

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2016

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Independent Auditor's Report

Selectboard
Town of Hardwick, Vermont
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, 2016, 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 the Electric Fund and the 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, 2016, 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 Equipment Replacement Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 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 January 26, 2017 on our consideration of the Town of Hardwick, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Hardwick, Vermont's internal control over financial reporting and compliance.

January 26, 2017
Montpelier, Vermont
VT Lic. #92-000180

Sullivan, Powers & Company

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2016 by \$10,983,493 (net position). This is an increase of \$276,769 over the previous year.
- In Exhibit A, Governmental Activities net position of \$7,158,817 represents a increase of \$409,034 over last year.
- In Exhibit A, \$3,824,676 of net position represents water and sewer fund activities (business funds). This demonstrates a decrease of \$132,265 from last year.
- In Exhibit A, \$829,377 of governmental activities net position, are unrestricted and may be used for future obligations. This is a decrease of \$22,226 from June 30, 2015. Some of these include funding for projects related to paving, bridges, sidewalks, rebuilding back roads and new Town facilities.
- In Exhibit A, \$745,407 Business-type Activities Net Position are unrestricted and may be used to meet the Town's future water and sewer obligations. This is a decrease of \$80,577 from June 30, 2015. These include further improvements to the treatment plant and water and sewer main line upgrades.

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

- In Exhibit D, the fund balances of governmental funds increased by \$85,122 in fiscal FY 16. The increase can be primarily attributed to mild winter weather resulting in lower expenses in areas such as fuel, salt, and personnel costs.
- In Exhibit D, the General Fund fund balance increased by \$122,706 from 6/30/15. The General Fund balance at the end of FY 16 was \$298,428.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$234,990 on June 30, 2016, which is an increase of \$10,744 from 6/30/15. This is money that is available for future loans to promote economic development in Hardwick. The Town had 12 active small business loans on June 30, 2016. The total amount of outstanding principal for these loans was \$342,274.
- In Exhibit D, the Capital Fund balance decreased by \$127,837 in fiscal 2016. The total amount in this fund at year end was \$472,884 and is designated for future projects such as sidewalk replacement, road paving/rebuilding and bridge and facility improvements.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

- The Water Fund ended the fiscal year with a net position balance of \$1,608,465, which represented an increase of \$22,243. \$1,401,820 or 87% represents the Town's investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$350,111, which was an decrease of \$70,720. A total of \$206,645 of net position is unrestricted with \$63,636 set aside for well replacement, \$64,178 set aside for water capital projects, and the remaining \$78,831 available for operations.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,216,211, a decrease of \$154,508. \$1,677,449 or 76% 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 due from the General Account, (Exhibit F) at year end was \$525,771, which was an decrease of \$19,884. A total of \$538,762 of net position is unrestricted with \$482,930 set aside for sewer capital projects and \$55,832 available for operations.

OVERVIEW OF THE TOWN'S FINANCIAL STATEMENTS

The Town's financial statements consist of three sections; 1) Government-wide Financial Statements, 2) Fund Financial Statements 3) Notes to the Financial Statements

Government-wide Financial Statements (Exhibits A&B)

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Town's financial position, which helps readers determine whether the Town's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity for the primary government on the full accrual basis of accounting. This means that all revenues and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

- **Statement of Net Position** - This statement presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Fund Financial Statements (Exhibits C through H)

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.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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.

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.

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Current and Other Assets	\$ 1,825,167	\$ 1,735,166	\$ 936,810	\$ 1,011,852	\$ 2,761,977	\$ 2,747,018
Capital Assets	6,473,624	5,861,233	4,478,073	4,147,305	10,951,697	10,008,538
Total Assets	8,298,791	7,596,399	5,414,883	5,159,157	13,713,674	12,755,556
Deferred Outflows of Resources	235,092	72,098	8,780	2,925	243,872	75,023
Current Liabilities	124,780	93,683	180,716	175,640	305,496	269,323
Long-Term Liabilities	1,241,814	677,340	1,418,038	1,023,562	2,659,852	1,700,902
Total Liabilities	1,366,594	771,023	1,598,754	1,199,202	2,965,348	1,970,225
Deferred Inflows of Resources	8,472	147,691	233	5,939	8,705	153,630
Net Position						
Net Investment in Capital Assets	5,661,164	5,286,104	3,079,269	3,130,957	8,740,433	8,417,061
Restricted	668,276	612,076	0	0	668,276	612,076
Unrestricted	829,377	851,603	745,407	825,984	1,574,784	1,677,587
Total Net Position	\$ 7,158,817	\$ 6,749,783	\$ 3,824,676	\$ 3,956,941	\$ 10,983,493	\$ 10,706,724

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,983,493 at the end of fiscal year 2016. This is an increase of \$276,769 from fiscal year 2015 to fiscal year 2016. 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, (80%). 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 (\$668,276) is restricted to future use such as the revolving loan fund monies. The remaining net position (\$1,574,784) 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, 2016**

	Governmental Activities		Business-Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
REVENUES						
Charges for Service	\$ 280,676	\$ 270,331	\$ 691,008	\$ 680,021	\$ 971,684	\$ 950,352
Operating Grants and Contributions	265,072	374,025	0	0	265,072	374,025
Capital Grants and Contributions	421,914	122,274	0	0	421,914	122,274
Property Taxes	2,024,551	1,893,178	0	0	2,024,551	1,893,178
Penalty and Interest on Delinquent Taxes	26,788	27,167	0	0	26,788	27,167
General State Grants	181,735	178,353	0	0	181,735	178,353
Unrestricted Investment Earnings	5,416	2,610	2,127	2,020	7,543	4,630
Gain on Sale of Vehicle	0	4,000	0	0	0	4,000
Other Revenues	9,599	3,515	0	0	9,599	3,515
Total Revenues	3,215,751	2,875,453	693,135	682,041	3,908,886	3,557,494
EXPENDITURES						
General Government	529,227	468,882	0	0	529,227	468,882
Public Safety	1,157,760	1,086,334	0	0	1,157,760	1,086,334
Highways and Streets	924,781	950,678	0	0	924,781	950,678
Culture and Recreation	170,002	229,182	0	0	170,002	229,182
Community Development	2,867	162,967	0	0	2,867	162,967
Interest on Long-Term Debt	22,080	14,794	0	0	22,080	14,794
Water	0	0	264,591	231,255	264,591	231,255
Sewer	0	0	560,809	461,766	560,809	461,766
Total Expenditures	2,806,717	2,912,837	825,400	693,021	3,632,117	3,605,858
Changes in Net Position	409,034	(37,384)	(132,265)	(10,980)	276,769	(48,364)
Net Position - Beginning of Year	6,749,783	6,787,167	3,956,941	3,967,921	10,706,724	10,755,088
Net Position - End of Year	\$ 7,158,817	\$ 6,749,783	\$ 3,824,676	\$ 3,956,941	\$ 10,983,493	\$ 10,706,724

Governmental activities (Exhibit B): Governmental activities increased the Town's net position by \$409,034 in FY 2016. This increase was primarily due to an increase in capital grant revenues, more specifically for the reconstruction of Mackville Road.

Business-type activities (Exhibit G): Business-type activities decreased the Town's net position by \$132,265. This decrease was primary due to an increase in sewer maintenance expenses, more specifically the disposal of sludge and the repair of the sewer lagoon liner.

The Water Fund had an operational profit of \$21,286 and an increase in net position of \$22,243. This was the result of increased revenues while holding down operational costs.

The Sewer Fund had a loss from operations of \$153,487 and a decrease in net position of \$154,508. This was the result of planned maintenance at the sewer plant.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance increased by \$122,706 during fiscal year 2016. The total fund balance at year end was \$298,428. Of that amount, \$27,357 is non-spendable inventory. Much of the increase in the General Fund - Fund Balance can be attributed to Town Office staff utilizing careful budgeting practices and a very mild winter resulting in lower personnel costs, fuel savings, and winter material savings. It appears that with the existing fund balance being 10% 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 2016 were higher than 2015 by \$206,723 primarily due to increased revenues from current and delinquent property taxes and charges for service. Revenues exceeded the budget by \$73,229, primarily due to excess grant income and better collection of delinquent taxes. Expenditures were \$55,199 under budget, but the overall increase in the general fund balance was extended to \$122,706. Budget savings were the result of a mild winter and all departments being aware of their budgets and not over-expending.

Revolving Loan Fund

For the year ending June 30, 2016, the Town's Revolving Loan Fund also known as the Economic Development Fund had total revenues of \$145,201 as reported on Exhibit D of the FY16 audit. The year end fund balance was \$234,990, which was an increase of \$10,744 from the previous year and primarily resulted from increased loan repayments. The Town had outstanding loans totaling \$342,274.

Capital Fund(s)

Also reported on Exhibit D, the Town's Capital Fund had a year-end fund balance of \$472,884. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$808,169 of the fund on projects during FY16. The Town borrowed \$300,000 for one of the projects. Highway projects accounted for \$766,626 of total expenditures or nearly 95%.

