

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2014

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 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

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, thus increasing that activity's assets, liabilities, 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, 2014, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information of the General Fund 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.

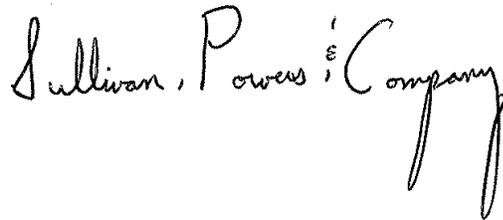
Other Information

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 November 24, 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.

November 24, 2014
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and location information.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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, 2014 by \$10,879,262 (net position). This is an increase of \$204,563 over the previous year.
- In Exhibit A, Governmental Activities net position of \$6,906,498 represents an increase of \$199,297 over last year.
- In Exhibit A, \$3,972,764 of net position represents water and sewer fund activities (business funds). This demonstrates an increase of \$5,266 from last year.
- In Exhibit A, \$945,842 of governmental activities net position, an increase of \$103,637 from 6/30/13, 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 \$863,680, demonstrates an increase of \$33,515 from 6/30/13 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, 2014

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

- In Exhibit D, the fund balances of governmental funds increased by \$47,328 in fiscal FY 14. 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 \$17,837 from 6/30/13. The General Fund balance at the end of FY 14 was \$169,077.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$195,597 on June 30, 2014, which is a decrease of \$52,224 from 6/30/13. This is money that is available for future loans to promote economic development in Hardwick. The Town had 15 active small business loans on June 30, 2014. The total amount of outstanding principal for these loans was \$365,615.
- In Exhibit D, the Capital Fund balance increased by \$953 in fiscal 2014. The total amount in this fund at year end was \$540,528 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 \$1,541,565, which represented an increase of \$80,780. \$1,224,409 or 79% represents the Town's investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$303,197, which was a decrease of \$17,837. A total of \$317,156 of net position is unrestricted with \$137,094 available for operations and \$180,062 available for future capital expenditures.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,431,199, a decrease of \$75,514. \$1,884,675 or 78% 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 \$515,193 which was an increase of \$50,834. A total of \$546,524 of net position is unrestricted with \$491,798 available for future capital and \$54,726 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, 2014

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, 2014

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 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Current and Other Assets	\$ 1,806,921	\$ 1,573,395	\$ 887,841	\$ 859,161	\$ 2,694,762	\$ 2,432,556
Capital Assets	5,595,951	5,477,508	3,208,812	3,294,988	8,804,763	8,772,496
Total Assets	7,402,872	7,050,903	4,096,653	4,154,149	11,499,525	11,205,052
Current Liabilities	175,708	79,979	19,328	23,934	195,036	103,913
Long-Term Liabilities	320,361	262,510	104,561	162,717	424,922	425,227
Total Liabilities	496,069	342,489	123,889	186,651	619,958	529,140
Deferred Inflows of Resources	305	1,213	0	0	305	1,213
Net Position						
Net Investment in Capital Assets	5,341,321	5,278,517	3,109,084	3,137,333	8,450,405	8,415,850
Restricted	619,335	586,479	0	0	619,335	586,479
Unrestricted	945,842	842,205	863,680	830,165	1,809,522	1,672,370
Total Net Position	\$ 6,906,498	\$ 6,707,201	\$ 3,972,764	\$ 3,967,498	\$ 10,879,262	\$ 10,674,699

As stated in Exhibit A, assets exceeded liabilities by \$10,879,262 at the end of fiscal year 2014. This is an increase of \$204,563 from fiscal year 2013 to fiscal year 2014. 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 (\$619,335) is restricted to future use such as the revolving loan fund monies. The remaining net position (\$1,809,522) 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, 2014**

At the end of fiscal year 2014, 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 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
REVENUES						
Charges for Service	\$ 256,232	\$ 237,582	\$ 676,363	\$ 661,265	\$ 932,595	\$ 898,847
Operating Grants and Contributions	401,614	287,497	0	0	401,614	287,497
Capital Grants and Contributions	189,547	533,557	18,382	260	207,929	533,817
Property Taxes	1,870,785	1,700,256	0	0	1,870,785	1,700,256
Penalty and Interest on Delinquent Taxes	26,614	24,482	0	0	26,614	24,482
Unrestricted Investment Earnings	4,017	4,386	2,200	2,246	6,217	6,632
General State Grants	166,743	158,197	0	0	166,743	158,197
Gain on Sale of Vehicle	89	0	0	0	89	0
Other Revenues	6,267	7,984	0	0	6,267	7,984
Total Revenues	2,921,908	2,953,941	696,945	663,771	3,618,853	3,617,712
EXPENDITURES						
General Government	436,852	427,973	0	0	436,852	427,973
Public Safety	1,035,151	986,252	0	0	1,035,151	986,252
Highways and Streets	920,344	939,232	0	0	920,344	939,232
Community Development	169,740	5,662	0	0	169,740	5,662
Culture and Recreation	156,228	151,451	0	0	156,228	151,451
Interest on Long-Term Debt	4,296	5,998	0	0	4,296	5,998
Water	0	0	221,491	217,163	221,491	217,163
Sewer	0	0	470,188	446,075	470,188	446,075
Total Expenditures	2,722,611	2,516,568	691,679	663,238	3,414,290	3,179,806
Changes in Net Position	199,297	437,373	5,266	533	204,563	437,906
Transfer In/(Out)	0	0	0	0	0	0
Net Position - Beginning of Year	6,707,201	6,269,828	3,967,498	3,966,965	10,674,699	10,236,793
Net Position - End of Year	\$ 6,906,498	\$ 6,707,201	\$ 3,972,764	\$ 3,967,498	\$ 10,879,262	\$ 10,674,699

Governmental activities: Governmental activities increased the Town's net position by \$199,297 in FY 2014. This increase was primarily due to increases in Capital Grants.

Business-type activities: Business-type activities increased the Town's net position by \$5,266.

Exhibit G: The Water Fund had an operational income of \$61,536 and an increase in net position of \$80,780. The operational income was the result of increased revenues while holding down operating costs.

The Sewer Fund had a loss from operations of \$74,474 and a decrease in net position of \$75,514. These losses were primarily due to \$146,768 of depreciation.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance declined by \$17,837 during fiscal year 2014. The total fund balance at year end was \$169,077. Of that amount, \$5,991 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 6 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 2014 were higher than 2013 by \$91,706 primarily due to increased revenues from property taxes and grant revenue. Expenditures were \$39,298 over budget, but the overall depletion in the general fund balance was only \$17,837 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, 2014, the Town's Revolving Loan Fund also known as the Economic Development Fund had total revenues of \$89,908 as reported on Exhibit D of the FY14 audit. The year end fund balance was \$195,597, which was a decrease of \$52,224 from the previous year and was the result of the Town initiating new economic development loans, which is the primary reason for the loan fund. The Town initiated loans totaling \$324,850.

Capital Fund(s)

Also reported on Exhibit D, the Town's Capital Fund had a year-end fund balance of \$540,528. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$363,469 of the fund on projects during FY14. Highway projects accounted for \$316,199 of total expenditures or nearly 87%.

As reported on Schedule 7, the Town's Equipment Replacement Fund had a year-end fund balance of \$117,893. 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 \$171,403 of which \$113,000 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, 2014 totaled \$5,341,321, (net of Related Debt). This is an increase of \$62,804 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, 2014

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

Debt Administration

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

- A fire truck purchase with an outstanding debt balance of \$24,250.
- A police cruiser purchase with an outstanding debt balance of \$10,073.
- A grader and loader purchase with an outstanding debt balance of \$107,307.
- A loader purchase with an outstanding debt balance of \$103,000.
- A police cruiser purchase with an outstanding debt balance of \$10,000.

