

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2017

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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, 2017, 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 Town'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 Town'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 the Electric Fund and the 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, 2017, 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, 2017, 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.

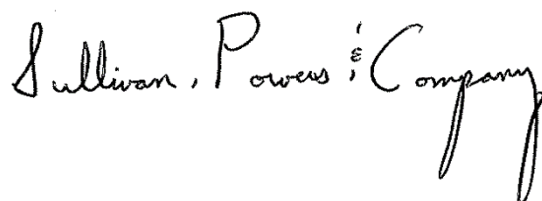
Other Information

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 February 8, 2018 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.

February 8, 2018
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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, 2017 by \$11,080,694 (net position). This is a increase of \$97,201 over the previous year.
- In Exhibit A, Governmental Activities net position of \$7,271,043 represents a increase of \$112,226 over last year.
- In Exhibit A, \$3,809,651 of the net position represents water and sewer fund activities (business funds). This demonstrates a decrease of \$15,025 from last year.
- In Exhibit A, \$669,226 of the net position is restricted for specific sources such as public safety, culture and recreation, community development, and cemetery perpetual care. This is an increase from FY2016 of \$950.
- In Exhibit A, \$814,371 of governmental activities net position are unrestricted and may be used for future obligations. This is a decrease of \$15,006 from 6/30/16. Some of these include funding for projects related to paving, bridges, sidewalks, rebuilding back roads and new Town facilities.
- In Exhibit A, \$924,110 of Business-type Activities Net Position are Unrestricted and may be used to meet the Town's future water and sewer obligations. This is a increase of \$178,703 from 6/30/16. These include further improvements to the treatment plant, water and sewer main line upgrades, and water system upgrades such as a new well source.

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

- In Exhibit D, the fund balances of governmental funds increased by \$38,494 in fiscal FY 17. The increase can be primarily attributed to lower than expected fuel prices and adequate budgeting practices.
- In Exhibit D, the General Fund balance increased by \$70,253 from 6/30/16. The General Fund balance at the end of FY 17 was \$368,681.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$212,653 on June 30, 2017, which is a decrease of \$22,337 from 6/30/16. This is money that is available for future loans to promote economic development in Hardwick. The Town had 13 active small business loans on June 30, 2017. The total amount of outstanding principal for these loans was \$370,670.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

- In Exhibit D, the Capital Fund balance increased by \$97,697 in fiscal year 2017. The total amount in this fund at year end was \$570,581 and is designated for future projects such as sidewalk replacement, road paving/rebuilding and bridge and facility improvements.
- The Water Fund ended the fiscal year with a net position balance of \$1,664,360, which represented an increase of \$55,895. \$1,345,609 or 81% represents the Town's net investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$443,037, which was an increase of \$92,926. A total of \$318,751 of net position is unrestricted with \$68,861 set aside for well replacement, \$149,491 set aside for water capital projects, and the remaining \$100,399 available for operations.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,145,291, a decrease of \$70,920. \$1,539,932 or 72% represents the Town's net 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 \$598,890, which was an increase of \$73,119. A total of \$605,359 of net position is unrestricted with \$556,236 set aside for sewer capital projects and \$49,123 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.)

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and Other Assets	\$ 1,890,391	\$ 1,825,167	\$ 1,095,333	\$ 936,810	\$ 2,985,724	\$ 2,761,977
Capital Assets	6,521,407	6,473,624	4,656,889	4,478,073	11,178,296	10,951,697
Total Assets	8,411,798	8,298,791	5,752,222	5,414,883	14,164,020	13,713,674
Deferred Outflows of Resources	374,168	235,092	14,593	8,780	388,761	243,872
Current Liabilities	126,758	124,780	157,243	180,716	284,001	305,496
Long-Term Liabilities	1,365,723	1,241,814	1,799,193	1,418,038	3,164,916	2,659,852
Total Liabilities	1,492,481	1,366,594	1,956,436	1,598,754	3,448,917	2,965,348
Deferred Inflows of Resources	22,442	8,472	728	233	23,170	8,705
Net Position						
Net Investment in						
Capital Assets	5,787,446	5,661,164	2,885,541	3,079,269	8,672,987	8,740,433
Restricted	669,226	668,276	0	0	669,226	668,276
Unrestricted	814,371	829,377	924,110	745,407	1,738,481	1,574,784
Total Net Position	\$ 7,271,043	\$ 7,158,817	\$ 3,809,651	\$ 3,824,676	\$ 11,080,694	\$ 10,983,493

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11,080,694 at the end of fiscal year 2017. This is a increase of \$97,201 from the previous year. This means the financial strength of the Town increased by that amount during the year.

**TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The Town's net position is mostly made up of its investment in capital assets. 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 (\$669,226) is restricted to future use such as the revolving loan fund monies. The remaining net position (\$1,738,481) 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).

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
REVENUES						
Charges for Service	\$ 287,591	\$ 280,676	\$ 718,404	\$ 691,008	\$ 1,005,995	\$ 971,684
Operating Grants and Contributions	554,030	265,072	20,000	0	574,030	265,072
Capital Grants and Contributions	74,401	421,914	0	0	74,401	421,914
Property Taxes	2,081,577	2,024,551	0	0	2,081,577	2,024,551
Penalty and Interest on Delinquent Taxes	30,412	26,788	0	0	30,412	26,788
General State Grants	183,214	181,735	0	0	183,214	181,735
Unrestricted Investment Earnings	5,513	5,416	2,431	2,127	7,944	7,543
Gain on Sale of Vehicle	54,200	0	0	0	54,200	0
Other Revenues	9,505	9,599	0	0	9,505	9,599
Total Revenues	3,280,443	3,215,751	740,835	693,135	4,021,278	3,908,886
EXPENDITURES						
General Government	493,497	529,227	0	0	493,497	529,227
Public Safety	1,174,969	1,157,760	0	0	1,174,969	1,157,760
Highways and Streets	1,012,057	924,781	0	0	1,012,057	924,781
Culture and Recreation	224,637	170,002	0	0	224,637	170,002
Community Development	241,099	2,867	0	0	241,099	2,867
Cemetery	800				800	
Interest on Long-Term Debt	21,158	22,080	0	0	21,158	22,080
Water	0	0	260,188	264,591	260,188	264,591
Sewer	0	0	495,672	560,809	495,672	560,809
Total Expenditures	3,168,217	2,806,717	755,860	825,400	3,924,077	3,632,117
Changes in Net Position	112,226	409,034	(15,025)	(132,265)	97,201	276,769
Net Position - Beginning of Year	7,158,817	6,749,783	3,824,676	3,956,941	10,983,493	10,706,724
Net Position - End of Year	\$ 7,271,043	\$ 7,158,817	\$ 3,809,651	\$ 3,824,676	\$ 11,080,694	\$ 10,983,493

Governmental activities (Exhibit B): Governmental activities increased the Town's net position by \$112,226 in FY 2017. This increase was primarily due to an increase in unexpected revenues and savings in expenditure items such as fuel oil.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Business-type activities (Exhibit G): Business-type activities decreased the Town's net position by \$15,025. This decrease was primary due to sewer capital expenses, more specifically the improvements at the sewer lift stations and the mapping of the sewer lines.

The Water Fund had an operational profit of \$58,776 and an increase in net position of \$55,895. This was the result of energy efficiency upgrades resulting in much lower utility costs.

The Sewer Fund had a loss from operations of \$69,817 and a decrease in net position of \$70,920. This was the result of depreciation, planned maintenance at the plant and increased chemical costs.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance increased by \$70,253 during fiscal year 2017. The total fund balance at year end was \$368,681. Of that amount, \$25,496 is non-spendable inventory. Much of the increase in the General Fund - Fund Balance can be attributed to an increase of revenues such as delinquent tax late revenue, grant revenue, current use revenue, and a significant savings on fuel oil expenses. It appears that with the existing fund balance being 12% 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 2017 were higher than 2016 by \$78,031 primarily due to increased revenues from current property taxes, intergovernmental charges, and charges for service. Expenditures were \$47,390 under budget, but the overall increase in the general fund balance was extended to \$70,253 due to revenues coming in over the budgeted amount. Budget savings were the result of very low fuel prices and all departments being cognitive of their budgets and not over-expending.

Revolving Loan Fund

For the year ending June 30, 2017, the Town's Revolving Loan Fund also known as the Economic Development Fund had total revenues of \$89,276 as reported on Exhibit D of the FY17 audit. The year end fund balance was \$212,653, which was an decrease of \$22,337 from the previous year and primarily resulted from the issuance of new Town economic development loans. The Town had outstanding loans totaling \$370,670.

Capital Fund

Also reported on Exhibit D, the Town's Capital Fund had a year-end fund balance of \$570,581. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$142,672 of the fund on projects during FY17. Highway projects (including the repayment of debt of previous highway projects) accounted for \$122,549 of total expenditures or about 86%.