As reported on Exhibit D, the Town's Equipment Replacement Fund had a year-end fund balance of \$154,455. These funds are assigned for future equipment purchases. During the past year, the Town purchased a police cruiser and continued payments on other vehicles previously purchased. Total expenditures from the fund were \$107,128, much paying off existing debt and adding \$0 to new debt.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Capital Asset and Debt Administration

The Town of Hardwick's investment in capital assets for its governmental activities as of June 30, 2016 totaled \$5,661,164, (net of Accumulated Depreciation and Related Debt). This is an increase of \$375,060 over last year. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment and furniture.

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

- Police Cruiser
- K-9 (Kubo)
- Water/Sewer Pickup
- Reconstruction of Mackville Road
- Repaving of 7 Town Highways
- Installing a Storm Drain on Route 14
- Building Retaining walls on 2 Town Highways
- Installing over 500 water meters
- Restoring windows in the Town House
- Restoring the Basement of the Memorial Building
- The Town was also gifted the senior center building

Debt Administration

As of June 30, 2016, the governmental activities of the Town of Hardwick were carrying two notes and two bonds payable for the following:

- A fire truck purchase with an outstanding debt balance of \$373,333.
- A grader and loader purchase with an outstanding debt balance of \$54,837.
- A loader purchase with an outstanding debt balance of \$84,290.
- Mackville Road Improvements with an outstanding debt balance of \$300,000.

The **Water Fund** has two outstanding bonds. One for \$1,330,567 to the State Special Environmental Revolving Loan Fund; the funding was used for the new reservoir and water meter project. The other \$15,337, also to the State Special Environmental Revolving Loan Fund; this funding was used for the engineering of the Church Street waterline upgrade.

The **Sewer Fund** had one bond outstanding with a total principal debt of \$52,900. The 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

At the close of FY16, the Town was able to put \$128,400 into its fund balance (Town savings account). This budget savings was due largely to lower costs associated with an unusually warm winter (reduced costs for fuel, salt and overtime) and to changes in the Town's employee health insurance program. The fund balance is currently at \$298,428 or slightly less than 10% of the Town budget. It is generally accepted that the fund balance should be 15% of the municipal budget. The fund balance serves as a reserve to help the Town through significant budget shortfalls or through natural or human caused disasters.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The Town approved a 2017 General Fund budget of \$2,980,405 including appropriations. This is an increase of \$124,802 over 2016. The tax rate for 2017 was \$1.582, a decrease from the prior year due to the fact the Town grand list increased due to a recently completed reappraisal.

Last year a group of citizens worked together with the Town to develop a plan to remove approximately 70 streetlights and to install more than 200 LED streetlights saving the Town almost \$9,000 per year in operations costs. The project was free to the Town and Efficiency Vermont provided \$30,000 to Hardwick Electric to help them recoup their capital costs. The savings to the Town has allowed us to move forward with changing out the 17 decorative streetlights in the village to be replaced with cost effective LEDs that will provide an additional \$890 per year in energy savings to the Town.

Using a negative 3% interest loan from the State of Vermont Revolving Loan fund, the Town contracted for and installed 515 water meters throughout the urban compact. The water meters are considered the Town cash registers and will help us develop a more consistent and fair rate structure for all users. The water meter project followed the construction of a new water reservoir and transmission line located on Glenside Avenue. Next year another -3% funded project will be the replacement of the waterline serving Church Street and Slapp Hill Road. The project will cost nearly \$700,000, but will include a giveback of almost \$240,000 due to the -3% interest. Both the water and sewer budgets went up just under 4% and rates increased at an average of 5% for both funds. These small increases in the water and sewer budgets have continued to make these enterprise funds solvent and have allowed the Town to put away capital money for future projects.

The Town has worked with the Northeastern Vermont Development Association, the Center for an Agricultural Economy, and with various business owners to put together a plan to improve economic development opportunities in the Town of Hardwick. The plan is to obtain a number of grants to fund a feasibility study of potential sites for business expansion opportunities in the Town of Hardwick. To date, the Town has seen an expansion of production at Caledonia Spirits and an expansion of staff of several people, Lamoille Valley Ford purchased the Tri-Star Motors building in Hardwick and added 10 new employees, and H.A. Manosh added on 8,000 square feet of warehouse space to their building in the Hardwick Industrial Park.

The Town has continued to improve its aging infrastructure, gravel roads, and equipment while trying to keep the overall municipal budget increases to less than 3%. The Town is continuing to make final plans for improvements to public access on South Main Street. The Agency of Transportation approval process for this work is daunting and time consuming. The final plans have been submitted and have been returned with only minor comments. Once final review is complete the Town can go to bid on the project and arrange with Hardwick Electric and the various telecommunications companies to move their wires to new poles. We are hoping to have the project start this summer.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Contacting the Town's Financial Management

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 to either Jon Jewett or Brittany Currie.

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,164,995	\$ 100	\$ 2,165,095
Investments	10,443	0	10,443
Receivables (Net of Allowance for Uncollectibles)	145,630	51,108	196,738
Loans Receivable (Net of Allowance for Uncollectibles)	342,274	0	342,274
Internal Balances	(875,882)	875,882	0
Deposit	10,350	0	10,350
Inventory	27,357	9,720	37,077
Capital Assets:			
Land	176,277	80,741	257,018
Construction in Progress	154,454	1,648,825	1,803,279
Other Capital Assets, (Net of Accumulated Depreciation)	6,142,893	2,748,507	8,891,400
Total Assets	8,298,791	5,414,883	13,713,674
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	235,092	8,780	243,872
Total Deferred Outflows of Resources	235,092	8,780	243,872
<u>LIABILITIES</u>			
Accounts Payable	56,937	175,422	232,359
Accrued Payroll and Benefits Payable	58,843	2,467	61,310
Unearned Revenue	5,250	1,918	7,168
Accrued Interest Payable	3,750	909	4,659
Noncurrent Liabilities:			
Due within One Year	78,499	2,300	80,799
Due in More than One Year	1,163,315	1,415,738	2,579,053
Total Liabilities	1,366,594	1,598,754	2,965,348
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	2,239	0	2,239
Deferred Inflows of Resources Related to the Town's Participation in VMERS	6,233	233	6,466
Total Deferred Inflows of Resources	8,472	233	8,705
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,661,164	3,079,269	8,740,433
Restricted For:			
Public Safety	6,908	0	6,908
Culture and Recreation	73,661	0	73,661
Community Development	577,264	0	577,264
Cemetery	10,443	0	10,443
Unrestricted	829,377	745,407	1,574,784
Total Net Position	\$ 7,158,817	\$ 3,824,676	\$ 10,983,493

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 529,227	\$ 42,312	\$ 19,333	\$ 172,200	\$ (295,382)	\$ 0	\$ (295,382)
Public Safety	1,157,760	227,432	95,648	12,291	(822,389)	0	(822,389)
Highways and Streets	924,781	0	145,382	187,224	(592,175)	0	(592,175)
Culture and Recreation	170,002	2,366	4,709	50,199	(112,728)	0	(112,728)
Community Development	2,867	8,566	0	0	5,699	0	5,699
Interest on Long-term Debt	22,080	0	0	0	(22,080)	0	(22,080)
Total Governmental Activities	2,806,717	280,676	265,072	421,914	(1,839,055)	0	(1,839,055)
Business-type Activities:							
Water	264,591	285,877	0	0	0	21,286	21,286
Sewer	560,809	405,131	0	0	0	(155,678)	(155,678)
Total Business-type Activities	825,400	691,008	0	0	0	(134,392)	(134,392)
Total Primary Government	\$ 3,632,117	\$ 971,684	\$ 265,072	\$ 421,914	(1,839,055)	(134,392)	(1,973,447)
General Revenues:							
Property Taxes					2,024,551	0	2,024,551
Penalties and Interest on Delinquent Taxes					26,788	0	26,788
General State Grants					181,735	0	181,735
Unrestricted Investment Earnings					5,416	2,127	7,543
Other Revenues					9,599	0	9,599
Total General Revenues					2,248,089	2,127	2,250,216
Change in Net Position					409,034	(132,265)	276,769
Net Position - July 1, 2015					6,749,783	3,956,941	10,706,724
Net Position - June 30, 2016					\$ 7,158,817	\$ 3,824,676	\$ 10,983,493

