

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2011

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

Selectboard
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P.O. Box 523
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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, 2011, which collectively comprise the Town of Hardwick, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Hardwick, Vermont's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, because of the omission of the Electric Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the business-type activities and the Electric Fund of the Town of Hardwick, Vermont as of June 30, 2011 or the changes in financial position and cash flows thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above 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 Grant Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

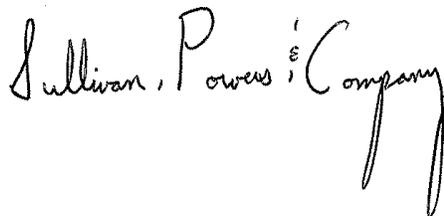
As described in Note IV.H. to the financial statements, the Town of Hardwick, Vermont adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

The Management's Discussion and Analysis and the Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) for the General Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Town of Hardwick, Vermont's basic financial statements. The combining non-major fund schedules 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 express no opinion on them.

In accordance with "Government Auditing Standards", we have also issued our report dated January 31, 2012 on our consideration of the Town of Hardwick, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 conducted in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

January 31, 2012
Montpelier, Vermont
Vt Lic. #92-000180

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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 this Town Report independent of this discussion.

Financial Highlights

Government-Wide (Exhibit A)

- In Exhibit A, the Town's Total assets exceeded liabilities on June 30, 2011 by \$9,673,259 (net assets). This is an increase of \$424,454 over the previous year.
- In Exhibit A, Governmental Activities net assets of \$5,893,649 represents an increase of \$494,940 over last year.
- In Exhibit A, \$3,779,610 of net assets represents water and sewer fund activities (business funds). This demonstrates a decrease of \$70,486 from last year.
- In Exhibit A, \$927,601 of governmental activities net assets, an increase of \$98,761 from 6/30/10, are unrestricted and may be used for future obligations. Some of these include funding for projects related to paving, bridges, sidewalks, rebuilding back roads and new Town facilities.
- In Exhibit A, Business-type Activities, Unrestricted Net Assets of \$697,760, demonstrates an increase of \$50,550 from 6/30/10 numbers, and are unrestricted net assets and may be used to meet the Town's future water and sewer obligations. These include further improvements to the treatment plant, water and sewer main line upgrades and a new reservoir.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

- In Exhibit D, the fund balances of governmental funds increased by \$106,812 in fiscal FY 11. The increase can be primarily attributed to increasing reserves in the capital funds for future investments in essential infrastructure and equipment.
- In Exhibit D, the General Fund balance increased by \$22,022 from 6/30/10. The General Fund balance at the end of FY 11 was \$181,222.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$201,711 on June 30, 2011, which is a decrease of \$17,334 from 6/30/10. This is money that is available for future loans to promote economic development in Hardwick. The Town had 16 active small business loans on June 30, 2011. The total amount of outstanding principal for these loans was \$324,953.
- In Exhibit D, the Capital Fund balance increased by \$19,148 in fiscal 2011. The total amount in this fund at year end was \$527,539 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 asset balance of \$1,178,631, which represented an increase of \$31,929. \$855,101 or 72% represents the Town's investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$276,955, which was an increase of \$58,159. A total of \$323,530 is unrestricted and available for operations (\$48,345) and future capital expenditures (\$275,185).
- The Sewer Fund ended the fiscal year with a net asset balance of \$2,600,979, a decrease of \$102,415. \$2,226,749 or 85% represents the Town's investment in capital assets. This decrease was primarily the result of depreciation of our capital investment in the plant distribution and collection systems. The cash balance at year end was \$349,906 which was an increase of \$8,261, of which a total amount of \$374,230 is available for future capital \$(350,235) and operating expenses (\$23,995).

Overview of the Town's Financial Statements

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

The government-wide financial statements can be found in Exhibits A and B of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has three types of funds: governmental funds, proprietary funds and fiduciary funds. The proprietary funds of the Town are Enterprise Funds (business activities). These cover our water and sewer departments. Fund financial statements can be found in Exhibits C through J of this report.

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY2010	FY 2011	FY2010
Current and Other Assets	\$ 1,627,366	\$ 1,527,051	\$ 708,751	\$ 656,355	\$ 2,336,117	\$ 2,183,406
Capital Assets	<u>4,665,142</u>	<u>4,326,762</u>	<u>3,246,211</u>	<u>3,384,325</u>	<u>7,911,353</u>	<u>7,711,087</u>
Total Assets	<u>6,292,508</u>	<u>5,853,813</u>	<u>3,954,962</u>	<u>4,040,680</u>	<u>10,247,470</u>	<u>9,894,493</u>
Current Liabilities	74,734	103,117	6,299	8,654	81,033	111,771
Long-Term Liabilities	<u>324,125</u>	<u>351,987</u>	<u>169,053</u>	<u>181,930</u>	<u>493,178</u>	<u>533,917</u>
Total Liabilities	<u>398,859</u>	<u>455,104</u>	<u>175,352</u>	<u>190,584</u>	<u>574,211</u>	<u>645,688</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	4,392,158	4,013,446	3,081,850	3,202,886	7,474,008	7,216,332
Restricted	573,890	556,423	0	0	573,890	556,423
Unrestricted	<u>927,601</u>	<u>828,840</u>	<u>697,760</u>	<u>647,210</u>	<u>1,625,361</u>	<u>1,476,050</u>
Total Net Assets	<u>\$ 5,893,649</u>	<u>\$ 5,398,709</u>	<u>\$ 3,779,610</u>	<u>\$ 3,850,096</u>	<u>\$ 9,673,259</u>	<u>\$ 9,248,805</u>

As stated in Exhibit A, Net Assets exceeded liabilities by \$9,673,259 at the end of fiscal year 2011. This is an increase of \$424,454 from fiscal year 2011 to fiscal year 2010. This means the financial strength of the Town increased by that amount during the year.

The largest portion of the Town's net assets is in its investment in capital assets, (77.3%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment and infrastructure). These assets are not available for future spending.

A portion of net assets \$(573,890) is restricted to future use such as the revolving loan fund monies. The remaining net assets (\$1,625,361) may be used to meet the government's ongoing obligations. Some of the amounts included in unrestricted net assets have been designated by management for particular purposes (e.g. capital projects and equipment purchases).

**TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

At the end of fiscal year 2011, the Town of Hardwick has positive balances in all three categories of net assets for the entire government and all individual funds.

	Governmental Activities		Business-Type Activities		Total	
	FY 2011	FY 2010	FY 2011	FY 2010	FY 2011	FY 2010
REVENUES						
Charges for Service	\$ 205,422	\$ 204,023	\$ 541,064	\$ 512,002	\$ 746,486	\$ 716,025
Operating Grants and Contributions	1,066,393	542,865	0	0	1,066,393	542,865
Capital Grants and Contributions	476,405	980,011	3,330	260,121	479,735	1,240,132
Property Taxes	1,576,496	1,531,003	0	0	1,576,496	1,531,003
Penalty and Interest on Delinquent Taxes	23,898	22,480	0	0	23,898	22,480
Unrestricted Investment Earnings	7,107	9,350	4,496	4,810	11,603	14,160
General State Grants	150,119	150,081	0	0	150,119	150,081
Other Revenues	94	6,324			94	6,324
Transfers In/(Out)	(5,757)	(5,937)	5,757	5,937	0	0
Total Revenues	3,500,177	3,440,200	554,647	782,870	4,054,824	4,223,070
EXPENDITURES						
General Government	437,946	452,096	0	0	437,946	452,096
Public Safety	1,031,448	996,725	0	0	1,031,448	996,725
Highways and Streets	763,621	664,196	0	0	763,621	664,196
Community Development	634,176	1,059,795	0	0	634,176	1,059,795
Culture and Recreation	122,434	110,838	0	0	122,434	110,838
Interest on Long-Term Debt	15,612	16,811	0	0	15,612	16,811
Water	0	0	194,410	196,958	194,410	196,958
Sewer	0	0	430,723	428,941	430,723	428,941
Total Expenditures	3,005,237	3,300,461	625,133	625,899	3,630,370	3,926,360
Changes in Net Assets	494,940	139,739	(70,486)	156,971	424,454	296,710
Net Assets - Beginning of Year	5,398,709	5,258,970	3,850,096	3,693,125	9,248,805	8,952,095
Net Assets - End of Year	\$ 5,893,649	\$ 5,398,709	\$ 3,779,610	\$ 3,850,096	\$ 9,673,259	\$ 9,248,805

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Governmental activities: Governmental activities increased the Town's net assets by \$494,940 in FY 2011. This increase was primarily due to increases in Capital Grants.