Equipment Replacement Fund

As reported on Exhibit D, the Town's Equipment Replacement Fund had a year-end fund balance of \$44,243. These funds are assigned for future equipment purchases. During the past year, the Town purchased a Town dump truck, skid steer, police cruiser and continued payments on other vehicles previously purchased. Total expenditures from the fund were \$305,456, much of that was purchasing new equipment and adding \$0 to new debt.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

The Town of Hardwick's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$5,787,446 and \$2,885,541, respectively, (net of Accumulated Depreciation and Related Debt). This is an increase of \$126,282 over last year for governmental activities and a decrease of \$193,728 for business-type activities over last year. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery and equipment and water/sewer distribution and collection systems.

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

- Police Cruiser
- Plow/dump truck
- Bike Path/Sidewalk Project
- F550 Cab & Chassis
- Toolcat Skid steer
- Reconstruction of Fisher Follies Bridge
- The beginning of rebuilding Brown Farm Road
- Paving of Town sidewalks
- Installing all new LED streetlights
- Portable Ice Skating Rink

Major Business-Type capital asset transactions during the year included the following additions:

- Energy efficiency upgrades at the Sewer Lift stations
- Water line tracer & Sewer camera
- Hastings Lane water reservoir
- 525 water meter installations
- The beginning of the Church Street waterline upgrade

In continuing the Town's use of negative 3% interest loan funds, from the Vermont Agency of Natural Resources, the Town moved ahead this past summer with the installation of approximately 1,900 feet of 8 inch water main from the intersection of North Main Street and Church Street to the intersection of Vermont Avenue and Slapp Hill Road. The project came in below the engineering estimates and will allow the Town to retain nearly \$100,000 of its capital set aside for the project and the loan repayment will be budget neutral as the payment amount will be less than the annual set aside for the project.

Debt Administration

As of June 30, 2017, 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 \$346,666.
- A grader and loader purchase with an outstanding debt balance of \$27,694.
- A loader purchase with an outstanding debt balance of \$74,601.
- Mackville Road Improvements with an outstanding debt balance of \$285,000.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The **Water Fund** has three outstanding bonds. All three are to the State Special Environmental Revolving Loan Fund. One was for the new reservoir and installation of meters and that outstanding balance is \$1,647,100. Another was for the engineering of the Church Street waterline upgrade (which will be forgiven once the project is completed), with an outstanding balance of \$24,037. And the third was for the construction of the Church Street waterline project, which had an outstanding balance of \$49,611 on June 30, 2017.

The **Sewer Fund** had one bond outstanding with a total principal debt of \$50,600. 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 FY17, the Town was able to put \$70,253 into its fund balance (Town savings account). This budget savings was due largely to increased revenues and a savings of expenses associated with lower fuel costs. The fund balance is currently at \$368,681 or slightly more than 12% 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.

The FY2018 budget that was approved by the voters is \$3,025,031 which was an increase of 1.5% from FY2017. This results from the hard work of the management and financial staff working closely together to not only keep spending in line, but also to keep the budget as close to the previous year's actuals as possible. Our goal for each year is to have an increase of roughly 3% as we have seen having a slow increase will help prevent the large unplanned for tax increases.

Building off from the water meter project that was completed last year, the Town is in the process of crafting a new rate structure for both its water and wastewater enterprise funds. The intent is to establish fair rates for all users and to ensure revenues are sufficient to adequately operate the two systems and to provide additional money to support necessary capital projects. It is expected that the new rate structure will be ready for implementation by July 1, 2018.

In FY2018 the Town will utilize approximately \$70,000 of banked capital funds to make improvements to the Town wastewater treatment facility's grit handling system. The original facility was constructed in 1978 and much of the original equipment is still in use. In an effort to increase the longevity of the wastewater facility, the Town upgraded the grit system replacing a pump and grit separator and added a grit classifier to help dewater the grit making it easier to dispose of. The improvements to this system should reduce future operational costs for the wastewater facility.

Using the remnants of a federal earmark of approximately \$1.2 million, the Town moved ahead with completing Phase 3 of the "Bike Path/Pedestrian Access Project on South Main Street. The project was initiated to improve the safety and walkability of the Village and has been on-going for approximately 15 years. Work included improved stormwater collection and treatment, new sidewalks and the widening of South Main Street from the Wolcott Street intersection to the Cherry Street intersection. Additional funding remains to continue with several other pedestrian and bike path improvements. Projects being considered include making improvements to the Lamoille Valley Rail Trail from East Hardwick to the Trailhead at Wright Farm Road.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

In FY2018, the Town will perform a significant amount of paving. The work was made possible due to a VTrans paving grant of \$175,000, set asides in the Town's capital roads account and due to real reasonable paving rates per ton of material (\$68/ton), which has been unheard of in this area for more than 10 years. Major road work included paving Hardwick Street to Greensboro, paving and rebuilding a portion of Ward Hill, paving and rebuilding a portion of Brown Farm Road, and paving portions of South Main Street in Hardwick Village and Main Street in East Hardwick. Additionally, the Town is in the process of building a new 2,500 square foot cold storage building to replace one destroyed in a fire in 2016. Building construction will be partially funded by an insurance payout from the Vermont League of Cities and Towns the remainder will be supported by a one-time allocation from the Town's fund balance.

The Town, in cooperation with the Center for Agriculture (CAE), was awarded a \$250,000 federal grant by the Northern Borders Regional Commission (NBRC) for the purchase of a piece of property and a yellow barn located on the west end of Town on Wolcott Street. Working in cooperation with the CAE and the Northeastern Vermont Development Association (NVDA), the Town obtained a planning grant from the Vermont Community Development program and is currently performing a feasibility study of several potential economic growth sites within or near the urban compact of the Town of Hardwick. The result of the feasibility study will be a plan to improve economic development opportunities in the Town of Hardwick, including expansion and buildout of the yellow barn site. The plan is to move forward with additional funding opportunities to support business expansion and economic development within the Town of Hardwick. The intent is to keep businesses in Hardwick by providing a location and support for their growth. Helping businesses stay and flourish in Hardwick create more better paying jobs and will support additional economic development efforts for our residents and the surrounding communities.

Contacting the Town's Financial Management Staff

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, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,337,171	\$ 100	\$ 2,337,271
Investments	10,469	0	10,469
Receivables (Net of Allowance for Uncollectibles)	167,688	44,565	212,253
Loans Receivable (Net of Allowance for Uncollectibles)	360,670	0	360,670
Internal Balances	(1,041,927)	1,041,927	0
Deposit	10,275	0	10,275
Prepaid Expenses	20,549	0	20,549
Inventory	25,496	8,741	34,237
Capital Assets:			
Land	176,277	80,741	257,018
Construction in Progress	186,872	345,772	532,644
Other Capital Assets, (Net of Accumulated Depreciation)	6,158,258	4,230,376	10,388,634
Total Assets	8,411,798	5,752,222	14,164,020
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	374,168	14,593	388,761
Total Deferred Outflows of Resources	374,168	14,593	388,761
<u>LIABILITIES</u>			
Accounts Payable	51,990	151,591	203,581
Accrued Payroll and Benefits Payable	63,204	2,295	65,499
Unearned Revenue	8,300	2,487	10,787
Accrued Interest Payable	3,264	870	4,134
Noncurrent Liabilities:			
Due within One Year	79,278	40,380	119,658
Due in More than One Year	1,286,445	1,758,813	3,045,258
Total Liabilities	1,492,481	1,956,436	3,448,917
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	3,764	0	3,764
Deferred Inflows of Resources Related to the Town's Participation in VMERS	18,678	728	19,406
Total Deferred Inflows of Resources	22,442	728	23,170
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,787,446	2,885,541	8,672,987
Restricted For:			
Public Safety	6,790	0	6,790
Culture and Recreation	27,322	0	27,322
Community Development	573,323	0	573,323
Cemetery	61,791	0	61,791
Unrestricted	814,371	924,110	1,738,481
Total Net Position	\$ 7,271,043	\$ 3,809,651	\$ 11,080,694

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	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	\$ 493,497	\$ 38,330	\$ 24,853	\$ 24,752	\$ (405,562)	\$ 0	\$ (405,562)
Public Safety	1,174,969	238,433	96,725	15,242	(824,569)	0	(824,569)
Highways and Streets	1,012,057	0	143,255	29,168	(839,634)	0	(839,634)
Culture and Recreation	224,637	3,633	5,728	5,239	(210,037)	0	(210,037)
Community Development	241,099	7,195	231,349	0	(2,555)	0	(2,555)
Cemetery	800	0	52,120	0	51,320	0	51,320
Interest on Long-term Debt	21,158	0	0	0	(21,158)	0	(21,158)
Total Governmental Activities	3,168,217	287,591	554,030	74,401	(2,252,195)	0	(2,252,195)
Business-type Activities:							
Water	260,188	294,964	20,000	0	0	54,776	54,776
Sewer	495,672	423,440	0	0	0	(72,232)	(72,232)
Total Business-type Activities	755,860	718,404	20,000	0	0	(17,456)	(17,456)
Total Primary Government	\$ 3,924,077	\$ 1,005,995	\$ 574,030	\$ 74,401	(2,252,195)	(17,456)	(2,269,651)
General Revenues:							
Property Taxes					2,081,577	0	2,081,577
Penalties and Interest on Delinquent Taxes					30,412	0	30,412
General State Grants					183,214	0	183,214
Unrestricted Investment Earnings					5,513	2,431	7,944
Other Revenues					9,505	0	9,505
Gain on Trade of Vehicle					54,200	0	54,200
Total General Revenues					2,364,421	2,431	2,366,852
Change in Net Position					112,226	(15,025)	97,201
Net Position - July 1, 2016					7,158,817	3,824,676	10,983,493
Net Position - June 30, 2017					\$ 7,271,043	\$ 3,809,651	\$ 11,080,694

