</u>	<u>\$ (1,049)</u>	<u>\$ 404,070</u>	<u>\$ 7,407,507</u>

CITY OF HARTFORD

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
As of December 31, 2016

	Airport	Emergency Squad	Cable Television	Total Nonmajor Enterprise Funds
ASSETS				
Current assets				
Cash and investments	\$ 14,274	\$ 199,451	\$ 306,743	\$ 520,468
Customer accounts receivable	-	190,376	-	190,376
Other accounts receivable	7,153	533	-	7,686
Accrued investment income receivable	3	-	110	113
Inventories	24,686	-	-	24,686
Prepaid expenses	869	4,134	1,828	6,831
Total Current Assets	46,985	394,494	308,681	750,160
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	446,524	49,681	773,809
	1,357,969	453,324	49,681	1,860,974
Less: Accumulated depreciation	312,588	280,184	42,431	635,203
Net Property, Plant and Equipment	1,045,381	173,140	7,250	1,225,771
Total Noncurrent Assets	1,045,381	173,140	7,250	1,225,771
Total Assets	1,092,366	567,634	315,931	1,975,931
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Amounts	-	76,334	30,200	106,534
LIABILITIES				
Current liabilities				
Accounts payable	1,177	6,883	41	8,101
Other accrued liabilities	183	-	5,555	5,738
Current portion of general obligation debt	22,983	-	-	22,983
Total Current Liabilities	24,343	6,883	5,596	36,822
General Obligation Long-Term Debt net of current maturities	17,120	-	-	17,120
Net Pension Liability	-	13,607	5,412	19,019
Accrued compensated absences	-	-	1,156	1,156
Total Liabilities	41,463	20,490	12,164	74,117
DEFERRED INFLOWS OF RESOURCES				
Pension Related Amounts	-	28,635	11,390	40,025
NET POSITION				
Net investment in capital assets	1,005,278	173,140	7,250	1,185,668
Unrestricted	45,625	421,703	315,327	782,655
TOTAL NET POSITION	\$ 1,050,903	\$ 594,843	\$ 322,577	\$ 1,968,323

CITY OF HARTFORD

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2016

	<u>Airport</u>	<u>Emergency Squad</u>	<u>Cable Television</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ -	\$ 524,957	\$ 202,680	\$ 727,637
Other revenue	185,932	4,086	-	190,018
Total Operating Revenues	<u>185,932</u>	<u>529,043</u>	<u>202,680</u>	<u>917,655</u>
OPERATING EXPENSES				
Operating and maintenance	186,519	474,463	61,507	722,489
Depreciation	27,332	35,632	5,979	68,943
Taxes	2,177	20,028	2,395	24,600
Total Operating Expenses	<u>216,028</u>	<u>530,123</u>	<u>69,881</u>	<u>816,032</u>
Operating Income (Loss)	<u>(30,096)</u>	<u>(1,080)</u>	<u>132,799</u>	<u>101,623</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental aid	-	6,814	-	6,814
Investment income	148	1,327	1,215	2,690
Interest expense	(1,434)	-	-	(1,434)
Total Non-Operating Revenue (Expenses)	<u>(1,286)</u>	<u>8,141</u>	<u>1,215</u>	<u>8,070</u>
Net Income (Loss) Before Transfers	(31,382)	7,061	134,014	109,693
TRANSFERS IN	13,505	-	-	13,505
TRANSFERS OUT	<u>(453)</u>	<u>(1,732)</u>	<u>(115,403)</u>	<u>(117,588)</u>
Change in net position	(18,330)	5,329	18,611	5,610
Net Position - Beginning of Year	<u>1,069,233</u>	<u>589,514</u>	<u>303,966</u>	<u>1,962,713</u>
NET POSITION - END OF YEAR	<u>\$ 1,050,903</u>	<u>\$ 594,843</u>	<u>\$ 322,577</u>	<u>\$ 1,968,323</u>

CITY OF HARTFORD

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2016

	Airport	Emergency Squad	Cable Television	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 183,112	\$ 498,429	\$ 202,680	\$ 884,221
Payments to vendors	(156,301)	(416,277)	(31,242)	(603,820)
Payments to employees	(28,914)	(75,844)	(31,245)	(136,003)
Net Cash Flows From Operating Activities	<u>(2,103)</u>	<u>6,308</u>	<u>140,193</u>	<u>144,398</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in (out)	<u>13,052</u>	<u>(1,732)</u>	<u>(115,403)</u>	<u>(104,083)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>173</u>	<u>1,504</u>	<u>1,319</u>	<u>2,996</u>
Net Cash Flows From Investing Activities	<u>173</u>	<u>1,504</u>	<u>1,319</u>	<u>2,996</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt retired	(21,450)	-	-	(21,450)
Interest paid	(1,576)	-	-	(1,576)
Net Cash Flows From Capital and Related Financing Activities	<u>(23,026)</u>	<u>-</u>	<u>-</u>	<u>(23,026)</u>
Change in cash and cash equivalents	(11,904)	6,080	26,109	20,285
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>26,178</u>	<u>193,371</u>	<u>280,634</u>	<u>500,183</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,274</u>	<u>\$ 199,451</u>	<u>\$ 306,743</u>	<u>\$ 520,468</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Income (loss) from operations	\$ (30,096)	\$ (1,080)	\$ 132,799	\$ 101,623
Adjustments to reconcile income (loss) to net cash flows from operating activities:				
Non-operating income	-	6,814	-	6,814
Depreciation	27,332	35,632	5,979	68,943
Change in assets and liabilities				
Customer accounts receivable	-	(37,428)	-	(37,428)
Other accounts receivable	(2,820)	-	-	(2,820)
Inventory	3,508	-	-	3,508
Prepayments	10	(1,518)	(90)	(1,598)
Accounts payable	(37)	3,914	(96)	3,781
Accrued liabilities	-	-	17	17
Other current liabilities	-	-	(4,940)	(4,940)
Pension related deferrals and liabilities	-	(26)	6,524	6,498
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (2,103)</u>	<u>\$ 6,308</u>	<u>\$ 140,193</u>	<u>\$ 144,398</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				