The **Water Fund** has one outstanding bond for \$27,450 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 \$72,278. 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 14 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 become more problematic over the last several years due to deferred maintenance and higher use. 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. Additionally, the Town planned to purchase some manufactured material to compare its performance to gravel. The manufactured material is used in the same manner as gravel.

In March 2014, 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, 2014

Due to a number of tax stabilization agreements beginning to mature, and even considering a reduction in the appraisals of several HUD rental properties owned by Lamoille Housing Partnership, the municipal Grand List increased by \$818,500 in 2014. This increase had a positive impact on the municipal tax rate, causing it to go down, this increase in addition to 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 and rates have been adjusted accordingly maintaining Hardwick rates at a level in the mid-range of what other nearby towns charge for their wastewater services. 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 \$50,000 for storm water related 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, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,014,632	\$ 100	\$ 2,014,732
Investments	51,733	0	51,733
Receivables (Net of Allowance for Uncollectibles)	187,340	60,320	247,660
Loans Receivable (Net of Allowance for Uncollectibles)	365,615	0	365,615
Internal Balances	(818,390)	818,390	0
Prepaid Expenses	0	150	150
Inventory	5,991	8,881	14,872
Capital Assets:			
Land	129,977	46,432	176,409
Construction in Progress	106,346	134,554	240,900
Other Capital Assets, (Net of Accumulated Depreciation)	5,359,628	3,027,826	8,387,454
Total Assets	<u>7,402,872</u>	<u>4,096,653</u>	<u>11,499,525</u>
<u>LIABILITIES</u>			
Accounts Payable	148,433	16,701	165,134
Accrued Payroll and Benefits Payable	6,883	181	7,064
Accrued Interest Payable	2,293	987	3,280
Unearned Revenue	18,099	1,459	19,558
Noncurrent Liabilities:			
Due within One Year	80,589	17,078	97,667
Due in More than One Year	239,772	87,483	327,255
Total Liabilities	<u>496,069</u>	<u>123,889</u>	<u>619,958</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	305	0	305
Total Deferred Inflows of Resources	<u>305</u>	<u>0</u>	<u>305</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,341,321	3,109,084	8,450,405
Restricted	619,335	0	619,335
Unrestricted	945,842	863,680	1,809,522
Total Net Position	<u>\$ 6,906,498</u>	<u>\$ 3,972,764</u>	<u>\$ 10,879,262</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, 2014

	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	\$ 436,852	\$ 39,353	\$ 14,886	\$ 0	\$ (382,613)	\$ 0	\$ (382,613)
Public Safety	1,035,151	207,100	45,348	5,250	(777,453)	0	(777,453)
Highways and Streets	920,344	0	143,452	165,099	(611,793)	0	(611,793)
Culture and Recreation	156,228	0	12,874	19,198	(124,156)	0	(124,156)
Community Development	169,740	9,779	185,054	0	25,093	0	25,093
Interest on Long-term Debt	4,296	0	0	0	(4,296)	0	(4,296)
Total Governmental Activities	<u>2,722,611</u>	<u>256,232</u>	<u>401,614</u>	<u>189,547</u>	<u>(1,875,218)</u>	<u>0</u>	<u>(1,875,218)</u>
Business-Type Activities:							
Water	221,491	283,027	0	18,382	0	79,918	79,918
Sewer	470,188	393,336	0	0	0	(76,852)	(76,852)
Total Business-Type Activities	<u>691,679</u>	<u>676,363</u>	<u>0</u>	<u>18,382</u>	<u>0</u>	<u>3,066</u>	<u>3,066</u>
Total Primary Government	<u>\$ 3,414,290</u>	<u>\$ 932,595</u>	<u>\$ 401,614</u>	<u>\$ 207,929</u>	<u>(1,875,218)</u>	<u>3,066</u>	<u>(1,872,152)</u>
General Revenues:							
Property Taxes					1,870,785	0	1,870,785
Penalties and Interest on Delinquent Taxes					26,614	0	26,614
General State Grants					166,743	0	166,743
Unrestricted Investment Earnings					4,017	2,200	6,217
Gain on Sale of Vehicle					89	0	89
Other Revenues					6,267	0	6,267
Total General Revenues					<u>2,074,515</u>	<u>2,200</u>	<u>2,076,715</u>
Change in Net Position					199,297	5,266	204,563
Net Position - July 1, 2013					<u>6,707,201</u>	<u>3,967,498</u>	<u>10,674,699</u>
Net Position - June 30, 2014					<u>\$ 6,906,498</u>	<u>\$ 3,972,764</u>	<u>\$ 10,879,262</u>

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Revolving Loan Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,817,406	\$ 195,597	\$ 0	\$ 1,629	\$ 2,014,632
Investments	0	0	0	51,733	51,733
Receivables (Net of Allowance for Uncollectibles)	174,286	0	11,424	1,630	187,340
Loans Receivable (Net of Allowance for Uncollectibles)	0	365,615	0	0	365,615
Due from Other Funds	0	0	657,426	272,755	930,181
Inventory	5,991	0	0	0	5,991
Total Assets	<u>\$ 1,997,683</u>	<u>\$ 561,212</u>	<u>\$ 668,850</u>	<u>\$ 327,747</u>	<u>\$ 3,555,492</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 25,347	\$ 0	\$ 121,314	\$ 1,772	\$ 148,433
Accrued Payroll and Benefits Payable	6,883	0	0	0	6,883
Due to Other Funds	1,748,571	0	0	0	1,748,571
Unearned Revenue	5,135	0	0	12,964	18,099
Total Liabilities	<u>1,785,936</u>	<u>0</u>	<u>121,314</u>	<u>14,736</u>	<u>1,921,986</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	305	0	0	0	305
Unavailable Property Taxes, Penalties and Interest	41,500	0	0	0	41,500
Unavailable Grants	865	0	7,008	1,630	9,503
Unavailable Loans Receivable	0	365,615	0	0	365,615
Total Deferred Inflows of Resources	<u>42,670</u>	<u>365,615</u>	<u>7,008</u>	<u>1,630</u>	<u>416,923</u>
<u>FUND BALANCES</u>					
Nonspendable	5,991	0	0	36,245	42,236
Restricted	0	195,597	0	21,878	217,475
Assigned	15,117	0	540,528	254,888	810,533
Unassigned/(Deficit)	147,969	0	0	(1,630)	146,339
Total Fund Balances	<u>169,077</u>	<u>195,597</u>	<u>540,528</u>	<u>311,381</u>	1,216,583
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,997,683</u>	<u>\$ 561,212</u>	<u>\$ 668,850</u>	<u>\$ 327,747</u>	
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.					5,595,951
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					416,618
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.					<u>(322,654)</u>
Net Position of Governmental Activities					<u>\$ 6,906,498</u>