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Revolving Loan Fund	Capital Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 1,930,005	\$ 234,990	\$ 0	\$ 0	\$ 0	\$ 2,164,995
Investments	0	0	0	0	10,443	10,443
Receivables (Net of Allowance for Uncollectibles)	123,327	0	7,975	0	14,328	145,630
Loans Receivable (Net of Allowance for Uncollectibles)	0	342,274	0	0	0	342,274
Due from Other Funds	0	0	474,878	154,455	153,905	783,238
Deposit	10,350	0	0	0	0	10,350
Inventory	27,357	0	0	0	0	27,357
Total Assets	<u>\$ 2,091,039</u>	<u>\$ 577,264</u>	<u>\$ 482,853</u>	<u>\$ 154,455</u>	<u>\$ 178,676</u>	<u>\$ 3,484,287</u>
LIABILITIES						
Accounts Payable	\$ 42,705	\$ 0	\$ 9,969	\$ 0	\$ 4,263	\$ 56,937
Accrued Payroll and Benefits Payable	53,681	0	0	0	5,162	58,843
Due to Other Funds	1,653,881	0	0	0	5,239	1,659,120
Unearned Revenue	0	0	0	0	5,250	5,250
Total Liabilities	<u>1,750,267</u>	<u>0</u>	<u>9,969</u>	<u>0</u>	<u>19,914</u>	<u>1,780,150</u>
DEFERRED INFLOWS OF RESOURCES						
Prepaid Property Taxes	2,239	0	0	0	0	2,239
Unavailable Property Taxes, Penalties and Interest	39,500	0	0	0	0	39,500
Unavailable Grants	605	0	0	0	0	605
Unavailable Loans Receivable	0	342,274	0	0	0	342,274
Total Deferred Inflows of Resources	<u>42,344</u>	<u>342,274</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>384,618</u>
FUND BALANCES						
Nonspendable	27,357	0	0	0	8,861	36,218
Restricted	0	234,990	0	0	82,151	317,141
Committed	0	0	0	0	6,862	6,862
Assigned	3,615	0	472,884	154,455	60,888	691,842
Unassigned	267,456	0	0	0	0	267,456
Total Fund Balances	<u>298,428</u>	<u>234,990</u>	<u>472,884</u>	<u>154,455</u>	<u>158,762</u>	<u>1,319,519</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,091,039</u>	<u>\$ 577,264</u>	<u>\$ 482,853</u>	<u>\$ 154,455</u>	<u>\$ 178,676</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.						6,473,624
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						382,379
Long-Term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, therefore, are Not Reported in the Funds.						(1,245,564)
Deferred Outflows and Inflows of Resources Related to the Town's Participation in VMERS are Applicable to Future Periods and, therefore, are not Reported in the Funds.						228,859
Net Position of Governmental Activities						<u>\$ 7,158,817</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, 2016

	General Fund	Revolving Loan Fund	Capital Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 2,044,951	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,044,951
Penalties & Interest on Delinquent Taxes	27,888	0	0	0	0	27,888
Intergovernmental	346,807	0	189,022	0	102,343	638,172
Charges for Services	461,182	0	0	0	0	461,182
Permits, Licenses & Fees	34,883	0	0	0	0	34,883
Fines and Forfeits	8,806	0	0	0	0	8,806
Loan Repayments	0	136,210	0	0	0	136,210
Loan Interest Income	0	8,566	0	0	0	8,566
Investment Income	130	325	1,199	270	3,492	5,416
Donations	1,800	0	4,245	0	53,497	59,542
Other	2,403	100	2,366	0	7,096	11,965
Total Revenues	<u>2,928,850</u>	<u>145,201</u>	<u>196,832</u>	<u>270</u>	<u>166,428</u>	<u>3,437,581</u>
Expenditures:						
General Government	575,758	0	0	1,958	74,988	652,704
Public Safety	961,328	0	13,213	0	89,847	1,064,388
Highways and Streets	732,929	0	41,518	0	0	774,447
Culture and Recreation	34,973	0	656	0	116,816	152,445
Community Development	0	134,457	0	0	1,196	135,653
Capital Outlay:						
General Government	9,803	0	19,943	0	0	29,746
Public Safety	4,775	0	858	28,275	292	34,200
Highways and Streets	0	0	725,108	0	0	725,108
Debt Service:						
Principal	0	0	0	62,669	0	62,669
Interest	0	0	6,873	14,226	0	21,099
Total Expenditures	<u>2,319,566</u>	<u>134,457</u>	<u>808,169</u>	<u>107,128</u>	<u>283,139</u>	<u>3,652,459</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>609,284</u>	<u>10,744</u>	<u>(611,337)</u>	<u>(106,858)</u>	<u>(116,711)</u>	<u>(214,878)</u>
Other Financing Sources/(Uses):						
Proceeds from Long-term Debt	0	0	300,000	0	0	300,000
Transfers In	0	0	183,500	195,000	108,078	486,578
Transfers Out	(486,578)	0	0	0	0	(486,578)
Total Other Financing Sources/(Uses)	<u>(486,578)</u>	<u>0</u>	<u>483,500</u>	<u>195,000</u>	<u>108,078</u>	<u>300,000</u>
Net Change in Fund Balances	122,706	10,744	(127,837)	88,142	(8,633)	85,122
Fund Balances - July 1, 2015	<u>175,722</u>	<u>224,246</u>	<u>600,721</u>	<u>66,313</u>	<u>167,395</u>	<u>1,234,397</u>
Fund Balances - June 30, 2016	<u>\$ 298,428</u>	<u>\$ 234,990</u>	<u>\$ 472,884</u>	<u>\$ 154,455</u>	<u>\$ 158,762</u>	<u>\$ 1,319,519</u>

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, 2016

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)	\$ 85,122
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$789,054) is allocated over their estimated useful lives and reported as depreciation expense (\$343,200). This is the amount by which capital outlays exceeded depreciation in the current period.	445,854
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(5,663)
The effect of donations of capital assets is to increase net position. The Town received land and buildings with a value of \$172,200.	172,200
The issuance of long-term debt (\$300,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$62,669) 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.	(237,331)
The issuance of loans receivable (\$132,786) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$136,210) 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.	(3,424)
Governmental funds report employer pension contributions as expenditures (\$69,693). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$105,151) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(35,458)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(22,693)
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>10,427</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 409,034</u>

The General Fund charges the Water and Sewer Funds for administrative expenses. These charges totaling \$235,127 have been eliminated from the Governmental Activities on the Statement of Activities.

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	21,282	29,826	51,108
Due from Other Funds	350,111	525,771	875,882
Inventory	5,350	4,370	9,720
Total Current Assets	376,793	560,017	936,810
Noncurrent Assets:			
Land	42,246	38,495	80,741
Construction in Progress	1,648,825	0	1,648,825
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	18,271	85,923	104,194
Distribution/Collection Systems	1,594,505	5,781,692	7,376,197
Less: Accumulated Depreciation	(629,415)	(4,189,218)	(4,818,633)
Total Noncurrent Assets	2,747,724	1,730,349	4,478,073
Total Assets	3,124,517	2,290,366	5,414,883
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	8,780	8,780
Total Deferred Outflows of Resources	0	8,780	8,780
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	168,970	6,452	175,422
Accrued Payroll and Benefits Payable	0	2,467	2,467
Accrued Interest Payable	0	909	909
Unearned Revenue	1,178	740	1,918
General Obligation Bonds Payable - Current Portion	0	2,300	2,300
Total Current Liabilities	170,148	12,868	183,016
Noncurrent Liabilities:			
Compensated Absences Payable	0	4,819	4,819
Net Pension Liability	0	14,415	14,415
General Obligation Bonds Payable - Noncurrent Portion	0	50,600	50,600
Notes Payable - Noncurrent Portion	1,345,904	0	1,345,904
Total Noncurrent Liabilities	1,345,904	69,834	1,415,738
Total Liabilities	1,516,052	82,702	1,598,754
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	233	233
Total Deferred Inflows of Resources	0	233	233
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,401,820	1,677,449	3,079,269
Unrestricted	206,645	538,762	745,407
Total Net Position	\$ 1,608,465	\$ 2,216,211	\$ 3,824,676

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, 2016

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 279,359	\$ 391,440	\$ 670,799
Penalties & Interest	4,358	6,038	10,396
Interfund Charges	0	7,653	7,653
Miscellaneous	2,160	0	2,160
	<u>285,877</u>	<u>405,131</u>	<u>691,008</u>
Total Operating Revenues			
Operating Expenses:			
Administrative Salaries	62,898	62,898	125,796
Salaries and Wages	36,884	86,999	123,883
Administrative Charges	11,992	8,782	20,774
Administrative Supplies	1,550	1,554	3,104
Benefits	0	27,691	27,691
Insurances	3,001	14,668	17,669
Town Equipment Charge	9,000	9,000	18,000
Legal/Audit	5,875	5,902	11,777
Communications	1,119	1,227	2,346
Utilities	46,457	46,669	93,126
Maintenance	45,904	123,351	169,255
Chemicals	1,267	18,863	20,130
Depreciation	32,070	147,892	179,962
Other Operating Expenses	6,574	3,122	9,696
	<u>264,591</u>	<u>558,618</u>	<u>823,209</u>
Total Operating Expenses			
Operating Income/(Loss)	<u>21,286</u>	<u>(153,487)</u>	<u>(132,201)</u>
Non-Operating Revenues/(Expenses):			
Investment Income	957	1,170	2,127
Interest Expense	0	(2,191)	(2,191)
	<u>957</u>	<u>(1,021)</u>	<u>(64)</u>
Total Non-Operating Revenues/(Expenses)			
Change in Net Position	22,243	(154,508)	(132,265)
Net Position - July 1, 2015	<u>1,586,222</u>	<u>2,370,719</u>	<u>3,956,941</u>
Net Position - June 30, 2016	\$ <u><u>1,608,465</u></u>	\$ <u><u>2,216,211</u></u>	\$ <u><u>3,824,676</u></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, 2016