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Revolving Loan Fund	Capital Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 2,073,127	\$ 212,811	\$ 0	\$ 0	\$ 51,233	\$ 2,337,171
Investments	0	0	0	0	10,469	10,469
Receivables (Net of Allowance for Uncollectibles)	148,790	0	9,942	0	8,956	167,688
Loans Receivable (Net of Allowance for Uncollectibles)	0	360,670	0	0	0	360,670
Due from Other Funds	0	0	583,406	44,243	118,018	745,667
Deposit	10,275	0	0	0	0	10,275
Prepaid Expenses	20,549	0	0	0	0	20,549
Inventory	25,496	0	0	0	0	25,496
Total Assets	<u>\$ 2,278,237</u>	<u>\$ 573,481</u>	<u>\$ 593,348</u>	<u>\$ 44,243</u>	<u>\$ 188,676</u>	<u>\$ 3,677,985</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 29,111	\$ 158	\$ 12,825	\$ 0	\$ 9,896	\$ 51,990
Accrued Payroll and Benefits Payable	58,017	0	0	0	5,187	63,204
Due to Other Funds	1,786,806	0	0	0	788	1,787,594
Unearned Revenue	0	0	0	0	8,300	8,300
Total Liabilities	<u>1,873,934</u>	<u>158</u>	<u>12,825</u>	<u>0</u>	<u>24,171</u>	<u>1,911,088</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	3,764	0	0	0	0	3,764
Unavailable Property Taxes, Penalties and Interest	29,000	0	0	0	0	29,000
Unavailable Grants	2,858	0	9,942	0	2,650	15,450
Unavailable Loans Receivable	0	360,670	0	0	0	360,670
Total Deferred Inflows of Resources	<u>35,622</u>	<u>360,670</u>	<u>9,942</u>	<u>0</u>	<u>2,650</u>	<u>408,884</u>
<u>FUND BALANCES</u>						
Nonspendable	46,045	0	0	0	8,861	54,906
Restricted	0	212,653	0	0	87,042	299,695
Committed	0	0	570,581	44,243	7,581	622,405
Assigned	0	0	0	0	61,021	61,021
Unassigned/(Deficit)	322,636	0	0	0	(2,650)	319,986
Total Fund Balances	<u>368,681</u>	<u>212,653</u>	<u>570,581</u>	<u>44,243</u>	<u>161,855</u>	<u>1,358,013</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,278,237</u>	<u>\$ 573,481</u>	<u>\$ 593,348</u>	<u>\$ 44,243</u>	<u>\$ 188,676</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.						6,521,407
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						405,120
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.						(1,368,987)
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.						355,490
Net Position of Governmental Activities						<u>\$ 7,271,043</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, 2017

	General Fund	Revolving Loan Fund	Capital Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 2,091,277	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,091,277
Penalties & Interest on Delinquent Taxes	31,212	0	0	0	0	31,212
Intergovernmental	357,440	0	19,201	0	335,421	712,062
Charges for Services	479,727	0	0	0	0	479,727
Permits, Licenses & Fees	32,046	0	0	0	0	32,046
Fines and Forfeits	8,175	0	0	0	0	8,175
Loan Repayments	0	81,604	0	0	0	81,604
Loan Interest Income	0	7,195	0	0	0	7,195
Investment Income	971	377	1,348	244	2,573	5,513
Donations	1,495	0	25	0	56,445	57,965
Other	4,538	100	4,867	0	5,654	15,159
Total Revenues	<u>3,006,881</u>	<u>89,276</u>	<u>25,441</u>	<u>244</u>	<u>400,093</u>	<u>3,521,935</u>
Expenditures:						
General Government	586,357	0	3,368	0	18,812	608,537
Public Safety	952,140	0	8,239	0	89,780	1,050,159
Highways and Streets	804,739	0	38,000	589	0	843,328
Culture and Recreation	31,131	0	100	0	168,094	199,325
Community Development	0	111,613	0	0	229,486	341,099
Cemetery	0	0	0	0	800	800
Capital Outlay:						
General Government	5,120	0	1,143	0	0	6,263
Public Safety	19,743	0	4,798	60,348	0	84,889
Highways and Streets	15,303	0	61,079	167,846	0	244,228
Culture and Recreation	2,195	0	2,475	0	0	4,670
Debt Service:						
Principal	0	0	15,000	63,499	0	78,499
Interest	0	0	8,470	13,174	0	21,644
Total Expenditures	<u>2,416,728</u>	<u>111,613</u>	<u>142,672</u>	<u>305,456</u>	<u>506,972</u>	<u>3,483,441</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>590,153</u>	<u>(22,337)</u>	<u>(117,231)</u>	<u>(305,212)</u>	<u>(106,879)</u>	<u>38,494</u>
Other Financing Sources/(Uses):						
Transfers In	0	0	214,928	195,000	109,972	519,900
Transfers Out	<u>(519,900)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(519,900)</u>
Total Other Financing Sources/(Uses)	<u>(519,900)</u>	<u>0</u>	<u>214,928</u>	<u>195,000</u>	<u>109,972</u>	<u>0</u>
Net Change in Fund Balances	70,253	(22,337)	97,697	(110,212)	3,093	38,494
Fund Balances - July 1, 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>
Fund Balances - June 30, 2017	<u>\$ 368,681</u>	<u>\$ 212,653</u>	<u>\$ 570,581</u>	<u>\$ 44,243</u>	<u>\$ 161,855</u>	<u>\$ 1,358,013</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, 2017

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)	\$ 38,494
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$340,050) is allocated over their estimated useful lives and reported as depreciation expense (\$361,628). This is the amount by which depreciation exceeded capital outlays in the current period.	(21,578)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and net gains and losses on disposal of assets) is to increase net position.	44,609
The effect of donations of capital assets is to increase net position. The Town received window restorations with a value of \$24,752.	24,752
The issuance of long-term debt (\$-0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$78,499) 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.	78,499
The issuance of loans receivable (\$110,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$81,604) 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.	28,396
Governmental funds report employer pension contributions as expenditures (\$75,215). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$151,801) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(76,586)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,655)
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.	1,295
Change in net position of governmental activities (Exhibit B)	\$ <u>112,226</u>

The General Fund charges the Water and Sewer Funds for various expenses. These charges totaling \$243,185 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, 2017

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	17,400	27,165	44,565
Due from Other Funds	443,037	598,890	1,041,927
Inventory	5,350	3,391	8,741
Total Current Assets	465,837	629,496	1,095,333
Noncurrent Assets:			
Land	42,246	38,495	80,741
Construction in Progress	345,772	0	345,772
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	16,488	66,289	82,777
Distribution/Collection Systems	3,248,979	5,780,442	9,029,421
Less: Accumulated Depreciation	(660,420)	(4,308,151)	(4,968,571)
Total Noncurrent Assets	3,066,357	1,590,532	4,656,889
Total Assets	3,532,194	2,220,028	5,752,222
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	14,593	14,593
Total Deferred Outflows of Resources	0	14,593	14,593
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	145,591	6,000	151,591
Accrued Payroll and Benefits Payable	0	2,295	2,295
Unearned Revenue	1,495	992	2,487
Accrued Interest Payable	0	870	870
General Obligation Bonds Payable - Current Portion	0	2,300	2,300
Notes Payable - Current Portion	38,080	0	38,080
Total Current Liabilities	185,166	12,457	197,623
Noncurrent Liabilities:			
Compensated Absences Payable	0	4,888	4,888
Net Pension Liability	0	22,957	22,957
General Obligation Bonds Payable - Noncurrent Portion	0	48,300	48,300
Notes Payable - Noncurrent Portion	1,682,668	0	1,682,668
Total Noncurrent Liabilities	1,682,668	76,145	1,758,813
Total Liabilities	1,867,834	88,602	1,956,436
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	728	728
Total Deferred Inflows of Resources	0	728	728
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,345,609	1,539,932	2,885,541
Unrestricted	318,751	605,359	924,110
Total Net Position	\$ 1,664,360	\$ 2,145,291	\$ 3,809,651