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, 2014

	General Fund	Revolving Loan Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,854,285	\$ 0	\$ 0	\$ 0	\$ 1,854,285
Penalties & Interest on Delinquent Taxes	27,114	0	0	0	27,114
Intergovernmental	325,580	0	192,920	239,365	757,865
Charges for Services	427,595	0	0	0	427,595
Permits, Licenses & Fees	34,064	0	0	0	34,064
Fines and Forfeits	9,663	0	0	0	9,663
Loan Repayments	0	78,630	0	0	78,630
Loan Interest Income	0	9,779	0	0	9,779
Investment Income	800	362	1,529	1,326	4,017
Donations	5,531	0	0	2,425	7,956
Other	5,130	1,137	0	706	6,973
Total Revenues	2,689,762	89,908	194,449	243,822	3,217,941
Expenditures:					
General Government	533,666	0	22,349	0	556,015
Public Safety	913,497	0	950	39,557	954,004
Highways and Streets	764,705	0	29,525	2,500	796,730
Culture and Recreation	135,520	0	0	0	135,520
Community Development	0	142,132	0	189,858	331,990
Capital Outlay:					
General Government	2,995	0	0	0	2,995
Public Safety	2,367	0	0	24,683	27,050
Highways and Streets	0	0	286,674	108,000	394,674
Culture and Recreation	0	0	23,998	0	23,998
Debt Service:					
Principal	22,160	0	0	35,201	57,361
Interest	1,157	0	0	3,519	4,676
Total Expenditures	2,376,067	142,132	363,496	403,318	3,285,013
Excess/(Deficiency) of Revenues Over Expenditures	313,695	(52,224)	(169,047)	(159,496)	(67,072)
Other Financing Sources/(Uses):					
Proceeds from Sale of Vehicle	1,400	0	0	0	1,400
Proceeds from Long-Term Debt	0	0	0	113,000	113,000
Transfers In	68	0	170,000	163,000	333,068
Transfers Out	(333,000)	0	0	(68)	(333,068)
Total Other Financing Sources/(Uses)	(331,532)	0	170,000	275,932	114,400
Net Change in Fund Balances	(17,837)	(52,224)	953	116,436	47,328
Fund Balances - July 1, 2013	186,914	247,821	539,575	194,945	1,169,255
Fund Balances - June 30, 2014	\$ 169,077	\$ 195,597	\$ 540,528	\$ 311,381	\$ 1,216,583

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, 2014

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)	\$	47,328
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$448,717) is allocated over their estimated useful lives and reported as depreciation expense (\$328,963). This is the amount by which capital outlays exceeded depreciation in the current period.		119,754
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(1,311)
The issuance of long-term debt (\$113,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$57,361) 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.		(55,639)
The issuance of loans receivable (\$141,250) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$78,630) 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. In addition, the Town collected \$21,000 of loans receivable previously allowed for.		83,620
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,377
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>(1,832)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>199,297</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, 2014

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	23,303	37,017	60,320
Due from Other Funds	303,197	515,193	818,390
Prepaid Expenses	0	150	150
Inventory	7,150	1,731	8,881
Total Current Assets	333,700	554,141	887,841
Noncurrent Assets:			
Land	7,937	38,495	46,432
Construction in Progress	134,554	0	134,554
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	(563,391)	(3,898,870)	(4,462,261)
Total Noncurrent Assets	1,251,859	1,956,953	3,208,812
Total Assets	\$ 1,585,559	\$ 2,511,094	\$ 4,096,653
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 15,791	\$ 910	\$ 16,701
Accrued Payroll and Benefits Payable	0	181	181
Accrued Interest Payable	0	987	987
Unearned Revenue	753	706	1,459
General Obligation Bonds Payable - Current Portion	0	17,078	17,078
Total Current Liabilities	16,544	19,862	36,406
Noncurrent Liabilities:			
Compensated Absences Payable	0	4,833	4,833
General Obligation Bonds Payable - Noncurrent Portion	0	55,200	55,200
Notes Payable - Noncurrent Portion	27,450	0	27,450
Total Noncurrent Liabilities	27,450	60,033	87,483
Total Liabilities	43,994	79,895	123,889
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,224,409	1,884,675	3,109,084
Unrestricted	317,156	546,524	863,680
Total Net Position	1,541,565	2,431,199	3,972,764
Total Liabilities and Net Position	\$ 1,585,559	\$ 2,511,094	\$ 4,096,653

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, 2014

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 276,983	\$ 379,048	\$ 656,031
Penalties & Interest	5,143	7,516	12,659
Interfund Charges	0	6,526	6,526
Miscellaneous	901	246	1,147
	<u> </u>	<u> </u>	<u> </u>
Total Operating Revenues	283,027	393,336	676,363
Operating Expenses:			
Administrative Salaries	60,525	60,525	121,050
Salaries and Wages	34,395	85,402	119,797
Administrative Charges	10,859	8,514	19,373
Administrative Supplies	1,676	1,692	3,368
Benefits	0	20,495	20,495
Insurances	2,453	12,538	14,991
Town Equipment Charge	9,000	9,000	18,000
Legal/Audit	5,211	5,211	10,422
Communications	1,381	1,054	2,435
Utilities	41,342	43,149	84,491
Maintenance	12,342	49,422	61,764
Chemicals	848	21,198	22,046
Depreciation	35,169	146,768	181,937
Other Operating Expenses	6,290	2,842	9,132
	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	221,491	467,810	689,301
Operating Income/(Loss)	<u>61,536</u>	<u>(74,474)</u>	<u>(12,938)</u>
Non-Operating Revenues/(Expenses):			
Debt Forgiveness	18,382	0	18,382
Investment Income	862	1,338	2,200
Interest Expense	0	(2,378)	(2,378)
	<u> </u>	<u> </u>	<u> </u>
Total Non-Operating Revenues/(Expenses)	19,244	(1,040)	18,204
Change in Net Position	80,780	(75,514)	5,266
Net Position - July 1, 2013	<u>1,460,785</u>	<u>2,506,713</u>	<u>3,967,498</u>
Net Position - June 30, 2014	<u>\$ 1,541,565</u>	<u>\$ 2,431,199</u>	<u>\$ 3,972,764</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, 2014

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 285,778	\$ 387,724	\$ 673,502
Receipts from Interfund Services	0	6,526	6,526
Payments to Suppliers	(71,470)	(140,211)	(211,681)
Payments for Interfund Services	(19,859)	(17,514)	(37,373)
Payments for Wages and Benefits	<u>(94,920)</u>	<u>(167,532)</u>	<u>(262,452)</u>
Net Cash Provided by Operating Activities	<u>99,529</u>	<u>68,993</u>	<u>168,522</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	<u>17,837</u>	<u>(50,834)</u>	<u>(32,997)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>17,837</u>	<u>(50,834)</u>	<u>(32,997)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(95,761)	0	(95,761)
Principal Paid on:			
General Obligation Bonds	(22,467)	(17,078)	(39,545)
Interest Paid on:			
General Obligation Bonds	<u>0</u>	<u>(2,419)</u>	<u>(2,419)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(118,228)</u>	<u>(19,497)</u>	<u>(137,725)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>862</u>	<u>1,338</u>	<u>2,200</u>
Net Cash Provided by Investing Activities	<u>862</u>	<u>1,338</u>	<u>2,200</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2013	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2014	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 100</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ 61,536	\$ (74,474)	\$ (12,938)
Depreciation	35,169	146,768	181,937
(Increase)/Decrease in Receivables	3,006	569	3,575
(Increase)/Decrease in Prepaid Expenses	0	(150)	(150)
(Increase)/Decrease in Inventory	0	892	892
Increase/(Decrease) in Accounts Payable	73	(3,847)	(3,774)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	(881)	(881)
Increase/(Decrease) in Compensated Absences Payable	0	(229)	(229)
Increase/(Decrease) in Unearned Revenue	<u>(255)</u>	<u>345</u>	<u>90</u>
Net Cash Provided by Operating Activities	<u>\$ 99,529</u>	<u>\$ 68,993</u>	<u>\$ 168,522</u>

The Town was granted a forgiveness of debt in the Water Fund in the amount of \$18,382 from the State of Vermont.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 2014

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the Town's measurement and recognition of pension liabilities, deferred outflows or resources, deferred inflows of resources, and expenses/expenditures in government-wide and/or enterprise fund financial statements. The requirements of this statement may require restating of beginning net position and fund balances. The Town is currently not planning to early implement this Statement, and has made no estimation of the effect this Statement will have in the financial statements.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 “advances from/to other funds”. All other outstanding balances between funds are reported as “due to/from 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 consist 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.

6. Deferred Outflows/Inflows of Resources

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.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

7. 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 Sewer 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.

8. 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

9. 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.