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 278,778	\$ 390,648	\$ 669,426
Receipts from Interfund Services	0	7,653	7,653
Payments for Goods and Services	(105,701)	(215,522)	(321,223)
Payments for Interfund Services	(20,992)	(17,782)	(38,774)
Payments for Wages and Benefits	(99,782)	(175,521)	(275,303)
Net Cash Provided/(Used) by Operating Activities	<u>52,303</u>	<u>(10,524)</u>	<u>41,779</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	<u>70,720</u>	<u>19,884</u>	<u>90,604</u>
Net Cash Provided by Noncapital Financing Activities	<u>70,720</u>	<u>19,884</u>	<u>90,604</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(508,736)	(6,000)	(514,736)
Proceeds of Long-term Debt	384,756	0	384,756
Principal Paid on:			
General Obligation Bonds	0	(2,300)	(2,300)
Interest Paid on:			
General Obligation Bonds	<u>0</u>	<u>(2,230)</u>	<u>(2,230)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(123,980)</u>	<u>(10,530)</u>	<u>(134,510)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>957</u>	<u>1,170</u>	<u>2,127</u>
Net Cash Provided by Investing Activities	<u>957</u>	<u>1,170</u>	<u>2,127</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2015	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2016	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 100</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 21,286	\$ (153,487)	\$ (132,201)
Depreciation	32,070	147,892	179,962
(Increase)/Decrease in Receivables	(7,146)	(6,577)	(13,723)
(Increase)/Decrease in Inventory	0	(1,839)	(1,839)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(5,855)	(5,855)
Increase/(Decrease) in Accounts Payable	6,046	1,673	7,719
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	1,608	1,608
Increase/(Decrease) in Compensated Absences Payable	0	(469)	(469)
Increase/(Decrease) in Net Pension Liability	0	12,489	12,489
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	(5,706)	(5,706)
Increase/(Decrease) in Unearned Revenue	<u>47</u>	<u>(253)</u>	<u>(206)</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 52,303</u>	<u>\$ (10,524)</u>	<u>\$ 41,779</u>

Capital asset acquisitions in the amount of \$160,856 in the Water Fund are included in accounts payable at June 30, 2016.
Capital asset acquisitions in the amount of \$164,862 in the Water Fund are included in accounts payable at June 30, 2015.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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 activity of the Town of Hardwick, Vermont. The financial 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 is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2016

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.

Equipment Replacement Fund – This fund accounts for the equipment replacement 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) 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 position. 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.

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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.

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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. 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.

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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. Pensions

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

7. 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 has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities reports deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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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 two types which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, “deferred inflows of resources” is reported in the statement of net position and governmental funds balance sheet. The governmental activities reports deferred inflows of resources from two sources; prepaid property taxes and deferred inflows related to the Town’s participation in the Vermont Employees Retirement System. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related. The governmental funds reports deferred inflows of resources from four sources; prepaid property taxes, unavailable property taxes, penalties and interest, grants and loans receivable. These amounts are deferred and recognized as an inflow of resources in the future period that the amounts become available or to which they relate.

8. 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.

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9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and comp time benefits. For certain union employees, 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.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as compensated absences and the Town's net pension liability. 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 liabilities on their balance sheets.

11. 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 funds 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.

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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.

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

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 Recreation Committee Fund activity that is included with the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2016 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$2,164,445
Cash on Hand	<u>650</u>
Total Cash	<u>2,165,095</u>
Investments:	
Certificates of Deposit	<u>10,443</u>
Total Cash and Investments	<u>\$2,175,538</u>

The Town has three (3) certificates of deposit at Merchants Bank ranging from \$1,136 to \$5,148 with an interest rate of 0.25%. All of these certificates of deposit will mature during fiscal year 2017. The Town also has one (1) certificate of deposit at Union Bank in the amount of \$1,342 with an interest rate of 0.30% that will mature during fiscal year 2018.

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Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The 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	\$ 260,443	\$ 260,443
Uninsured, Collateralized, Secured by Mortgage Loans Held in the Bank's Name	<u>1,914,445</u>	<u>1,971,662</u>
Total	<u>\$2,174,888</u>	<u>\$2,232,105</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,164,445
Investments – Certificates of Deposit	<u>10,443</u>
Total	<u>\$2,174,888</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.

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 are not subject to credit risk disclosure.

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Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer.

B. Receivables

Receivables as of June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes	\$ 103,050	\$ 0	\$ 103,050
Penalties and Interest	10,473	0	10,473
Billed Services	7,241	46,348	53,589
Unbilled Services	0	2,600	2,600
Tax Sale Receivables	2,284	0	2,284
Trailer Lease Receivable	6,802	0	6,802
Grants Receivable	23,280	0	23,280
Miscellaneous	0	2,160	2,160
Allowance for Doubtful Accounts	(7,500)	0	(7,500)
	<u>\$ 145,630</u>	<u>\$ 51,108</u>	<u>\$ 196,738</u>

C. Loans Receivable

Loans receivable as of June 30, 2016 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

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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, Payable on Demand on and After April 10, 2044, 0% Interest, Secured by Second Mortgage	340,000
Loans Receivable, 14 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>342,274</u>
Total	1,755,094
Plus: Accrued Interest on Loans	235,674
Less: Allowance for Doubtful Loans Receivable and Accrued Interest	(1,479,755)
Less: Discount on Loans Receivable and Accrued Interest	<u>(168,739)</u>
Reported Value at June 30, 2016	\$ <u><u>342,274</u></u>

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

<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>\$1,758,518</u>	<u>\$132,786</u>	<u>\$136,210</u>	<u>\$1,755,094</u>

Accrued interest on the Hardwick Housing Partnership loan totals \$235,674.

A discount of \$168,739 has been recorded to accurately reflect the present value of the three 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.

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D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 129,977	\$ 46,300	\$ 0	\$ 176,277
Construction in Progress	176,177	598,173	619,896	154,454
Total Capital Assets, Not Being Depreciated	<u>306,154</u>	<u>644,473</u>	<u>619,896</u>	<u>330,731</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,418,698	144,906	3,423	1,560,181
Vehicles	2,340,977	46,795	35,382	2,352,390
Machinery and Equipment	362,274	3,459	31,054	334,679
Roads, Bridges and Sidewalks	3,705,468	756,321	0	4,461,789
Totals	<u>7,827,417</u>	<u>951,481</u>	<u>69,859</u>	<u>8,709,039</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	385,885	31,512	1,568	415,829
Vehicles	857,804	144,470	20,578	981,696
Machinery and Equipment	193,149	25,828	27,246	191,731
Roads, Bridges and Sidewalks	835,500	141,390	0	976,890
Totals	<u>2,272,338</u>	<u>343,200</u>	<u>49,392</u>	<u>2,566,146</u>
Total Capital Assets, Being Depreciated	<u>5,555,079</u>	<u>608,281</u>	<u>20,467</u>	<u>6,142,893</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,861,233</u>	<u>\$ 1,252,754</u>	<u>\$ 640,363</u>	<u>\$ 6,473,624</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 80,741	\$ 0	\$ 0	\$ 80,741
Construction in Progress	1,150,095	498,730	0	1,648,825
Total Capital Assets, Not Being Depreciated	<u>1,230,836</u>	<u>498,730</u>	<u>0</u>	<u>1,729,566</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	92,194	12,000	0	104,194
Distribution and Collection Systems	7,376,197	0	0	7,376,197
Totals	<u>7,555,140</u>	<u>12,000</u>	<u>0</u>	<u>7,567,140</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	27,940	3,258	0	31,198
Vehicles, Machinery and Equipment	82,562	3,579	0	86,141
Distribution and Collection Systems	4,528,169	173,125	0	4,701,294
Totals	<u>4,638,671</u>	<u>179,962</u>	<u>0</u>	<u>4,818,633</u>
Total Capital Assets, Being Depreciated	<u>2,916,469</u>	<u>(167,962)</u>	<u>0</u>	<u>2,748,507</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,147,305</u>	<u>\$ 330,768</u>	<u>\$ 0</u>	<u>\$ 4,478,073</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 18,566	Water	\$ 32,070
Public Safety	69,221	Sewer	<u>147,892</u>
Highways and Streets	235,156		
Culture and Recreation	<u>20,257</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
\$ <u>343,200</u>		\$ <u>179,962</u>	

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2016 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 1,653,881
Capital Fund	474,878	0
Equipment Replacement Fund	154,455	0
Non-Major Governmental Funds	153,905	5,239
Water Fund	350,111	0
Sewer Fund	<u>525,771</u>	<u>0</u>
Total	\$ <u>1,659,120</u>	\$ <u>1,659,120</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Fund	\$ 183,500	Annual Appropriation
General Fund	Equipment Replacement Fund	195,000	Annual Appropriation
General Fund	Restorative Justice Fund	3,000	Annual Appropriation
General Fund	Jeudevine Memorial Library Fund	<u>105,078</u>	Annual Appropriation
Total		\$ <u>486,578</u>	

TOWN OF HARDWICK, VERMONT
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F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$12,201 from the difference between the expected and actual experience, \$76,873 from changes in assumptions, \$74,574 from the difference between the projected and actual investment earnings, \$1,751 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$69,693 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$235,092.