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, 2017

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 290,359	\$ 408,036	\$ 698,395
Penalties & Interest	4,605	6,854	11,459
Interfund Charges	0	8,377	8,377
Miscellaneous	0	173	173
	<u>294,964</u>	<u>423,440</u>	<u>718,404</u>
Total Operating Revenues			
Operating Expenses:			
Administrative Salaries	67,001	67,001	134,002
Salaries and Wages	36,278	90,007	126,285
Administrative Charges	12,821	9,314	22,135
Administrative Supplies	2,163	2,701	4,864
Benefits	0	30,944	30,944
Insurances	2,840	15,374	18,214
Town Equipment Charge	9,000	9,000	18,000
Legal/Audit	5,119	5,118	10,237
Communications	1,626	1,286	2,912
Utilities	37,354	48,372	85,726
Maintenance	11,489	37,321	48,810
Chemicals	1,558	24,419	25,977
Depreciation	42,807	148,022	190,829
Other Operating Expenses	6,132	4,378	10,510
	<u>236,188</u>	<u>493,257</u>	<u>729,445</u>
Total Operating Expenses			
Operating Income/(Loss)	<u>58,776</u>	<u>(69,817)</u>	<u>(11,041)</u>
Non-Operating Revenues/(Expenses):			
Investment Income	1,119	1,312	2,431
Grant Income	20,000	0	20,000
Grant Expense	(24,000)	0	(24,000)
Interest Expense	0	(2,096)	(2,096)
Loss on Disposal of Fixed Assets	0	(319)	(319)
	<u>(2,881)</u>	<u>(1,103)</u>	<u>(3,984)</u>
Total Non-Operating Revenues/(Expenses)			
Change in Net Position	55,895	(70,920)	(15,025)
Net Position - July 1, 2016	<u>1,608,465</u>	<u>2,216,211</u>	<u>3,824,676</u>
Net Position - June 30, 2017	<u>\$ 1,664,360</u>	<u>\$ 2,145,291</u>	<u>\$ 3,809,651</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, 2017

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 299,163	\$ 417,976	\$ 717,139
Receipts from Interfund Services	0	8,377	8,377
Payments for Goods and Services	(60,222)	(138,442)	(198,664)
Payments for Interfund Services	(21,821)	(18,314)	(40,135)
Payments for Wages and Benefits	(103,279)	(184,831)	(288,110)
Net Cash Provided by Operating Activities	<u>113,841</u>	<u>84,766</u>	<u>198,607</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	(92,926)	(73,119)	(166,045)
Grants Received	20,000	0	20,000
Grant Expenses Paid	(24,000)	0	(24,000)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(96,926)</u>	<u>(73,119)</u>	<u>(170,045)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(392,878)	(8,524)	(401,402)
Proceeds of Long-term Debt	374,844	0	374,844
Principal Paid on:			
General Obligation Bonds	0	(2,300)	(2,300)
Interest Paid on:			
General Obligation Bonds	0	(2,135)	(2,135)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(18,034)</u>	<u>(12,959)</u>	<u>(30,993)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>1,119</u>	<u>1,312</u>	<u>2,431</u>
Net Cash Provided by Investing Activities	<u>1,119</u>	<u>1,312</u>	<u>2,431</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2016	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2017	<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)	\$ 58,776	\$ (69,817)	\$ (11,041)
Depreciation	42,807	148,022	190,829
(Increase)/Decrease in Receivables	3,882	2,661	6,543
(Increase)/Decrease in Inventory	0	979	979
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(5,813)	(5,813)
Increase/(Decrease) in Accounts Payable	8,059	(452)	7,607
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	(172)	(172)
Increase/(Decrease) in Compensated Absences Payable	0	69	69
Increase/(Decrease) in Net Pension Liability	0	8,542	8,542
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	495	495
Increase/(Decrease) in Unearned Revenue	317	252	569
Net Cash Provided by Operating Activities	<u>\$ 113,841</u>	<u>\$ 84,766</u>	<u>\$ 198,607</u>

Capital asset acquisitions in the amount of \$129,418 in the Water Fund are included in accounts payable at June 30, 2017.
Capital asset acquisitions in the amount of \$160,856 in the Water Fund are included in accounts payable at June 30, 2016.
The Water Fund disposed of capital assets with a cost and accumulated depreciation of \$11,801.
The Sewer Fund disposed of capital assets with a cost of \$29,409 and accumulated depreciation of \$29,090.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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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.

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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.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

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.

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2. Investments

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

3. Receivables

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

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “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. 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. 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 acquisition 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, 2017 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$2,285,388
Deposits held by Investment Company	51,233
Cash on Hand	<u>650</u>
Total Cash	<u>2,337,271</u>
Investments:	
Certificates of Deposit	<u>10,469</u>
Total Cash and Investments	<u>\$2,347,740</u>

The Town has three (3) certificates of deposit at Community Bank ranging from \$1,139 to \$5,161 with an interest rate of 0.40%. All of these certificates of deposit will mature during fiscal year 2018. The Town also has one (1) certificate of deposit at Union Bank in the amount of \$1,346 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>
Insured by FDIC/SIPC	\$ 311,702	\$ 311,702
Uninsured, Uncollateralized	<u>2,035,388</u>	<u>2,113,135</u>
Total	<u>\$2,347,090</u>	<u>\$2,424,837</u>

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

Of the uninsured, uncollateralized cash, \$102,295 could be offset by debt at Union Bank.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,285,388
Cash – Deposits held by Investment Company	51,233
Investments – Certificates of Deposit	<u>10,469</u>
Total	<u>\$2,347,090</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, 2017, 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	\$ 121,716	\$ 0	\$ 121,716
Penalties and Interest	12,172	0	12,172
Billed Services	6,859	44,415	51,274
Unbilled Services	0	650	650
Tax Sale Receivables	11,768	0	11,768
Trailer Lease Receivable	5,767	0	5,767
Grants Receivable	26,786	0	26,786
Miscellaneous	820	0	820
Allowance for Doubtful Accounts - Delinquent Taxes, Penalties and Interest	(18,200)	(500)	(18,700)
	<u>\$ 167,688</u>	<u>\$ 44,565</u>	<u>\$ 212,253</u>

C. Loans Receivable

Loans receivable as of June 30, 2017 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, 13 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 2.25% to 7.25%, Various Due Dates, Secured by Business Assets	<u>370,670</u>
Total	1,783,490
Plus: Accrued Interest on Loans	246,274
Less: Allowance for Doubtful Loans Receivable and Accrued Interest	<u>(1,669,094)</u>
Reported Value at June 30, 2017	\$ <u><u>360,670</u></u>

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

Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2017</u>
\$ <u><u>1,755,094</u></u>	\$ <u><u>110,000</u></u>	\$ <u><u>81,604</u></u>	\$ <u><u>1,783,490</u></u>

Accrued interest on the Hardwick Housing Partnership loan totals \$246,274.

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D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 176,277	\$ 0	\$ 0	\$ 176,277
Construction in Progress	154,454	69,170	36,752	186,872
Total Capital Assets, Not Being Depreciated	<u>330,731</u>	<u>69,170</u>	<u>36,752</u>	<u>363,149</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,560,181	41,220	1,202	1,600,199
Vehicles	2,352,390	332,550	290,149	2,394,791
Machinery and Equipment	334,679	33,465	7,400	360,744
Roads, Bridges and Sidewalks	<u>4,461,789</u>	<u>32,512</u>	<u>14,450</u>	<u>4,479,851</u>
Totals	<u>8,709,039</u>	<u>439,747</u>	<u>313,201</u>	<u>8,835,585</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	415,829	36,308	509	451,628
Vehicles	981,696	139,387	236,986	884,097
Machinery and Equipment	191,731	27,133	6,209	212,655
Roads, Bridges and Sidewalks	<u>976,890</u>	<u>158,800</u>	<u>6,743</u>	<u>1,128,947</u>
Totals	<u>2,566,146</u>	<u>361,628</u>	<u>250,447</u>	<u>2,677,327</u>
Total Capital Assets, Being Depreciated	<u>6,142,893</u>	<u>78,119</u>	<u>62,754</u>	<u>6,158,258</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,473,624</u>	<u>\$ 147,289</u>	<u>\$ 99,506</u>	<u>\$ 6,521,407</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 80,741	\$ 0	\$ 0	\$ 80,741
Construction in Progress	<u>1,648,825</u>	<u>359,779</u>	<u>1,662,832</u>	<u>345,772</u>
Total Capital Assets, Not Being Depreciated	<u>1,729,566</u>	<u>359,779</u>	<u>1,662,832</u>	<u>426,513</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	104,194	10,185	31,602	82,777
Distribution and Collection Systems	<u>7,376,197</u>	<u>1,662,832</u>	<u>9,608</u>	<u>9,029,421</u>
Totals	<u>7,567,140</u>	<u>1,673,017</u>	<u>41,210</u>	<u>9,198,947</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	31,198	3,258	0	34,456
Vehicles, Machinery and Equipment	86,141	4,118	31,282	58,977
Distribution and Collection Systems	<u>4,701,294</u>	<u>183,453</u>	<u>9,609</u>	<u>4,875,138</u>
Totals	<u>4,818,633</u>	<u>190,829</u>	<u>40,891</u>	<u>4,968,571</u>
Total Capital Assets, Being Depreciated	<u>2,748,507</u>	<u>1,482,188</u>	<u>319</u>	<u>4,230,376</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,478,073</u>	<u>\$ 1,841,967</u>	<u>\$ 1,663,151</u>	<u>\$ 4,656,889</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 23,052	Water	\$ 42,807
Public Safety	78,570	Sewer	<u>148,022</u>
Highways and Streets	239,443		
Culture and Recreation	<u>20,563</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
\$ <u>361,628</u>		\$ <u>190,829</u>	

