

**TOWN OF HARDWICK, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2013**

TOWN OF HARDWICK, VERMONT  
 AUDIT REPORT  
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## Independent Auditor's Report

Board of Selectmen  
Town of Hardwick  
P.O. Box 523  
Hardwick, Vermont 05843

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Hardwick, Vermont as listed in the Table of Contents.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

***Basis for Adverse Opinion on Electric Fund and Business-type Activities***

Management has not included the Electric Fund in the Town of Hardwick, Vermont's financial statements. Accounting principles generally accepted in the United States of America require the Electric Fund to be presented as a major enterprise fund and financial information about the Electric Fund to be part of the business-type activities, this increasing that activity's assets, liabilities, net position, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

***Adverse Opinion***

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Electric Fund and Business-type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the Electric Fund and the business-type activities of the Town of Hardwick, Vermont as of June 30, 2013, or the changes in financial position and cash flows thereof for the year then ended.

***Unmodified Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Revolving Loan Fund, the Capital Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and Schedule 1 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.

***Other Information***

As described in Note I.F. to the financial statements, effective June 30, 2013, the Town of Hardwick, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hardwick, Vermont’s basic financial statements. The combining fund financial statements and budgetary comparison schedules of the Water and Sewer Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by “Government Auditing Standards”***

In accordance with “Government Auditing Standards”, we have also issued our report dated January 28, 2014 on our consideration of the Town of Hardwick, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Hardwick, Vermont’s internal control over financial reporting and compliance.

January 28, 2014  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

This discussion and analysis of the Town of Hardwick, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ending June 30, 2013. Please keep in mind that this discussion and our financial statements do not include Hardwick Electric, which is a wholly owned Town utility. Hardwick Electric is on a calendar year rather than a fiscal year used by the rest of the Town. Their financial statements are included in the Town Report independent of this discussion.

**Financial Highlights**

Government-Wide (Exhibit A)

- In Exhibit A, the Town's Total assets exceeded liabilities on June 30, 2013 by \$10,674,699 (net position). This is an increase of \$437,906 over the previous year.
- In Exhibit A, Governmental Activities net position of \$6,707,201 represents an increase of \$437,373 over last year.
- In Exhibit A, \$3,967,498 of net position represents water and sewer fund activities (business funds). This demonstrates an increase of \$533 from last year.
- In Exhibit A, \$842,205 of governmental activities net position, a decrease of \$9,307 from 6/30/12, are unrestricted and may be used for future obligations. Some of these include funding for projects related to paving, bridges, sidewalks, rebuilding back roads and new Town facilities.
- In Exhibit A, Business-type Activities, Unrestricted Net Position of \$830,165, demonstrates an increase of \$110,670 from 6/30/12 numbers, and are unrestricted net position and may be used to meet the Town's future water and sewer obligations. These include further improvements to the treatment plant, water and sewer main line upgrades and a new reservoir.

TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Fund Financial Statements (Exhibits C, D, F and G)**

- In Exhibit D, the fund balances of governmental funds increased by \$3,724 in fiscal FY 13. The increase can be primarily attributed to increasing reserves in the capital funds for future investments in essential infrastructure and equipment.
- In Exhibit D, the General Fund balance decreased by \$22,975 from 6/30/12. The General Fund balance at the end of FY 13 was \$186,914.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$247,821 on June 30, 2013, which is an increase of \$26,094 from 6/30/12. This is money that is available for future loans to promote economic development in Hardwick. The Town had 14 active small business loans on June 30, 2013. The total amount of outstanding principal for these loans was \$302,995.
- In Exhibit D, the Capital Fund balance increased by \$41,776 in fiscal 2013. The total amount in this fund at year end was \$539,575 and is designated for future projects such as sidewalk replacement, road paving/rebuilding and bridge and facility improvements.
- The Water Fund ended the fiscal year with a net position balance of \$1,460,785, which represented an increase of \$56,194. \$1,122,968 or 76% represents the Town's investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$321,034, which was an increase of \$86,904. A total of \$337,817 of net position is unrestricted with \$130,805 available for operations and \$207,012 available for future capital expenditures.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,506,713, a decrease of \$55,661. \$2,014,365 or 80% represents the Town's investment in capital assets. This decrease was primarily the result of depreciation of our capital investment in the plant distribution and collection systems. The cash balance at year end was \$464,359 which was an increase of \$30,668. A total of \$492,348 of net position is unrestricted with \$439,381 available for future capital and \$52,967 available for operating expenses.

**Overview of the Town's Financial Statements**

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.



TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

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

The *statement of net position* presents information on all of the Town of Hardwick's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows) whereas the *statement of revenues, expenditures and changes in fund balance governmental funds* is on the modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current assets, expenditures are recognized when the related liability is incurred). Thus in the *statement of activities*, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods, (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements combine information from governmental funds (which are supported primarily by tax dollars) with information from enterprise funds which are supported by user fees and charges (*business-type activities*). The governmental activities of the Town of Hardwick include general government, public safety, highways and streets, community development and culture and recreation.

The government-wide financial statements can be found in Exhibits A and B 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 Town has two types of funds: governmental funds and proprietary funds. The proprietary funds of the Town are Enterprise Funds (business activities). These cover our water and sewer departments. Fund financial statements can be found in Exhibits C through H of this report.

**Notes to the financial statements.** The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

**Other Information.** In addition to the basic financial statements and accompanying notes, the audit report also presents certain *supplementary information*. This supplementary information includes combining statements for various funds and budgetary comparison statements for funds other than the Town's general fund.

**Government-wide Financial Analysis**

	Governmental Activities		Business-Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Current and Other Assets	\$ 1,573,395	\$ 1,562,510	\$ 859,161	\$ 778,082	\$ 2,432,556	\$ 2,340,592
Capital Assets	<u>5,477,508</u>	<u>5,066,971</u>	<u>3,294,988</u>	<u>3,382,423</u>	<u>8,772,496</u>	<u>8,449,394</u>
Total Assets	<u>7,050,903</u>	<u>6,629,481</u>	<u>4,154,149</u>	<u>4,160,505</u>	<u>11,205,052</u>	<u>10,789,986</u>
Current Liabilities	79,979	68,537	23,934	41,599	103,913	110,136
Long-Term Liabilities	<u>262,510</u>	<u>291,116</u>	<u>162,717</u>	<u>151,941</u>	<u>425,227</u>	<u>443,057</u>
Total Liabilities	<u>342,489</u>	<u>359,653</u>	<u>186,651</u>	<u>193,540</u>	<u>529,140</u>	<u>553,193</u>
Deferred Inflows of Resources	<u>1,213</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,213</u>	<u>0</u>
Net Position						
Net Investment in Capital Assets	5,278,517	4,837,256	3,137,333	3,247,470	8,415,850	8,084,726
Restricted	586,479	581,060	0	0	586,479	581,060
Unrestricted	<u>842,205</u>	<u>851,512</u>	<u>830,165</u>	<u>719,495</u>	<u>1,672,370</u>	<u>1,571,007</u>
Total Net Position	<u>\$ 6,707,201</u>	<u>\$ 6,269,828</u>	<u>\$ 3,967,498</u>	<u>\$ 3,966,965</u>	<u>\$ 10,674,699</u>	<u>\$ 10,236,793</u>

As stated in Exhibit A, assets exceeded liabilities by \$10,674,699 at the end of fiscal year 2013. This is an increase of \$437,906 from fiscal year 2012 to fiscal year 2013. This means the financial strength of the Town increased by that amount during the year.

The largest portion of the Town's net position is in its investment in capital assets, (78%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment and infrastructure). These are not available for future spending.

A portion of net position (\$586,479) is restricted to future use such as the revolving loan fund monies. The remaining net position (\$1,672,370) may be used to meet the government's ongoing obligations. Some of the amounts included in unrestricted net position have been designated by management for particular purposes (e.g. capital projects and equipment purchases).

**TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

At the end of fiscal year 2013, the Town of Hardwick has positive balances in all three categories of net position for the entire government and all individual funds.

	Governmental Activities		Business-Type Activities		Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
<b>REVENUES</b>						
Charges for Service	\$ 237,582	\$ 215,056	\$ 661,265	\$ 648,272	\$ 898,847	\$ 863,328
Operating Grants and Contributions	287,497	494,105	0	0	287,497	494,105
Capital Grants and Contributions	533,557	351,565	260	159,579	533,817	511,144
Property Taxes	1,700,256	1,628,056	0	0	1,700,256	1,628,056
Penalty and Interest on Delinquent Taxes	24,482	21,532	0	0	24,482	21,532
Unrestricted Investment Earnings	4,386	5,101	2,246	3,021	6,632	8,122
General State Grants	158,197	155,957	0	0	158,197	155,957
Other Revenues	7,984	2,605	0	0	7,984	2,605
<b>Total Revenues</b>	<b>2,953,941</b>	<b>2,873,977</b>	<b>663,771</b>	<b>810,872</b>	<b>3,617,712</b>	<b>3,684,849</b>
<b>EXPENDITURES</b>						
General Government	427,973	414,030	0	0	427,973	414,030
Public Safety	986,252	893,293	0	0	986,252	893,293
Highways and Streets	939,232	836,577	0	0	939,232	836,577
Community Development	5,662	174,417	0	0	5,662	174,417
Culture and Recreation	151,451	162,120	0	0	151,451	162,120
Interest on Long-Term Debt	5,998	11,252	0	0	5,998	11,252
Water	0	0	217,163	202,120	217,163	202,120
Sewer	0	0	446,075	427,506	446,075	427,506
<b>Total Expenditures</b>	<b>2,516,568</b>	<b>2,491,689</b>	<b>663,238</b>	<b>629,626</b>	<b>3,179,806</b>	<b>3,121,315</b>
Changes in Net Position	437,373	382,288	533	181,246	437,906	563,534
Transfer In/(Out)	0	(6,109)	0	6,109	0	0
Net Position - Beginning of Year	6,269,828	5,893,649	3,966,965	3,779,610	10,236,793	9,673,259
Net Position - End of Year	\$ 6,707,201	\$ 6,269,828	\$ 3,967,498	\$ 3,966,965	\$ 10,674,699	\$ 10,236,793

**Governmental activities:** Governmental activities increased the Town's net position by \$437,373 in FY 2013. This increase was primarily due to increases in Capital Grants.