Deferred outflows of resources in the Sewer Fund and Business-type Activities consists of \$456 from the difference between the expected and actual experience, \$2,871 from changes in assumptions, \$2,785 from the difference between the projected and actual investment earnings, \$65 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$2,603 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Sewer Fund and Business-type Activities is \$8,780.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$5,250 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$2,239 of prepaid property taxes and \$6,233 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Governmental Activities is \$8,472.

Deferred inflows of resources in the General Fund consists of \$39,500 of delinquent property taxes, penalties and interest on those taxes and \$605 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 \$2,239 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$42,344.

Deferred inflows of resources in the Revolving Loan Fund consists of \$342,274 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 Sewer Fund and Business-type Activities consists of \$233 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

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I. 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.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on the current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	\$ 81,385	\$ 0	\$ 26,548	\$ 54,837
Note Payable, Union Bank, Loader, Principal Payments Ranging from \$9,256 to \$11,409 Payable on May 15 Annually Plus Interest at 2.4%, Due May, 2024	93,744	0	9,454	84,290

TOWN OF HARDWICK, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Fire Truck, Principal Payments of \$26,667 Payable on November 15 Annually, Various Interest Rates Ranging from .513% to 3.653% Payable Semi-Annually on November 15 and May 15, Due November, 2029	\$400,000	\$ 0	\$ 26,667	\$373,333
Bond Payable, Vermont Municipal Bond Bank, Mackville Road Improvements, Annual Principal Payments of \$15,000 Beginning on November 1, 2016, Various Interest Rates Ranging from .83% to 4.16% Payable Semi-Annually on November 1 and May 1, Due November, 2035	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total Governmental Activities	<u>\$575,129</u>	<u>\$300,000</u>	<u>\$ 62,669</u>	<u>\$812,460</u>
Business-type Activities:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Reservoir and Water Meter Projects, Annual Principal Payments of \$36,151 Starting July 1, 2017, Interest at -3.0%, Due July, 2046. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest	\$ 961,148	\$ 369,419	\$ 0	\$1,330,567
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Church Street Waterline Upgrade, Authorized to \$16,300, Annual Principal Payments of \$3,260 Beginning on November 1, 2020, Interest at 0%, Due November, 2024	0	15,337	0	15,337

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JUNE 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
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	\$ 55,200	\$ 0	\$ 2,300	\$ 52,900
Total Business-type Activities	\$1,016,348	\$ 384,756	\$ 2,300	\$1,398,804

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 400,000	\$ 300,000	\$ 26,667	\$ 673,333	\$ 41,667
Notes Payable	175,129	0	36,002	139,127	36,832
Compensated Absences	54,755	0	11,408	43,347	0
Net Pension Liability	47,456	338,551	0	386,007	0
Total Governmental Activities					
Long-term Liabilities	\$ 677,340	\$ 638,551	\$ 74,077	\$ 1,241,814	\$ 78,499
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds Payable	\$ 1,016,348	\$ 384,756	\$ 2,300	\$ 1,398,804	\$ 2,300
Compensated Absences	5,288	0	469	4,819	0
Net Pension Liability	1,926	12,489	0	14,415	0
Total Business-type Activities					
Long-term Liabilities	\$ 1,023,562	\$ 397,245	\$ 2,769	\$ 1,418,038	\$ 2,300

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

In April, 2016, voters approved borrowing \$700,000 from the State of Vermont Special Environmental Revolving Fund at negative three percent (-3%) interest for replacing waterlines along Church Street and Slapp Hill Road. It is anticipated for this project to begin in May, 2017.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 78,499	\$ 21,645	\$ 2,300	\$ 2,182
2018	79,278	20,365	2,300	2,087
2019	51,823	18,924	38,451	1,992
2020	52,063	17,962	38,451	1,898
2021	52,318	16,850	41,711	1,803
2022-2026	241,812	63,901	204,332	7,590
2027-2031	181,667	29,253	192,255	5,219
2032-2036	75,000	7,669	192,255	2,846
2037-2039	0	0	50,339	570
Principal to be Forgiven (To Be Converted to Grant)	<u>0</u>	<u>0</u>	<u>636,410</u>	<u>0</u>
Total	<u>\$ 812,460</u>	<u>\$ 196,569</u>	<u>\$ 1,398,804</u>	<u>\$ 26,187</u>

J. 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, 2016

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>27,357</u>
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Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	<u>8,861</u>
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Total Nonspendable Fund Balances	\$ <u>36,218</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>234,990</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations)	<u>6,908</u>
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Capital Project Funds:

Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations)	<u>73,661</u>
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion (Source of Revenue is Donations)	\$ <u>1,582</u>
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Total Non-Major Funds	<u>82,151</u>
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Total Restricted Fund Balances	<u>\$317,141</u>
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The fund balances in the following funds are committed as follows:

Non-Major Funds

Special Revenue Fund:

Committed for Jeudevine Memorial Library Expenses by the Voters	\$ <u>6,862</u>
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Total Committed Fund Balances	<u>\$ 6,862</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Recreation Committee Expenses	\$ <u>3,615</u>
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Capital Fund:

Assigned for Capital Expenditures	<u>472,884</u>
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Equipment Replacement Fund:

Assigned for Equipment Replacement Expenditures	<u>154,455</u>
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Non-Major Funds

Special Revenue Fund:

Assigned for Reappraisal Expenses (Source of Revenue is Grant Revenue)	<u>60,888</u>
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Total Assigned Fund Balances	<u>\$691,842</u>
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

Restricted for Fire Department Expenses by Donations	\$ 6,908
Restricted for Jeudevine Building Expenditures by Donations	73,661
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	1,582
Restricted for Community Development by Grant Agreements	<u>577,264</u>
 Total Governmental Activities	 <u>\$668,276</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2016 consisted of the following:

Water Fund:

Designated for Well Replacement	\$ 63,636
Designated for Water Capital Projects	64,178
Designated for Water Operations	<u>78,831</u>

Total Water Fund 206,645

Sewer Fund:

Designated for Sewer Capital Projects	482,930
Designated for Sewer Operations	<u>55,832</u>

Total Sewer Fund 538,762

Total Business-type Activities \$745,407

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	\$ 82,422	\$ 81,309	\$ 494,924
Interest Earnings	214	620	1,159
Transfer In From Water Operations	5,000	77,000	0
Transfer In From Sewer Operations	0	0	84,500
Proceeds from Long-term Debt	0	384,756	0
Capital Purchases/Expenses	<u>(24,000)</u>	<u>(479,507)</u>	<u>(97,653)</u>
Ending Balance	<u>\$ 63,636</u>	<u>\$ 64,178</u>	<u>\$ 482,930</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 436 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was 0.5194% resulting in a liability of \$400,422. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the Town's proportion of 0.5194% was a decrease of 0.0217% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$108,682.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

As of June 30, 2016, the Town reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,657	\$ 0
Changes in assumptions	79,744	0
Difference between projected and actual investment earnings	77,359	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,816	6,466
Town's required employer contributions made subsequent to the measurement date	<u>72,296</u>	<u>0</u>
	\$ <u>243,872</u>	\$ <u>6,466</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$72,296 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2017	\$ 32,294
2018	32,294
2019	32,294
2020	<u>68,228</u>
Total	<u>\$165,110</u>

Summary of System Provisions

Membership: Full time employees of participating municipalities. The Town elected coverage under Group B and Group D provisions.

Creditable Service: Service as a member plus purchased service.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Average Final Compensation (AFC): Group B – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Group D – Age 55 with five (5) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Group D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional Benefit and Death after Retirement: For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Groups B and D.

Member Contributions: Group B – 4.875% effective July 1, 2015 (increased from 4.75%). Group D – 11.35% effective July 1, 2015 (increased from 11.25%).

Employer Contributions: Group B – 5.50% effective July 1, 2015 (increased from 5.375%). Group D – 9.85% effective July 1, 2015 (increased from 9.75%).

Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Groups B and D members.