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 1,786,806
Capital Fund	583,406	0
Equipment Replacement Fund	44,243	0
Non-Major Governmental Funds	118,018	788
Water Fund	443,037	0
Sewer Fund	<u>598,890</u>	<u>0</u>
Total	\$ <u>1,787,594</u>	\$ <u>1,787,594</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Fund	\$ 214,928	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>106,972</u>	Annual Appropriation
Total		\$ <u>519,900</u>	

TOWN OF HARDWICK, VERMONT
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F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$12,104 from the difference between the expected and actual experience, \$94,627 from changes in assumptions, \$191,056 from the difference between the projected and actual investment earnings, \$1,166 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 \$75,215 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 \$374,168.

Deferred outflows of resources in the Sewer Fund and Business-type Activities consists of \$473 from the difference between the expected and actual experience, \$3,687 from changes in assumptions, \$7,443 from the difference between the projected and actual investment earnings, \$45 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 \$2,945 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 \$14,593.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$8,300 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$3,764 of prepaid property taxes and \$18,678 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 \$22,442.

Deferred inflows of resources in the General Fund consists of \$29,000 of delinquent property taxes, penalties and interest on those taxes and \$2,858 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 \$3,764 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$35,622.

Deferred inflows of resources in the Revolving Loan Fund consists of \$360,670 of loans receivable as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Capital Fund consists of \$9,942 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Funds consists of \$2,650 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

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Deferred inflows of resources in the Sewer Fund and Business-type Activities consists of \$728 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).

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, 2017 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	\$ 54,837	\$ 0	\$ 27,143	\$ 27,694

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	\$ 84,290	\$ 0	\$ 9,689	\$ 74,601
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	373,333	0	26,667	346,666
Bond Payable, Vermont Municipal Bond Bank, Mackville Road Improvements, Principal Payments of \$15,000 on November 1 Annually, Various Interest Rates Ranging from .83% to 4.16% Payable Semi-Annually on November 1 and May 1, Due November, 2035	<u>300,000</u>	<u>0</u>	<u>15,000</u>	<u>285,000</u>
Total Governmental Activities	<u>\$812,460</u>	<u>\$ 0</u>	<u>\$ 78,499</u>	<u>\$733,961</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 \$33,080 Beginning June 1, 2018, Interest at -3.0%, Due June, 2047. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest	\$1,330,567	\$ 316,533	\$ 0	\$1,647,100
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Church Street Waterline Upgrade, Authorized to \$25,000, Annual Principal Payments of \$5,000 Beginning on February 1, 2018, Interest at 0%, Due February, 2022	15,337	8,700	0	24,037

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Church Street Project, Authorized to \$675,000 Annual Principal Payments of \$13,557 Beginning September 1, 2019, Interest at -3.0%, Due September, 2048. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest	\$ 0	\$ 49,611	\$ 0	\$ 49,611
Sewer Bond Payable, U.S. Department of Agriculture, Mill Street Project, Principal Payments of \$2,300 Payable August 1 Annually, Interest at 4.125% Payable February 1 and August 1, Due August, 2038	<u>52,900</u>	<u>0</u>	<u>2,300</u>	<u>50,600</u>
Total Business-type Activities	<u>\$1,398,804</u>	<u>\$ 374,844</u>	<u>\$ 2,300</u>	<u>\$1,771,348</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 673,333	\$ 0	\$ 41,667	\$ 631,666	\$ 41,666
Notes Payable	139,127	0	36,832	102,295	37,612
Compensated Absences	43,347	0	809	42,538	0
Net Pension Liability	<u>386,007</u>	<u>203,217</u>	<u>0</u>	<u>589,224</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 1,241,814</u>	<u>\$ 203,217</u>	<u>\$ 79,308</u>	<u>\$ 1,365,723</u>	<u>\$ 79,278</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 52,900	\$ 0	\$ 2,300	\$ 50,600	\$ 2,300
Notes Payable	1,345,904	374,844	0	1,720,748	38,080
Compensated Absences	4,819	69	0	4,888	0
Net Pension Liability	<u>14,415</u>	<u>8,542</u>	<u>0</u>	<u>22,957</u>	<u>0</u>
Total Business-type Activities					
Long-term Liabilities	<u>\$ 1,418,038</u>	<u>\$ 383,455</u>	<u>\$ 2,300</u>	<u>\$ 1,799,193</u>	<u>\$ 40,380</u>

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 79,278	\$ 20,365	\$ 40,380	\$ 2,087
2019	51,823	18,924	40,381	1,992
2020	52,063	17,962	53,937	1,898
2021	52,318	16,850	49,863	1,803
2022	52,572	15,614	39,417	1,708
2023-2027	230,907	56,903	176,902	7,115
2028-2032	155,000	23,370	176,902	4,745
2033-2037	60,000	4,936	176,902	2,372
2038-2042	0	0	170,002	285
2043-2047	0	0	165,404	0
Principal to be Forgiven (To Be Converted to Grant)	<u>0</u>	<u>0</u>	<u>681,258</u>	<u>0</u>
Total	<u>\$ 733,961</u>	<u>\$ 174,924</u>	<u>\$ 1,771,348</u>	<u>\$ 24,005</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
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Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 20,549
Nonspendable Inventory	<u>25,496</u>
Total General Fund	<u>46,045</u>

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	<u>8,861</u>
Total Nonspendable Fund Balances	\$ <u>54,906</u>

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>212,653</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations)	<u>6,790</u>
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Capital Project Fund:	
Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations)	\$ <u>27,322</u>
Permanent Fund:	
Restricted for Cemetery Fund by Donations – Expendable Portion (Source of Revenue is Donations)	<u>52,930</u>
Total Non-Major Funds	<u>87,042</u>
Total Restricted Fund Balances	<u>\$299,695</u>

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

Major Funds

Capital Fund:	
Committed for Capital Expenditures by the Voters	\$570,581
Equipment Replacement Fund:	
Committed for Equipment Replacement Expenditures by the Voters	44,243

Non-Major Funds

Special Revenue Fund:	
Committed for Jeudevine Memorial Library Expenses by the Voters	<u>7,581</u>
Total Committed Fund Balances	<u>\$622,405</u>

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

Non-Major Funds

Special Revenue Fund:	
Assigned for Reappraisal Expenses	\$ <u>61,021</u>
Total Assigned Fund Balances	<u>\$ 61,021</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2017 consisted of the following:

Governmental Activities:

Restricted for Fire Department Expenses by Donations	\$ 6,790
Restricted for Jeudevine Building Expenditures by Donations	27,322
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	52,930
Restricted for Community Development by Grant Agreements	<u>573,323</u>
 Total Governmental Activities	 <u>\$669,226</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2017 consisted of the following:

Water Fund:

Designated for Well Replacement	\$ 68,861
Designated for Water Capital Projects	149,491
Designated for Water Operations	<u>100,399</u>

Total Water Fund 318,751

Sewer Fund:

Designated for Sewer Capital Projects	556,236
Designated for Sewer Operations	<u>49,123</u>

Total Sewer Fund 605,359

Total Business-type Activities \$924,110

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	\$ 63,636	\$ 81,309	\$ 494,924
Interest Earnings	225	753	1,298
Transfer In From Water Operations	5,000	79,000	0
Transfer In From Sewer Operations	0	0	84,500
Proceeds from Long-term Debt	0	374,844	0
Capital Purchases/Expenses	<u>0</u>	<u>(386,415)</u>	<u>(24,486)</u>
Ending Balance	<u>\$ 68,861</u>	<u>\$ 149,491</u>	<u>\$ 556,236</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

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, 2017, the retirement system consisted of 441 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 Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 0.4757% resulting in a net pension liability of \$612,181. The net pension liability was measured as of June 30, 2016, 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 municipalities, actuarially determined. As of June 30, 2016, the Town's proportion of 0.4757% was a decrease of 0.00437 from its proportion measured as of June 30, 2015.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

For the year ended June 30, 2017, the Town recognized pension expense of \$157,970.