Business-type activities: Business-type activities decreased the Town's net assets by \$70,486. This decrease is related to a significant loss in the FY2011 Sewer account of \$110,692 (See Exhibit G).

The Sewer Fund experienced a financial loss from operations in FY 2010 of \$122,821 and a loss in FY2011 of \$110,692. There was also an overall decrease in net assets of \$102,415 (See Exhibit G). Much of the loss from operations was attributable to \$145,612 of depreciation, but can also in part, be attributed to reluctance by the Town to increase its sewer use rates, which have not kept pace with the increasing cost of operating the facility and the added regulatory requirements which contribute to those costs. The rate increase imposed last summer and our continuing efforts to modify the Town rate structure will hopefully help balance the books in future budgets.

The Water Fund had an operational income of \$27,912 and an increase in net assets of \$31,929. The operational income was the result of increased revenue while holding down operating costs.

Financial Analysis of Major Governmental Funds

The General Fund

In Exhibit C, the General Fund balance increased by \$22,022 during the year. The total fund balance at year end was \$181,222. It should be noted that \$16,781 of the fund balance is in nonspendable inventory form, \$28,200 is restricted or assigned for other purposes and \$136,241 is unassigned for future expenditures.

Revenues for Fiscal 2011 were \$2,415,568, which was higher than FY2010 by \$45,349. Much of the increase in revenue is from increases in taxes or grants.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Revolving Loan Fund

The Revolving Loan Fund had a year end fund balance of \$201,711, which was a drop of \$17,334 and is attributable to loan activity. This money is available for future business development loans. During 2010-11, the Town received \$77,151 in loan repayments and issued \$95,000 in new loans.

Capital Fund (s)

The Capital Fund had a year end fund balance of \$527,539. These funds are unreserved and are planned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent \$578,879 during the year on various planned projects. The largest project was Center Road paving.

Capital Assets

The Town of Hardwick's investment in capital assets for its governmental activities as of June 30, 2011 totaled \$4,392,158 (net of Related Debt Exhibit A). This is an increase of \$378,712 over last year. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment and furniture.

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

Center Road paving, a skid steer loader and a tractor for the recreation committee.

The net investment in capital assets, net of related debt for its business-type activities decreased by \$121,036 to \$3,081,850. This was mainly attributable to depreciation. The major capital activity for the year for the business-type activities was in the Sewer Fund which sliplined sewer lines.

Debt Administration

As of June 30, 2011, the governmental activities of the Town of Hardwick were carrying one Note Payable and one Capital Lease Payable.

Fire truck purchase with an outstanding debt balance of \$87,861.

Grader and loader Capital lease balance for the term of the lease is \$185,123.

The Sewer Fund had bonds outstanding with a total principal debt of \$123,512.

The first of these two bonds is from the State of VT Special Environmental Revolving Fund and has to do with a Combined Separation Overflow (CSO) Project. The second bond is through the USDA for the Mill St. sewer line improvements.

The Water Fund has an outstanding bond totaling \$40,849 to the State Special Environmental Revolving Fund for water supply planning.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Economic Factors and Next Year's Budgets and Rates

- Due to several buildings downtown undergoing significant rehabilitation, the municipal Grand List increased by approximately, \$1,000,000 in 2011. The increase in helped to keep tax rates down though the Town experienced substantial increases in a number of fixed cost items.
- For FY 2011, Health insurance costs have continued to be a major burden and concern as well as the Town's property and casualty fund which continues to increase (over \$30,000 in 2011). The Town has asked its employees to contribute more towards the health insurance premium and have switched carriers in an attempt to stabilize costs.
- The costs to operate our wastewater treatment facility and water system have continued to increase and rate increases were initiated to keep the funds solvent. Additional work will need to be done to ensure that rates are equitable and that funds are set aside for facility improvements – through appropriate impact and connection fees. Though rates have gone up, the water system still remains ineligible for USDA grants because our annual charges are below what State and federal agencies believe a municipality should be charging for its water.
- The Town has continued to improve its aging infrastructure, the Center Road culvert was replaced, a design study was initiated for the Porter Brook bridge and additional work will done this summer using federal grant funds to improve the water system – river crossing near Wolcott Street and adding a valve just below the Hazen Union High School.

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,709,166	\$ 100	\$ 1,709,266
Investments	50,483	0	50,483
Receivables (Net of Allowance for Uncollectibles)	163,844	72,059	235,903
Loans Receivable	313,953	0	313,953
Internal Balances	(626,861)	626,861	0
Inventories	16,781	9,731	26,512
Capital Assets			
Land	129,977	46,432	176,409
Construction in Progress	22,994	23,134	46,128
Other Capital Assets, (Net of Accumulated Depreciation)	4,512,171	3,176,645	7,688,816
Total Assets	<u>6,292,508</u>	<u>3,954,962</u>	<u>10,247,470</u>
<u>LIABILITIES</u>			
Accounts Payable	30,038	5,020	35,058
Accrued Payroll and Benefits Payable	10,144	172	10,316
Deferred Revenue	33,768	0	33,768
Accrued Interest Payable	784	1,107	1,891
Noncurrent Liabilities:			
Due within One Year	42,263	17,078	59,341
Due in More than One Year	281,862	151,975	433,837
Total Liabilities	<u>398,859</u>	<u>175,352</u>	<u>574,211</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	4,392,158	3,081,850	7,474,008
Restricted	573,890	0	573,890
Unrestricted	927,601	697,760	1,625,361
Total Net Assets	<u>\$ 5,893,649</u>	<u>\$ 3,779,610</u>	<u>\$ 9,673,259</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	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	\$ 437,946	\$ 41,640	\$ 16,960	\$ 0	\$ (379,346)	\$ 0	\$ (379,346)
Public Safety	1,031,448	149,267	262,807	16,001	(603,373)	0	(603,373)
Highways & Streets	763,621	0	135,780	446,663	(181,178)	0	(181,178)
Community Development	634,176	12,011	633,803	0	11,638	0	11,638
Culture and Recreation	122,434	2,504	17,043	13,741	(89,146)	0	(89,146)
Interest on Long-term Debt	15,612	0	0	0	(15,612)	0	(15,612)
Total Governmental Activities	3,005,237	205,422	1,066,393	476,405	(1,257,017)	0	(1,257,017)
Business-Type Activities:							
Water	194,410	222,322	0	3,330	0	31,242	31,242
Sewer	430,723	318,742	0	0	0	(111,981)	(111,981)
Total Business-Type Activities	625,133	541,064	0	3,330	0	(80,739)	(80,739)
Total Primary Government	\$ 3,630,370	\$ 746,486	\$ 1,066,393	\$ 479,735	(1,257,017)	(80,739)	(1,337,756)
General Revenues:							
Property Taxes					1,576,496	0	1,576,496
Interest and Penalties on Delinquent Taxes					23,898	0	23,898
Unrestricted Investment Earnings					7,107	4,496	11,603
General State Grants					150,119	0	150,119
Other Revenues					94	0	94
Transfers In/(Out)					(5,757)	5,757	0
Total General Revenues and Transfers In/(Out)					1,751,957	10,253	1,762,210
Change in Net Assets					494,940	(70,486)	424,454
Net Assets - July 1, 2010					5,398,709	3,850,096	9,248,805
Net Assets - June 30, 2011					<u>\$ 5,893,649</u>	<u>\$ 3,779,610</u>	<u>\$ 9,673,259</u>

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Revolving Loan Fund	Capital Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 974,482	\$ 201,711	\$ 531,348	\$ 0	\$ 1,625	\$ 1,709,166
Investments	0	0	0	0	50,483	50,483
Receivables (Net of Allowance for Uncollectibles)	160,100	0	432	3,312	0	163,844
Loans Receivable	0	313,953	0	0	0	313,953
Due From Other Funds	0	0	0	12,168	258,885	271,053
Inventory	16,781	0	0	0	0	16,781
 Total Assets	 <u>\$ 1,151,363</u>	 <u>\$ 515,664</u>	 <u>\$ 531,780</u>	 <u>15,480</u>	 <u>\$ 310,993</u>	 <u>\$ 2,525,280</u>
<u>LIABILITIES</u>						
Liabilities:						
Accounts Payable	\$ 20,245	\$ 0	\$ 3,701	\$ 5,876	\$ 216	\$ 30,038
Accrued Payroll and Benefits Payable	9,059	0	0	1,085	0	10,144
Due to Other Funds	897,374	0	540	0	0	897,914
Deferred Revenue	43,463	313,953	0	8,519	9,786	375,721
 Total Liabilities	 <u>970,141</u>	 <u>313,953</u>	 <u>4,241</u>	 <u>15,480</u>	 <u>10,002</u>	 <u>1,313,817</u>
Fund Balances:						
Nonspendable	16,781	0	0	0	36,245	53,026
Restricted	947	201,711	0	0	21,034	223,692
Assigned	27,253	0	527,539	0	243,712	798,504
Unassigned	136,241	0	0	0	0	136,241
 Total Fund Balances	 <u>181,222</u>	 <u>201,711</u>	 <u>527,539</u>	 <u>0</u>	 <u>300,991</u>	 <u>1,211,463</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,151,363</u>	 <u>\$ 515,664</u>	 <u>\$ 531,780</u>	 <u>\$ 15,480</u>	 <u>\$ 310,993</u>	 <u>\$ 2,525,280</u>