Actuarial Cost Method: Entry Age Normal – Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Note – For funding purposes – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$799,816	\$400,422	\$65,615

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

Deferred Compensation Plan

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

B. RISK MANAGEMENT

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The Town 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 2016 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.6889	.6889
Highway	.5332	.5332
Local Agreement	.0122	.0122
Education	<u>1.7807</u>	<u>1.7333</u>
Total	<u>3.0150</u>	<u>2.9676</u>

D. ENDOWMENT FUNDS

On February 26, 2015, the Jeudevine Memorial Library contributed \$64,222 to the Vermont Community Foundation to create three endowments: the Jeudevine Memorial Library Endowment Fund, the Jeudevine Memorial Library Muriel Hensen Fund and the Jeudevine Memorial Library Building Fund. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds 36-month rolling average balance. Payments are to be made at least annually. The endowment is not reflected on the balance sheet of the Town. \$40,472 of these funds came from the Library Endowment Fund and the remaining \$23,750 came from a donation received in fiscal year 2015. During fiscal year 2016, the Town received distributions in the amount of \$25,024. The balance of the Endowment Fund at June 30, 2016 is \$38,604.

E. CONTINGENT LIABILITIES

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, 2016

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.

F. 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, one member of the Selectboard has an outstanding loan within the Town's Community Development loan program. The outstanding balance as of June 30, 2016 was \$32,500.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,016,031	\$ 2,044,951	\$ 28,920
School Tax Administration Fee	5,500	5,577	77
PILOT	75,000	79,539	4,539
Current Use	95,000	102,196	7,196
Delinquent Late Charges	26,500	27,888	1,388
Trailer Lease Revenue	0	1,652	1,652
Zoning Permits	2,250	3,910	1,660
Licenses and Fees	2,500	2,671	171
Recording Fees	20,000	18,825	(1,175)
Dog License	4,500	3,402	(1,098)
DMV Fees	900	699	(201)
State Aid to Highways	143,000	143,242	242
Copier Fees	5,000	5,376	376
Greensboro Police Contract	194,446	194,446	0
Police Fines and Miscellaneous Revenues	14,000	8,986	(5,014)
Investment Income	850	112	(738)
Water and Sewer Charges	235,126	235,127	1
Lister Education Grant	400	250	(150)
Efficiency Vermont Reimbursement	0	200	200
Fireworks Donations	0	1,800	1,800
Hardwick Rescue Reimbursement	2,000	0	(2,000)
Police Department - Vest Grant	600	1,032	432
VCDP Maple Street Grant	0	1,535	1,535
Greenup Day Grant	0	500	500
CVSWMD Recycling Grant	0	225	225
SIU Revenue	0	24,000	24,000
Government Highway Revenue	11,000	18,288	7,288
Insurance Proceeds	0	2,211	2,211
Miscellaneous	1,000	192	(808)
Total Revenues	2,855,603	2,928,832	73,229
Expenditures:			
Office Expenditures:			
Town Manager - Salary	72,370	71,869	501
Payroll Administrator - Salary	49,275	44,543	4,732
Town Clerk - Salary	43,684	44,016	(332)
Town Clerk Aides - Salary	26,350	26,714	(364)
Business Manager - Salary	38,456	41,657	(3,201)
Social Security	17,605	16,763	842
Retirement	12,370	12,617	(247)
Worker's Compensation	1,525	1,281	244
Unemployment Insurance	302	403	(101)
VLCT/PACIF	8,174	6,377	1,797
Health/Dental/Life/Disability Insurances	52,618	53,415	(797)
Town Manager's Office Supplies	3,500	4,220	(720)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Office Expenditures/(Cont'd):			
Town Clerk's Office Supplies	\$ 3,500	\$ 2,518	\$ 982
Town Report	4,500	2,154	2,346
Conferences/Dues	1,300	1,834	(534)
Tax Billing/Collection Expense	1,500	1,135	365
Telephone	2,200	2,278	(78)
Advertising	1,000	1,526	(526)
Copier	700	679	21
Election Expense	500	87	413
Computer Services	1,800	1,663	137
Website Maintenance	250	1,583	(1,333)
Equipment Purchases	3,000	1,966	1,034
Lister Supplies	3,500	3,409	91
Health Officer Supplies	150	133	17
Education/Training	400	1,001	(601)
Zoning	1,000	3,941	(2,941)
Total Office Expenditures	351,529	349,782	1,747
Payroll (Other):			
Listers	10,000	8,367	1,633
Zoning Administrator	19,389	19,862	(473)
Zoning and Planning Board	3,000	2,950	50
Board of Civil Authority	500	60	440
Moderator	50	50	0
Selectboard	5,500	6,667	(1,167)
Social Security	3,350	3,146	204
Public Officers Liability	9,304	8,702	602
Election Officials	1,000	1,514	(514)
Energy Coordinator	50	50	0
Website Coordinator	600	600	0
Solid Waste Representative	500	500	0
TEC Conferences	250	281	(31)
Part-Time Labor	2,500	3,050	(550)
Town Service Officer	100	100	0
Health Officer	600	600	0
Total Payroll (Other)	56,693	56,499	194
Memorial Building:			
Custodian	7,788	7,980	(192)
Social Security	596	622	(26)
Operating Supplies	2,500	2,966	(466)
Repairs/Maintenance to Building	2,500	5,611	(3,111)
Utilities	5,600	5,628	(28)
Fuel Oil	15,000	8,789	6,211
VLCT/PACIF	7,175	6,767	408
Town House Repair	575	828	(253)
Town House - PACIF	3,904	3,686	218

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Memorial Building/(Cont'd):			
Electric	\$ 500	\$ 355	\$ 145
Generator	250	3,496	(3,246)
Elevator	2,525	6,798	(4,273)
Depot Maintenance	0	600	(600)
Senior Center Building Insurance	0	300	(300)
Senior Center Maintenance	0	109	(109)
Total Memorial Building	48,913	54,535	(5,622)
Public Safety Building:			
VLCT	7,321	6,924	397
Operating Supplies	1,500	1,257	243
Maintenance to Building	3,500	3,841	(341)
Utilities	2,100	2,187	(87)
Fuel	8,000	4,573	3,427
Custodial Salary	1,558	1,528	30
Social Security	119	119	0
Total Public Safety Building	24,098	20,429	3,669
Police Department:			
Base Payroll	410,662	392,980	17,682
Overtime	45,000	51,743	(6,743)
Special Officers	14,500	11,805	2,695
SIU Salary	0	6,394	(6,394)
Social Security	35,967	35,042	925
Retirement	44,427	44,138	289
Worker's Compensation	22,033	24,652	(2,619)
Unemployment Insurance	311	584	(273)
VLCT/PACIF	47,720	49,002	(1,282)
Health/Dental/Life and Disability Insurances	122,967	126,093	(3,126)
Governor Highway Ticket	0	7,092	(7,092)
Governor Highway DUI	0	3,750	(3,750)
K-9 Expense	750	1,368	(618)
Operating Supplies	6,000	7,578	(1,578)
Memberships	400	140	260
Training	4,500	4,088	412
Internet Communication	4,000	5,156	(1,156)
Dispatch Services	33,000	33,719	(719)
Telephone	4,000	4,681	(681)
Cruiser Repairs and Maintenance	4,000	5,575	(1,575)
Advertising	250	50	200
Radio Service	1,000	190	810
Investigation Expense	1,500	1,273	227
Uniforms - Cleaning	800	725	75
Uniforms - Purchases	4,250	4,286	(36)
Vest Grant Expense	700	1,935	(1,235)

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Equipment Grant Expense	\$ 0	\$ 3,716	\$ (3,716)
Fuel	23,000	11,760	11,240
Tires	2,500	605	1,895
Education	500	0	500
Equipment	4,000	2,837	1,163
SIU Expense	0	114	(114)
Total Police Department	838,737	843,071	(4,334)
Fire Department:			
Labor	15,000	14,353	647
Social Security	1,148	1,128	20
Worker's Compensation	3,437	2,854	583
VLCT/PACIF	14,889	14,592	297
Operating Supplies	2,500	2,269	231
Telephone	950	966	(16)
Gasoline	150	64	86
Utilities	2,800	2,789	11
Fuel Oil	9,000	5,580	3,420
Diesel	2,500	759	1,741
Dispatch Services	14,175	14,451	(276)
Equipment Purchases	500	279	221
Repairs and Maintenance to Fire Station	3,000	3,204	(204)
Equipment Repairs	4,000	13,694	(9,694)
Training	800	0	800
Total Fire Department	74,849	76,982	(2,133)
Highway/Garage/Equipment:			
Payroll	256,868	247,348	9,520
Overtime	32,000	14,622	17,378
Sewer Operator	4,443	4,443	0
Social Security	22,098	18,998	3,100
Retirement	15,527	13,459	2,068
Worker's Compensation	23,994	27,085	(3,091)
Unemployment Insurance	231	404	(173)
VLCT/PACIF	30,484	28,739	1,745
Health/Dental/Life and Disability Insurances	76,541	84,224	(7,683)
Summer Gravel	30,000	25,458	4,542
Chloride	12,000	12,050	(50)
Sidewalk Plowing	0	1,500	(1,500)
Mowing Contract	6,500	6,236	264
Summer Paving	4,000	5,817	(1,817)
Brush Cutting	1,500	1,000	500
Downtown Improvement	1,000	1,127	(127)
Street Sweeping	4,000	4,700	(700)
Winter Sand	20,000	22,786	(2,786)