10. Fund Equity

Fund equity is 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, expenditures in the General Fund exceeded appropriations by \$39,298. 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, 2014 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$2,014,082
Cash on Hand	<u>650</u>
Total Cash	<u>2,014,732</u>
Investments:	
Certificates of Deposit	49,430
Common Stock	<u>2,303</u>
Total Investments	<u>51,733</u>
Total Cash and Investments	<u>\$2,066,465</u>

The Town has seven (7) certificates of deposit at various banks ranging from \$1,130 to \$21,639 with interest rates ranging from 0.25% to 1.85%. All certificates of deposit will mature by fiscal year 2018.

TOWN OF HARDWICK, VERMONT
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JUNE 30, 2014

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	\$ 299,430	\$ 299,430
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	1,212,000	1,212,000
Uninsured, Uncollateralized	<u>552,082</u>	<u>616,624</u>
Total	<u>\$2,063,512</u>	<u>\$2,128,054</u>

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

\$254,630 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	\$2,014,082
Investments – Certificates of Deposit	<u>49,430</u>
Total	<u>\$2,063,512</u>

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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, 2014, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 146,630	\$ 0	\$ 146,630
Penalties and Interest	17,089	0	17,089
Billed Services	14,488	58,413	72,901
Unbilled Services	0	2,600	2,600
Grants	14,133	0	14,133
Miscellaneous	0	307	307
Allowance for Doubtful Accounts	(5,000)	(1,000)	(6,000)
	<u>\$ 187,340</u>	<u>\$ 60,320</u>	<u>\$ 247,660</u>

C. Loans Receivable

Loans receivable as of June 30, 2014 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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Loan Receivable, Bemis Block Housing Limited Partnership, Payable on Demand on and After June 5, 2037, 0% Interest, Secured by Second Mortgage	\$ 215,000
Loan Receivable, Maple Street Housing Limited Partnership, Authorized to \$340,000, Terms have not been Finalized	183,600
Loans Receivable, 15 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 2.25% to 8.00%, Various Due Dates, Secured by Business Assets	<u>365,615</u>
Total	1,622,035
Plus: Accrued Interest on Loans	214,474
Less: Allowance for Doubtful Loans Receivable and Accrued Interest	(1,280,932)
Less: Discount on Loans Receivable and Accrued Interest	<u>(189,962)</u>
Reported Value at June 30, 2014	<u>\$ 365,615</u>

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

<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>\$1,375,815</u>	<u>\$324,850</u>	<u>\$78,630</u>	<u>\$1,622,035</u>

Accrued interest on the Hardwick Housing Partnership loan totals \$214,474.

A discount of \$189,962 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

D. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 129,977	\$ 0	\$ 0	\$ 129,977
Construction in Progress	<u>107,042</u>	<u>200,904</u>	<u>201,600</u>	<u>106,346</u>
Total Capital Assets, Not Being Depreciated	<u>237,019</u>	<u>200,904</u>	<u>201,600</u>	<u>236,323</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,405,400	0	0	1,405,400
Vehicles	2,018,908	151,683	130,639	2,039,952
Machinery and Equipment	350,533	5,362	14,149	341,746
Roads, Bridges and Sidewalks	<u>3,392,900</u>	<u>311,368</u>	<u>0</u>	<u>3,704,268</u>
Totals	<u>7,167,741</u>	<u>468,413</u>	<u>144,788</u>	<u>7,491,366</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	324,672	30,368	0	355,040
Vehicles	875,948	144,632	110,328	910,252
Machinery and Equipment	138,704	33,728	14,149	158,283
Roads, Bridges and Sidewalks	<u>587,928</u>	<u>120,235</u>	<u>0</u>	<u>708,163</u>
Totals	<u>1,927,252</u>	<u>328,963</u>	<u>124,477</u>	<u>2,131,738</u>
Total Capital Assets, Being Depreciated	<u>5,240,489</u>	<u>139,450</u>	<u>20,311</u>	<u>5,359,628</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,477,508</u>	<u>\$ 340,354</u>	<u>\$ 221,911</u>	<u>\$ 5,595,951</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 46,432	\$ 0	\$ 0	\$ 46,432
Construction in Progress	<u>38,793</u>	<u>95,761</u>	<u>0</u>	<u>134,554</u>
Total Capital Assets, Not Being Depreciated	<u>85,225</u>	<u>95,761</u>	<u>0</u>	<u>180,986</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	94,476	0	0	94,476
Distribution and Collection Systems	<u>7,308,862</u>	<u>0</u>	<u>0</u>	<u>7,308,862</u>
Totals	<u>7,490,087</u>	<u>0</u>	<u>0</u>	<u>7,490,087</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	21,424	3,258	0	24,682
Vehicles, Machinery and Equipment	77,054	4,463	0	81,517
Distribution and Collection Systems	<u>4,181,846</u>	<u>174,216</u>	<u>0</u>	<u>4,356,062</u>
Totals	<u>4,280,324</u>	<u>181,937</u>	<u>0</u>	<u>4,462,261</u>
Total Capital Assets, Being Depreciated	<u>3,209,763</u>	<u>(181,937)</u>	<u>0</u>	<u>3,027,826</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,294,988</u>	<u>\$ (86,176)</u>	<u>\$ 0</u>	<u>\$ 3,208,812</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 17,732	Water	\$ 35,169
Public Safety	79,890	Sewer	<u>146,768</u>
Highways and Streets	210,341		
Culture and Recreation	<u>21,000</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-Type Activities	
	<u>\$ 328,963</u>		<u>\$ 181,937</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2014 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,748,571
Capital Fund	657,426	0
Non-Major Governmental Funds	272,755	0
Water Fund	303,197	0
Sewer Fund	<u>515,193</u>	<u>0</u>
Total	<u>\$ 1,748,571</u>	<u>\$ 1,748,571</u>

Interfund transfers during the year ended June 30, 2014 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Fund	\$ 170,000	Annual Appropriation
General Fund	Restorative Justice Fund	3,000	Annual Appropriation
General Fund	Equipment Replacement Fund	160,000	Annual Appropriation
General Fund	Jeudevine Memorial Library Fund	91,765	* Annual Appropriation
General Fund	Recreation Committee Fund	19,150	* Annual Appropriation
Library Endowment Fund	Jeudevine Memorial Library Fund	<u>68</u>	* Transfer of Interest Income
Total		<u>\$ 443,983</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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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F. Unearned Revenue

Unearned revenue in the General Fund consists of \$5,135 of grant revenue received in advance.

Unearned revenue in the Non-Major Governmental Funds consists of \$12,964 of grant revenue received in advance.

G. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$41,500 of delinquent property taxes, penalties and interest on those taxes and \$865 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$305 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$42,670.

Deferred inflows of resources in the Revolving Loan Fund consists of \$365,615 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 \$7,008 of grant revenue 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 Non-Major Governmental Funds consists of \$1,630 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.

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 purchases through local banks.