As of June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 12,577	\$ 0
Changes in assumptions	98,314	0
Difference between projected and actual investment earnings	198,499	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,211	19,406
Town's required employer contributions made subsequent to the measurement date	<u>78,160</u>	<u>0</u>
	\$ <u>388,761</u>	\$ <u>19,406</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$78,160 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2018	\$ 74,695
2019	74,695
2020	107,556
2021	<u>34,249</u>
Total	<u>\$291,195</u>

Summary of System Provisions

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Creditable Service – Service as a member plus purchased service.

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 (3) 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, 2017

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 the 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 of 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%. Group D – 11.35%.

Employer Contributions – Group B – 5.50%. Group D – 9.85%.

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

Significant Actuarial Assumptions and Methods

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

Deaths: Group B – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment. Group D – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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 members of Groups B and D.

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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% 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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%.

Discount Rate - The discount rate used to measure the total pension liability was 7.95%. 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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>
\$1,016,282	\$612,181	\$273,830

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.

The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.6327	.6327
Highway	.5159	.5159
Local Agreement	.0096	.0096
Education	<u>1.6461</u>	<u>1.5671</u>
Total	<u>2.8043</u>	<u>2.7253</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. The Town received distributions in the amounts of \$25,024 and \$2,243 during fiscal years 2016 and 2017, respectively. The balance of the Endowment Fund at June 30, 2017 is \$44,704.

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.

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 was \$29,596.

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,086,799	\$ 2,091,277	\$ 4,478
School Tax Administration Fee	5,500	5,580	80
PILOT	85,000	75,300	(9,700)
Current Use	100,000	107,914	7,914
Delinquent Late Charges	26,500	31,212	4,712
Trailer Lease Revenue	0	604	604
Zoning Permits	2,500	3,065	565
Licenses and Fees	2,600	2,802	202
Recording Fees	18,500	17,468	(1,032)
Dog License	4,000	3,150	(850)
DMV Fees	750	645	(105)
State Aid to Highways	143,500	143,229	(271)
Copier Fees	5,500	4,916	(584)
Greensboro Police Contract	202,869	204,168	1,299
Police Fines and Miscellaneous Revenues	10,000	8,175	(1,825)
PD Outside Services Revenues	1,500	2,090	590
Investment Income	350	971	621
Water and Sewer Charges	243,186	243,185	(1)
Lister Education Grant	400	270	(130)
Efficiency Vermont Reimbursement	0	3,650	3,650
Fireworks Donations	0	1,495	1,495
Police Department - Vest Grant	700	414	(286)
Greenup Day Grant	500	350	(150)
SIU Revenue	24,000	24,000	0
Government Highway Revenue	15,000	24,544	9,544
Sale of Equipment	0	859	859
Room Rent	0	100	100
VLCT Grant	0	5,419	5,419
Miscellaneous	750	29	(721)
Total Revenues	2,980,404	3,006,881	26,477
Expenditures:			
Office Expenditures:			
Town Manager - Salary	73,463	73,748	(285)
Payroll Administrator - Salary	50,754	37,647	13,107
Town Clerk - Salary	44,990	45,163	(173)
Town Clerk Aides - Salary	27,145	27,370	(225)
Business Manager - Salary	41,584	43,890	(2,306)
Social Security	18,202	16,690	1,512
Retirement	13,086	12,530	556
Worker's Compensation	1,120	945	175
Unemployment Insurance	523	493	30
VLCT/PACIF	4,899	4,811	88
Health/Dental/Life/Disability Insurances	65,257	55,918	9,339
Town Manager's Office Supplies	3,750	3,164	586

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Office Expenditures/(Cont'd):			
Town Clerk's Office Supplies	\$ 3,500	\$ 3,771	\$ (271)
Town Report	2,000	1,601	399
Conferences/Dues	1,300	1,943	(643)
Tax Billing/Collection Expense	1,500	906	594
Telephone	2,300	1,772	528
Advertising	1,100	999	101
Copier	500	740	(240)
Election Expense	2,850	1,766	1,084
Computer Services	1,500	1,490	10
Website Maintenance	150	60	90
Equipment Purchases	2,500	3,180	(680)
Lister Supplies	3,500	1,461	2,039
Health Officer Supplies	50	40	10
Education/Training	200	0	200
Zoning	1,750	8,535	(6,785)
VLCT Grant Expense	0	1,171	(1,171)
Total Office Expenditures	369,473	351,804	17,669
Payroll (Other):			
Listers	7,500	9,307	(1,807)
Zoning Administrator	19,978	19,950	28
Zoning and Planning Board	3,500	2,650	850
Board of Civil Authority	250	69	181
Moderator	50	50	0
Selectboard	5,000	5,000	0
Social Security	3,404	3,076	328
Public Officers Liability	8,535	8,868	(333)
Election Officials	1,900	1,340	560
Energy Coordinator	50	50	0
Website Coordinator	600	600	0
Solid Waste Representative	500	500	0
TEC Conferences	250	95	155
Part-Time Labor	4,475	2,988	1,487
Town Service Officer	100	100	0
Health Officer	600	600	0
Total Payroll (Other)	56,692	55,243	1,449
Memorial Building:			
Custodian	8,409	8,193	216
Social Security	643	627	16
Operating Supplies	3,000	1,726	1,274
Repairs/Maintenance to Building	3,000	5,200	(2,200)
Utilities	5,750	5,726	24
Fuel Oil	15,250	7,310	7,940
VLCT/PACIF	6,697	6,646	51
Town House Repair	828	643	185

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Memorial Building/(Cont'd):			
Town House - PACIF	\$ 3,651	\$ 3,622	\$ 29
Electric	500	275	225
Generator	500	851	(351)
Elevator	2,000	1,259	741
Depot -PACIF	691	664	27
Senior Center Building Insurance	345	343	2
Total Memorial Building	51,264	43,085	8,179
Public Safety Building:			
VLCT	6,874	6,818	56
Operating Supplies	1,000	496	504
Maintenance to Building	3,000	2,773	227
Utilities	2,300	2,398	(98)
Fuel	7,450	3,636	3,814
Custodial Salary	3,894	4,189	(295)
Social Security	298	321	(23)
Total Public Safety Building	24,816	20,631	4,185
Police Department:			
Base Payroll	418,615	407,808	10,807
Overtime	56,909	53,633	3,276
Special Officers	12,000	4,740	7,260
SIU Salary	1,500	2,383	(883)
Social Security	37,296	35,250	2,046
Retirement	44,881	44,934	(53)
Worker's Compensation	27,626	28,241	(615)
Unemployment Insurance	887	874	13
VLCT/PACIF	52,733	53,276	(543)
Health/Dental/Life and Disability Insurances	106,599	112,542	(5,943)
Governor Highway Ticket	2,500	4,731	(2,231)
Governor Highway DUI	2,500	2,982	(482)
K-9 Expense	1,000	1,332	(332)
Operating Supplies	6,500	6,837	(337)
Memberships	400	200	200
Training	5,000	2,707	2,293
Internet Communication	5,000	4,201	799
Dispatch Services	31,607	31,607	0
Telephone	4,500	4,206	294
Cruiser Repairs and Maintenance	6,500	7,838	(1,338)
Advertising	250	178	72
Radio Service	1,000	1,081	(81)
Investigation Expense	1,500	763	737
Uniforms - Cleaning	800	824	(24)
Uniforms - Purchases	4,250	2,702	1,548
Vest Grant Expense	1,375	1,556	(181)

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Equipment Grant Expense	\$ 5,000	\$ 13,914	\$ (8,914)
Fuel	19,000	13,183	5,817
Tires	2,600	3,379	(779)
Education	500	0	500
Equipment	4,000	5,459	(1,459)
SIU Expense	0	675	(675)
Legal Expense	0	184	(184)
VLCT Grant	0	1,192	(1,192)
Total Police Department	864,828	855,412	9,416
Fire Department:			
Labor	16,000	8,800	7,200
Social Security	1,224	660	564
Worker's Compensation	3,998	3,853	145
Liability Insurance	8,935	8,871	64
VLCT/PACIF	6,091	6,040	51
Operating Supplies	2,500	1,054	1,446
Telephone	1,000	1,047	(47)
Gasoline	100	55	45
Utilities	2,900	2,678	222
Fuel Oil	10,000	4,812	5,188
Diesel	2,000	638	1,362
Dispatch Services	13,546	13,546	0
Equipment Purchases	500	1,124	(624)
Repairs and Maintenance to Fire Station	2,000	613	1,387
Equipment Repairs	4,000	4,679	(679)
Training	1,000	124	876
VLCT Grant	0	7,996	(7,996)
Total Fire Department	75,794	66,590	9,204
Highway/Garage/Equipment:			
Salaries	229,918	233,385	(3,467)
Part-time Salaries	21,185	16,389	4,796
Overtime	35,000	22,326	12,674
Sewer Operator	4,870	4,870	0
Social Security	21,887	19,674	2,213
Retirement	14,570	14,105	465
Worker's Compensation	26,183	24,006	2,177
Unemployment Insurance	596	593	3
VLCT/PACIF	29,671	28,272	1,399
Health/Dental/Life and Disability Insurances	84,030	88,194	(4,164)
Summer Gravel	30,000	34,580	(4,580)
Chloride	12,500	19,083	(6,583)
Sidewalk Plowing	0	599	(599)
Mowing Contract	6,500	6,000	500