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Winter Salt	\$ 62,000	\$ 48,953	\$ 13,047
Operating Supplies	15,000	15,753	(753)
Telephone	900	907	(7)
Low Band Radio	1,050	1,042	8
Culverts	3,000	242	2,758
Uniforms	4,000	3,465	535
Sidewalk/Line Painting	1,000	728	272
Radio Service	150	0	150
Streetscape	1,200	1,543	(343)
Storm Drainage	2,000	1,178	822
Safety/Training	2,000	1,914	86
Building Repairs	1,200	985	215
Equipment Repairs	32,000	36,871	(4,871)
Equipment Maintenance Expense	25,000	36,219	(11,219)
Fuel	5,000	2,873	2,127
Diesel Fuel	55,000	23,820	31,180
Utilities	5,350	3,712	1,638
Fuel Oil	0	506	(506)
Total Highway/Garage/Equipment	<u>757,036</u>	<u>700,707</u>	<u>56,329</u>
Appropriations:			
Senior Citizens Center	2,500	2,500	0
Restorative Justice	3,000	3,000	0
C.H.H.C.A., Inc.	2,600	2,600	0
Northeast Kingdom Arts Council	2,500	2,500	0
A.W.A.R.E.	3,000	3,000	0
Area Agency on Aging	4,500	4,500	0
Lamoille Family Center	1,200	1,200	0
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	3,000	3,000	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	2,500	2,500	0
H.A.C.C.	3,000	3,000	0
Total Appropriations	<u>39,400</u>	<u>39,400</u>	<u>0</u>
Rescue Squad Pro-Rated Share:	<u>22,438</u>	<u>22,438</u>	<u>0</u>
County Tax:	<u>23,356</u>	<u>23,355</u>	<u>1</u>

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses:			
Auditing	\$ 13,000	\$ 11,750	\$ 1,250
Dog Control	3,600	2,999	601
Dog Warden Social Security	0	184	(184)
Professional Services	8,000	9,520	(1,520)
NVDA	2,258	2,258	0
VLCT	4,196	4,196	0
Jeudevine Memorial Library	105,078	105,078	0
Memorial Day	1,200	411	789
Caspian Lake	2,450	2,450	0
Cemeteries	18,000	14,410	3,590
Solid Waste District	3,003	2,971	32
Streetlights	35,000	32,222	2,778
Employment Practices Insurance	8,635	10,417	(1,782)
Fireworks	3,000	4,800	(1,800)
Tax Mapping	2,500	3,550	(1,050)
Memorial Park Electricity	250	192	58
Hazard Mitigation Fund	5,000	0	5,000
Insurance Deductibles	1,500	893	607
VLCT Community Crime Insurance	0	1,642	(1,642)
Tax Sale Expense	0	3,383	(3,383)
Transfer to Equipment Replacement Fund	195,000	195,000	0
Transfer to Capital Fund	183,500	183,500	0
Total Other Expenses	595,170	591,826	3,344
Recreation Department:			
VLCT/PACIF	1,038	682	356
Supplies/Advertising	150	148	2
Youth Programs	11,279	8,676	2,603
Swim Instructor	750	250	500
Halloween	250	150	100
Egg Hunt	100	0	100
Green-Up Day	700	847	(147)
Senior Trotters	600	600	0
NEK Kids	500	497	3
Skating Rink	250	0	250
Pump Track	0	1,668	(1,668)
Total Recreation Department	15,617	13,518	2,099

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Trails Department:			
Worker's Compensation	\$ 167	\$ 151	\$ 16
Unemployment Insurance	0	25	(25)
VLCT/PACIF	0	324	(324)
Salaries	2,900	2,890	10
Social Security	250	221	29
Programs and Activities	1,000	1,402	(402)
Advertising	400	92	308
Equipment Repair	2,000	524	1,476
Repair and Construction	450	1,688	(1,238)
Gas, Oil, Diesel	600	545	55
Total Trails Department	7,767	7,862	(95)
Total Expenditures	2,855,603	2,800,404	55,199
Excess of Revenues Over Expenditures	\$ 0	128,428	\$ 128,428
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Income		18	
Recreation Committee Fund Expenses		(5,740)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		\$ 122,706	

The reconciling items are due to combining the Recreation Committee Fund with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.5194%	0.5411%
Town's Proportionate Share of the Net Pension Liability	\$ 400,422	\$ 49,382
Town's Covered Employee Payroll	\$ 991,431	\$ 1,023,717
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	40.3883%	4.8238%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
VMERS DEFINED BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 72,296	\$ 72,602
Contributions in Relation to the Actuarially Determined Contributions	<u>72,296</u>	<u>72,602</u>
Contribution Excess/(Deficiency)	\$ <u>0</u>	\$ <u>0</u>
Town's Covered Employee Payroll	\$ 991,431	\$ 1,023,717
Contributions as a Percentage of Town's Covered Employee Payroll	7.292%	7.092%

Notes to Schedule

Valuation Date: June 30, 2015

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

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TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Project Fund Jeudevine Building Fund	Permanent Funds Cemetery Fund	Total
<u>ASSETS</u>				
Investments	\$ 0	\$ 0	\$ 10,443	\$ 10,443
Receivables (Net of Allowance for Uncollectibles)	14,328	0	0	14,328
Due from Other Funds	<u>80,244</u>	<u>73,661</u>	<u>0</u>	<u>153,905</u>
Total Assets	\$ <u>94,572</u>	\$ <u>73,661</u>	\$ <u>10,443</u>	\$ <u>178,676</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 4,263	\$ 0	\$ 0	\$ 4,263
Accrued Payroll and Benefits Payable	5,162	0	0	5,162
Due to Other Funds	5,239	0	0	5,239
Unearned Revenue	<u>5,250</u>	<u>0</u>	<u>0</u>	<u>5,250</u>
Total Liabilities	<u>19,914</u>	<u>0</u>	<u>0</u>	<u>19,914</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	8,861	8,861
Restricted	6,908	73,661	1,582	82,151
Committed	6,862	0	0	6,862
Assigned	<u>60,888</u>	<u>0</u>	<u>0</u>	<u>60,888</u>
Total Fund Balances	<u>74,658</u>	<u>73,661</u>	<u>10,443</u>	<u>158,762</u>
Total Liabilities and Fund Balances	\$ <u>94,572</u>	\$ <u>73,661</u>	\$ <u>10,443</u>	\$ <u>178,676</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Project Fund <u>Jeudevine Building Fund</u>	Permanent Funds <u>Cemetery Funds</u>	Total
Revenues:				
Intergovernmental	\$ 102,343	\$ 0	\$ 0	\$ 102,343
Investment Income	783	2,683	26	3,492
Donations	4,136	49,361	0	53,497
Other	<u>7,096</u>	<u>0</u>	<u>0</u>	<u>7,096</u>
Total Revenues	<u>114,358</u>	<u>52,044</u>	<u>26</u>	<u>166,428</u>
Expenditures:				
General Government	74,988	0	0	74,988
Public Safety	89,847	0	0	89,847
Culture and Recreation	114,637	2,179	0	116,816
Community Development	1,196	0	0	1,196
Capital Outlay:				
Public Safety	<u>292</u>	<u>0</u>	<u>0</u>	<u>292</u>
Total Expenditures	<u>280,960</u>	<u>2,179</u>	<u>0</u>	<u>283,139</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(166,602)</u>	<u>49,865</u>	<u>26</u>	<u>(116,711)</u>
Other Financing Sources:				
Transfers In	<u>108,078</u>	<u>0</u>	<u>0</u>	<u>108,078</u>
Total Other Financing Sources	<u>108,078</u>	<u>0</u>	<u>0</u>	<u>108,078</u>
Net Change in Fund Balances	(58,524)	49,865	26	(8,633)
Fund Balances - July 1, 2015	<u>133,182</u>	<u>23,796</u>	<u>10,417</u>	<u>167,395</u>
Fund Balances - June 30, 2016	<u>\$ 74,658</u>	<u>\$ 73,661</u>	<u>\$ 10,443</u>	<u>\$ 158,762</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
<u>ASSETS</u>							
Receivables (Net of Allowance for Uncollectibles)	\$ 0	\$ 6,910	\$ 0	\$ 7,418	\$ 0	\$ 0	\$ 14,328
Due from Other Funds	<u>0</u>	<u>0</u>	<u>61,537</u>	<u>1,431</u>	<u>6,908</u>	<u>10,368</u>	<u>80,244</u>
Total Assets	<u>\$ 0</u>	<u>\$ 6,910</u>	<u>\$ 61,537</u>	<u>\$ 8,849</u>	<u>\$ 6,908</u>	<u>\$ 10,368</u>	<u>\$ 94,572</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 0	\$ 1,671	\$ 649	\$ 929	\$ 0	\$ 1,014	\$ 4,263
Accrued Payroll and Benefits Payable	0	0	0	2,670	0	2,492	5,162
Due to Other Funds	0	5,239	0	0	0	0	5,239
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,250</u>	<u>0</u>	<u>0</u>	<u>5,250</u>
Total Liabilities	<u>0</u>	<u>6,910</u>	<u>649</u>	<u>8,849</u>	<u>0</u>	<u>3,506</u>	<u>19,914</u>
<u>FUND BALANCES</u>							
Restricted	0	0	0	0	6,908	0	6,908
Committed	0	0	0	0	0	6,862	6,862
Assigned	<u>0</u>	<u>0</u>	<u>60,888</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,888</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>60,888</u>	<u>0</u>	<u>6,908</u>	<u>6,862</u>	<u>74,658</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 6,910</u>	<u>\$ 61,537</u>	<u>\$ 8,849</u>	<u>\$ 6,908</u>	<u>\$ 10,368</u>	<u>\$ 94,572</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, 2016