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Long-term liabilities outstanding as of June 30, 2014 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	\$ 46,410	\$ 0	\$22,160	\$ 24,250
Note Payable, Union Bank, Grader and Loader, Principal and Interest Payments of \$28,372 Payable on November 1 Annually, Interest at 2.24%, Due November, 2017	132,581	0	25,274	107,307
Note Payable, Union Bank, Police Cruiser, Principal and Interest Payments of \$10,348 Payable on September 15 Annually, Interest at 2%, Due September, 2014	20,000	0	9,927	10,073
Note Payable, Union Bank, Loader, Principal Payments of \$10,300 Payable on May 15 Annually Plus Interest at 2.4%, Due May, 2024	0	103,000	0	103,000
Note Payable, Union Bank, Police Cruiser, Principal Payment of \$10,000 Payable on September 5 Plus Interest at 1.35%, Due September, 2014	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Governmental Activities	<u>\$198,991</u>	<u>\$113,000</u>	<u>\$57,361</u>	<u>\$254,630</u>

Business-Type Activities:

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. \$18,382 of this Note was forgiven in 2014 and the remaining \$22,467 was paid off early.	\$ 40,849	\$ 0	\$40,849	\$ 0
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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, 2021	\$ 27,450	\$ 0	\$ 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	29,556	0	14,778	14,778
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>59,800</u>	<u>0</u>	<u>2,300</u>	<u>57,500</u>
Total Business-Type Activities	<u>\$157,655</u>	<u>\$ 0</u>	<u>\$57,927</u>	<u>\$99,728</u>

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>
Governmental Activities					
Notes Payable	\$ 198,991	\$ 113,000	\$ 57,361	\$ 254,630	\$ 80,589
Compensated Absences	<u>63,519</u>	<u>2,212</u>	<u>0</u>	<u>65,731</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 262,510</u>	<u>\$ 115,212</u>	<u>\$ 57,361</u>	<u>\$ 320,361</u>	<u>\$ 80,589</u>
Business-Type Activities					
General Obligation Bonds Payable	\$ 116,806	\$ 0	\$ 17,078	\$ 99,728	\$ 17,078
Notes Payable	40,849	0	40,849	0	0
Compensated Absences	<u>5,062</u>	<u>0</u>	<u>229</u>	<u>4,833</u>	<u>0</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 162,717</u>	<u>\$ 0</u>	<u>\$ 58,156</u>	<u>\$ 104,561</u>	<u>\$ 17,078</u>

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Debt service requirements to maturity are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 80,589	\$ 5,869	\$ 17,078	\$ 2,372
2016	36,847	4,048	2,300	2,277
2017	37,442	3,207	2,300	2,182
2018	37,952	2,350	7,790	2,087
2019	10,300	1,483	7,790	1,992
2020-2024	51,500	3,708	27,970	8,540
2025-2029	0	0	11,500	6,167
2030-2034	0	0	11,500	3,795
2035-2039	0	0	11,500	1,139
Total	\$ <u>254,630</u>	\$ <u>20,665</u>	\$ <u>99,728</u>	\$ <u>30,551</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.

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 Inventory	\$ <u>5,991</u>
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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>
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Total Nonspendable Fund Balances	<u>\$42,236</u>
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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>\$195,597</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)	292
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Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations)	<u>4,761</u>
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Total Special Revenue Funds	<u>5,053</u>
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TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion (Source of Revenue is Donations)	\$ 1,532
Restricted for Library Endowment by Trust Agreements – Expendable Portion (Source of Revenue is Donations)	<u>15,293</u>
Total Permanent Funds	<u>16,825</u>
Total Non-Major Funds	<u>21,878</u>
Total Restricted Fund Balances	<u>\$217,475</u>

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

Major Funds

General Fund:

Assigned for Recreation Committee Expenses	\$ 9,618
Assigned for Jeudevine Memorial Library Expenses	<u>5,499</u>
Total General Fund	<u>15,117</u>

Capital Fund:

Assigned for Capital Expenditures	<u>540,528</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses (Source of Revenue is Grant Revenue)	136,995
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Capital Projects Funds:

Assigned for Equipment Replacement Expenditures	<u>117,893</u>
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Total Non-Major Funds	<u>254,888</u>
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Total Assigned Fund Balances	<u>\$810,533</u>
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

J. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2014 consisted of the following:

Governmental Activities:

Restricted for Dare/Drug Seizure Expenses by Grant Agreements	\$ 292
Restricted for Fire Department Expenses by Donations	4,761
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	1,532
Restricted for Library Endowment Fund by Trust Agreement – Non-Expendable Portion	27,384
Restricted for Library Endowment Fund by Trust Agreement – Expendable Portion	15,293
Restricted for Community Development by Grant Agreements	<u>561,212</u>
Total Governmental Activities	<u>\$619,335</u>

The designated net position of the Town’s Proprietary Funds as of June 30, 2014 consisted of the following:

Water Fund:	
Designated for Well Replacement	\$ 77,220
Designated for Water Capital Projects	102,842
Designated for Water Operations	<u>137,094</u>
Total Water Fund	<u>317,156</u>
Sewer Fund:	
Designated for Sewer Capital Projects	491,798
Designated for Sewer Operations	<u>54,726</u>
Total Sewer Fund	<u>546,524</u>
Total Business-type Activities	<u>\$863,680</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 72,008	\$ 135,004	\$ 439,381
Interest Earnings	212	560	1,338
Transfer In From Water Operations	5,000	66,500	0
Transfer In From Sewer Operations	0	0	76,000
Capital Purchases/Expenses	0	(99,222)	(24,921)
Ending Balance	<u>\$ 77,220</u>	<u>\$ 102,842</u>	<u>\$ 491,798</u>

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 4.625% of their gross salary and the Town contributes 5.125%. Employees in Group D contribute 11.125% of their gross salary and the Town contributes 9.625%.

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 \$1,162,097 while covered payroll was \$1,015,074. Pension expense for the years ended June 30, 2014, 2013 and 2012 were \$69,794, \$63,951 and \$58,477, 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.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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.

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 2014 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.6551	.6551
Highway	.4871	.4871
Local Agreement	.0061	.0061
Veterans Exemption	.0046	.0046
Education	<u>1.5548</u>	<u>1.5710</u>
Total	<u>2.7077</u>	<u>2.7239</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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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.

Currently two members of the Selectboard have outstanding loans within the Town's Community Development loan program. The outstanding balances as of June 30, 2014 were \$82,501 and \$18,611.

F. SUBSEQUENT EVENTS

On June 11, 2014, the Vermont Municipal Bond Bank approved a bond for \$400,000 for the purchase of a fire truck. The bond requires annual principal payments of \$26,667 beginning November 15, 2015. The interest rate ranges from .513% to 3.653% and the bond matures on November 15, 2029.

On June 17, 2014, the State of Vermont Special Environmental Revolving Loan Fund approved a loan for \$1,800,000 for improvements to its water supply facilities. Interest is at -3.0% and the loan matures on July 1, 2046.

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, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,878,315	\$ 1,854,285	\$ (24,030)
School Tax Administration Fee	4,100	5,289	1,189
PILOT	66,000	75,951	9,951
Current Use	84,000	90,792	6,792
Delinquent Late Charges	25,000	27,114	2,114
Zoning Permits	3,000	2,040	(960)
Licenses and Fees	26,500	26,550	50
DMV Fees	1,000	902	(98)
State Aid to Highways	135,000	140,952	5,952
Copier Fees	4,500	4,572	72
Greensboro Police Contract	178,977	178,000	(977)
Police Fines and Miscellaneous Revenues	12,500	11,904	(596)
Investment Income	1,500	719	(781)
Interest on Cemetery Fund	45	0	(45)
Water and Sewer Charges	224,870	224,869	(1)
Lister Education Grant	0	398	398
Single Audit Reimbursement	3,500	0	(3,500)
Downtown Beautification Grant	1,000	0	(1,000)
Fireworks Donations	1,000	2,110	1,110
Hardwick Rescue Reimbursement	4,700	2,196	(2,504)
Police Department - Vest Grant	250	300	50
VLTC Grant	0	1,200	1,200
SIU Revenue	0	15,000	15,000
Government Highway Revenue	0	11,818	11,818
Sale of Vehicles	0	1,400	1,400
Miscellaneous	500	1,061	561
Total Revenues	2,656,257	2,679,422	23,165
Expenditures:			
Office Expenditures:			
Town Manager - Salary	67,975	68,486	(511)
Office Manager - Salary	46,446	46,625	(179)
Town Clerk - Salary	41,184	41,342	(158)
Town Clerk Aides	24,847	25,332	(485)
Administrative Assistant	39,930	36,394	3,536
Social Security	16,859	16,161	698
Retirement	11,570	11,353	217
Worker's Compensation	1,135	1,281	(146)
Unemployment Insurance	2,517	813	1,704
VLCT/PACIF	6,770	6,873	(103)
Health/Dental/Life/Disability Insurances	51,577	49,552	2,025
Town Manager's Office Supplies	4,000	3,211	789
Town Clerk's Office Supplies	4,000	2,952	1,048
Town Report	5,000	3,273	1,727
Conferences/Dues	700	706	(6)
Tax Billing/Collection Expense	1,200	1,328	(128)
Telephone	1,300	1,883	(583)
Advertising	700	1,098	(398)
Copier	1,000	715	285
Election Expense	800	287	513
Computer Services	2,000	1,608	392
Website Maintenance	600	220	380
Equipment Purchases	4,000	4,130	(130)
Lister Supplies	3,000	3,868	(868)
Health Officer Supplies	150	90	60
Education/Training	250	125	125
Zoning	1,900	1,774	126
Total Office Expenditures	341,410	331,480	9,930