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

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds. 4,665,142

Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds. 341,953

Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds. (324,909)

Net Assets of Governmental Activities \$ 5,893,649

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, 2011

	General Fund	Revolving Loan Fund	Capital Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 1,584,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,584,496
Penalties and Interest	23,898	0	0	0	0	23,898
Intergovernmental Revenues	377,859	0	446,663	795,786	47,571	1,667,879
Charges for Services	362,654	0	0	0	0	362,654
Investment Income	2,491	738	1,750	0	2,128	7,107
Loan Interest Income	0	11,861	0	0	0	11,861
Loan Repayments	0	65,290	0	0	0	65,290
Licenses and Permits	30,411	0	0	0	0	30,411
Other Revenue	33,759	150	0	0	5,096	39,005
Total Revenues	2,415,568	78,039	448,413	795,786	54,795	3,792,601
Expenditures:						
Current:						
General Government	532,056	0	6,463	0	0	538,519
Public Safety	774,409	0	524	156,202	37,670	968,805
Highways and Streets	641,120	0	3,508	0	0	644,628
Community Development	0	95,373	0	633,803	0	729,176
Culture & Recreation	103,739	0	0	0	0	103,739
Capital Outlay:						
Public Safety	10,008	0	0	5,781	6,290	22,079
Highways and Streets	0	0	549,840	0	31,219	581,059
Culture & Recreation	17,363	0	18,544	0	0	35,907
Debt Service:						
Principal	19,400	0	0	0	20,932	40,332
Interest	5,360	0	0	0	10,428	15,788
Total Expenditures	2,103,455	95,373	578,879	795,786	106,539	3,680,032
Excess/(Deficiency) of Revenues Over Expenditures	312,113	(17,334)	(130,466)	0	(51,744)	112,569
Other Financing Sources/(Uses):						
Transfers In	280	0	149,614	0	135,000	284,894
Transfers Out	(290,371)	0	0	0	(280)	(290,651)
Total Other Financing Sources/ (Uses)	(290,091)	0	149,614	0	134,720	(5,757)
Net Change in Fund Balances	22,022	(17,334)	19,148	0	82,976	106,812
Fund Balances - July 1, 2010, As Reclassified	159,200	219,045	508,391	0	218,015	1,104,651
Fund Balances - June 30, 2011	\$ 181,222	\$ 201,711	\$ 527,539	\$ 0	\$ 300,991	\$ 1,211,463

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, 2011

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)	\$	106,812
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$639,045) is allocated over their estimated useful lives and reported as depreciation expense (\$300,665). This is the amount by which capital outlays exceeded depreciation in the current period.		338,380
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 (\$40,332) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		40,332
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(8,000)
The issuance of loans receivable (\$95,000) consumes current financial resources from governmental funds while the repayment of the principal of loans receivable (\$65,290) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of loans receivable.		29,710
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(12,294)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>494,940</u></u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectible Accounts)	43,917	28,142	72,059
Due from Other Funds	276,955	349,906	626,861
Inventory	7,211	2,520	9,731
Total Current Assets	<u>328,133</u>	<u>380,618</u>	<u>708,751</u>
Noncurrent Assets:			
Capital Assets			
Land	7,937	38,495	46,432
Construction Work in Progress	23,134	0	23,134
Buildings and Building Improvements	64,792	0	64,792
Vehicles, Machinery and Equipment	12,271	82,205	94,476
Distribution/Collection Systems	1,251,592	5,690,910	6,942,502
Less Accumulated Depreciation	(463,776)	(3,461,349)	(3,925,125)
Total Noncurrent Assets	<u>895,950</u>	<u>2,350,261</u>	<u>3,246,211</u>
Total Assets	<u>\$ 1,224,083</u>	<u>\$ 2,730,879</u>	<u>\$ 3,954,962</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 4,603	\$ 417	\$ 5,020
Accrued Payroll	0	172	172
Accrued Interest Payable	0	1,107	1,107
General Obligation Bonds Payable - Current Portion	<u>0</u>	<u>17,078</u>	<u>17,078</u>
Total Current Liabilities	<u>4,603</u>	<u>18,774</u>	<u>23,377</u>
Noncurrent Liabilities			
Compensated Absences Payable	0	4,692	4,692
General Obligation Bonds - Noncurrent Portion	<u>40,849</u>	<u>106,434</u>	<u>147,283</u>
Total Noncurrent Liabilities	<u>40,849</u>	<u>111,126</u>	<u>151,975</u>
Total Liabilities	<u>45,452</u>	<u>129,900</u>	<u>175,352</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt Unrestricted	<u>855,101</u> <u>323,530</u>	<u>2,226,749</u> <u>374,230</u>	<u>3,081,850</u> <u>697,760</u>
Total Net Assets	<u>1,178,631</u>	<u>2,600,979</u>	<u>3,779,610</u>
Total Liabilities and Net Assets	<u>\$ 1,224,083</u>	<u>\$ 2,730,879</u>	<u>\$ 3,954,962</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 217,117	\$ 308,372	\$ 525,489
Penalties & Interest	4,708	8,170	12,878
Miscellaneous	497	2,200	2,697
	<u>222,322</u>	<u>318,742</u>	<u>541,064</u>
Total Operating Revenues			
Operating Expenses:			
Administrative Salaries	55,066	55,066	110,132
Salaries and Wages	34,247	84,206	118,453
Benefits	0	18,444	18,444
Insurances	1,991	10,447	12,438
Administrative Charges	8,376	8,376	16,752
Administrative Expenses	1,524	1,538	3,062
Legal/Audit	5,365	5,365	10,730
Communications	1,245	927	2,172
Maintenance	12,319	23,898	36,217
Utilities	32,846	38,708	71,554
Chemicals	0	21,196	21,196
Depreciation	29,432	145,612	175,044
Other Operating Expenses	2,999	6,651	9,650
Equipment Charge	9,000	9,000	18,000
	<u>194,410</u>	<u>429,434</u>	<u>623,844</u>
Total Operating Expenses			
Operating Income/(Loss)	<u>27,912</u>	<u>(110,692)</u>	<u>(82,780)</u>
Nonoperating Revenues (Expenses):			
Investment Income	1,876	2,620	4,496
Interest Expense	0	(1,289)	(1,289)
	<u>1,876</u>	<u>1,331</u>	<u>3,207</u>
Total Nonoperating Revenues (Expenses)			
Net Income/(Loss) Before Capital Contributions and Transfers In/(Out)	29,788	(109,361)	(79,573)
Capital Contributions	3,330	0	3,330
Transfers In	0	6,946	6,946
Transfers Out	(1,189)	0	(1,189)
Change in Net Assets	31,929	(102,415)	(70,486)
Net Assets - July 1, 2010	<u>1,146,702</u>	<u>2,703,394</u>	<u>3,850,096</u>
Net Assets - June 30, 2011	<u>\$ 1,178,631</u>	<u>\$ 2,600,979</u>	<u>\$ 3,779,610</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, 2011

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 227,575	\$ 324,302	\$ 551,877
Other Receipts	497	2,200	2,697
Payments to Suppliers	(56,892)	(126,121)	(183,013)
Payments for Interfund Services	(18,900)	(18,900)	(37,800)
Payments for Wages and Benefits	(89,313)	(134,899)	(224,212)
	<u>62,967</u>	<u>46,582</u>	<u>109,549</u>
Net Cash Provided by Operating Activities			
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due From Other Funds	(58,159)	(8,261)	(66,420)
Transfers Received From Other Funds	0	6,946	6,946
Transfers Paid to Other Funds	(1,189)	0	(1,189)
	<u>(59,348)</u>	<u>(1,315)</u>	<u>(60,663)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities			
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(8,825)	(28,105)	(36,930)
Capital Contributions	3,330	0	3,330
Principal Paid on General Obligation Bonds	0	(17,078)	(17,078)
Interest Paid General Obligation Bonds	0	(2,704)	(2,704)
	<u>(5,495)</u>	<u>(47,887)</u>	<u>(53,382)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities			
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	1,876	2,620	4,496
	<u>1,876</u>	<u>2,620</u>	<u>4,496</u>
Net Cash Provided by Investing Activities			
Net Increase/(Decrease) in Cash	0	0	0
Cash - July 1, 2010	50	50	100
Cash - June 30, 2011	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 100</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	27,912	(110,692)	(82,780)
Depreciation	29,432	145,612	175,044
(Increase)/Decrease in Receivables	5,750	7,760	13,510
(Increase)/Decrease in Inventory	0	514	514
Increase/(Decrease) in Accounts Payable	(127)	(985)	(1,112)
Increase/(Decrease) in Accrued Payroll	0	172	172
Increase/(Decrease) in Compensated Absences Payable	0	4,201	4,201
	<u>62,967</u>	<u>46,582</u>	<u>109,549</u>
Net Cash Provided by Operating Activities			

Noncash Supplemental Information:

The Water Fund and Sewer Fund disposed of Property, Plant and Equipment with a cost and accumulated depreciation of \$6,239 and \$2,014 respectively.