**Business-type activities:** Business-type activities increased the Town's net position by \$533.

Exhibit G: The Water Fund had an operational income of \$55,115 and an increase in net position of \$56,194. The operational income was the result of increased revenues while holding down operating costs.

TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

The Sewer Fund had a loss from operations of \$54,514 and a decrease in net position of \$55,661. These losses were primarily due to \$145,720 of depreciation.

### **Financial Analysis of Major Governmental Funds**

#### **The General Fund**

The General Fund balance declined by \$22,975 during fiscal year 2013. The total fund balance at year end was \$186,914. Of that amount, \$19,789 is nonspendable inventory. Much of the decline in the General Fund Fund Balance can be attributed to unexpected equipment failures at the Highway Department. It appears that with the existing fund balance being 7 percent of the overall budget and mostly available for use, the Town should not have to borrow funds to cover general operating expenses in the near future.

Revenues for Fiscal Year 2013 were higher than 2012 by \$98,924 primarily due to increased revenues from property taxes and grant revenue. Expenditures were \$95,362 over budget, but the overall depletion in the general fund balance was only \$22,975 due to increased revenues to the Town. The budget overruns were the result of payment of accrued comp and vacation, winter salt, legal fees, taxes (Greensboro), higher fuel costs, and equipment repair costs and grant expenses.

#### **Revolving Loan Fund**

For the year ending June 30, 2013, the Town's Revolving Loan Fund also known as the Economic Development Fund had total revenues of \$98,720 as reported on Exhibit D of the FY13 audit. The year end fund balance was \$247,821, which was an increase of \$26,094 from the previous year. The Town initiated two loans totaling \$72,000.

#### **Capital Fund(s)**

Also reported on Exhibit D, the Town's Capital Fund had a year-end fund balance of \$539,575. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$203,455 of the fund on projects during FY13. Highway projects accounted for \$94,618 of total expenditures or nearly 47%.

As reported on Schedule 7, the Town's Equipment Replacement Fund had a year-end fund balance of \$16,130. These funds are assigned for future equipment purchases. During the past year, the Town purchased a plow truck, an equipment trailer, and a police cruiser. Also, the bucket loader and grader lease was refinanced to take advantage of lower interest rates. Total expenditures from the fund were \$337,639 of which \$152,581 was financed through a debt.

#### **Capital Asset and Debt Administration**

The Town of Hardwick's investment in capital assets for its governmental activities as of June 30, 2013 totaled \$5,477,508, (net of Related Debt). This is an increase of \$410,537 over last year. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment and furniture.

TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Major capital asset transactions during the year included the following additions:

- Plow Truck
- Purchase of a new radio repeater for the Police Department
- Fit-up of the new Public Safety Building
- Police Cruiser
- Equipment Trailer
- Stormwater Upgrades
- Bridge/Bike Path Engineering
- Reservoir Engineering
- Wolcott Street Engineering

The Town also was donated the new public safety building.

**Debt Administration**

As of June 30, 2013, the governmental activities of the Town of Hardwick were carrying three notes payable for the following:

- A fire truck purchase with an outstanding debt balance of \$46,410.
- A police cruiser purchase with an outstanding debt balance of 20,000.
- A grader and loader purchase with an outstanding debt balance of \$132,581.

The **Water Fund** has two outstanding bonds totaling \$68,299 to the State Special Environmental Revolving Loan Fund. The funding was used for planning water supply system improvements.

The **Sewer Fund** had bonds outstanding with a total principal debt of \$89,356. The first of these two bonds is from the State of VT Special Environmental Revolving Fund and has to do with a Combined Separation Overflow (CSO) Project. The second bond is through the USDA and was used to fund sewer line improvements on Mill Street.

**Economic Factors and Next Year's Budgets and Rates**

During the FY 13 budget process the Select Board chose to invest an additional \$20,000 of Capital resources to improve the Town Class 3 highways. These are dirt roads that have been become more problematic over the last several years due to deferred maintenance. The process included setting aside funds to purchase gravel, bringing in a crusher rather than a screener to produce better gravel from the Town pit, and buying winter sand to allow for more gravel from the Town pit to be used for summer maintenance.

In March 2013, the Town voted to approve a 1.8 million dollar bond for water system improvements necessary for the Town to comply with State mandates. The bond will increase the Town's indebtedness and will increase user fees, but will also serve to increase the Town's supply of stored water, improving water pressure and fire protection throughout the system.

TOWN OF HARDWICK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013

Due to a number of Tax Stabilization agreements and a reduction in the appraisals of several HUD rental properties owned by Lamoille Housing Partnership, the municipal Grand List decreased by nearly \$500,000 in 2013. This decrease had a negative impact on the municipal tax rate, causing it to go up, but the development of additional businesses and improved facilities will have a long term tax benefit to the Town.

The cost to operate the Town's wastewater treatment plant has continued to increase while the rates charged to customers for this service have remained below State averages. The Town continues to plan and set funds aside for maintaining and upgrading the system. Previous improvements to the treatment plant have actually increased its capacity. Thus extending the time when the Town will have to plan and implement more costly long term upgrades. Please note however that looming on the horizon is a concern that changing State and Federal environmental standards relating to total daily maximum loading of nitrogen and phosphorous discharged to Lake Champlain, may cost the Town substantial amounts of money to fund improvements necessary to meet the new discharge permit conditions.

The Town has continued to improve its aging infrastructure, gravel roads, and equipment while trying to keep budget increases to a minimum. The Town is in the process of designing improvements to public access on South Main Street. It is using a federal earmark to rebuild approximately 800 feet of sidewalks and to put overhead utilities underground. Additionally, the Town is working to separate storm water and sanitary sewers on South Main Street and to build treatment systems for storm water in advance of state mandates. The Town is using State Ecosystem Preservation funds to initiate these actions. Total grant funding from the State could equal approximately \$325,000 for those projects, which will include only minimal out of pocket funding from the Town.