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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, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Payroll (Other):			
Listers	\$ 9,000	\$ 6,855	\$ 2,145
Zoning Administrator	17,919	18,354	(435)
Zoning and Planning Board	1,500	2,525	(1,025)
Board of Civil Authority	140	99	41
Moderator	50	50	0
Selectboard	5,000	5,000	0
Social Security	2,770	2,680	90
Public Officers Liability	7,948	7,899	49
Election Officials	1,500	300	1,200
Energy Coordinator	50	50	0
Website Coordinator	600	600	0
Solid Waste Representative	500	500	0
TEC Conferences	250	250	0
Part-Time Labor	2,500	1,558	942
Town Service Officer	50	50	0
Health Officer	500	500	0
	<u>50,277</u>	<u>47,270</u>	<u>3,007</u>
Total Payroll (Other)			
Memorial Building:			
Custodian	7,345	7,357	(12)
Social Security	562	574	(12)
Operating Supplies	2,500	2,042	458
Repairs/Maintenance to Building	2,500	2,494	6
Utilities	6,600	5,554	1,046
Fuel Oil	12,000	16,903	(4,903)
Worker's Compensation	115	0	115
VLCT/PACIF	6,680	6,650	30
Town House Repair	500	826	(326)
Town House - PACIF	4,004	3,969	35
Electric	600	449	151
Fuel	1,000	0	1,000
Generator	500	0	500
Elevator	2,500	2,470	30
	<u>47,406</u>	<u>49,288</u>	<u>(1,882)</u>
Total Memorial Building			
Public Safety Building:			
VLCT	7,056	7,050	6
Operating Supplies	3,000	1,245	1,755
Maintenance to Building	2,500	2,381	119
Utilities	2,138	2,059	79
Fuel	7,500	7,091	409
Custodial Salary	1,500	1,468	32
Social Security	0	113	(113)
	<u>23,694</u>	<u>21,407</u>	<u>2,287</u>
Total Public Safety Building			
Police Department:			
Base Payroll	380,614	362,386	18,228
Overtime	30,000	55,364	(25,364)
Special Officers	19,000	15,871	3,129
Start Salary	0	1,753	(1,753)
SIU Salary	0	2,254	(2,254)
Social Security	32,865	32,808	57
Retirement	40,035	39,753	282
Worker's Compensation	17,535	17,654	(119)
Unemployment Insurance	3,840	1,191	2,649
VLCT/PACIF	41,271	41,197	74

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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, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Health/Dental/Life and Disability Insurances	\$ 119,928	\$ 115,233	\$ 4,695
Governor Highway Ticket	0	3,633	(3,633)
Governor Highway DUI	0	1,647	(1,647)
K-9 Expense	750	302	448
Operating Supplies	5,000	7,183	(2,183)
Memberships	500	400	100
Training	4,000	4,316	(316)
Internet Communication	5,000	6,842	(1,842)
Dispatch Services	31,414	30,941	473
Telephone	4,100	4,566	(466)
Cruiser Repairs and Maintenance	3,000	4,051	(1,051)
Advertising	300	0	300
Radio Service	1,250	678	572
Investigation Expense	1,500	2,307	(807)
Uniforms - Cleaning	800	671	129
Uniforms - Purchases	4,250	4,138	112
VLTC Grant Expense	0	1,343	(1,343)
Vest Grant Expense	700	599	101
Equipment Grant Expense	0	4,950	(4,950)
Fuel	23,000	21,331	1,669
Tires	2,000	2,116	(116)
Education	500	0	500
Equipment	4,000	3,846	154
	<u>777,152</u>	<u>791,324</u>	<u>(14,172)</u>
Total Police Department			
Fire Department:			
Labor	12,000	16,748	(4,748)
Social Security	918	1,357	(439)
Worker's Compensation	1,787	2,841	(1,054)
VLCT/PACIF	16,944	17,014	(70)
Operating Supplies	3,000	2,987	13
Telephone	1,000	781	219
Repeater Electricity	250	107	143
Gasoline	200	0	200
Utilities	2,400	2,786	(386)
Fuel Oil	7,800	10,696	(2,896)
Diesel	3,000	1,781	1,219
Radio/Dispatch	13,463	13,261	202
Equipment Purchases	3,500	3,662	(162)
Clothing	5,000	4,090	910
Repairs and Maintenance to Fire Station	1,500	1,249	251
Equipment Repairs	4,000	3,731	269
Training	1,500	360	1,140
Fire Truck Debt Payment	23,318	23,317	1
	<u>101,580</u>	<u>106,768</u>	<u>(5,188)</u>
Total Fire Department			
Highway/Garage/Equipment:			
Payroll	236,373	238,897	(2,524)
Overtime	20,000	36,071	(16,071)
Sewer Operator	6,526	4,181	2,345
Social Security	19,612	20,263	(651)
Retirement	13,459	15,296	(1,837)
Worker's Compensation	14,917	17,842	(2,925)
Unemployment Insurance	2,419	758	1,661
VLCT/PACIF	26,887	26,722	165
Health/Dental/Life and Disability Insurances	74,685	71,724	2,961
Summer Gravel	31,750	29,857	1,893