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	Private Purpose Trust Fund
	Memorial Planting Fund
<u>ASSETS</u>	
Total Assets	\$ <u>0</u>
 <u>LIABILITIES</u>	
Total Liabilities	<u>0</u>
 <u>NET ASSETS</u>	
Held in Trust For:	
Individuals and Organizations	<u>0</u>
Total Net Assets	\$ <u><u>0</u></u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Fund
	Memorial Planting Fund
Additions:	\$ <u>0</u>
Disbursements:	
Supplies	<u>105</u>
Total Disbursements	<u>105</u>
Change In Net Assets	(105)
Net Assets - July 1, 2010	<u>105</u>
Net Assets - June 30, 2011	\$ <u><u>0</u></u>

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Hardwick.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. 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 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, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – 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 general government, except those required to be 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.

Grant Fund – This fund accounts for the grant activity of the Town.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The Town reports on the following major enterprise funds:

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

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

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.

The Town also reports a Private-Purpose Trust Fund for the monies held for the benefit of planting flowers at the memorials within the Town.

C. Measurement Focus

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

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

D. Basis of Accounting

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty 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 and acquisitions under capital leases 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 assets 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.

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, issued on or before November 30, 1989; unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town has elected not to apply FASB Statements issued after November 30, 1989.

E. Use of Estimates

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

F. Assets, Liabilities and Equity

1. Cash

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

2. Investments

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

3. Receivables

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

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "due 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". Cash balances deposited and invested by the Treasurer in a combined cash account are reported as "Due To/From Other Funds".

5. Inventories and Prepaid Expenses

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

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses. There were no such payments this year.

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.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

6. Capital Assets

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

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:

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

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

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The Town also pays accumulated sick time up to 240 hours at retirement if the employee has at least ten (10) years of service. The Town evaluates all employees who have reached seven (7) years of service and, depending on the accrued leave time at that point, determines if they will likely meet the eligibility threshold. The accrual for unused compensated absences time, 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 type financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

8. Long-term Liabilities

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

9. Fund Equity

Fund Balances are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances.

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

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

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

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	<u>Balance Sheet</u>	<u>Long-term Revenues/ Expenses</u>	<u>Capital Related Items</u>	<u>Long-term Debt Transactions</u>	<u>Elimination of Interfund Balances</u>	<u>Statement of Net Assets</u>
ASSETS						
Cash	\$ 1,709,166	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,709,166
Investments	50,483	0	0	0	0	50,483
Receivables	163,844	0	0	0	0	163,844
Loans Receivable	313,953	0	0	0	0	313,953
Due from Other Funds	271,053	0	0	0	(897,914)	(626,861)
Inventory	16,781	0	0	0	0	16,781
Capital Assets	<u>0</u>	<u>0</u>	<u>4,665,142</u>	<u>0</u>	<u>0</u>	<u>4,665,142</u>
Total Assets	<u>2,525,280</u>	<u>0</u>	<u>4,665,142</u>	<u>0</u>	<u>(897,914)</u>	<u>6,292,508</u>
LIABILITIES						
Accounts Payable	30,038	0	0	0	0	30,038
Accrued Payroll and Benefits Payable	10,144	0	0	0	0	10,144
Due to Other Funds	897,914	0	0	0	(897,914)	0
Deferred Revenue	375,721	(341,953)	0	0	0	33,768
Accrued Interest Payable	0	784	0	0	0	784
Accrued Compensated Absences Payable	0	51,141	0	0	0	51,141
Notes Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>272,984</u>	<u>0</u>	<u>272,984</u>
Total Liabilities	<u>1,313,817</u>	<u>(290,028)</u>	<u>0</u>	<u>272,984</u>	<u>(897,914)</u>	<u>398,859</u>
NET ASSETS						
Invested in Capital Assets	0	0	4,665,142	(272,984)	0	4,392,158
Other	<u>1,211,463</u>	<u>290,028</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,501,491</u>
Total Net Assets	<u>\$ 1,211,463</u>	<u>\$ 290,028</u>	<u>\$ 4,665,142</u>	<u>\$ (272,984)</u>	<u>\$ 0</u>	<u>\$ 5,893,649</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The difference between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities are as follows:

	Statement of Revenues, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 1,584,496	\$ (8,000)	\$ 0	\$ 0	\$ 0	\$ 1,576,496
Penalties and Interest	23,898	0	0	0	0	23,898
Intergovernmental Revenues	1,667,879	0	0	0	(1,517,760)	150,119
Charges for Services	362,654	0	0	0	(157,232)	205,422
Operating Grants and Contributions	0	0	0	0	1,066,393	1,066,393
Capital Grants and Contributions	0	0	0	0	476,405	476,405
Investment Income	7,107	0	0	0	0	7,107
Loan Repayments	77,151	(65,290)	0	0	(11,861)	0
Licenses and Permits	30,411	0	0	0	(30,411)	0
Other Revenues	39,005	0	0	0	(38,911)	94
Transfers from Other Funds	284,894	0	0	0	(284,894)	0
Total Revenues	4,077,495	(73,290)	0	0	(498,271)	3,505,934
EXPENDITURES						
General Government	538,519	10,125	16,185	0	(126,883)	437,946
Public Safety	968,805	(522)	63,165	0	0	1,031,448
Highways and Streets	644,628	3,153	202,334	0	(86,494)	763,621
Community Development	729,176	(95,000)	0	0	0	634,176
Culture and Recreation	103,739	(286)	18,981	0	0	122,434
Capital Outlay	639,045	0	(639,045)	0	0	0
Debt Service	56,120	(176)	0	(40,332)	0	15,612
Transfers to Other Funds	290,651	0	0	0	(284,894)	5,757
Total Expenditures	3,970,683	(82,706)	(338,380)	(40,332)	(498,271)	3,010,994
Net Change for the Year	\$ 106,812	\$ 9,416	\$ 338,380	\$ 40,332	\$ 0	\$ 494,940

Interfund Activity of \$213,377 has been eliminated in the Governmental Funds to minimize the double counting of activity.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 changes during the year. The budget presented herein is for the Town’s “General Fund” only and does not include the Jeudevine Memorial Library or Recreation Committee activity that is now included with the General Fund, as described in Note III.C.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the General Fund by \$2,763. These were funded by available fund balance and unanticipated revenue.

C. Reclassification of Fund Balances

The Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. As a result of adopting this standard, two (2) funds previously reported as Special Revenue Funds no longer qualified under the new definition and, therefore, are reported in the General Fund. The reclassification is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance – June 30, 2010 – As Originally Reported	\$145,844	\$231,371
Reclassification:		
Recreation Committee Fund	4,488	(4,488)
Jeudevine Memorial Library Fund	<u>8,868</u>	<u>(8,868)</u>
Fund Balance – June 30, 2010 – As Reclassified	<u>\$159,200</u>	<u>\$218,015</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2011 consisted of the following:

Cash:

Cash on Hand	\$ 600
Cash with Financial Institutions	<u>1,708,666</u>
 Total Cash	 <u>1,709,266</u>

Investments:

Stock	1,792
Certificates of Deposit	<u>48,691</u>
 Total Investments	 <u>50,483</u>

Total Cash and Investments	<u>\$1,759,749</u>
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Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 298,692	\$ 298,692
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	1,250,000	1,250,000
Uninsured, Uncollateralized	<u>208,665</u>	<u>285,300</u>
 Total Cash Deposits	 <u>\$ 1,757,357</u>	 <u>\$ 1,833,992</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year end.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Deposits are comprised of the following:

Cash with Financial Institutions	\$1,708,666
Certificates of Deposit	<u>48,691</u>
	<u>\$1,757,357</u>

The Town has seven (7) certificates of deposit ranging from \$1,118 to \$21,391 with interest rates ranging from .45% to 1.05%. All of the certificates of deposit mature during fiscal year 2012 except for a \$10,000 certificate of deposit that matures during fiscal year 2013.