This financial report is designed to provide a general overview of the Town of Hardwick's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager's office.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,794,010	\$ 100	\$ 1,794,110
Investments	51,009	0	51,009
Receivables (Net of Allowance for Uncollectibles)	211,795	63,895	275,690
Loans Receivable (Net of Allowance for Uncollectibles)	281,995	0	281,995
Internal Balances	(785,393)	785,393	0
Prepaid Expenses	190	0	190
Inventory	19,789	9,773	29,562
Capital Assets:			
Land	129,977	46,432	176,409
Construction in Progress	107,042	38,793	145,835
Other Capital Assets, (Net of Accumulated Depreciation)	<u>5,240,489</u>	<u>3,209,763</u>	<u>8,450,252</u>
Total Assets	<u>7,050,903</u>	<u>4,154,149</u>	<u>11,205,052</u>
<u>LIABILITIES</u>			
Accounts Payable	44,204	20,475	64,679
Accrued Payroll and Benefits Payable	22,171	1,062	23,233
Accrued Interest Payable	2,673	1,028	3,701
Unearned Revenue	10,931	1,369	12,300
Noncurrent Liabilities:			
Due within One Year	57,479	26,178	83,657
Due in More than One Year	<u>205,031</u>	<u>136,539</u>	<u>341,570</u>
Total Liabilities	<u>342,489</u>	<u>186,651</u>	<u>529,140</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	<u>1,213</u>	<u>0</u>	<u>1,213</u>
Total Deferred Inflows of Resources	<u>1,213</u>	<u>0</u>	<u>1,213</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,278,517	3,137,333	8,415,850
Restricted	586,479	0	586,479
Unrestricted	<u>842,205</u>	<u>830,165</u>	<u>1,672,370</u>
Total Net Position	<u>\$ 6,707,201</u>	<u>\$ 3,967,498</u>	<u>\$ 10,674,699</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 427,973	\$ 45,364	\$ 14,953	\$ 17,887	\$ (349,769)	\$ 0	\$ (349,769)
Public Safety	986,252	183,867	101,009	363,850	(337,526)	0	(337,526)
Highways and Streets	939,232	0	142,571	151,820	(644,841)	0	(644,841)
Culture and Recreation	151,451	0	28,964	0	(122,487)	0	(122,487)
Community Development	5,662	8,351	0	0	2,689	0	2,689
Interest on Long-term Debt	5,998	0	0	0	(5,998)	0	(5,998)
Total Governmental Activities	<u>2,516,568</u>	<u>237,582</u>	<u>287,497</u>	<u>533,557</u>	<u>(1,457,932)</u>	<u>0</u>	<u>(1,457,932)</u>
Business-Type Activities:							
Water	217,163	272,278	0	260	0	55,375	55,375
Sewer	446,075	388,987	0	0	0	(57,088)	(57,088)
Total Business-Type Activities	<u>663,238</u>	<u>661,265</u>	<u>0</u>	<u>260</u>	<u>0</u>	<u>(1,713)</u>	<u>(1,713)</u>
Total Primary Government	<u>\$ 3,179,806</u>	<u>\$ 898,847</u>	<u>\$ 287,497</u>	<u>\$ 533,817</u>	<u>(1,457,932)</u>	<u>(1,713)</u>	<u>(1,459,645)</u>
General Revenues:							
Property Taxes					1,700,256	0	1,700,256
Penalties and Interest on Delinquent Taxes					24,482	0	24,482
General State Grants					158,197	0	158,197
Unrestricted Investment Earnings					4,386	2,246	6,632
Other Revenues					7,984	0	7,984
Total General Revenues					<u>1,895,305</u>	<u>2,246</u>	<u>1,897,551</u>
Change in Net Position					437,373	533	437,906
Net Position - July 1, 2012					<u>6,269,828</u>	<u>3,966,965</u>	<u>10,236,793</u>
Net Position - June 30, 2013					<u>\$ 6,707,201</u>	<u>\$ 3,967,498</u>	<u>\$ 10,674,699</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF HARDWICK, VERMONT  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	General Fund	Revolving Loan Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 1,544,471	\$ 247,821	\$ 0	\$ 1,718	\$ 1,794,010
Investments	0	0	0	51,009	51,009
Receivables (Net of Allowance for Uncollectibles)	154,340	0	25,141	32,314	211,795
Loans Receivable (Net of Allowance for Uncollectibles)	0	281,995	0	0	281,995
Due from Other Funds	0	0	556,621	148,471	705,092
Prepaid Expenses	190	0	0	0	190
Inventory	19,789	0	0	0	19,789
<b>Total Assets</b>	<b>\$ 1,718,790</b>	<b>\$ 529,816</b>	<b>\$ 581,762</b>	<b>\$ 233,512</b>	<b>\$ 3,063,880</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 11,690	\$ 0	\$ 24,061	\$ 8,453	\$ 44,204
Accrued Payroll and Benefits Payable	21,546	0	0	625	22,171
Due to Other Funds	1,466,509	0	0	23,976	1,490,485
Unearned Revenue	5,418	0	0	5,513	10,931
<b>Total Liabilities</b>	<b>1,505,163</b>	<b>0</b>	<b>24,061</b>	<b>38,567</b>	<b>1,567,791</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid Property Taxes	1,213	0	0	0	1,213
Unavailable Property Taxes, Penalties and Interest	25,500	0	0	0	25,500
Unavailable Grants	0	0	18,126	0	18,126
Unavailable Loans Receivable	0	281,995	0	0	281,995
<b>Total Deferred Inflows of Resources</b>	<b>26,713</b>	<b>281,995</b>	<b>18,126</b>	<b>0</b>	<b>326,834</b>
<b>FUND BALANCES</b>					
Nonspendable	19,979	0	0	36,245	56,224
Restricted	0	247,821	0	20,418	268,239
Assigned	16,630	0	539,575	138,282	694,487
Unassigned	150,305	0	0	0	150,305
<b>Total Fund Balances</b>	<b>186,914</b>	<b>247,821</b>	<b>539,575</b>	<b>194,945</b>	<b>1,169,255</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,718,790</b>	<b>\$ 529,816</b>	<b>\$ 581,762</b>	<b>\$ 233,512</b>	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	5,477,508
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	325,621
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(265,183)
<b>Net Position of Governmental Activities</b>	<b>\$ 6,707,201</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Revolving Loan Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 1,700,256	\$ 0	\$ 0	\$ 0	\$ 1,700,256
Penalties & Interest on Delinquent Taxes	24,482	0	0	0	24,482
Intergovernmental	401,466	0	62,454	143,658	607,578
Charges for Services	401,766	0	0	0	401,766
Permits, Licenses & Fees	40,871	0	0	0	40,871
Fines and Forfeits	8,885	0	0	0	8,885
Loan Repayments	0	89,825	0	0	89,825
Loan Interest Income	0	8,351	0	0	8,351
Investment Income	1,094	444	1,744	1,104	4,386
Donations	11,652	0	0	645	12,297
Other	7,584	100	0	300	7,984
<b>Total Revenues</b>	<b>2,598,056</b>	<b>98,720</b>	<b>64,198</b>	<b>145,707</b>	<b>2,906,681</b>
<b>Expenditures:</b>					
General Government	542,090	0	1,800	7,185	551,075
Public Safety	839,888	0	0	48,466	888,354
Highways and Streets	728,961	0	47,720	8,210	784,891
Culture and Recreation	124,538	0	2,398	0	126,936
Community Development	0	72,626	0	5,036	77,662
Capital Outlay:					
General Government	0	0	24,349	0	24,349
Public Safety	50,569	0	40,189	30,719	121,477
Highways and Streets	0	0	46,898	198,726	245,624
Culture and Recreation	7,811	0	40,101	0	47,912
Debt Service:					
Principal	21,081	0	0	162,224	183,305
Interest	2,236	0	0	1,717	3,953
<b>Total Expenditures</b>	<b>2,317,174</b>	<b>72,626</b>	<b>203,455</b>	<b>462,283</b>	<b>3,055,538</b>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<b>280,882</b>	<b>26,094</b>	<b>(139,257)</b>	<b>(316,576)</b>	<b>(148,857)</b>
<b>Other Financing Sources/(Uses):</b>					
Proceeds from Long-Term Debt	0	0	0	152,581	152,581
Transfers In	143	0	181,033	154,000	335,176
Transfers Out	(304,000)	0	0	(31,176)	(335,176)
<b>Total Other Financing Sources/(Uses)</b>	<b>(303,857)</b>	<b>0</b>	<b>181,033</b>	<b>275,405</b>	<b>152,581</b>
<b>Net Change in Fund Balances</b>	<b>(22,975)</b>	<b>26,094</b>	<b>41,776</b>	<b>(41,171)</b>	<b>3,724</b>
<b>Fund Balances - July 1, 2012</b>	<b>209,889</b>	<b>221,727</b>	<b>497,799</b>	<b>236,116</b>	<b>1,165,531</b>
<b>Fund Balances - June 30, 2013</b>	<b>\$ 186,914</b>	<b>\$ 247,821</b>	<b>\$ 539,575</b>	<b>\$ 194,945</b>	<b>\$ 1,169,255</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	3,724
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$439,362) is allocated over their estimated useful lives and reported as depreciation expense (\$348,721). This is the amount by which capital outlays exceeded depreciation in the current period.		90,641
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(25,104)
The effect of donations of capital assets is to increase net position. The Town received a Public Safety building with a value of \$345,000.		345,000
The issuance of long-term debt (\$152,581) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$183,305) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		30,724
The issuance of loans receivable (\$72,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$89,825) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.		(17,825)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		14,376
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(4,163)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>437,373</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

<u>ASSETS</u>	Water Fund	Sewer Fund	Total
<b>Current Assets:</b>			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	26,309	37,586	63,895
Due from Other Funds	321,034	464,359	785,393
Inventory	7,150	2,623	9,773
<b>Total Current Assets</b>	<b>354,543</b>	<b>504,618</b>	<b>859,161</b>
<b>Noncurrent Assets:</b>			
Land	7,937	38,495	46,432
Construction in Progress	38,793	0	38,793
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	12,271	82,205	94,476
Distribution/Collection Systems	1,587,196	5,721,666	7,308,862
Less: Accumulated Depreciation	(528,222)	(3,752,102)	(4,280,324)
<b>Total Noncurrent Assets</b>	<b>1,191,267</b>	<b>2,103,721</b>	<b>3,294,988</b>
<b>Total Assets</b>	<b>\$ 1,545,810</b>	<b>\$ 2,608,339</b>	<b>\$ 4,154,149</b>
<u>LIABILITIES</u>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 15,718	\$ 4,757	\$ 20,475
Accrued Payroll and Benefits Payable	0	1,062	1,062
Accrued Interest Payable	0	1,028	1,028
Unearned Revenue	1,008	361	1,369
General Obligation Bonds Payable - Current Portion	0	17,078	17,078
Notes Payable - Current Portion	9,100	0	9,100
<b>Total Current Liabilities</b>	<b>25,826</b>	<b>24,286</b>	<b>50,112</b>
<b>Noncurrent Liabilities:</b>			
Compensated Absences Payable	0	5,062	5,062
General Obligation Bonds Payable - Noncurrent Portion	0	72,278	72,278
Notes Payable - Noncurrent Portion	59,199	0	59,199
<b>Total Noncurrent Liabilities</b>	<b>59,199</b>	<b>77,340</b>	<b>136,539</b>
<b>Total Liabilities</b>	<b>85,025</b>	<b>101,626</b>	<b>186,651</b>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,122,968	2,014,365	3,137,333
Unrestricted	337,817	492,348	830,165
<b>Total Net Position</b>	<b>1,460,785</b>	<b>2,506,713</b>	<b>3,967,498</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,545,810</b>	<b>\$ 2,608,339</b>	<b>\$ 4,154,149</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues:			
Charges for Services	\$ 267,533	\$ 375,720	\$ 643,253
Penalties & Interest	4,745	6,954	11,699
Interfund Charges	<u>0</u>	<u>6,313</u>	<u>6,313</u>
Total Operating Revenues	<u>272,278</u>	<u>388,987</u>	<u>661,265</u>
Operating Expenses:			
Administrative Salaries	58,722	58,722	117,444
Salaries and Wages	34,497	81,615	116,112
Administrative Charges	11,130	8,927	20,057
Administrative Supplies	2,320	2,151	4,471
Benefits	0	20,015	20,015
Insurances	2,287	12,768	15,055
Town Equipment Charge	9,000	9,000	18,000
Legal/Audit	5,958	5,958	11,916
Communications	1,249	940	2,189
Utilities	38,235	40,071	78,306
Maintenance	11,261	36,078	47,339
Chemicals	965	18,017	18,982
Depreciation	35,510	145,720	181,230
Other Operating Expenses	<u>6,029</u>	<u>3,519</u>	<u>9,548</u>
Total Operating Expenses	<u>217,163</u>	<u>443,501</u>	<u>660,664</u>
Operating Income/(Loss)	<u>55,115</u>	<u>(54,514)</u>	<u>601</u>
Non-Operating Revenues/(Expenses):			
Investment Income	819	1,427	2,246
Interest Expense	<u>0</u>	<u>(2,574)</u>	<u>(2,574)</u>
Total Non-Operating Revenues/(Expenses)	<u>819</u>	<u>(1,147)</u>	<u>(328)</u>
Net Income/(Loss) Before Capital Contributions	<u>55,934</u>	<u>(55,661)</u>	<u>273</u>
Capital Contributions	<u>260</u>	<u>0</u>	<u>260</u>
Total Capital Contributions	<u>260</u>	<u>0</u>	<u>260</u>
Change in Net Position	56,194	(55,661)	533
Net Position - July 1, 2012	<u>1,404,591</u>	<u>2,562,374</u>	<u>3,966,965</u>
Net Position - June 30, 2013	<u>\$ 1,460,785</u>	<u>\$ 2,506,713</u>	<u>\$ 3,967,498</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Water Fund	Sewer Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 306,476	\$ 373,910	\$ 680,386
Receipts from Interfund Services	0	6,313	6,313
Payments to Suppliers	(86,779)	(119,977)	(206,756)
Payments for Interfund Services	(20,130)	(17,927)	(38,057)
Payments for Wages and Benefits	(93,219)	(159,895)	(253,114)
Net Cash Provided by Operating Activities	<u>106,348</u>	<u>82,424</u>	<u>188,772</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Decrease/(Increase) in Due from Other Funds	<u>(86,904)</u>	<u>(30,668)</u>	<u>(117,572)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(86,904)</u>	<u>(30,668)</u>	<u>(117,572)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds of Bonds Payable	27,450	0	27,450
Capital Contributions	260	0	260
Acquisition and Construction of Capital Assets	(47,973)	(33,492)	(81,465)
Principal Paid on:			
General Obligation Bonds	0	(17,078)	(17,078)
Interest Paid on:			
General Obligation Bonds	<u>0</u>	<u>(2,613)</u>	<u>(2,613)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(20,263)</u>	<u>(53,183)</u>	<u>(73,446)</u>
<b>Cash Flows From Investing Activities:</b>			
Receipt of Interest & Dividends	<u>819</u>	<u>1,427</u>	<u>2,246</u>
Net Cash Provided by Investing Activities	<u>819</u>	<u>1,427</u>	<u>2,246</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2012	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2013	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 100</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>			
Operating Income/(Loss)	55,115	(54,514)	601
Depreciation	35,510	145,720	181,230
(Increase)/Decrease in Receivables	33,579	(9,125)	24,454
(Increase)/Decrease in Inventory	0	(291)	(291)
Increase/(Decrease) in Accounts Payable	(18,475)	(184)	(18,659)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	53	53
Increase/(Decrease) in Compensated Absences Payable	0	404	404
Increase/(Decrease) in Unearned Revenue	<u>619</u>	<u>361</u>	<u>980</u>
Net Cash Provided by Operating Activities	<u>\$ 106,348</u>	<u>\$ 82,424</u>	<u>\$ 188,772</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF HARDWICK, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