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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, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Chloride	\$ 10,000	\$ 12,892	\$ (2,892)
Mowing Contract	6,000	6,000	0
Summer Paving	3,000	6,135	(3,135)
Brush Cutting	1,500	80	1,420
Downtown Improvement	1,000	1,024	(24)
Street Sweeping	3,900	3,600	300
Winter Sand	17,000	18,668	(1,668)
Winter Salt	46,800	56,183	(9,383)
Operating Supplies	16,500	13,063	3,437
Telephone	800	811	(11)
Low Band Radio	2,900	1,040	1,860
Culverts	3,000	2,792	208
Uniforms	5,500	6,692	(1,192)
Sidewalk Expense	400	1,215	(815)
Radio Service	500	176	324
Streetscape	1,000	1,222	(222)
Road Signs	2,000	1,967	33
Safety/Training	2,700	1,901	799
Building Repairs	1,500	910	590
Equipment Repairs	30,000	24,721	5,279
Equipment Maintenance Expense	25,000	25,763	(763)
Fuel	4,000	4,745	(745)
Diesel Fuel	50,000	61,578	(11,578)
Utilities	4,800	5,339	(539)
Storm Damage	1,350	988	362
Total Highway/Garage/Equipment	687,778	721,116	(33,338)
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
N.K.M.H.S.	3,161	3,161	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
N.K.Y. Services	600	600	0
NCAL	1,600	1,600	0
Greensboro Nursing	3,000	3,000	0
Hardwick Historical	3,000	3,000	0
HCVT	2,500	2,500	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	1,600	1,600	0
H.A.C.C.	3,000	3,000	0
Total Appropriations	41,161	41,161	0
Rescue Squad Pro-Rated Share:	16,567	16,567	0
County Tax:	27,677	26,837	840
Other Expenses:			
Auditing	15,000	10,807	4,193
Dog Control	3,600	2,931	669
Dog Warden Social Security	0	184	(184)
Professional Services	7,000	3,465	3,535
NVDA	1,333	1,333	0
VLCT	3,845	3,845	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, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses/(Cont'd):			
Judevine Memorial Library	\$ 91,765	\$ 91,765	\$ 0
Memorial Day	1,200	500	700
Caspian Lake	12,100	5,483	6,617
Cemeteries	12,700	12,740	(40)
Solid Waste District	3,010	3,003	7
Streetlights	30,500	34,782	(4,282)
Ice Jam - Lamoille River	0	8,807	(8,807)
Employment Practices Insurance	6,602	6,682	(80)
Flexible Benefits	250	250	0
Recreation Department	19,150	19,150	0
Fireworks	3,000	5,110	(2,110)
Insurance Deductibles	500	1,500	(1,000)
Transfer to Equipment Replacement Fund	160,000	160,000	0
Transfer to Capital Fund	170,000	170,000	0
	541,555	542,337	(782)
Total Other Expenses			
Total Expenditures	2,656,257	2,695,555	(39,298)
Excess/(Deficiency) of Revenues Over Expenditures	\$ 0	(16,133)	\$ (16,133)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Judevine Memorial Library Fund Income		8,825	
Judevine Memorial Library Fund Transfers In		68	
Judevine Memorial Library Fund Appropriation		91,765	
Judevine Memorial Library Fund Expenses		(104,138)	
Recreation Committee Fund Income		2,915	
Recreation Committee Fund Appropriation		19,150	
Recreation Committee Fund Expenses		(20,289)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		\$ (17,837)	

The reconciling items are due to combining two (2) funds, the Judevine Memorial Library Fund and Recreation Committee Fund, with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 292	\$ 0	\$ 1,337	\$ 1,629
Investments	0	0	51,733	51,733
Receivables (Net of Allowance for Uncollectibles)	1,630	0	0	1,630
Due from Other Funds	<u>154,862</u>	<u>117,893</u>	<u>0</u>	<u>272,755</u>
Total Assets	<u>\$ 156,784</u>	<u>\$ 117,893</u>	<u>\$ 53,070</u>	<u>\$ 327,747</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 1,772	\$ 0	\$ 0	\$ 1,772
Unearned Revenue	<u>12,964</u>	<u>0</u>	<u>0</u>	<u>12,964</u>
Total Liabilities	<u>14,736</u>	<u>0</u>	<u>0</u>	<u>14,736</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>1,630</u>	<u>0</u>	<u>0</u>	<u>1,630</u>
Total Deferred Inflows of Resources	<u>1,630</u>	<u>0</u>	<u>0</u>	<u>1,630</u>
 <u>FUND BALANCES</u>				
Nonspendable	0	0	36,245	36,245
Restricted	5,053	0	16,825	21,878
Assigned	136,995	117,893	0	254,888
Unassigned/(Deficit)	<u>(1,630)</u>	<u>0</u>	<u>0</u>	<u>(1,630)</u>
Total Fund Balances	<u>140,418</u>	<u>117,893</u>	<u>53,070</u>	<u>311,381</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 156,784</u>	<u>\$ 117,893</u>	<u>\$ 53,070</u>	<u>\$ 327,747</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 236,865	\$ 2,500	\$ 0	\$ 239,365
Investment Income	367	166	793	1,326
Donations	2,425	0	0	2,425
Other	706	0	0	706
	<u>240,363</u>	<u>2,666</u>	<u>793</u>	<u>243,822</u>
Total Revenues				
Expenditures:				
Public Safety	39,557	0	0	39,557
Highways and Streets	0	2,500	0	2,500
Community Development	189,858	0	0	189,858
Capital Outlay:				
Public Safety	0	24,683	0	24,683
Highways and Streets	0	108,000	0	108,000
Debt Service:				
Principal	0	35,201	0	35,201
Interest	0	3,519	0	3,519
	<u>229,415</u>	<u>173,903</u>	<u>0</u>	<u>403,318</u>
Total Expenditures				
Excess/(Deficiency) of Revenues Over Expenditures	<u>10,948</u>	<u>(171,237)</u>	<u>793</u>	<u>(159,496)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-Term Debt	0	113,000	0	113,000
Transfers In	3,000	160,000	0	163,000
Transfers Out	0	0	(68)	(68)
	<u>3,000</u>	<u>273,000</u>	<u>(68)</u>	<u>275,932</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	13,948	101,763	725	116,436
Fund Balances - July 1, 2013	<u>126,470</u>	<u>16,130</u>	<u>52,345</u>	<u>194,945</u>
Fund Balances - June 30, 2014	<u>\$ 140,418</u>	<u>\$ 117,893</u>	<u>\$ 53,070</u>	<u>\$ 311,381</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2014

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
<u>ASSETS</u>						
Cash	\$ 292	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292
Receivables (Net of Allowance for Uncollectibles)	0	1,630	0	0	0	1,630
Due from Other Funds	0	0	136,995	13,050	4,817	154,862
Total Assets	<u>\$ 292</u>	<u>\$ 1,630</u>	<u>\$ 136,995</u>	<u>\$ 13,050</u>	<u>\$ 4,817</u>	<u>\$ 156,784</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 1,630	\$ 0	\$ 86	\$ 56	\$ 1,772
Unearned Revenue	0	0	0	12,964	0	12,964
Total Liabilities	<u>0</u>	<u>1,630</u>	<u>0</u>	<u>13,050</u>	<u>56</u>	<u>14,736</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Grants	0	1,630	0	0	0	1,630
Total Deferred Inflows of Resources	<u>0</u>	<u>1,630</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,630</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Restricted	292	0	0	0	4,761	5,053
Assigned	0	0	136,995	0	0	136,995
Unassigned/(Deficit)	0	(1,630)	0	0	0	(1,630)
Total Fund Balances/(Deficit)	<u>292</u>	<u>(1,630)</u>	<u>136,995</u>	<u>0</u>	<u>4,761</u>	<u>140,418</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 292</u>	<u>\$ 1,630</u>	<u>\$ 136,995</u>	<u>\$ 13,050</u>	<u>\$ 4,817</u>	<u>\$ 156,784</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
Revenues:						
Intergovernmental	\$ 0	\$ 188,228	\$ 14,488	\$ 34,149	\$ 0	\$ 236,865
Investment Income	0	0	355	0	12	367
Donations	0	0	0	1,027	1,398	2,425
Other	0	0	0	256	450	706
Total Revenues	<u>0</u>	<u>188,228</u>	<u>14,843</u>	<u>35,432</u>	<u>1,860</u>	<u>240,363</u>
Expenditures:						
Public Safety	90	0	0	38,432	1,035	39,557
Community Development	0	189,858	0	0	0	189,858
Total Expenditures	<u>90</u>	<u>189,858</u>	<u>0</u>	<u>38,432</u>	<u>1,035</u>	<u>229,415</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(90)</u>	<u>(1,630)</u>	<u>14,843</u>	<u>(3,000)</u>	<u>825</u>	<u>10,948</u>
Other Financing Sources:						
Transfers In	0	0	0	3,000	0	3,000
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	<u>(90)</u>	<u>(1,630)</u>	<u>14,843</u>	<u>0</u>	<u>825</u>	<u>13,948</u>
Fund Balances - July 1, 2013	<u>382</u>	<u>0</u>	<u>122,152</u>	<u>0</u>	<u>3,936</u>	<u>126,470</u>
Fund Balances/(Deficit) - June 30, 2014	<u>\$ 292</u>	<u>\$ (1,630)</u>	<u>\$ 136,995</u>	<u>\$ 0</u>	<u>\$ 4,761</u>	<u>\$ 140,418</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	<u>Equipment Replacement Fund</u>	<u>Stormwater Grant Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Due from Other Funds	\$ <u>117,893</u>	\$ <u>0</u>	\$ <u>117,893</u>
Total Assets	\$ <u><u>117,893</u></u>	\$ <u><u>0</u></u>	\$ <u><u>117,893</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Assigned	<u>117,893</u>	<u>0</u>	<u>117,893</u>
Total Fund Balances	<u>117,893</u>	<u>0</u>	<u>117,893</u>
Total Liabilities and Fund Balances	\$ <u><u>117,893</u></u>	\$ <u><u>0</u></u>	\$ <u><u>117,893</u></u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Equipment Replacement Fund	Stormwater Grant Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 0	\$ 2,500	\$ 2,500
Investment Income	<u>166</u>	<u>0</u>	<u>166</u>
Total Revenues	<u>166</u>	<u>2,500</u>	<u>2,666</u>
Expenditures:			
Highways and Streets	0	2,500	2,500
Capital Outlay:			
Public Safety	24,683	0	24,683
Highways and Streets	108,000	0	108,000
Debt Service:			
Principal	35,201	0	35,201
Interest	<u>3,519</u>	<u>0</u>	<u>3,519</u>
Total Expenditures	<u>171,403</u>	<u>2,500</u>	<u>173,903</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(171,237)</u>	<u>0</u>	<u>(171,237)</u>
Other Financing Sources:			
Proceeds from Long-Term Debt	113,000	0	113,000
Transfers In	<u>160,000</u>	<u>0</u>	<u>160,000</u>
Total Other Financing Sources	<u>273,000</u>	<u>0</u>	<u>273,000</u>
Net Change in Fund Balances	101,763	0	101,763
Fund Balances - July 1, 2013	<u>16,130</u>	<u>0</u>	<u>16,130</u>
Fund Balances - June 30, 2014	<u>\$ 117,893</u>	<u>\$ 0</u>	<u>\$ 117,893</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2014