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. All of 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's certificates of deposit and common stock are exempt from the credit risk analysis. The Town does not have any policy to limit the exposure to credit risk.

Concentration of Credit Risk

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Receivables

Receivables at June 30, 2011, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 110,055	\$ 0	\$ 110,055
Penalties and Interest	14,493	4,809	19,302
Billed Services	11,567	25,477	37,044
Unbilled Services	0	12,700	12,700
Grants	22,275	28,439	50,714
Miscellaneous	7,954	1,634	9,588
Allowance for Doubtful Accounts	<u>(2,500)</u>	<u>(1,000)</u>	<u>(3,500)</u>
	<u>\$ 163,844</u>	<u>\$ 72,059</u>	<u>\$ 235,903</u>

C. Loans Receivable

Loans Receivable at June 30, 2011 consists of a number of loans for community development as follows:

Note Receivable, Hardwick Housing Partnership, Payable on Demand on and after January 8, 2033, 2% Interest, Secured by a Second Mortgage	\$ 530,000
Note Receivable, Highland Hill Housing Limited Partnership, Payable on Demand on and After August 29, 2018, 0% Interest, Secured by Second Mortgage	327,820
Note Receivable, Bemis Block Housing Limited Partnership, Payable on Demand on and After June 5, 2037, 0% Interest, Secured by Second Mortgage	215,000
Notes Receivable, 16 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 3.0% to 8.0%, Various Due Dates, All Secured by Business Assets.	<u>324,953</u>
Total	1,397,773
Plus: Accrued Interest on Note	182,674
Less: Discount on Notes Receivable and Accrued Interest	(215,549)
Less: Allowance for Doubtful Notes Receivable and Accrued Interest	<u>(1,050,945)</u>
Reported Value at June 30, 2011	<u>\$ 313,953</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>\$1,368,063</u>	<u>\$ 95,000</u>	<u>\$ 65,290</u>	<u>\$1,397,773</u>

Accrued interest on the Hardwick Housing Partnership loan totals \$182,674.

A discount of \$215,549 has been recorded to accurately reflect the present value of the two notes receivable that have a 0% interest rate and the accrued interest receivable. The Town has imputed a 3% interest rate on these notes and accrued interest which was the average market rate at the time the loans were issued.

In 2006, the Town loaned an individual \$18,000 as part of the Town's normal lending process. This individual was subsequently elected and is currently serving on the Selectboard. The outstanding balance at June 30, 2011 is \$6,334.

D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 129,977	\$ 0	\$ 0	\$ 129,977
Construction in Progress	12,993	18,994	8,993	22,994
Total Capital Assets, Not Being Depreciated	<u>142,970</u>	<u>18,994</u>	<u>8,993</u>	<u>152,971</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	954,929	6,545	0	961,474
Vehicles	1,871,043	49,352	0	1,920,395
Machinery and Equipment	266,999	22,789	0	289,788
Roads, Bridges and Sidewalks	2,343,642	550,358	0	2,894,000
Totals	<u>5,436,613</u>	<u>629,044</u>	<u>0</u>	<u>6,065,657</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	249,939	23,606	0	273,545
Vehicles	660,383	135,773	0	796,156
Machinery and Equipment	116,259	20,245	0	136,504
Roads, Bridges and Sidewalks	226,240	121,041	0	347,281
Totals	<u>1,252,821</u>	<u>300,665</u>	<u>0</u>	<u>1,553,486</u>
Total Capital Assets, Being Depreciated	<u>4,183,792</u>	<u>328,379</u>	<u>0</u>	<u>4,512,171</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,326,762</u>	<u>\$ 347,373</u>	<u>\$ 8,993</u>	<u>\$ 4,665,142</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 46,432	\$ 0	\$ 0	\$ 46,432
Construction in Progress	<u>21,034</u>	<u>2,100</u>	<u>0</u>	<u>23,134</u>
Total Capital Assets, Not Being Depreciated	<u>67,466</u>	<u>2,100</u>	<u>0</u>	<u>69,566</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	64,792	0	0	64,792
Vehicles, Machinery, Equipment and Furniture	99,172	1,500	6,196	94,476
Distribution and Collection Systems	<u>6,911,229</u>	<u>33,330</u>	<u>2,057</u>	<u>6,942,502</u>
Totals	<u>7,075,193</u>	<u>34,830</u>	<u>8,253</u>	<u>7,101,770</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	14,341	2,159	0	16,500
Vehicles, Machinery, Equipment and Furniture	67,761	6,087	6,196	67,652
Distribution and Collection Systems	<u>3,676,232</u>	<u>166,798</u>	<u>2,057</u>	<u>3,840,973</u>
Totals	<u>3,758,334</u>	<u>175,044</u>	<u>8,253</u>	<u>3,925,125</u>
Total Capital Assets, Being Depreciated	<u>3,316,859</u>	<u>(140,214)</u>	<u>0</u>	<u>3,176,645</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,384,325</u>	<u>\$ (138,114)</u>	<u>\$ 0</u>	<u>\$ 3,246,211</u>

Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 16,185	Water	\$ 29,432
Public Safety	63,165	Sewer	<u>145,612</u>
Highways and Streets	202,334		
Culture and Recreation	<u>18,981</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 300,665</u>	Total Depreciation Expense - Business- Type Activities	<u>\$ 175,044</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2011 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 897,374
Capital Fund	0	540
Grant Fund	12,168	0
Other Governmental Funds	258,885	0
Water Fund	276,955	0
Sewer Fund	<u>349,906</u>	<u>0</u>
 Total	 <u>\$ 897,914</u>	 <u>\$ 897,914</u>

Interfund transfers during the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Fund	\$ 149,614	Annual Subsidy
General Fund	Equipment Replacement Fund	135,000	Annual Subsidy
General Fund	Jeudevine Memorial Library Fund	74,367 *	Annual Subsidy
General Fund	Recreation Committee Fund	15,990 *	Annual Subsidy
General Fund	Sewer Fund	5,757	Cost Allocation
Water Fund	Sewer Fund	1,189	Cost Allocation
Library Endowment Fund	Jeudevine Memorial Library Fund	<u>280 *</u>	Transfer of Interest Income
 Total		 <u>\$ 382,197</u>	

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

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$28,000 of delinquent property taxes and penalty and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities, \$1,595 of fiscal year 2011 taxes received in advance, and \$13,868 of grant revenue received in advance. The revenue will be recognized as delinquent taxes are collected, fiscal year 2011 taxes are billed and as expenses are incurred for the grants. Total Deferred Revenue in the General Fund is \$43,463.

Deferred Revenue in the Revolving Loan Fund consists of \$313,953 of net loans receivable. Total deferred revenue in the Revolving Loan Fund is \$313,953.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Deferred Revenue in the Grant Fund consists of \$8,519 of grant revenue received in advance. Total deferred revenue in the Grant Fund is \$8,519.

Deferred Revenue in the Other Governmental Funds consists of \$9,786 of grant revenue received in advance. Total deferred revenue in the Other Governmental Funds is \$9,786.

G. Long-term Liabilities

General Obligation Bonds. 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.

No-Interest Revolving Loans 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 sewer projects.