The Town of Hardwick, Vermont, (herein the "Town") operates under a Manager/Selectboard form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, water, sewer, electric and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as noted as follows, the accounting policies adopted by the Town of Hardwick, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

### **A. The Financial Reporting Entity**

This report should include all of the funds of the Town of Hardwick, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and 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 or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there is one (1) fund, the Hardwick Electric Department Fund, which should be combined with the financial statements of the Town, but is not.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF HARDWICK, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town, except those accounted for in another fund.

Revolving Loan Fund – This fund accounts for the Town's Revolving Loan Fund which provides loans to area businesses.

Capital Fund – This fund accounts for the general capital expenditures of the Town.

The Town reports on the following major enterprise funds:

Water Fund – This fund accounts for the operations of the Water Department.

Sewer Fund – This fund accounts for the operations of the Wastewater Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.



TOWN OF HARDWICK, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

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Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

**E. Use of Estimates**

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

**F. New Pronouncement – Deferred Outflows/Inflows of Resources**

Effective June 30, 2013, the Town implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the statement of net position and governmental funds balance sheet. The governmental activities reports unavailable revenues from one source; prepaid property taxes. The governmental funds reports unavailable revenues from four sources; prepaid property taxes, unavailable property taxes, grants and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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**G. Assets, Liabilities and Equity**

**1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other fund balances.

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

**3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

**4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the General Fund consist of fuel and materials and inventories in the Proprietary Funds consists of chemicals and materials.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

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**6. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	40 Years
Vehicles	\$ 5,000	4-15 Years
Machinery and Equipment	\$ 1,000	8-20 Years
Roads, Bridges, and Sidewalks	\$ 5,000	30-50 Years
Water and Wastewater Distribution and Collection Systems	\$ 5,000	60 - 100 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

**7. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The Town also pays accumulated sick time up to 240 hours at retirement if the employee has at least ten (10) years of service. The Town evaluates all employees who have reached seven (7) years of service and, depending on the accrued leave time at that point, determines if they will likely meet the eligibility threshold. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

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**8. Long-term Liabilities**

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

**9. Fund Equity**

Fund balances are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

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**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The General Fund budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Jeudevine Memorial Library Fund or Recreation Committee Fund activity that is included with the General Fund.

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2013, expenditures in the General Fund exceeded appropriations by \$95,362. These over expenditures were funded by excess revenues and available fund balance.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2013 consisted of the following:

Cash:

Deposits with Financial Institutions	\$1,793,510
Cash on Hand	<u>600</u>
Total Cash	<u>1,794,110</u>

Investments:

Certificates of Deposit	49,139
Common Stock	<u>1,870</u>
Total Investments	<u>51,009</u>

Total Cash and Investments \$1,845,119

The Town has seven (7) certificates of deposit at various banks ranging from \$1,127 to \$21,542 with interest rates ranging from 0.25% to 1.85%. All certificates of deposit will mature by fiscal year 2018.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposits are not subject to interest rate risk disclosure.

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**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The Town's common stock is in the name of the Town and is not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's deposits and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 299,139	\$ 299,139
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	1,355,000	1,355,000
Uninsured, Uncollateralized	<u>188,510</u>	<u>237,552</u>
Total	<u>\$1,842,649</u>	<u>\$1,891,691</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

\$198,991 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year-end.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,793,510
Investments – Certificates of Deposit	<u>49,139</u>
Total	<u>\$1,842,649</u>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit and common stock are not subject to credit risk disclosure.

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**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has 100% of their common stock invested in the Royal Bank of Canada.

**B. Receivables**

Receivables as of June 30, 2013, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Delinquent Taxes	\$ 133,252	\$ 0	\$ 133,252
Penalties and Interest	16,277	0	16,277
Billed Services	8,014	59,939	67,953
Unbilled Services	0	2,600	2,600
Grants	64,177	0	64,177
Miscellaneous	6,575	2,356	8,931
Allowance for Doubtful Accounts	(16,500)	(1,000)	(17,500)
	\$ 211,795	\$ 63,895	\$ 275,690

**C. Loans Receivable**

Loans receivable as of June 30, 2013 consists of a number of loans for community development as follows:

Loan Receivable, Hardwick Housing Partnership, Payable on Demand on and after January 8, 2033, 2% Interest, Secured by a Second Mortgage	\$ 530,000
Loan Receivable, Highland Hill Housing Limited Partnership, Payable on Demand on and After August 29, 2018, 0% Interest, Secured by Second Mortgage	327,820
Loan Receivable, Bemis Block Housing Limited Partnership, Payable on Demand on and After June 5, 2037, 0% Interest, Secured by Second Mortgage	215,000
Loans Receivable, 14 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 2.25% to 8.00%, Various Due Dates, all Secured by Business Assets. One Loan is in Arrears with a balance of \$21,000	302,995
Total	1,375,815



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Plus: Accrued Interest on Loans	\$ 203,874
Less: Allowance for Doubtful Loans Receivable and Accrued Interest	(1,098,426)
Less: Discount on Loans Receivable and Accrued Interest	<u>(199,268)</u>
Reported Value at June 30, 2013	\$ <u>281,995</u>

An analysis of the change in loans receivable is as follows:

<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2013</u>
\$ <u>1,393,640</u>	\$ <u>72,000</u>	\$ <u>89,825</u>	\$ <u>1,375,815</u>

Accrued interest on the Hardwick Housing Partnership loan totals \$203,874.

A discount of \$199,268 has been recorded to accurately reflect the present value of the two loans receivable that have a 0% interest rate and the accrued interest receivable. The Town has imputed a 3% interest rate on these loans and accrued interest which was the average market rate at the time the loans were issued.

#### D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 129,977	\$ 0	\$ 0	\$ 129,977
Construction in Progress	339,181	116,053	348,192	107,042
Total Capital Assets, Not Being Depreciated	<u>469,158</u>	<u>116,053</u>	<u>348,192</u>	<u>237,019</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	961,474	443,926	0	1,405,400
Vehicles	2,071,612	210,059	262,763	2,018,908
Machinery and Equipment	333,824	72,032	55,323	350,533
Roads, Bridges and Sidewalks	3,072,279	348,206	27,585	3,392,900
Totals	<u>6,439,189</u>	<u>1,074,223</u>	<u>345,671</u>	<u>7,167,741</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	297,372	27,300	0	324,672
Vehicles	900,193	174,839	199,084	875,948
Machinery and Equipment	157,747	31,355	50,398	138,704
Roads, Bridges and Sidewalks	486,064	115,227	13,363	587,928
Totals	<u>1,841,376</u>	<u>348,721</u>	<u>262,845</u>	<u>1,927,252</u>
Total Capital Assets, Being Depreciated	<u>4,597,813</u>	<u>725,502</u>	<u>82,826</u>	<u>5,240,489</u>
Governmental Activities Capital Assets, Net	\$ <u>5,066,971</u>	\$ <u>841,555</u>	\$ <u>431,018</u>	\$ <u>5,477,508</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 46,432	\$ 0	\$ 0	\$ 46,432
Construction in Progress	13,701	38,549	13,457	38,793
Total Capital Assets, Not Being Depreciated	60,133	38,549	13,457	85,225
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	64,792	21,957	0	86,749
Vehicles, Machinery and Equipment	94,476	0	0	94,476
Distribution and Collection Systems	7,274,446	34,416	0	7,308,862
Totals	7,433,714	56,373	0	7,490,087
Less Accumulated Depreciation for:				
Buildings and Building Improvements	18,660	2,764	0	21,424
Vehicles, Machinery and Equipment	72,590	4,464	0	77,054
Distribution and Collection Systems	4,007,844	174,002	0	4,181,846
Totals	4,099,094	181,230	0	4,280,324
Total Capital Assets, Being Depreciated	3,334,620	(124,857)	0	3,209,763
Business-Type Activities Capital Assets, Net	\$ 3,394,753	\$ (86,308)	\$ 13,457	\$ 3,294,988

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 19,123	Water	\$ 35,510
Public Safety	82,900	Sewer	145,720
Highways and Streets	226,094		
Culture and Recreation	20,604		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-Type Activities	
	\$ 348,721		\$ 181,230

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2013 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,466,509
Capital Fund	556,621	0
Other Governmental Funds	148,471	23,976
Water Fund	321,034	0
Sewer Fund	464,359	0
Total	\$ 1,490,485	\$ 1,490,485

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Interfund transfers during the year ended June 30, 2013 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Fund	\$ 150,000	Annual Subsidy
General Fund	Restorative Justice Fund	3,000	Annual Subsidy
General Fund	Equipment Replacement Fund	151,000	Annual Subsidy
General Fund	Jeudevine Memorial Library Fund	85,361 *	Annual Subsidy
General Fund	Recreation Committee Fund	18,450 *	Annual Subsidy
Equipment Replacement Fund	Capital Fund	20,000	Fund Equipment Purchase
Stormwater Grant Fund	Capital Fund	11,033	Fund Capital Project
Library Endowment Fund	Jeudevine Memorial Library Fund	<u>143 *</u>	Transfer of Interest Income
Total		<u>\$ 438,987</u>	

\* The transfers from the General Fund to the Jeudevine Memorial Library Fund and Recreation Committee Fund are netted within the General Fund as these funds are consolidated within the General Fund to comply with GASB Statement No. 54. The transfer from the Library Endowment Fund to the Jeudevine Memorial Library Fund is included with the General Fund.