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 1,337	\$ 0	\$ 1,337
Investments	9,056	42,677	51,733
Total Assets	\$ 10,393	\$ 42,677	\$ 53,070
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	8,861	27,384	36,245
Restricted	1,532	15,293	16,825
Total Fund Balances	10,393	42,677	53,070
Total Liabilities and Fund Balances	\$ 10,393	\$ 42,677	\$ 53,070

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment Income	\$ 24	\$ 769	\$ 793
Total Revenues	<u>24</u>	<u>769</u>	<u>793</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>24</u>	<u>769</u>	<u>793</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>0</u>	<u>(68)</u>	<u>(68)</u>
Total Other Financing Sources/(Uses)	<u>0</u>	<u>(68)</u>	<u>(68)</u>
Net Change in Fund Balances	24	701	725
Fund Balances - July 1, 2013	<u>10,369</u>	<u>41,976</u>	<u>52,345</u>
Fund Balances - June 30, 2014	<u>\$ 10,393</u>	<u>\$ 42,677</u>	<u>\$ 53,070</u>

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Rents	\$ 268,076	\$ 276,983	\$ 8,907
Penalties & Interest	4,000	5,143	1,143
Investment Income	1,000	90	(910)
Miscellaneous	0	901	901
Total Revenues	273,076	283,117	10,041
Expenses:			
Administration Salaries	60,525	60,525	0
Public Works Salaries	34,395	34,395	0
Administrative Charge	8,514	8,514	0
Administrative Supplies	3,000	1,676	1,324
Transfer to Sewer Fund	2,345	2,345	0
VLCT/PACIF	2,397	2,453	(56)
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,211	289
Communications	1,500	1,381	119
Professional Services	1,500	1,086	414
Training and Safety	1,000	693	307
Utilities	43,000	41,342	1,658
Line Maintenance	13,500	8,339	5,161
Reservoir Maintenance	1,000	3	997
Pumphouse Maintenance	3,000	2,820	180
Generator - Wolcott Street	1,000	179	821
Hydrants	2,000	434	1,566
Water Testing	1,500	356	1,144
Chlorination	900	492	408
Permit Fees	5,000	4,511	489
Minor Repair & Maintenance	1,000	567	433
Capital Fund Transfer	71,500	71,500	0
Total Expenses	273,076	257,822	15,254
Net Income	\$ 0	25,295	\$ 25,295
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(35,169)	
Debt Forgiveness		18,382	
Capital Fund Transfer In		71,500	
Capital Fund Investment Income		772	
Change in Net Position - Exhibit G		\$ 80,780	

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Charges	\$ 375,264	\$ 379,048	\$ 3,784
Penalties & Interest	6,500	7,516	1,016
Investment Income	1,500	0	(1,500)
Interfund Charges	6,526	6,526	0
Miscellaneous	0	246	246
	<u>389,790</u>	<u>393,336</u>	<u>3,546</u>
Expenses:			
Administration Salaries	60,525	60,525	0
Public Works Salaries	41,808	42,304	(496)
Public Works Overtime	6,000	8,703	(2,703)
Salaries - Sewer Fund	34,395	34,395	0
Administrative Charge	8,514	8,514	0
Administrative Supplies	2,000	1,692	308
Health Insurance	15,291	14,658	633
Social Security	3,657	3,714	(57)
Retirement	2,450	2,123	327
VLCT/PACIF	10,021	10,111	(90)
Worker's Compensation	2,261	2,268	(7)
Insurance Deductible	500	0	500
Unemployment Insurance	459	159	300
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,211	289
Communications	975	1,054	(79)
Uniforms	700	716	(16)
Professional Services	500	420	80
Training	700	255	445
Safety	650	720	(70)
Utilities - Plant	27,000	28,270	(1,270)
Utilities - Lift Station	5,250	5,846	(596)
Fuel Oil	6,000	5,903	97
Water Charge	3,106	3,130	(24)
Lab Operations	5,000	6,388	(1,388)
Lift Station Maintenance	3,000	618	2,382
Plant Operations	6,200	13,333	(7,133)
Sewer Line Cleaning	6,500	4,673	1,827
Sewer Line Maintenance	6,000	8,530	(2,530)
Lagoon Liner Repair	0	15,086	(15,086)
Grit Disposal	800	794	6
Process Chemicals	18,000	21,198	(3,198)
Licenses & Fees	1,250	731	519
Mill Street Bond and Interest	5,000	4,678	322
Bond and Interest	14,778	14,778	0
Capital Fund Transfer	76,000	76,000	0
	<u>389,790</u>	<u>416,498</u>	<u>(26,708)</u>
Net Income/(Loss)	<u>\$ 0</u>	(23,162)	<u>\$ (23,162)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(146,768)	
Principal Payments on Bonds Payable		17,078	
Capital Fund Transfer In		76,000	
Capital Fund Investment Income		1,338	
Change in Net Position - Exhibit G		<u>\$ (75,514)</u>	

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Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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VT Lic. #92-000180

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 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, 2014, 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 November 24, 2014. The report on the business-type activities was adverse because of the omission of the Electric Fund and this report does not include that 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. 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.

Compliance and Other Matters

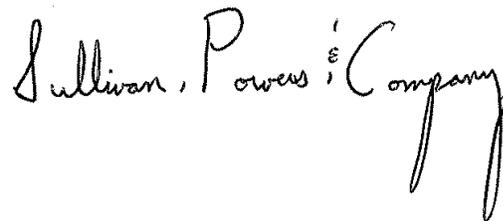
As part of obtaining reasonable assurance about whether the Town of Hardwick, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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".

However, we have noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated November 24, 2014.

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.

November 24, 2014
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized initial 'S' and a long, sweeping underline.