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

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

Compensated Absences - It is the policy of the Town that all earned vacation time must be used by June 30 unless a carry-over is approved by the Town Manager. Employees with at least 10 years of service to the Town will be paid the value of their unused sick leave up to 240 hours at their current rate of pay upon retirement, termination or death. The accrual for compensated absences, based on current rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Long-term liabilities outstanding as of June 30, 2011 were as follows:

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
Note Payable – Union Bank – Fire Truck Purchase, Annual Principal and Interest Payments of \$24,760, Interest at 5%, Due May 15, 2015	\$ 107,261	\$ 0	\$ 19,400	\$ 87,861
Capital Lease Payable – John Deere Credit – Grader and Loader, Interest at 4.5%, Annual Payments of \$31,360, Due June, 2018	<u>206,055</u>	<u>0</u>	<u>20,932</u>	<u>185,123</u>
Total Governmental Activities	<u>\$ 313,316</u>	<u>\$ 0</u>	<u>\$ 40,332</u>	<u>\$ 272,984</u>

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
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Business-Type Activities

Sewer Bond Payable – State of Vermont Special Environmental Revolving Fund – CSO Project – 0% Interest, Annual Payments of \$14,778, Due April 1, 2015	\$ 73,890	\$ 0	\$ 14,778	\$ 59,112
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Sewer Bond Payable – U.S. Department of Agriculture, Mill Street Project, Annual Principal Payments of \$2,300 Due August 1, Interest at 4.125% Due February 1 and August 1, Due August, 2038	66,700	0	2,300	64,400
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
Water Note Payable – State of Vermont Special Environmental Revolving Fund – Water Supply Planning, Authorized to \$45,500, 0% Interest, Annual Payments of \$9,100 Starting December 1, 2013, Due December 1, 2017	\$ <u>40,849</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>40,849</u>
Total Business-Type Activities	\$ <u>181,439</u>	\$ <u>0</u>	\$ <u>17,078</u>	\$ <u>164,361</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 107,261	\$ 0	\$ 19,400	\$ 87,861	\$ 20,370
Capital Leases Payable	206,055	0	20,932	185,123	21,893
Compensated Absences	<u>38,671</u>	<u>12,470</u>	<u>0</u>	<u>51,141</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>351,987</u>	<u>12,470</u>	<u>40,332</u>	<u>324,125</u>	<u>\$ 42,263</u>
Business-type Activities					
General Obligation Bonds Payable	140,590	0	17,078	123,512	17,078
Notes Payable	40,849	0	0	40,849	0
Compensated Absences	<u>491</u>	<u>4,201</u>	<u>0</u>	<u>4,692</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 181,930</u>	<u>\$ 4,201</u>	<u>\$ 17,078</u>	<u>\$ 169,053</u>	<u>\$ 17,078</u>

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Maturities of notes, bonds and capital leases payable are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2012	\$ 20,370	\$ 4,390	\$ 31,360	\$ 17,078	\$ 2,609
2013	21,389	3,371	31,360	17,078	2,514
2014	22,458	2,302	31,360	26,178	2,419
2015	23,644	1,184	31,360	26,178	2,324
2016	0	0	31,360	11,400	2,230
2017-2021	0	0	62,720	25,049	7,970
2022-2026	0	0	0	11,500	7,353
2027-2031	0	0	0	11,500	4,980
2032-2036	0	0	0	11,500	2,610
2037-2040	0	0	0	6,900	426
Total	87,861	11,247	219,520	164,361	35,435
Less: Imputed Interest	0	0	(34,397)	0	0
Total	\$ 87,861	\$ 11,247	\$ 185,123	\$ 164,361	\$ 35,435

H. Fund Balances/Net Assets

The Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

This statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion. It makes clear, for example, that 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. The Town changed two (2) of the governmental fund types as disclosed in Note III.C., therefore, there was a reclassification of fund balances. The Town has changed the classifications of governmental fund balances but this has not changed the total fund balances.

Information about amounts set aside for emergencies is very important to financial statement users. Because of the importance associated with these balances, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization 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. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The Town does not have any minimum fund balance policies.

Under Statement 54, governments are required to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent, in circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications. 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.

In addition, governments also are required to disclose the purpose for each major special revenue fund – identifying which specific revenues and other resources are authorized to be reported in each. The purpose and specific revenues are described in the following section.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

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

Major Funds

General Fund:

Nonspendable Inventories	\$ <u>16,781</u>
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Nonmajor Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	8,861
Nonspendable Library Endowment Fund Principal	<u>27,384</u>
Total Permanent Fund	<u>36,245</u>
Total Nonspendable Fund Balances	\$ <u>53,026</u>

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

Major Funds

General Fund:

Restricted for Library Programs by Donations and Grants	\$ <u>947</u>
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Revolving Loan Fund:

Restricted for Community Development by Grant Agreement (Source of Funds – Grants)	<u>201,711</u>
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Nonmajor Funds

Special Revenue Funds:

Restricted for Dare/Drug Seizure Expenses (Source of Funds – Grants)	292
Restricted for Restorative Justice Expenses – (Source of Funds – Grants)	683
Restricted for Fire Department Expenses (Source of Funds – Grants)	<u>4,488</u>
Total Non-Major Special Revenue Funds	<u>5,463</u>

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

Permanent Funds

Restricted for Cemetery Fund by Trust Agreement - Expendable Portion	\$ 1,432
Restricted for Library Endowment by Trust Agreements - Expendable Portion	<u>14,139</u>
Total Permanent Funds	<u>15,571</u>
Total Restricted Fund Balances\$	<u>\$223,692</u>

The Fund Balances in the following Funds are assigned follows:

Governmental Funds

Major Funds:

General Fund:

Assigned to Reduce Property Taxes Raised in Fiscal Year 2012	\$ 12,000
Assigned for Recreation Committee Expenses	4,020
Assigned for Library Expenses	<u>11,233</u>
Total General Fund	<u>27,253</u>

Capital Fund:

Assigned for Capital Expenses	<u>527,539</u>
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Non-Major Funds:

Assigned for Reappraisal – (Source of Funds – Grants)	91,468
Assigned for Equipment Replacement	<u>152,244</u>
Total Non-Major Funds	<u>243,712</u>
Total Assigned Fund Balances	<u>\$798,504</u>

The source of funds for the Grant Fund, a Special Revenue Fund, is State and Federal grants.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

Restricted Net Assets:

Governmental Activities

Restricted net assets in the Governmental Activities includes the nonspendable fund balance of \$53,026, less the \$16,781 nonspendable inventories, the restricted fund balances of \$223,692 plus the \$313,953 of deferred loans receivable and related accrued interest for a total of \$573,890.

Designated Net Assets:

Proprietary Funds

Water Fund

Designated for Well Replacement	\$ 61,438
Designated for Water Capital Projects	213,747
Designated for Water Operations	<u>48,345</u>
Total Water Fund	<u>323,530</u>

Sewer Fund

Designated for Sewer Capital Projects	350,235
Designated for Sewer Operations	<u>23,995</u>
Total Sewer Fund	<u>374,230</u>
Total Designated Net Assets	<u>\$697,760</u>

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

	<u>Well Replacement Account</u>	<u>Water Capital Account</u>	<u>Sewer Capital Account</u>
Beginning Balance	\$ 56,026	\$ 155,108	\$304,757
Interest Earnings	412	1,464	2,400
Transfer In From Water Operating Fund	5,000	66,000	0
Transfer In From Sewer Operating Fund	0	0	74,500
Capital Purchases/Expenses	<u>0</u>	<u>(8,825)</u>	<u>(31,422)</u>
Ending Balance	<u>\$ 61,438</u>	<u>\$ 213,747</u>	<u>\$350,235</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

V. OTHER INFORMATION

A. BENEFIT PLANS

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

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

Total payroll for the year was \$1,069,866 while covered payroll was \$915,610. Pension expense for the year ended June 30, 2011 was \$61,829.

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

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

B. RISK MANAGEMENT

The Town of Hardwick 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 of Hardwick 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 of Hardwick. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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. 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 2011 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.4460	1.5381
Local Agreement	.0061	.0061
Highway	.4688	.4688
General Town	<u>.5174</u>	<u>.5174</u>
 Total Tax Rate/per \$100 of Assessed Valuation	 <u>2.4383</u>	 <u>2.5304</u>

D. 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.

The Town has been named as one of several defendants in a lawsuit. The Town is being defended by the Town's insurer under a reservation of rights. At this time, the Town is unable to determine the likely outcome of this case, or the Town's exposure, if any.

E. RELATED PARTY TRANSACTIONS

As discussed in Note IV.C, a member of the Selectboard has an outstanding economic development loan with the Town.

A member of the Selectboard is also the President of a local non-profit entity. The Town has negotiated a new lease for the Town House building, which the Town owns, with the non-profit entity for \$1 per month plus certain utilities.