**F. Unearned Revenue**

Unearned revenue in the General Fund consists of \$5,418 of grant revenue received in advance.

Unearned revenue in the Other Governmental Funds consists of \$5,513 of grant revenue received in advance.

**G. Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of \$25,500 of delinquent property taxes, penalties and interest on those taxes that was not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$1,213 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$26,713.

Deferred inflows of resources in the Revolving Loan Fund consists of \$281,995 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Capital Fund consists of \$18,126 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

**H. Long-term Liabilities**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

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General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The Town has other notes payable to finance various capital projects and purchases through local banks.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water and sewer projects.

The United States Department of Agriculture (USDA) offers a number of low interest loan programs for various purposes. The Town has borrowed money from the USDA, in the form of a bond, for sewer projects.

Long-term liabilities outstanding as of June 30, 2013 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Fire Truck Purchase, Principal and Interest Payments of \$24,760 Payable on May 15 Annually, Interest at 2.5%, Due May, 2015	\$ 67,491	\$ 0	\$ 21,081	\$ 46,410
Capital Lease Payable, John Deere Credit, Grader and Loader, Principal and Interest Payments of \$31,360 Payable on June 20 Annually, Interest at 4.5%, This was Refinanced in 2013	162,224	0	162,224	0
Note Payable, Union Bank, Grader and Loader, Annual Principal and Interest Payments of \$28,372 Starting November 1, 2013, Interest at 2.24%, Due November, 2017	0	132,581	0	132,581

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Police Cruiser, Principal and Interest Payments of \$10,348 Payable on September 15 Annually, Interest at 2%, Due September, 2014	\$ <u>0</u>	\$ <u>20,000</u>	\$ <u>0</u>	\$ <u>20,000</u>
Total Governmental Activities	<u>\$229,715</u>	<u>\$152,581</u>	<u>\$183,305</u>	<u>\$198,991</u>
Business-Type Activities:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Note Payable, State of Vermont Special Environmental Revolving Fund, Water Supply Planning, Annual Principal Payments of \$9,100 Starting December 1, 2013, 0% Interest, Due December, 2017	\$ 40,849	\$ 0	\$ 0	\$ 40,849
Water Bond Payable, State of Vermont Special Environmental Revolving Fund Water Supply System Improvements, Annual Principal Payments of \$5,490 Starting September 1, 2017, 0% Interest, Due September, 2012	0	27,450	0	27,450
Sewer Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal Payments of \$14,778 Payable on April 1 Annually, 0% Interest, Due April, 2015	44,334	0	14,778	29,556
Sewer Bond Payable, U.S. Department of Agriculture, Mill Street Project, Principal Payments of \$2,300 Payable August 1 Annually, Interest at 4.125% Payable February 1 and August 1, Due August, 2038	<u>62,100</u>	<u>0</u>	<u>2,300</u>	<u>59,800</u>
Total Business-Type Activities	<u>\$147,283</u>	<u>\$27,450</u>	<u>\$17,078</u>	<u>\$157,655</u>

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Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Notes Payable	\$ 67,491	\$ 152,581	\$ 21,081	\$ 198,991	\$ 57,479
Capital Leases Payable	162,224	0	162,224	0	0
Compensated Absences	<u>61,401</u>	<u>2,118</u>	<u>0</u>	<u>63,519</u>	<u>0</u>
 Total Governmental Activities Long-Term Liabilities	 <u>\$ 291,116</u>	 <u>\$ 154,699</u>	 <u>\$ 183,305</u>	 <u>\$ 262,510</u>	 <u>\$ 57,479</u>
<b>Business-Type Activities</b>					
General Obligation Bonds Payable	\$ 106,434	\$ 27,450	\$ 17,078	\$ 116,806	\$ 17,078
Notes Payable	40,849	0	0	40,849	9,100
Compensated Absences	<u>4,658</u>	<u>404</u>	<u>0</u>	<u>5,062</u>	<u>0</u>
 Total Business-Type Activities Long-Term Liabilities	 <u>\$ 151,941</u>	 <u>\$ 27,854</u>	 <u>\$ 17,078</u>	 <u>\$ 162,717</u>	 <u>\$ 26,178</u>

Compensated Absences are paid by the applicable fund where the employee is charged.

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 57,479	\$ 6,001	\$ 26,178	\$ 2,324
2015	60,073	3,408	26,178	2,230
2016	26,547	1,824	11,400	2,135
2017	27,141	1,230	11,400	2,040
2018	27,751	621	12,239	1,945
2019-2023	0	0	33,460	8,301
2024-2028	0	0	11,500	5,930
2029-2033	0	0	11,500	3,558
2034-2038	0	0	11,500	1,185
2039-2043	<u>0</u>	<u>0</u>	<u>2,300</u>	<u>0</u>
 Total	 <u>\$ 198,991</u>	 <u>\$ 13,084</u>	 <u>\$ 157,655</u>	 <u>\$ 29,648</u>

**I. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

TOWN OF HARDWICK, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 190
Nonspendable Inventories	<u>19,789</u>
Total General Fund	<u>19,979</u>

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	8,861
Nonspendable Library Endowment Fund Principal	<u>27,384</u>
Total Permanent Funds	<u>36,245</u>
Total Nonspendable Fund Balances	<u>\$56,224</u>

TOWN OF HARDWICK, VERMONT  
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 JUNE 30, 2013

The fund balances in the following funds are restricted as follows:

Major Funds

Revolving Loan Fund:

Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue)	<u>\$247,821</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Dare/Drug Seizure Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	382
Restricted for Fire Department Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	<u>3,936</u>

Total Special Revenue Funds	<u>4,318</u>
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Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion (Source of Revenue is Donations)	1,508
Restricted for Library Endowment by Trust Agreements – Expendable Portion (Source of Revenue is Donations)	<u>14,592</u>

Total Permanent Funds	<u>16,100</u>
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Total Non-Major Funds	<u>20,418</u>
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Total Restricted Fund Balances	<u>\$268,239</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Recreation Committee Expenses	\$ 7,842
Assigned for Library Expenses	<u>8,788</u>

Total General Fund	<u>16,630</u>
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Capital Fund:

Assigned for Capital Expenditures	<u>539,575</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses (Source of Revenue is Grant Revenue)	122,152
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TOWN OF HARDWICK, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Capital Projects Funds:	
Assigned for Equipment Replacement Expenditures	\$ <u>16,130</u>
Total Non-Major Funds	<u>138,282</u>
Total Assigned Fund Balances	<u>\$694,487</u>

**J. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2013 consisted of the following:

Governmental Activities:	
Restricted for Dare/Drug Seizure Expenses by Grant Agreements	\$ 382
Restricted for Fire Department Expenses by Grant Agreement	3,936
Restricted for Cemetery Fund by Trust Agreement	10,369
Restricted for Library Endowment Fund by Trust Agreement	41,976
Restricted for Community Development by Grant Agreements	<u>529,816</u>
Total Governmental Activities	<u>\$586,479</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2013 consisted of the following:

Water Fund:	
Designated for Well Replacement	\$ 72,008
Designated for Water Capital Projects	135,004
Designated for Water Operations	<u>130,805</u>
Total Water Fund	<u>337,817</u>
Sewer Fund:	
Designated for Sewer Capital Projects	439,381
Designated for Sewer Operations	<u>52,967</u>
Total Sewer Fund	<u>492,348</u>
Total Business-Type Activities	<u>\$830,165</u>

The following is an analysis of the activity in the Well Replacement Account, Water Capital Account, and Sewer Capital Account.

	Well Replacement Account	Water Capital Account	Sewer Capital Account
Beginning Balance	\$ 66,768	\$ 115,007	\$ 411,692
Interest Earnings	240	569	1,427
Transfer In From Water Operations	5,000	70,000	0
Transfer In From Sewer Operations	0	0	72,000
Capital Purchases/Expenses	<u>0</u>	<u>(50,572)</u>	<u>(45,738)</u>
Ending Balance	<u>\$ 72,008</u>	<u>\$ 135,004</u>	<u>\$ 439,381</u>

TOWN OF HARDWICK, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**V. OTHER INFORMATION**

**A. BENEFIT PLANS**

All applicable employees of the Town are covered under the State of Vermont Municipal Employees' Retirement Plan. The Town participates in all of the following plans. Employees in Group B contribute 4.5% of their gross salary and the Town contributes 5%. Employees in Group D contribute 11% of their gross salary and the Town contributes 9.5%.

The Town pays all costs accrued each year for the plans. The premise of these plans is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in these plans is done in the aggregate, not by municipality. The net position available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available.

Total payroll for the year was \$1,038,640 while covered payroll was \$957,528. Pension expense for the years ended June 30, 2013, 2012 and 2011 were \$63,951, \$58,477 and \$61,829, respectively.

Additional information regarding the State of Vermont Municipal Employees' Retirement System is available upon request from the State of Vermont.

The Town also offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Town is the administrator of the plan. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under this plan, but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee.

**B. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

TOWN OF HARDWICK, VERMONT  
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 JUNE 30, 2013

The Town of Hardwick is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

**C. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are due and payable on May 10 and become delinquent on May 11. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2013 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5791	.5791
Highway	.4819	.4819
Local Agreement	.0057	.0057
Veterans Exemption	.0041	.0041
Education	<u>1.4301</u>	<u>1.4639</u>
Total	<u>2.5009</u>	<u>2.5347</u>

**D. CONTINGENT LIABILITIES**

There is a claim against the Town where the Town’s insurance carrier is providing defense with a reservation of rights. The Town intends to vigorously defend this claim. The Town is unable to determine the likelihood or amount, if any, of an unfavorable outcome.