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Summer Paving	\$ 4,000	\$ 3,259	\$ 741
Downtown Improvement	1,200	792	408
Street Sweeping	4,500	3,500	1,000
Winter Sand	26,000	24,113	1,887
Winter Salt	72,000	97,449	(25,449)
Operating Supplies	15,000	20,256	(5,256)
Telephone	900	956	(56)
Low Band Radio	1,050	1,042	8
Culverts	3,000	3,051	(51)
Uniforms	3,500	3,933	(433)
Sidewalk/Line Painting	1,100	1,110	(10)
Radio Service	300	394	(94)
Streetscape	1,200	892	308
Storm Drainage	2,000	2,394	(394)
Safety/Training	2,500	1,492	1,008
Building Repairs	1,200	493	707
Equipment Repairs	32,000	30,874	1,126
Equipment Maintenance Expense	30,000	32,373	(2,373)
Fuel	4,500	2,319	2,181
Diesel Fuel	55,000	36,021	18,979
Utilities	5,250	4,078	1,172
Fuel Oil	0	117	(117)
Total Highway/Garage/Equipment	783,110	782,984	126
Appropriations:			
Restorative Justice	3,000	3,000	0
C.H.H.C.A., Inc.	2,600	2,600	0
Northeast Kingdom Arts Council	3,161	3,161	0
A.W.A.R.E.	3,500	3,500	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	1,900	1,900	0
NEKARTS	2,500	2,500	0
Greensboro Nursing	4,500	4,500	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	42,361	42,361	0
Rescue Squad Pro-Rated Share:	22,285	22,285	0
County Tax:	23,000	22,564	436

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses:			
Auditing	\$ 12,500	\$ 10,237	\$ 2,263
Dog Control	3,750	3,397	353
Dog Warden Social Security	0	214	(214)
Professional Services	7,000	4,069	2,931
NVDA	2,258	2,258	0
VLCT	4,261	4,261	0
Jeudevine Memorial Library	106,972	106,972	0
Memorial Day	1,000	494	506
Caspian Lake	2,450	2,450	0
Cemeteries	15,000	18,019	(3,019)
Solid Waste District	5,942	2,956	2,986
Streetlights	35,000	37,058	(2,058)
Employment Practices Insurance	12,721	13,628	(907)
Fireworks	3,000	4,495	(1,495)
Tax Mapping	3,500	5,450	(1,950)
Memorial Park Electricity	200	268	(68)
Hazard Mitigation Fund	7,500	7,086	414
Insurance Deductibles	1,500	1,000	500
VLCT Community Crime Insurance	3,365	3,354	11
Town Service Office Expense	500	196	304
Tax Sale Expense	0	10,260	(10,260)
Transfer to Equipment Replacement Fund	195,000	195,000	0
Transfer to Capital Fund	213,000	213,000	0
Total Other Expenses	636,419	646,122	(9,703)
Recreation Department:			
Recreation Coordinator Salary	8,320	1,963	6,357
Social Security	636	122	514
Worker's Compensation	36	581	(545)
Liability Insurance	51	0	51
VLCT/PACIF	490	335	155
Youth Programs	8,000	9,030	(1,030)
Halloween	250	141	109
Green-Up Day	1,200	706	494
Senior Trotters	600	600	0
Supplies and Advertising	250	293	(43)
Skating Rink	1,500	2,278	(778)
Calendar/Website	600	346	254
Maintenance	0	40	(40)
Training	0	298	(298)
Total Recreation Department	21,933	16,733	5,200

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Trails Department:			
Worker's Compensation	\$ 142	\$ 137	\$ 5
Unemployment Insurance	51	41	10
VLCT/PACIF	664	659	5
Salaries	2,900	1,632	1,268
Social Security	222	125	97
Programs and Activities	1,000	1,086	(86)
Advertising	400	520	(120)
Equipment Repair	2,000	584	1,416
Repair and Construction	450	268	182
Gas, Oil, Diesel	600	220	380
Transfer to Capital Fund	0	1,928	(1,928)
Total Trails Department	8,429	7,200	1,229
Total Expenditures	2,980,404	2,933,014	47,390
Excess of Revenues Over Expenditures	\$ 0	73,867	\$ 73,867
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Expenses		(3,614)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		\$ 70,253	

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, 2017

	2017	2016	2015
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.4757%	0.5194%	0.5411%
Town's Proportionate Share of the Net Pension Liability	\$ 612,181	\$ 400,422	\$ 49,382
Town's Covered Employee Payroll	\$ 1,083,924	\$ 991,431	\$ 1,023,717
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	56.4782%	40.3883%	4.8238%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
VMERS DEFINED BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 78,160	\$ 72,296	\$ 72,602
Contributions in Relation to the Actuarially Determined Contributions	<u>78,160</u>	<u>72,296</u>	<u>72,602</u>
Contribution Excess/(Deficiency)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Town's Covered Employee Payroll	\$ 1,083,924	\$ 991,431	\$ 1,023,717
Contributions as a Percentage of Town's Covered Employee Payroll	7.211%	7.292%	7.092%

Notes to Schedule

Valuation Date: June 30, 2016

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

TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Project Fund Jeudevine Building Fund	Permanent Fund Cemetery Fund	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 51,233	\$ 51,233
Investments	0	0	10,469	10,469
Receivables (Net of Allowance for Uncollectibles)	8,956	0	0	8,956
Due from Other Funds	<u>90,270</u>	<u>27,659</u>	<u>89</u>	<u>118,018</u>
Total Assets	\$ <u>99,226</u>	\$ <u>27,659</u>	\$ <u>61,791</u>	\$ <u>188,676</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 9,559	\$ 337	\$ 0	\$ 9,896
Accrued Payroll and Benefits Payable	5,187	0	0	5,187
Due to Other Funds	788	0	0	788
Unearned Revenue	<u>8,300</u>	<u>0</u>	<u>0</u>	<u>8,300</u>
Total Liabilities	<u>23,834</u>	<u>337</u>	<u>0</u>	<u>24,171</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>2,650</u>	<u>0</u>	<u>0</u>	<u>2,650</u>
Total Deferred Inflows of Resources	<u>2,650</u>	<u>0</u>	<u>0</u>	<u>2,650</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	8,861	8,861
Restricted	6,790	27,322	52,930	87,042
Committed	7,581	0	0	7,581
Assigned	61,021	0	0	61,021
Unassigned/(Deficit)	<u>(2,650)</u>	<u>0</u>	<u>0</u>	<u>(2,650)</u>
Total Fund Balances	<u>72,742</u>	<u>27,322</u>	<u>61,791</u>	<u>161,855</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>99,226</u>	\$ <u>27,659</u>	\$ <u>61,791</u>	\$ <u>188,676</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, 2017

	Special Revenue Funds	Capital Project Fund <u>Jeudevine Building Fund</u>	Permanent Fund <u>Cemetery Fund</u>	Total
Revenues:				
Intergovernmental	\$ 331,921	\$ 3,500	\$ 0	\$ 335,421
Investment Income	195	2,350	28	2,573
Donations	2,586	1,739	52,120	56,445
Other	<u>5,654</u>	<u>0</u>	<u>0</u>	<u>5,654</u>
Total Revenues	<u>340,356</u>	<u>7,589</u>	<u>52,148</u>	<u>400,093</u>
Expenditures:				
General Government	18,812	0	0	18,812
Public Safety	89,780	0	0	89,780
Culture and Recreation	114,166	53,928	0	168,094
Community Development	229,486	0	0	229,486
Cemetery	<u>0</u>	<u>0</u>	<u>800</u>	<u>800</u>
Total Expenditures	<u>452,244</u>	<u>53,928</u>	<u>800</u>	<u>506,972</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(111,888)</u>	<u>(46,339)</u>	<u>51,348</u>	<u>(106,879)</u>
Other Financing Sources:				
Transfers In	<u>109,972</u>	<u>0</u>	<u>0</u>	<u>109,972</u>
Total Other Financing Sources	<u>109,972</u>	<u>0</u>	<u>0</u>	<u>109,972</u>
Net Change in Fund Balances	(1,916)	(46,339)	51,348	3,093
Fund Balances - July 1, 2016	<u>74,658</u>	<u>73,661</u>	<u>10,443</u>	<u>158,762</u>
Fund Balances - June 30, 2017	<u>\$ 72,742</u>	<u>\$ 27,322</u>	<u>\$ 61,791</u>	<u>\$ 161,855</u>