F. SUBSEQUENT EVENTS

Subsequent to year end, the Town secured a \$300,000 line of credit at the Union Bank. Interest is at 1.85%. The line of credit expires June 30, 2012.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Property Taxes	\$ 1,579,028	\$ 1,584,496	\$ 5,468
School Tax Administration Fee	0	4,650	4,650
PILOT	66,000	69,923	3,923
Current Use Hold Harmless	80,196	80,196	0
Delinquent Late Charge	24,000	23,898	(102)
Zoning Permits	3,000	3,489	489
Licenses and Fees	26,000	25,938	(62)
DMV Fees	1,200	984	(216)
State Aid to Highways	136,075	135,780	(295)
Copier Fees	5,600	4,329	(1,271)
Greensboro Police Contract	138,798	138,798	0
Police Fines and Miscellaneous Revenues	15,500	9,591	(5,909)
Gas Tax Rebate	0	878	878
Homeland Security Grant - MDT20	0	527	527
Interest on Investments	8,500	2,470	(6,030)
Interest on Cemetery Fund-Transfer In	45	0	(45)
Miscellaneous Revenue	1,000	94	(906)
Water and Sewer Transfers	213,376	213,377	1
HACC Administrative Revenue	0	1,500	1,500
Historic Preservation Grant	0	250	250
Downtown Beautification Grant Income	0	110	110
Fireworks Donations	1,000	1,695	695
Police Department - Vest Grant	0	991	991
Fire Department Grant-Radio	0	5,268	5,268
COPS Grant	61,000	73,027	12,027
Total Revenue	<u>2,360,318</u>	<u>2,382,259</u>	<u>21,941</u>
Expenditures:			
Office Expenditures:			
Town Manager- Salary	63,856	40,500	23,356
Office Manager- Salary	43,243	43,558	(315)
Town Clerk- Salary	38,105	38,536	(431)
Administrative Assistant	32,964	39,468	(6,504)
Town Clerk Aides	22,443	22,684	(241)
Secretary	0	526	(526)
Social Security Expense	15,347	14,619	728
Health/Dental/Life/Disability Insurances	47,302	40,983	6,319
Retirement Expense	10,031	10,132	(101)
Town Manager's Office Supplies	4,400	4,637	(237)
Town Clerk's Office Supplies	4,000	3,530	470
Town Report Expense	2,500	1,990	510
Conferences/ Dues	900	535	365
Tax Billing/Collection Expense	1,250	1,434	(184)
Tax Sale Expense	0	275	(275)
Telephone	2,700	1,216	1,484
Advertising	700	819	(119)
Copier	1,100	1,129	(29)
Town Manager Search	0	4,280	(4,280)
Election Expense	1,200	1,148	52

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Office Expenditures:/(Cont'd)			
Computer Services	\$ 2,400	\$ 5,017	\$ (2,617)
Capital Outlay	4,650	3,437	1,213
Lister Supplies	3,000	2,995	5
Health Officer Supplies	220	0	220
Education Reimbursement	250	218	32
Zoning	2,200	1,911	289
Staff Enrichment	1,220	1,125	95
Worker's Compensation	2,000	2,161	(161)
Unemployment Insurance	2,327	2,252	75
VLCT PACIF	3,150	5,674	(2,524)
Total Office Expenditures	<u>313,458</u>	<u>296,789</u>	<u>16,669</u>
Payroll (Other):			
Listers	5,356	7,887	(2,531)
Zoning Administrator	17,139	17,073	66
Zoning and Planning Board	2,600	1,900	700
Board of Civil Authority	200	105	95
Moderator	50	0	50
Selectboard	5,000	5,167	(167)
Social Security Expense	2,356	2,513	(157)
Public Officers Liability	6,030	6,410	(380)
Election Officials	825	1,452	(627)
Energy Coordinator	50	0	50
Solid Waste Representative	500	500	0
TEC Conferences	500	225	275
Town Service Officer	50	0	50
Total Payroll (Other)	<u>40,656</u>	<u>43,232</u>	<u>(2,576)</u>
Memorial Building:			
Custodian	7,435	6,783	652
Social Security Expense	569	518	51
Operating Supplies	1,100	2,156	(1,056)
Repairs/Maintenance to Building	1,100	10,931	(9,831)
Utilities	7,294	6,569	725
Fuel Oil	13,570	12,277	1,293
Worker's Compensation	532	336	196
Unemployment Insurance	95	94	1
VLCT PACIF	3,681	2,204	1,477
Town House Repair	0	380	(380)
Town House - PACIF	0	0	0
Electric	0	540	(540)
Fuel	0	2,280	(2,280)
Generator	300	0	300
Elevator	2,400	3,605	(1,205)
Total Memorial Building	<u>38,076</u>	<u>48,673</u>	<u>(10,597)</u>

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Police Department:			
Base Payroll	\$ 384,511	\$ 304,552	\$ 79,959
Overtime	15,000	49,022	(34,022)
Special Officers	0	2,736	(2,736)
Social Security Expense	30,563	25,882	4,681
Health/Dental/Life and Disability Insurances	103,218	84,110	19,108
Retirement Expense	37,954	31,416	6,538
K-9 Expense	500	302	198
Operating Supplies	4,200	4,516	(316)
Memberships	1,000	220	780
Training	4,000	2,358	1,642
Internet Communication	5,000	3,684	1,316
Dispatch Services	29,341	30,951	(1,610)
Telephone	2,000	4,346	(2,346)
Cruiser Repairs and Maintenance	3,750	7,791	(4,041)
Advertising	200	0	200
Radio Service	1,250	843	407
Homeland Security Data Grant	0	527	(527)
Investigation Expense	2,000	1,070	930
Uniforms - Cleaning	500	195	305
Uniforms Purchases	3,000	2,163	837
Vest Grant	0	1,982	(1,982)
Gas	15,000	22,898	(7,898)
Utilities	2,798	2,798	0
Fuel Oil	0	860	(860)
Tires	1,400	1,374	26
COPS Grant Expenses	0	73,027	(73,027)
Education	500	0	500
Equipment	500	628	(128)
Workers Compensation	24,456	18,756	5,700
VLCT PACIF	25,500	26,735	(1,235)
Unemployment Insurance	4,634	3,369	1,265
Total Police Department	702,775	709,111	(6,336)
Fire Department:			
Labor	15,664	8,337	7,327
Social Security Expense	1,198	635	563
Operating Supplies	3,400	811	2,589
Telephone	1,500	975	525
Repeater Electricity	0	191	(191)
Gasoline	200	149	51
Utilities	2,800	1,113	1,687
Fuel Oil	7,600	6,868	732
Diesel	1,000	1,920	(920)
Radio/Dispatch	11,985	13,265	(1,280)
Equipment Purchases	3,500	3,420	80
Clothing	2,500	3,654	(1,154)
Repairs and Maintenance to Fire Station	2,500	0	2,500
Equipment Repairs	4,250	1,863	2,387
Training	500	0	500
Homeland Security	0	6,585	(6,585)
Worker's Compensation	6,206	2,150	4,056
VLCT PACIF	7,550	7,951	(401)
Fire Truck Debt Payment	24,760	24,760	0
Total Fire Department	97,113	84,647	12,466

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Highway/Garage/ Equipment:			
Payroll	\$ 234,234	\$ 224,436	\$ 9,798
Overtime	15,000	26,661	(11,661)
Sewer Operator	5,757	5,757	0
Social Security Expense	19,066	18,332	734
Health/Dental/Life and Disability Insurances	75,827	75,346	481
Retirement Expense	12,462	13,016	(554)
Summer Gravel	13,500	13,908	(408)
Summer Chloride	17,600	9,285	8,315
Mowing Contract	6,000	5,012	988
Summer Paving	4,000	3,136	864
Brush Cutting	1,500	1,680	(180)
Summer Ditching	3,200	1,708	1,492
Downtown Improvement	0	110	(110)
Street Sweeping	3,900	3,400	500
Winter Sand	6,750	12,438	(5,688)
Winter Salt	46,800	45,331	1,469
Worker's Compensation	16,150	21,112	(4,962)
Unemployment Insurance	2,891	2,768	123
VLCT PACIF	14,500	16,071	(1,571)
Operating Supplies	16,000	16,548	(548)
Telephone	1,000	728	272
Low Band Radio	0	2,630	(2,630)
Culverts	3,000	3,280	(280)
Uniforms	5,000	6,235	(1,235)
Sidewalk Expense	600	172	428
Radio Service	500	305	195
Streetscape	1,000	1,358	(358)
Storm Drains	2,000	1,350	650
Road Signs	2,000	1,879	121
Safety/Training	2,400	1,878	522
Building Repairs	1,600	2,185	(585)
Equipment Expense	25,000	16,368	8,632
Equipment Maintenance Expense	20,000	34,678	(14,678)
Gasoline	3,000	2,872	128
Diesel Fuel	50,000	49,739	261
Utilities	4,840	5,165	(325)
	<u>637,077</u>	<u>646,877</u>	<u>(9,800)</u>
Total Highway/Garage/Equipment			