CITY OF HARTFORD

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
As of December 31, 2016**

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 143,996	\$ 307,724	\$ 2,495,079	\$ 2,946,799
Accounts receivable	-	-	134,194	134,194
Accrued investment income receivable	62	133	1,061	1,256
Inventories	5,736	-	-	5,736
Prepaid expenses	16,391	666	2,567	19,624
Total Current Assets	<u>166,185</u>	<u>308,523</u>	<u>2,632,901</u>	<u>3,107,609</u>
Machinery and Equipment	319,594	-	-	319,594
Less: Accumulated depreciation	<u>(277,393)</u>	-	-	<u>(277,393)</u>
Net Property, Plant and Equipment	<u>42,201</u>	-	-	<u>42,201</u>
Other Assets - Investment with CVMIC	-	345,000	-	345,000
Total Assets	<u>208,386</u>	<u>653,523</u>	<u>2,632,901</u>	<u>3,494,810</u>
LIABILITIES				
Accounts payable	3,517	3,130	1,513	8,160
Accrued liabilities	-	-	291,320	291,320
Unearned revenue	-	4,751	193,072	197,823
Total Current Liabilities	<u>3,517</u>	<u>7,881</u>	<u>485,905</u>	<u>497,303</u>
NET POSITION				
Net investment in capital assets	42,201	-	-	42,201
Unrestricted	<u>162,668</u>	<u>645,642</u>	<u>2,146,996</u>	<u>2,955,306</u>
TOTAL NET POSITION	<u>\$ 204,869</u>	<u>\$ 645,642</u>	<u>\$ 2,146,996</u>	<u>\$ 2,997,507</u>

CITY OF HARTFORD

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS**

For the Year Ended December 31, 2016

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
OPERATING REVENUES				
Charges for services	\$ 228,244	\$ 466,262	\$ 2,836,710	\$ 3,531,216
OPERATING EXPENSES				
Operating and maintenance	221,252	351,680	2,767,029	3,339,961
Depreciation	31,234	-	-	31,234
Total Operating Expenses	252,486	351,680	2,767,029	3,371,195
Operating Income (Loss)	(24,242)	114,582	69,681	160,021
NONOPERATING REVENUES (EXPENSES)				
Investment income	620	529	11,967	13,116
Interest expense	-	(72)	-	(72)
Total Nonoperating Revenues (Expenses)	620	457	11,967	13,044
(Loss) Income Before Transfers	(23,622)	115,039	81,648	173,065
TRANSFERS IN (OUT)	(5,756)	(67,807)	(85)	(73,648)
Change in net position	(29,378)	47,232	81,563	99,417
NET POSITION - Beginning of Year	234,247	598,410	2,065,433	2,898,090
NET POSITION - END OF YEAR	\$ 204,869	\$ 645,642	\$ 2,146,996	\$ 2,997,507

CITY OF HARTFORD

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2016**

	Data Processing Fund	Risk Management Fund	Health Self- Insurance Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 228,244	\$ 471,013	\$ 2,713,492	\$ 3,412,749
Payments to vendors	(162,488)	(333,514)	(2,682,743)	(3,178,745)
Payments to employees	(52,642)	(15,245)	(5,580)	(73,467)
Net Cash Flows From Operating Activities	<u>13,114</u>	<u>122,254</u>	<u>25,169</u>	<u>160,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	<u>680</u>	<u>542</u>	<u>13,160</u>	<u>14,382</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES				
Interest paid	-	(72)	-	(72)
Net Cash Flows From Capital and Financing Activities	<u>-</u>	<u>(72)</u>	<u>-</u>	<u>(72)</u>
CASH FLOWS FROM NONCAPITAL RELATED FINANCING ACTIVITIES				
Transfers (out) in	<u>(5,756)</u>	<u>(67,807)</u>	<u>(85)</u>	<u>(73,648)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(5,756)</u>	<u>(67,807)</u>	<u>(85)</u>	<u>(73,648)</u>
Net change in cash and cash equivalents	8,038	54,917	38,244	101,199
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>135,958</u>	<u>252,807</u>	<u>2,456,835</u>	<u>2,845,600</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 143,996</u>	<u>\$ 307,724</u>	<u>\$ 2,495,079</u>	<u>\$ 2,946,799</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH FROM OPERATING ACTIVITIES				
Operating (loss) income	\$ (24,242)	\$ 114,582	\$ 69,681	\$ 160,021
Adjustments to reconcile operating (loss) income to net cash flows from operating activities				
Depreciation	31,234	-	-	31,234
Change in assets and liabilities				
Accounts receivable	-	-	(119,038)	(119,038)
Inventory	689	-	-	689
Prepayments	8,297	(76)	(810)	7,411
Accounts payable	(2,864)	2,997	196	329
Other current liabilities	-	-	79,320	79,320
Deferred inflow of resources	-	4,751	(4,180)	571
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 13,114</u>	<u>\$ 122,254</u>	<u>\$ 25,169</u>	<u>\$ 160,537</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				