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Vermont State Auditor's Office

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January 12, 2024

Performance Audit  
Recommendations and  
Corrective Actions for Audit:  
20-04

TAX INCREMENT  
FINANCING  
DISTRICT:

Town of Hartford Tax Increment  
Appropriately Used but  
Slightly Too Much Retained

Dated: December 30, 2020

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# Overview

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The State Auditor's Office (SAO) makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations, although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities one and three years after the calendar year in which the audit report is issued. Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

<http://auditor.vermont.gov/about-us/strategic-plans-and-performance-reports>

This report addresses the requirements of Act 155 (2012) to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state's financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our current contract for this work requires the contractor to provide the results of its recommendation follow-up.

Rec #	Recommendation	Follow-Up Year	Status	SAO Review Comments
1	Consult with legal advisors to determine what, if any, actions should be taken to remedy the limited instances in which Hartford did not provide all required information to voters in advance of public votes for tax increment financing (TIF) district debt.	2021	Partially Implemented	In March 2020, subsequent to the period covered by the SAO audit, the Town of Hartford held a public vote for additional TIF district financing. The public information notice for the March 2020 vote addressed required information that had not been provided for public votes held in 2016 and 2019 - the aggregate amount of estimated related costs for all improvement projects to date and new private development anticipated as a result of previously approved TIF infrastructure improvement projects. However, the Adopted TIF Rules do not address whether prior deficiencies can be remedied by providing the information in subsequent public information notices. Hartford should consult with its legal advisors to determine whether separate action by the selectboard is needed or if providing corrected information in the 2020 notice sufficiently addressed the deficiencies in 2016 and 2019.
		2023	Implemented	The Town of Hartford consulted with an attorney and was advised that the Town can avail itself of a validation provision within state statute to address unintended errors. The Town's Selectboard adopted validation resolutions to address any concerns about compliance with adequate public notice regarding the March 2016 and March 2019 town meetings.
2	For agreements to reimburse the cost of TIF district public improvements paid for by a private developer, document the terms of the arrangement, including the types of costs and total amount to be reimbursed.	2021	Not applicable at this time	We found that in FY2018 Hartford paid a private developer approximately \$279,000 for costs associated with a public improvement project despite not having a documented agreement as required by the Town's purchasing policy and practices. According to a town official, Hartford has not reimbursed any developer expenditures for public improvements since the SAO audit report was released in December 2020. As we noted in the audit report, the Town's rationale for having a purchasing policy is to provide clarity for what is being purchased, avoid disputes with vendors, provide a full audit trail, control spending, and enhance public trust. To the extent the Town continues to reimburse developers for costs incurred in connection with public improvement projects, these arrangements should be documented.
		2023	Not applicable at this time	According to a town official, Hartford has not reimbursed any developer expenditures for public improvements since the SAO audit report was released in December 2020.

Rec #	Recommendation	Follow-Up Year	Status	SAO Review Comments
3	Reduce tax increment retained in the TIF District Fund in FY2018 and FY2019: education tax increment by \$1,062 and \$1,119, respectively; and municipal tax increment by \$655 and \$665, respectively. <sup>1</sup>	2021	Partially Implemented	In 2021, the Town discovered that Grand List values for two condominium unit parcels had been inadvertently omitted from the TIF district in FY2020 and FY2021. As a result, the Town determined that the amount of education and municipal tax increment allocated to the TIF Fund was understated in FY2020 and FY2021. Hartford's calculations are under review by the Vermont Economic Progress Council (VEPC) and the Vermont Department of Taxes (VDT).
		2023	Not Implemented	As of the time of our recommendation follow-up, the Town had not reduced the education and municipal tax increment in the TIF District Fund (e.g., transferred it into the General Fund).
4	Pay the Education Fund amounts owed for FY2018 and FY2019.	2021	Partially Implemented	By letter dated May 4, 2021, VDT notified Hartford that a payment of \$3,227 was due to the Education Fund as a result of the SAO audit findings. As noted for recommendation 3, the Town discovered that Grand List values for two condominium unit parcels had been inadvertently omitted from the TIF district in FY2020 and FY2021 and determined that the amount of education and municipal tax increment allocated to the TIF Fund was understated in FY2020 and FY2021. Because the understatements offset the amount the Town owes the Education Fund, VEPC advised that Hartford could appeal VDT's determination that the Town owes the Education Fund. On November 8, 2021, Hartford filed an appeal with VEPC. The appeal process is ongoing.
		2023	Implemented	The Town of Hartford was notified by VEPC staff that the VEPC Council could not approve the Town's appeal for repayment of the \$3,227 under the Issue Resolution Process outlined in TIF Rule 1103. Therefore, the Town decided not to pursue the appeal further and issued a payment of \$3,227 to the State's Education Fund on July 1, 2022.

<sup>1</sup> This recommendation is intended to remedy the effect of a calculation error discovered during the Audit which led to an overstatement of the amount available to the Town for financing infrastructure improvements and related costs of the TIF district.

Rec #	Recommendation	Follow-Up Year	Status	SAO Review Comments
5	Revise the tax increment calculation for FY2015 to FY2017 to account for the eight excluded parcels and make necessary adjustments to tax increment retained in the TIF District Fund.	2021	Implemented	According to the May 4, 2021 VDT letter to Hartford, there was no increment or decrement for the eight omitted parcels from FY2015 to FY2017 so there were no changes in the TIF exemption amount or monies owed to the Education Fund for this period.
No further follow-up is required because the recommendation was implemented.				
6	Consult with PVR, AOE, and VEPC staff to determine whether additional payments are owed to the Education Fund for FY2015 to FY2017. Pay amounts owed, if any.	2021	Implemented	As noted for recommendation 5, VDT determined there was no increment or decrement on the eight omitted parcels for the periods FY2015 to FY2017 so no payment is due to the Education Fund.
No further follow-up is required because the recommendation was implemented.				
7	Revise the Town's records to add the eight parcels to the list of parcels that comprise the original taxable value (OTV) and consult with VEPC staff to determine the process that should be used to officially amend OTV.	2021	Implemented	Hartford added the eight omitted parcels to the TIF district. Per VDT, these additions allowed the correct increment to be calculated in time for the Final 411 report of the April 1, 2020 Grand List. In addition, Hartford submitted a revised certified original taxable value to VEPC and VDT which was accepted and signed May 5, 2021.
No further follow-up is required because the recommendation was implemented.				