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
Revenues:							
Intergovernmental	\$ 0	\$ 28,766	\$ 14,592	\$ 56,076	\$ 0	\$ 2,909	\$ 102,343
Investment Income	0	0	239	0	19	525	783
Donations	0	0	0	742	2,556	838	4,136
Other	0	0	0	1,735	0	5,361	7,096
Total Revenues	0	28,766	14,831	58,553	2,575	9,633	114,358
Expenditures:							
General Government	0	1,671	73,317	0	0	0	74,988
Public Safety	0	25,000	0	61,553	3,294	0	89,847
Culture and Recreation	0	0	0	0	0	114,637	114,637
Community Development	0	1,196	0	0	0	0	1,196
Capital Outlay:							
Public Safety	292	0	0	0	0	0	292
Total Expenditures	292	27,867	73,317	61,553	3,294	114,637	280,960
Excess/(Deficiency) of Revenues Over Expenditures	(292)	899	(58,486)	(3,000)	(719)	(105,004)	(166,602)
Other Financing Sources:							
Transfers In	0	0	0	3,000	0	105,078	108,078
Total Other Financing Sources	0	0	0	3,000	0	105,078	108,078
Net Change in Fund Balances	(292)	899	(58,486)	0	(719)	74	(58,524)
Fund Balances/(Deficit) - July 1, 2015	292	(899)	119,374	0	7,627	6,788	133,182
Fund Balances - June 30, 2016	\$ 0	\$ 0	\$ 60,888	\$ 0	\$ 6,908	\$ 6,862	\$ 74,658

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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, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Rents	\$ 271,718	\$ 279,359	\$ 7,641
Penalties & Interest	5,100	4,358	(742)
Investment Income	100	123	23
Miscellaneous	0	2,160	2,160
Total Revenues	276,918	286,000	9,082
Expenses:			
Administration Salaries	62,898	62,898	0
Public Works Salaries	36,884	36,884	0
Administrative Charge	8,782	8,782	0
Administrative Supplies	2,500	1,550	950
Transfer to Sewer Fund	3,210	3,210	0
VLCT/PACIF	2,844	3,001	(157)
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,875	(375)
Communications	450	1,119	(669)
Professional Services	500	201	299
Training and Safety	750	630	120
Utilities	42,000	46,457	(4,457)
Line Maintenance	8,000	8,694	(694)
Line Upgrades	0	2,160	(2,160)
Reservoir Maintenance	500	257	243
Pumphouse Maintenance	2,000	3,904	(1,904)
Generator - Wolcott Street	750	0	750
Hydrants	1,000	100	900
Water Testing	1,000	1,167	(167)
Chlorination	600	0	600
Permit Fees	5,000	5,462	(462)
Minor Repair & Maintenance	750	308	442
Gasoline	0	281	(281)
Capital Fund Transfer	82,000	82,000	0
Total Expenses	276,918	283,940	(7,022)
Net Income	\$ 0	2,060	\$ 2,060
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(32,070)	
Well Replacement Account Transfer In		5,000	
Capital Account Transfer In		77,000	
		214	
Capital Account Investment Income		620	
Well Maintenance - Well Replacement Account Expense		(24,000)	
Capital Account Expenses		(6,581)	
Change in Net Position - Exhibit G		\$ 22,243	

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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, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Charges	\$ 387,187	\$ 391,440	\$ 4,253
Penalties & Interest	7,000	6,038	(962)
Investment Income	25	11	(14)
Interfund Charges	7,653	7,653	0
Total Revenues	401,865	405,142	3,277
Expenses:			
Administration Salaries	62,898	62,898	0
Public Works Salaries	44,429	44,205	224
Public Works Overtime	9,000	5,911	3,089
Salaries - Sewer Fund	36,883	36,883	0
Administrative Charge	8,782	8,782	0
Administrative Supplies	2,500	1,554	946
Health Insurance	16,075	19,553	(3,478)
Dental Insurance	0	592	(592)
Vision Insurance	0	64	(64)
Life Insurance	0	119	(119)
Social Security	4,087	3,515	572
Retirement	2,939	3,848	(909)
VLCT/PACIF	11,271	11,578	(307)
Worker's Compensation	2,801	3,030	(229)
Insurance Deductible	500	0	500
Unemployment Insurance	0	60	(60)
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,902	(402)
Communications	1,250	1,227	23
Uniforms	700	649	51
Professional Services	250	45	205
Training	600	257	343
Safety	700	746	(46)
Utilities - Plant	28,000	32,086	(4,086)
Utilities - Lift Station	4,200	6,178	(1,978)
Fuel Oil	6,000	3,808	2,192
Alarms	1,300	1,427	(127)
Water Charge	3,250	3,170	80
Lab Operations	7,000	4,346	2,654
Lift Station Maintenance	1,500	6,170	(4,670)
Plant Operations	6,500	5,459	1,041
Sewer Line Cleaning	5,000	3,214	1,786
Sewer Line Maintenance	5,000	11,518	(6,518)
Grit Disposal	1,000	0	1,000
Process Chemicals	23,000	18,863	4,137
Licenses & Fees	800	1,113	(313)
Equipment Maintenance	0	991	(991)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenses/(Cont'd):			
Gasoline/Diesel	\$ 0	\$ 312	\$ (312)
Mill Street Bond and Interest	4,650	4,491	159
Capital Fund Transfer	<u>84,500</u>	<u>84,500</u>	<u>0</u>
Total Expenses	<u>401,865</u>	<u>408,064</u>	<u>(6,199)</u>
Net Income/(Loss)	\$ <u>0</u>	(2,922)	\$ <u>(2,922)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(147,892)	
Principal Payments on Bonds Payable		2,300	
Capital Fund Transfer In		84,500	
Capital Fund Investment Income		1,159	
Sludge Disposal - Capital Fund Expense		(60,049)	
Capital Fund Expenses		<u>(31,604)</u>	
Change in Net Position - Exhibit G		\$ <u>(154,508)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

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

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Fred Duplessis, CPA
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Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
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"

Selectboard
Town of Hardwick, Vermont
P.O. Box 523
Hardwick, Vermont 05843

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements and have issued our report thereon dated January 26, 2017. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2016-01, that we consider to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated January 26, 2017.

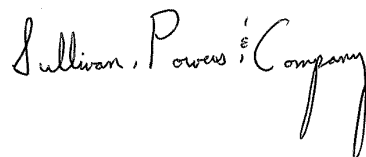
Town of Hardwick, Vermont's Response to Finding

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

Purpose of this Report

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

January 26, 2017
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2016

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

2016-01 Accounts Payable/Construction in Progress/Inventory

Criteria:

Internal controls should be in place to ensure that accounts payable, construction in progress and inventory are recorded in the proper fiscal year. Expenditures should be recorded based on the timing of services provided or when goods are received.

Condition:

There were insufficient controls in place to ensure all accounts payable, construction in progress and inventory were recorded in the proper fiscal year. As a result, adjustments were required in order to reconcile accounts payable, construction in progress and inventory. Entries were needed to record additional expenditures for several invoices that were not originally reported in fiscal year 2016.

Cause:

Unknown.

Effect:

The Town's accounts payable, construction in progress and inventory balances were incorrect.

Recommendation:

We recommend that the Town review their end of the year invoices more thoroughly in order to properly classify expenditures to the correct fiscal year.



Town of Hardwick
Office of the Town Manager
P.O. Box 523
Hardwick, Vermont 05843
Phone: (802) 472-6120 • E-mail: brittany.cote@hardwickvt.org • Fax: (802) 472-3793

January 26, 2017

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

Dear Chad,

Our responses to the audit significant deficiencies are as follows:

2016-01 Accounts Payable/Construction in Progress/Inventory

Year end journal entries will be reviewed prior to the Town Audit in order to properly classify expenditures to the correct fiscal year. This will include accounts payable, construction in progress, and inventory balances.

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

Sincerely,

Brittany Currie
Business Manager
Town of Hardwick