The Town is a participating member in the Central Vermont Solid Waste District. The Town could be subject to a portion of the District’s debt if the District experiences financial problems.

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, 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 Town expects such amounts, if any, to be immaterial.

**E. RELATED PARTY TRANSACTIONS**

A member of the Selectboard is also the President of a local non-profit entity. The Town leases a Town owned building to the non-profit entity for \$1 per month plus certain utilities.

TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 1,718,471	\$ 1,700,256	\$ (18,215)
School Tax Administration Fee	4,100	4,493	393
PILOT	66,000	72,737	6,737
Current Use	84,000	85,460	1,460
Delinquent Late Charge	25,000	24,482	(518)
Zoning Permits	3,000	2,945	(55)
Licenses and Fees	24,000	33,138	9,138
DMV Fees	1,000	897	(103)
State Aid to Highways	135,000	141,052	6,052
Copier Fees	4,500	3,891	(609)
Greensboro Police Contract	159,936	159,936	0
Police Fines and Miscellaneous Revenues	7,500	8,885	1,385
Investment Income	4,000	1,003	(2,997)
Interest on Cemetery Fund - Transfer In	45	0	(45)
Water and Sewer Transfers	222,292	222,291	(1)
FEMA Reimbursement	0	1,519	1,519
Homeland Security Grant - PORT	0	15,253	15,253
Homeland Security Grant - Toughbook	0	413	413
Base & Repeater Grant	0	13,590	13,590
Vcomm Digital Grant	0	16,432	16,432
Downtown Beautification Grant	2,000	1,455	(545)
Fireworks Donations	1,000	2,065	1,065
Hardwick Rescue Reimbursement	0	1,200	1,200
Fire Department Reimbursement	0	1,012	1,012
Police Department - Vest Grant	1,000	599	(401)
VLTC Grant	0	1,365	1,365
COPS Grant	46,500	46,500	0
Green Up Grant	0	491	491
SUI Revenue	0	4,935	4,935
Government Highway Revenue	0	7,899	7,899
Miscellaneous	500	4,645	4,145
<b>Total Revenues</b>	<b>2,509,844</b>	<b>2,580,839</b>	<b>70,995</b>
<b>Expenditures:</b>			
<b>Office Expenditures:</b>			
Town Manager - Salary	66,300	66,300	0
Office Manager - Salary	45,323	43,231	2,092
Town Clerk - Salary	40,186	40,408	(222)
Secretary	0	290	(290)
Town Clerk Aides	24,236	24,338	(102)
Administrative Assistant	38,956	47,058	(8,102)
Social Security	16,448	16,161	287
Retirement	10,750	11,053	(303)
Worker's Compensation	1,575	1,215	360
Unemployment Insurance	2,517	1,876	641
VLCT/PACIF	5,540	5,893	(353)
Health/Dental/Life/Disability Insurances	49,227	49,745	(518)
Town Manager's Office Supplies	3,600	3,602	(2)
Town Clerk's Office Supplies	3,600	3,141	459
Town Report	5,000	3,358	1,642
Conferences/Dues	700	1,009	(309)
Tax Billing/Collection Expense	1,600	1,598	2
Telephone	1,300	1,429	(129)
Advertising	700	1,356	(656)

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TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Office Expenditures/(Cont'd):</b>			
Copier	\$ 1,000	\$ 827	\$ 173
Election Expense	2,000	2,204	(204)
Computer Services	2,000	2,004	(4)
Website Maintenance	1,200	370	830
Equipment Purchases	3,500	1,243	2,257
Lister Supplies	3,000	2,718	282
Education/Training	250	194	56
Zoning	1,900	950	950
Miscellaneous	0	307	(307)
<b>Total Office Expenditures</b>	<b>332,408</b>	<b>333,878</b>	<b>(1,470)</b>
<b>Payroll (Other):</b>			
Listers	8,000	6,867	1,133
Zoning Administrator	17,832	17,493	339
Zoning and Planning Board	1,500	1,900	(400)
Board of Civil Authority	140	147	(7)
Moderator	50	50	0
Selectboard	5,000	4,022	978
Social Security	2,687	2,544	143
Public Officers Liability	8,281	7,766	515
Election Officials	1,500	1,887	(387)
Energy Coordinator	50	50	0
Solid Waste Representative	500	500	0
TEC Conferences	250	0	250
Part-Time Labor	1,500	900	600
Town Service Officer	50	50	0
Health Officer	500	500	0
<b>Total Payroll (Other)</b>	<b>47,840</b>	<b>44,676</b>	<b>3,164</b>
<b>Memorial Building:</b>			
Custodian	7,055	7,855	(800)
Social Security	540	598	(58)
Operating Supplies	2,500	2,308	192
Repairs/Maintenance to Building	2,500	2,501	(1)
Utilities	6,600	7,343	(743)
Fuel Oil	15,525	14,345	1,180
Worker's Compensation	118	57	61
VLCT/PACIF	5,597	5,877	(280)
Town House Repair	500	563	(63)
Town House - PACIF	3,546	4,804	(1,258)
Electric	600	209	391
Fuel	3,800	809	2,991
Generator	400	860	(460)
Elevator	2,000	2,452	(452)
<b>Total Memorial Building</b>	<b>51,281</b>	<b>50,581</b>	<b>700</b>
<b>Administration Building:</b>			
VLCT	0	4,219	(4,219)
Operating Supplies	0	12	(12)
Maintenance to Building	0	1,134	(1,134)
Utilities	0	1,213	(1,213)
Fuel	0	5,352	(5,352)
<b>Total Administration Building</b>	<b>0</b>	<b>11,930</b>	<b>(11,930)</b>

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TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department:			
Base Payroll	\$ 366,278	\$ 321,605	\$ 44,673
Overtime	25,000	38,664	(13,664)
Special Officers	17,500	9,826	7,674
SUI Salary	0	3,194	(3,194)
Social Security	31,272	27,842	3,430
Retirement	37,171	33,295	3,876
Workers Compensation	19,197	15,602	3,595
Unemployment Insurance	3,840	2,684	1,156
VLCT/PACIF	41,538	39,622	1,916
Health/Dental/Life and Disability Insurances	110,855	102,217	8,638
Government Highway Ticket	0	2,138	(2,138)
Government Highway DUI	0	927	(927)
K-9 Expense	500	471	29
Operating Supplies	4,200	6,358	(2,158)
Memberships	500	316	184
Training	4,000	2,976	1,024
Base Station Antena	2,400	2,710	(310)
Internet Communication	3,900	4,564	(664)
Dispatch Services	31,414	31,414	0
Telephone	4,100	4,153	(53)
Cruiser Repairs and Maintenance	3,000	3,735	(735)
Advertising	300	215	85
Radio Service	1,250	1,271	(21)
Homeland Security Grant Expenses - PORT	0	15,253	(15,253)
Homeland Security Grant Expenses - LPR	0	413	(413)
Base and Repeater Grant Expenses	0	13,590	(13,590)
Vcomm Digital Upgrade	0	16,432	(16,432)
Investigation Expense	1,500	1,444	56
Uniforms - Cleaning	700	833	(133)
Uniforms Purchases	4,250	4,009	241
VLTC Grant Expense	0	829	(829)
Vest Grant Expense	350	1,198	(848)
PD Equipment Grant Expense	0	4,000	(4,000)
Fuel	20,000	25,331	(5,331)
Utilities	2,798	115	2,683
Tires	2,000	2,380	(380)
COPS Grant Expenses	0	46,500	(46,500)
SUI Expenses	0	4,935	(4,935)
Education	500	0	500
Equipment	4,000	3,701	299
<b>Total Police Department</b>	<b>744,313</b>	<b>796,762</b>	<b>(52,449)</b>
Fire Department:			
Labor	11,000	14,010	(3,010)
Social Security	842	1,015	(173)
Worker's Compensation	1,800	1,595	205
VLCT/PACIF	14,436	15,020	(584)
Operating Supplies	2,500	2,308	192
Telephone	1,000	775	225
Repeater Electricity	250	111	139
Gasoline	200	28	172
Utilities	1,500	2,272	(772)
Fuel Oil	9,660	8,404	1,256
Diesel	3,000	1,571	1,429
Radio/Dispatch	13,463	13,463	0
Equipment Purchases	3,500	4,496	(996)

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TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department/(Cont'd):			
Clothing	\$ 3,500	\$ 3,554	\$ (54)
Repairs and Maintenance to Fire Station	1,500	1,084	416
Equipment Repairs	3,000	4,760	(1,760)
Training	750	582	168
Fire Truck Debt Payment	23,318	23,317	1
Total Fire Department	<u>95,219</u>	<u>98,365</u>	<u>(3,146)</u>
Highway/Garage/Equipment:			
Payroll	230,734	229,340	1,394
Overtime	20,000	27,889	(7,889)
Sewer Operator	6,313	4,110	2,203
Social Security	19,181	18,721	460
Retirement	12,537	13,104	(567)
Worker's Compensation	18,013	15,188	2,825
Unemployment Insurance	2,419	1,804	615
VLCT/PACIF	23,741	24,232	(491)
Health/Dental/Life and Disability Insurances	82,699	70,012	12,687
Summer Gravel	30,000	29,717	283
Chloride	10,000	14,945	(4,945)
Mowing Contract	6,000	4,000	2,000
Summer Paving	3,000	2,708	292
Downtown Improvement	2,000	2,122	(122)
Street Sweeping	3,900	3,600	300
Winter Sand	15,000	14,545	455
Winter Salt	46,800	55,452	(8,652)
Operating Supplies	16,500	13,797	2,703
Telephone	800	736	64
Low Band Radio	2,900	1,943	957
Culverts	3,000	2,454	546
Uniforms	5,500	6,448	(948)
Sidewalk Expense	400	748	(348)
Radio Service	500	179	321
Streetscape	750	720	30
Road Signs	2,000	2,996	(996)
Sign Grant Expense	0	1,072	(1,072)
Safety/Training	2,700	2,056	644
Building Repairs	1,500	342	1,158
Equipment Expense	25,000	383	24,617
Equipment Maintenance Expense	25,000	67,082	(42,082)
Fuel	4,000	2,068	1,932
Diesel Fuel	45,000	52,301	(7,301)
Utilities	5,200	4,861	339
Storm Damage	1,350	3,066	(1,716)
Total Highway/Garage/Equipment	<u>674,437</u>	<u>694,741</u>	<u>(20,304)</u>
Appropriations:			
Senior Citizens Center	2,500	2,500	0
Restorative Justice	3,000	3,000	0
C.H.H.C.A., Inc.	2,600	2,600	0
Northeast Kingdom Arts Council	2,500	2,500	0
A.W.A.R.E.	3,000	3,000	0
Area Agency on Aging	4,500	4,500	0
Lamoille Family Center	1,200	1,200	0
NCAL	1,300	1,300	0
Greensboro Nursing	3,000	3,000	0