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TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	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)	\$ 8,956	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,956
Due from Other Funds	<u>0</u>	<u>61,021</u>	<u>10,631</u>	<u>6,790</u>	<u>11,828</u>	<u>90,270</u>
Total Assets	<u>\$ 8,956</u>	<u>\$ 61,021</u>	<u>\$ 10,631</u>	<u>\$ 6,790</u>	<u>\$ 11,828</u>	<u>\$ 99,226</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 8,168	\$ 0	\$ 40	\$ 0	\$ 1,351	\$ 9,559
Accrued Payroll and Benefits Payable	0	0	2,291	0	2,896	5,187
Due to Other Funds	788	0	0	0	0	788
Unearned Revenue	<u>0</u>	<u>0</u>	<u>8,300</u>	<u>0</u>	<u>0</u>	<u>8,300</u>
Total Liabilities	<u>8,956</u>	<u>0</u>	<u>10,631</u>	<u>0</u>	<u>4,247</u>	<u>23,834</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Grants	<u>2,650</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,650</u>
Total Deferred Inflows of Resources	<u>2,650</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,650</u>
<u>FUND BALANCES</u>						
Restricted	0	0	0	6,790	0	6,790
Committed	0	0	0	0	7,581	7,581
Assigned	0	61,021	0	0	0	61,021
Unassigned/(Deficit)	<u>(2,650)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,650)</u>
Total Fund Balances/(Deficit)	<u>(2,650)</u>	<u>61,021</u>	<u>0</u>	<u>6,790</u>	<u>7,581</u>	<u>72,742</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,956</u>	<u>\$ 61,021</u>	<u>\$ 10,631</u>	<u>\$ 6,790</u>	<u>\$ 11,828</u>	<u>\$ 99,226</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, 2017

	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
Revenues:						
Intergovernmental	\$ 256,048	\$ 14,602	\$ 58,749	\$ 0	\$ 2,522	\$ 331,921
Investment Income	0	131	0	17	47	195
Donations	0	0	325	550	1,711	2,586
Other	0	0	2,021	0	3,633	5,654
Total Revenues	<u>256,048</u>	<u>14,733</u>	<u>61,095</u>	<u>567</u>	<u>7,913</u>	<u>340,356</u>
Expenditures:						
General Government	4,212	14,600	0	0	0	18,812
Public Safety	25,000	0	64,095	685	0	89,780
Culture and Recreation	0	0	0	0	114,166	114,166
Community Development	<u>229,486</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>229,486</u>
Total Expenditures	<u>258,698</u>	<u>14,600</u>	<u>64,095</u>	<u>685</u>	<u>114,166</u>	<u>452,244</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(2,650)</u>	<u>133</u>	<u>(3,000)</u>	<u>(118)</u>	<u>(106,253)</u>	<u>(111,888)</u>
Other Financing Sources:						
Transfers In	0	0	3,000	0	106,972	109,972
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>106,972</u>	<u>109,972</u>
Net Change in Fund Balances	(2,650)	133	0	(118)	719	(1,916)
Fund Balances - July 1, 2016	<u>0</u>	<u>60,888</u>	<u>0</u>	<u>6,908</u>	<u>6,862</u>	<u>74,658</u>
Fund Balances/(Deficit) - June 30, 2017	<u>\$ (2,650)</u>	<u>\$ 61,021</u>	<u>\$ 0</u>	<u>\$ 6,790</u>	<u>\$ 7,581</u>	<u>\$ 72,742</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 SCHEDULE OF REVENUES AND EXPENSES
 BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
 WATER FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Rents	\$ 283,309	\$ 290,359	\$ 7,050
Penalties & Interest	4,500	4,605	105
Investment Income	150	141	(9)
Total Revenues	287,959	295,105	7,146
Expenses:			
Administration Salaries	67,001	67,001	0
Public Works Salaries	36,278	36,278	0
Administrative Charge	9,314	9,314	0
Administrative Supplies	2,200	2,163	37
Transfer to Sewer Fund	3,507	3,507	0
VLCT/PACIF	2,959	2,840	119
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,900	5,119	781
Communications	650	1,626	(976)
Professional Services	500	300	200
Training and Safety	700	1,060	(360)
Utilities	45,000	36,929	8,071
Line Maintenance	8,000	8,547	(547)
Reservoir Maintenance	500	0	500
Pumphouse Maintenance	2,500	506	1,994
Generator - Wolcott Street	850	0	850
Hydrants	1,500	0	1,500
Water Testing	1,150	920	230
Chlorination	200	638	(438)
Permit Fees	5,500	4,772	728
Minor Repair & Maintenance	750	1,461	(711)
Gasoline	0	425	(425)
Capital Fund Transfer	84,000	84,000	0
Total Expenses	287,959	276,406	11,553
Net Income	\$ <u>0</u>	18,699	\$ <u>18,699</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(42,807)	
Well Replacement Account Transfer In		5,000	
Capital Account Transfer In		79,000	
Well Replacement Account Investment Income		225	
Capital Account Investment Income		753	
Water Asset Management Grant		20,000	
Capital Account Expenses		(24,975)	
Change in Net Position - Exhibit G		\$ <u>55,895</u>	

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Charges	\$ 401,717	\$ 408,036	\$ 6,319
Penalties & Interest	6,500	6,854	354
Investment Income	25	14	(11)
Interfund Charges	8,377	8,377	0
Miscellaneous	0	173	173
Total Revenues	416,619	423,454	6,835
Expenses:			
Administration Salaries	67,001	67,001	0
Public Works Salaries	45,989	45,904	85
Public Works Overtime	7,000	5,149	1,851
Salaries - Sewer Fund	36,228	36,278	(50)
Assistant Sewer Operator Salary	2,709	2,676	33
Administrative Charge	9,314	9,314	0
Administrative Supplies	2,500	2,701	(201)
Health Insurance	19,200	18,907	293
Dental Insurance	1,202	1,184	18
Vision Insurance	130	129	1
Life Insurance	240	238	2
Social Security	4,261	3,579	682
Retirement	2,914	6,169	(3,255)
VLCT/PACIF	12,116	11,905	211
Worker's Compensation	3,140	3,366	(226)
Insurance Deductible	500	0	500
Unemployment Insurance	125	103	22
Town Equipment Charge	9,000	9,000	0
Legal/Audit	6,000	5,118	882
Communications	1,250	1,286	(36)
Uniforms	550	738	(188)
Professional Services	250	300	(50)
Training	250	605	(355)
Safety	800	1,294	(494)
Utilities - Plant	32,000	37,560	(5,560)
Utilities - Lift Station	5,000	2,709	2,291
Fuel Oil	6,000	3,488	2,512
Alarms	650	801	(151)
Water Charge	3,500	3,330	170
Lab Operations	6,500	5,644	856
Lift Station Maintenance	1,000	1,675	(675)
Plant Operations	6,000	4,482	1,518
Sewer Line Cleaning	5,000	5,259	(259)
Sewer Line Maintenance	5,000	3,356	1,644
Grit Disposal	1,000	966	34
Process Chemicals	22,000	24,419	(2,419)
Licenses & Fees	1,200	1,213	(13)
Equipment Maintenance	0	945	(945)

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenses/(Cont'd):			
Gasoline/Diesel	\$ 0	\$ 484	\$ (484)
Mill Street Bond and Interest	4,600	4,396	204
Capital Fund Transfer	<u>84,500</u>	<u>84,500</u>	<u>0</u>
Total Expenses	<u>416,619</u>	<u>418,171</u>	<u>(1,552)</u>
Net Income	\$ <u>0</u>	5,283	\$ <u>5,283</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(148,022)	
Principal Payments on Bonds Payable		2,300	
Loss on Disposal of Fixed Assets		(319)	
Capital Fund Transfer In		84,500	
Capital Fund Investment Income		1,298	
Capital Fund Expenses		<u>(15,960)</u>	
Change in Net Position - Exhibit G		\$ <u>(70,920)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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VT Lic. #92-000180

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

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, 2017, 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 February 8, 2018. 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 2017-01, 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 February 8, 2018.

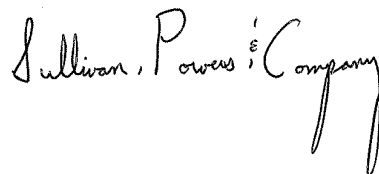
Town of Hardwick, Vermont's Response to Finding

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.

February 8, 2018
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

2017-01 Controls Over Accounts Payable

Criteria:

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

Condition:

There were insufficient controls in place to ensure that all accounts payable were recorded in the proper fiscal year. As a result, adjustments were required in order to record accounts payable for construction in progress and inventory.

Cause:

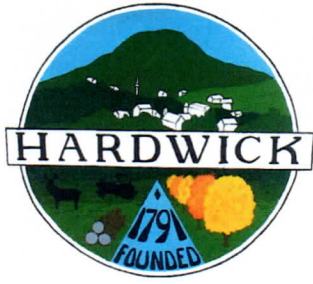
Unknown.

Effect:

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

Recommendation:

We recommend that the Town implement controls to ensure they review their end of the year invoices in order to properly record all accounts payable.



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

December 15, 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:

2017-01 Controls over Accounts Payable

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