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TOWN OF HARDWICK, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
Appropriations/(Cont'd):			
Railroad Depot	\$ 3,000	\$ 3,000	\$ 0
HCVT	2,500	2,500	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	1,500	1,500	0
H.A.C.C.	3,000	3,000	0
Total Appropriations	37,000	37,000	0
Rescue Squad Pro-Rated Share:	16,080	16,080	0
County Tax:	12,970	12,970	0
Other Expenses:			
Auditing	15,000	14,634	366
Dog Control	3,000	2,567	433
Professional Services	7,000	10,357	(3,357)
Caspian Beach Taxes	0	4,255	(4,255)
NVDA	1,333	1,333	0
VLCT	3,818	3,892	(74)
Judevine Memorial Library	85,361	85,361	0
Memorial Day	1,200	1,200	0
Caspian Lake	2,050	2,050	0
Cemeteries	12,700	12,786	(86)
Solid Waste District	6,414	3,010	3,404
Streetlights	30,500	34,220	(3,720)
Employment Practices Insurance	6,720	6,374	346
Flexible Benefits	250	250	0
Recreation Department	18,450	18,450	0
Fireworks	3,000	5,065	(2,065)
Insurance Deductibles	500	1,419	(919)
Transfer to Equipment Replacement Fund	151,000	151,000	0
Transfer to Capital Improvement Fund	150,000	150,000	0
Total Other Expenses	498,296	508,223	(9,927)
Total Expenditures	2,509,844	2,605,206	(95,362)
Excess/(Deficiency) of Revenues Over Expenditures	\$ 0	(24,367)	\$ (24,367)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Jeudevine Memorial Library Fund Income		8,996	
Jeudevine Memorial Library Fund Transfers In		143	
Jeudevine Memorial Library Fund Appropriation		85,361	
Jeudevine Memorial Library Fund Expenses		(95,420)	
Recreation Committee Fund Income		8,221	
Recreation Committee Fund Appropriation		18,450	
Recreation Committee Fund Expenses		(24,359)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		\$ (22,975)	

The reconciling items are due to combining two (2) funds with the General Fund in order to comply with GASB Statement No. 54.

See Disclaimer in Accompanying Independent Auditor's Report.



TOWN OF HARDWICK, VERMONT  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 382	\$ 0	\$ 1,336	\$ 1,718
Investments	0	0	51,009	51,009
Receivables (Net of Allowance for Uncollectibles)	1,024	31,290	0	32,314
Due from Other Funds	<u>132,341</u>	<u>16,130</u>	<u>0</u>	<u>148,471</u>
Total Assets	<u>\$ 133,747</u>	<u>\$ 47,420</u>	<u>\$ 52,345</u>	<u>\$ 233,512</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 115	\$ 8,338	\$ 0	\$ 8,453
Accrued Payroll and Benefits Payable	625	0	0	625
Due to Other Funds	1,024	22,952	0	23,976
Unearned Revenue	<u>5,513</u>	<u>0</u>	<u>0</u>	<u>5,513</u>
Total Liabilities	<u>7,277</u>	<u>31,290</u>	<u>0</u>	<u>38,567</u>
Fund Balances:				
Nonspendable	0	0	36,245	36,245
Restricted	4,318	0	16,100	20,418
Assigned	<u>122,152</u>	<u>16,130</u>	<u>0</u>	<u>138,282</u>
Total Fund Balances	<u>126,470</u>	<u>16,130</u>	<u>52,345</u>	<u>194,945</u>
Total Liabilities and Fund Balances	<u>\$ 133,747</u>	<u>\$ 47,420</u>	<u>\$ 52,345</u>	<u>\$ 233,512</u>

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TOWN OF HARDWICK, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 OTHER GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
Intergovernmental	\$ 68,668	\$ 74,990	\$ 0	\$ 143,658
Investment Income	387	30	687	1,104
Donations	645	0	0	645
Other	<u>300</u>	<u>0</u>	<u>0</u>	<u>300</u>
Total Revenues	<u>70,000</u>	<u>75,020</u>	<u>687</u>	<u>145,707</u>
Expenditures:				
General Government	7,185	0	0	7,185
Public Safety	48,466	0	0	48,466
Highways and Streets	0	8,210	0	8,210
Community Development	5,036	0	0	5,036
Capital Outlay:				
Public Safety	0	30,719	0	30,719
Highways and Streets	0	198,726	0	198,726
Debt Service:				
Principal	0	162,224	0	162,224
Interest	<u>0</u>	<u>1,717</u>	<u>0</u>	<u>1,717</u>
Total Expenditures	<u>60,687</u>	<u>401,596</u>	<u>0</u>	<u>462,283</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>9,313</u>	<u>(326,576)</u>	<u>687</u>	<u>(316,576)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-Term Debt	0	152,581	0	152,581
Transfers In	3,000	151,000	0	154,000
Transfers Out	<u>0</u>	<u>(31,033)</u>	<u>(143)</u>	<u>(31,176)</u>
Total Other Financing Sources/(Uses)	<u>3,000</u>	<u>272,548</u>	<u>(143)</u>	<u>275,405</u>
Net Change in Fund Balances	12,313	(54,028)	544	(41,171)
Fund Balances - July 1, 2012	<u>114,157</u>	<u>70,158</u>	<u>51,801</u>	<u>236,116</u>
Fund Balances - June 30, 2013	<u>\$ 126,470</u>	<u>\$ 16,130</u>	<u>\$ 52,345</u>	<u>\$ 194,945</u>

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TOWN OF HARDWICK, VERMONT  
 COMBINING BALANCE SHEET  
 SPECIAL REVENUE FUNDS  
 JUNE 30, 2013

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
<u>ASSETS</u>						
Cash	\$ 382	\$ 0	\$ 0	\$ 0	\$ 0	\$ 382
Receivables (Net of Allowance for Uncollectibles)	0	1,024	0	0	0	1,024
Due from Other Funds	<u>0</u>	<u>0</u>	<u>122,152</u>	<u>6,169</u>	<u>4,020</u>	<u>132,341</u>
Total Assets	<u>\$ 382</u>	<u>\$ 1,024</u>	<u>\$ 122,152</u>	<u>\$ 6,169</u>	<u>\$ 4,020</u>	<u>\$ 133,747</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 31	\$ 84	\$ 115
Accrued Payroll and Benefits Payable	0	0	0	625	0	625
Due to Other Funds	0	1,024	0	0	0	1,024
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,513</u>	<u>0</u>	<u>5,513</u>
Total Liabilities	<u>0</u>	<u>1,024</u>	<u>0</u>	<u>6,169</u>	<u>84</u>	<u>7,277</u>
Fund Balances:						
Restricted	382	0	0	0	3,936	4,318
Assigned	<u>0</u>	<u>0</u>	<u>122,152</u>	<u>0</u>	<u>0</u>	<u>122,152</u>
Total Fund Balances	<u>382</u>	<u>0</u>	<u>122,152</u>	<u>0</u>	<u>3,936</u>	<u>126,470</u>
Total Liabilities and Fund Balances	<u>\$ 382</u>	<u>\$ 1,024</u>	<u>\$ 122,152</u>	<u>\$ 6,169</u>	<u>\$ 4,020</u>	<u>\$ 133,747</u>

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TOWN OF HARDWICK, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
Revenues:						
Intergovernmental	\$ 0	\$ 15,824	\$ 14,953	\$ 37,891	\$ 0	\$ 68,668
Investment Income	0	0	372	0	15	387
Donations	0	0	0	0	645	645
Other	90	0	0	210	0	300
Total Revenues	<u>90</u>	<u>15,824</u>	<u>15,325</u>	<u>38,101</u>	<u>660</u>	<u>70,000</u>
Expenditures:						
General Government	0	7,185	0	0	0	7,185
Public Safety	0	3,603	0	43,491	1,372	48,466
Community Development	0	5,036	0	0	0	5,036
Total Expenditures	<u>0</u>	<u>15,824</u>	<u>0</u>	<u>43,491</u>	<u>1,372</u>	<u>60,687</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>90</u>	<u>0</u>	<u>15,325</u>	<u>(5,390)</u>	<u>(712)</u>	<u>9,313</u>
Other Financing Sources:						
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
Net Change in Fund Balances	90	0	15,325	(2,390)	(712)	12,313
Fund Balances - July 1, 2012	<u>292</u>	<u>0</u>	<u>106,827</u>	<u>2,390</u>	<u>4,648</u>	<u>114,157</u>
Fund Balances - June 30, 2013	<u>\$ 382</u>	<u>\$ 0</u>	<u>\$ 122,152</u>	<u>\$ 0</u>	<u>\$ 3,936</u>	<u>\$ 126,470</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

	Equipment Replacement Fund	Stormwater Grant Fund	Total
<u>ASSETS</u>			
Receivables (Net of Allowance for Uncollectibles)	\$ 0	\$ 31,290	\$ 31,290
Due from Other Funds	16,130	0	16,130
Total Assets	\$ 16,130	\$ 31,290	\$ 47,420
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 0	\$ 8,338	\$ 8,338
Due to Other Funds	0	22,952	22,952
Total Liabilities	0	31,290	31,290
Fund Balances:			
Assigned	16,130	0	16,130
Total Fund Balances	16,130	0	16,130
Total Liabilities and Fund Balances	\$ 16,130	\$ 31,290	\$ 47,420

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Equipment Replacement Fund	Stormwater Grant Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Intergovernmental	\$ 0	\$ 74,990	\$ 74,990
Investment Income	<u>30</u>	<u>0</u>	<u>30</u>
Total Revenues	<u>30</u>	<u>74,990</u>	<u>75,020</u>
Expenditures:			
Highways and Streets	0	8,210	8,210
Capital Outlay:			
Public Safety	30,719	0	30,719
Highways and Streets	142,979	55,747	198,726
Debt Service:			
Principal	162,224	0	162,224
Interest	<u>1,717</u>	<u>0</u>	<u>1,717</u>
Total Expenditures	<u>337,639</u>	<u>63,957</u>	<u>401,596</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(337,609)</u>	<u>11,033</u>	<u>(326,576)</u>
Other Financing Sources/(Uses):			
Proceeds from Long-Term Debt	152,581	0	152,581
Transfers In	151,000	0	151,000
Transfers Out	<u>(20,000)</u>	<u>(11,033)</u>	<u>(31,033)</u>
Total Other Financing Sources/(Uses)	<u>283,581</u>	<u>(11,033)</u>	<u>272,548</u>
Net Change in Fund Balances	(54,028)	0	(54,028)
Fund Balances - July 1, 2012	<u>70,158</u>	<u>0</u>	<u>70,158</u>
Fund Balances - June 30, 2013	<u>\$ 16,130</u>	<u>\$ 0</u>	<u>\$ 16,130</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT  
 COMBINING BALANCE SHEET  
 PERMANENT FUNDS  
 JUNE 30, 2013

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 1,336	\$ 0	\$ 1,336
Investments	9,033	41,976	51,009
Total Assets	\$ 10,369	\$ 41,976	\$ 52,345
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	8,861	27,384	36,245
Restricted	1,508	14,592	16,100
Total Fund Balances	10,369	41,976	52,345
Total Liabilities and Fund Balances	\$ 10,369	\$ 41,976	\$ 52,345

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TOWN OF HARDWICK, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Cemetery Fund	Library Endowment Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Investment Income	\$ 29	\$ 658	\$ 687
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	29	658	687
	<u>          </u>	<u>          </u>	<u>          </u>
Expenditures:	<u>          </u>	<u>          </u>	<u>          </u>
	0	0	0
Excess of Revenues Over Expenditures	<u>          </u>	<u>          </u>	<u>          </u>
	29	658	687
Other Financing Sources/(Uses):			
Transfers Out	<u>          </u>	<u>          </u>	<u>          </u>
	0	(143)	(143)
Total Other Financing Sources/(Uses)	<u>          </u>	<u>          </u>	<u>          </u>
	0	(143)	(143)
Net Change in Fund Balances	29	515	544
Fund Balances - July 1, 2012	<u>10,340</u>	<u>41,461</u>	<u>51,801</u>
Fund Balances - June 30, 2013	<u>\$ 10,369</u>	<u>\$ 41,976</u>	<u>\$ 52,345</u>

See Disclaimer in Accompanying Independent Auditor's Report.



TOWN OF HARDWICK, VERMONT  
 SCHEDULE OF REVENUES AND EXPENSES  
 BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL  
 WATER FUND  
 FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Water Rents	\$ 263,344	\$ 267,533	\$ 4,189
Penalties & Interest	4,000	4,745	745
Investment Income	350	10	(340)
Total Revenues	267,694	272,288	4,594
<b>Expenses:</b>			
Administration Salaries	58,722	58,722	0
Public Works Salaries	34,497	34,497	0
Administrative Charge	8,927	8,927	0
Administrative Supplies	2,000	2,320	(320)
Transfer to Sewer Fund	2,203	2,203	0
VLCT/PACIF	2,345	2,287	58
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,958	(458)
Communications	1,500	1,249	251
Professional Services	1,500	90	1,410
Training and Safety	1,200	392	808
Utilities	39,000	38,235	765
Line Maintenance	13,500	4,760	8,740
Reservoir Maintenance	1,000	2,068	(1,068)
Pumphouse Maintenance	3,000	3,180	(180)
Generator - Wolcott Street	1,000	814	186
Hydrants	2,000	117	1,883
Water Testing	1,200	855	345
Chlorination	800	110	690
Permit Fees	2,800	5,547	(2,747)
Minor Repair & Maintenance	1,000	322	678
Capital Fund Transfer	75,000	75,000	0
Total Expenses	267,694	256,653	11,041
Net Income	\$ 0	15,635	\$ 15,635
<b>Adjustments to Reconcile to GAAP Basis Statements:</b>			
Depreciation		(35,510)	
STAG Grant Income		260	
Capital Fund Transfer		75,000	
Capital Fund Interest		809	
Change in Net Position - Exhibit G		\$ 56,194	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT  
SCHEDULE OF REVENUES AND EXPENSES  
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL  
SEWER FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Sewer Charges	\$ 372,013	\$ 375,720	\$ 3,707
Penalties & Interest	6,500	6,954	454
Investment Income	1,000	0	(1,000)
Interfund Charges	<u>6,313</u>	<u>6,313</u>	<u>0</u>
<b>Total Revenues</b>	<u>385,826</u>	<u>388,987</u>	<u>3,161</u>
<b>Expenses:</b>			
Administration Salaries	58,722	58,722	0
Public Works Salaries	41,101	46,451	(5,350)
Public Works Overtime	6,000	667	5,333
Salaries - Sewer Fund	34,497	34,497	0
Administrative Charge	8,927	8,927	0
Administrative Supplies	1,700	2,151	(451)
Health Insurance	13,875	14,326	(451)
Social Security	3,603	3,317	286
Retirement	2,355	2,372	(17)
VLCT/PACIF	11,731	10,475	1,256
Worker's Compensation	2,230	1,932	298
Insurance Deductible	500	0	500
Unemployment Insurance	452	361	91
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,958	(458)
Communications	975	940	35
Uniforms	700	676	24
Professional Services	1,000	0	1,000
Training	700	1,484	(784)
Safety	650	664	(14)
Utilities - Plant	27,000	28,189	(1,189)
Utilities - Lift Station	5,500	3,423	2,077
Fuel Oil	4,500	5,429	(929)
Water Charge	3,030	3,030	0
Lab Operations	5,000	5,563	(563)
Lift Station Maintenance	2,500	3,712	(1,212)
Plant Operations	6,200	6,052	148
Sewer Line Cleaning	7,000	3,202	3,798
Sewer Line Maintenance	6,800	5,113	1,687
Grit Disposal	700	731	(31)
Sludge Disposal	0	11,705	(11,705)
Process Chemicals	20,000	18,017	1,983
Licenses & Fees	1,500	695	805
Mill Street Bond and Interest	5,100	4,874	226
Bond and Interest	14,778	14,778	0
Capital Fund Transfer	<u>72,000</u>	<u>72,000</u>	<u>0</u>
<b>Total Expenses</b>	<u>385,826</u>	<u>389,433</u>	<u>(3,607)</u>
<b>Net Income/(Loss)</b>	<u>\$ 0</u>	<u>(446)</u>	<u>\$ (446)</u>
<b>Adjustments to Reconcile to GAAP Basis Statements:</b>			
Depreciation		(145,720)	
Principal Payments on Bonds		17,078	
Capital Fund Transfer		72,000	
Capital Fund Interest		<u>1,427</u>	
<b>Change in Net Position - Exhibit G</b>		<u>\$ (55,661)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
"Government Auditing Standards"

Board of Selectmen  
Town of Hardwick  
P.O. Box 523  
Hardwick, Vermont 05843

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements, and have issued our report thereon dated January 28, 2014. The report on the business-type activities was adverse because of the omission of the Electric Fund.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 13-1 and 13-2, that we consider to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Hardwick, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

We also noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated January 28, 2014.

### ***Town of Hardwick, Vermont's Response to Findings***

The Town of Hardwick, Vermont's response to the findings identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Hardwick, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hardwick, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Hardwick, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 28, 2014  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF HARDWICK, VERMONT  
SCHEDULE OF FINDINGS AND  
DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2013

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

13-1 Controls Over Disbursements

*Criteria:*

Internal controls should be in place to ensure that the Town obtains appropriate documentation for all purchases that includes approval for payment and verification of the account codes by department heads.

*Condition:*

The Town has a policy in place which requires supporting documentation for purchases to have department head approval for payment and of the account coding. Several of the invoices tested did not have the approval to pay or verification of the account coding by the department head.

*Cause:*

Unknown.

*Effect:*

The Town could be paying for items that were not approved by the Town or they could be incorrectly coded.

*Recommendation:*

We recommend that the Town adhere to their policy regarding the documentation of approval and account coding for all purchases.

13-2 Monitoring of Voided Transactions and Credits

*Criteria:*

Internal controls should be in place to ensure that voided transactions and credits are being monitored.

TOWN OF HARDWICK, VERMONT  
SCHEDULE OF FINDINGS AND  
DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2013

*Condition:*

The Town does not review the voided transactions and credits in the cash register in the Town Treasurer's office.

*Cause:*

Unknown.

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

We recommend that the Town implement internal controls to ensure that voided transactions and credits are monitored by an individual without access to the system.



Town of Hardwick  
Office of the Town Manager  
P.O. Box 523  
Hardwick, Vermont 05843

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January 24, 2014.

Sullivan & Powers & Company  
77 Barre Street  
PO Box 947  
Montpelier, Vermont 05601

Dear Chad,

Our responses to the audit significant deficiencies are as follows:

13-1 Controls Over Disbursements

All documentation will get approval for payment and verification of account codes by department heads and/or Town Manager prior to payment.

13-2 Monitoring of Voided Transactions and Credits

There will be a monthly report printed to monitor voids in the Cash Receipts program to ensure internal control.

Please feel free to contact me with any questions that you might have.

Sincerely,

Brittany Cote  
Executive Assistant  
Town of Hardwick

Hardwick Town Manager Office  
Hardwick Town Clerk  
Hardwick Public Works Director

Jon Jewett  
Alberta Miller  
Tom Fadden

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