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Appropriations:			
Senior Citizens Center	\$ 2,500	\$ 2,500	\$ 0
Northeast Kingdom Mental Health Service	3,190	3,190	0
Northeast Kingdom Learning	250	250	0
A.W.A.R.E.	3,000	3,000	0
Area Agency on Aging	4,500	4,500	0
Lamoille Family Center	1,200	1,200	0
N.K.Y. Services	600	600	0
NCAL	1,300	1,300	0
Greensboro Nursing	3,000	3,000	0
Railroad Depot	3,000	3,000	0
HCVT	2,000	2,000	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	1,000	1,000	0
Total Appropriations	<u>28,940</u>	<u>28,940</u>	<u>0</u>
Rescue Squad:			
Pro-Rated Share	<u>15,419</u>	<u>15,419</u>	<u>0</u>
Taxes:			
County Tax	<u>18,625</u>	<u>18,624</u>	<u>1</u>
Other Expenses:			
Auditing	9,000	18,385	(9,385)
Dog Control	2,000	2,461	(461)
Professional Services	7,000	6,801	199
Recreation Department	15,990	15,990	0
NVDA	1,333	1,333	0
VLCT	3,747	3,747	0
Town House PACIF Insurance	1,962	2,075	(113)
Judevine Memorial Library	74,367	74,367	0
Memorial Day	1,200	432	768
Caspian Lake	1,850	1,850	0
Cemeteries	11,000	9,700	1,300
Equipment Replacement Fund Transfer	135,000	135,000	0
Solid Waste District	10,109	6,666	3,443
Streetlights	37,407	32,746	4,661
Capital Improvement Transfer	144,614	144,614	0
Tax Mapping	2,000	24	1,976
Tax Mapping Transfer	0	5,000	(5,000)
Employment Practices Insurance	4,350	5,078	(728)
Flexible Benefits	250	0	250
Hardwick/Woodbury Trail Expense	500	0	500
Fireworks	3,000	4,000	(1,000)
Insurance Deductibles	1,500	500	1,000
Total Other Expenses	<u>468,179</u>	<u>470,769</u>	<u>(2,590)</u>
Total Expenditures	<u>2,360,318</u>	<u>2,363,081</u>	<u>(2,763)</u>
Excess of Revenue Over Expenditures	<u>\$ 0</u>	19,178	<u>\$ 19,178</u>

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

Adjustments to Reconcile from the Budgetary Basis
of Accounting to the GAAP Basis of Accounting:

Library Income	\$	19,547
Library Transfers In		280
Library Appropriation		74,367
Library Expenses		(90,882)
Recreation Income		13,762
Recreation Appropriation		15,990
Recreation Expenses		<u>(30,220)</u>
Net Change in Fund Balance	\$	<u>22,022</u>

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

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds	Capital Project Fund <u>Equipment Replacement Fund</u>	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 292	\$ 0	\$ 1,333	\$ 1,625
Investments	0	0	50,483	50,483
Due From Other Funds	<u>106,641</u>	<u>152,244</u>	<u>0</u>	<u>258,885</u>
Total Assets	<u>\$ 106,933</u>	<u>\$ 152,244</u>	<u>\$ 51,816</u>	<u>\$ 310,993</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 216	\$ 0	\$ 0	\$ 216
Deferred Revenue	<u>9,786</u>	<u>0</u>	<u>0</u>	<u>9,786</u>
Total Liabilities	<u>10,002</u>	<u>0</u>	<u>0</u>	<u>10,002</u>
Fund Balances:				
Nonspendable	0	0	36,245	36,245
Restricted	5,463	0	15,571	21,034
Assigned	<u>91,468</u>	<u>152,244</u>	<u>0</u>	<u>243,712</u>
Total Fund Balances	<u>96,931</u>	<u>152,244</u>	<u>51,816</u>	<u>300,991</u>
Total Liabilities and Fund Balances	<u>\$ 106,933</u>	<u>\$ 152,244</u>	<u>\$ 51,816</u>	<u>\$ 310,993</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Capital Project Fund Equipment Replacement Fund	Permanent Funds	Total
Revenues:				
Grant Revenue	\$ 42,619	\$ 4,952	\$ 0	\$ 47,571
Contributions	4,132	0	0	4,132
Investment Income	724	795	609	2,128
Other Revenues	214	0	750	964
Total Revenues	47,689	5,747	1,359	54,795
Expenditures:				
Current Expenditures				
Public Safety	35,136	2,534	0	37,670
Capital Outlay				
Highways and Streets	0	31,219	0	31,219
Public Safety	0	6,290	0	6,290
Debt Service:				
Principal	0	20,932	0	20,932
Interest	0	10,428	0	10,428
Total Expenditures	35,136	71,403	0	106,539
Excess/(Deficiency) of Revenues Over Expenditures	12,553	(65,656)	1,359	(51,744)
Other Financing Sources/(Uses):				
Transfers In	0	135,000	0	135,000
Transfers Out	0	0	(280)	(280)
Total Other Financing Sources/(Uses)	0	135,000	(280)	134,720
Net Change in Fund Balances	12,553	69,344	1,079	82,976
Fund Balances - July 1, 2010, As Reclassified	84,378	82,900	50,737	218,015
Fund Balances - June 30, 2011	\$ 96,931	\$ 152,244	\$ 51,816	\$ 300,991

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	Dare/ Drug Seizure Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
<u>ASSETS</u>					
Cash	\$ 292	\$ 0	\$ 0	\$ 0	\$ 292
Due From Other Funds	<u>0</u>	<u>91,468</u>	<u>10,600</u>	<u>4,573</u>	<u>106,641</u>
TOTAL ASSETS	\$ <u>292</u>	\$ <u>91,468</u>	\$ <u>10,600</u>	\$ <u>4,573</u>	\$ <u>106,933</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 131	\$ 85	\$ 216
Deferred Revenue	<u>0</u>	<u>0</u>	<u>9,786</u>	<u>0</u>	<u>9,786</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>9,917</u>	<u>85</u>	<u>10,002</u>
Fund Balances:					
Restricted	292	0	683	4,488	5,463
Assigned	<u>0</u>	<u>91,468</u>	<u>0</u>	<u>0</u>	<u>91,468</u>
Total Fund Balances	<u>292</u>	<u>91,468</u>	<u>683</u>	<u>4,488</u>	<u>96,931</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>292</u>	\$ <u>91,468</u>	\$ <u>10,600</u>	\$ <u>4,573</u>	\$ <u>106,933</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Dare/ Drug Seizure Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
Revenue:					
Grant Revenue	\$ 0	\$ 14,905	\$ 27,714	\$ 0	\$ 42,619
Contributions	0	0	1,852	2,280	4,132
Investment Income	0	690	0	34	724
Other Revenues	<u>0</u>	<u>0</u>	<u>214</u>	<u>0</u>	<u>214</u>
Total Revenue	<u>0</u>	<u>15,595</u>	<u>29,780</u>	<u>2,314</u>	<u>47,689</u>
Expenditures:					
Current:					
Public Safety	<u>0</u>	<u>0</u>	<u>30,759</u>	<u>4,377</u>	<u>35,136</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>30,759</u>	<u>4,377</u>	<u>35,136</u>
Net Change in Fund Balances	0	15,595	(979)	(2,063)	12,553
Fund Balance - July 1, 2010, As Reclassified	<u>292</u>	<u>75,873</u>	<u>1,662</u>	<u>6,551</u>	<u>84,378</u>
Fund Balance - June 30, 2011	<u>\$ 292</u>	<u>\$ 91,468</u>	<u>\$ 683</u>	<u>\$ 4,488</u>	<u>\$ 96,931</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 PERMANENT FUNDS
 JUNE 30, 2011

	<u>Cemetery Fund</u>	<u>Library Endowment Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 1,333	\$ 0	\$ 1,333
Investments	<u>8,960</u>	<u>41,523</u>	<u>50,483</u>
 TOTAL ASSETS	 <u>\$ 10,293</u>	 <u>\$ 41,523</u>	 <u>\$ 51,816</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
 Liabilities:	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>
 Fund Balances:			
Nonspendable	8,861	27,384	36,245
Restricted	<u>1,432</u>	<u>14,139</u>	<u>15,571</u>
 Total Fund Balances	 <u>10,293</u>	 <u>41,523</u>	 <u>51,816</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 10,293</u>	 <u>\$ 41,523</u>	 <u>\$ 51,816</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenue:			
Investment Earnings	\$ 56	\$ 553	\$ 609
Sale of Plot	<u> 750</u>	<u> 0</u>	<u> 750</u>
Total Revenue	<u> 806</u>	<u> 553</u>	<u> 1,359</u>
Expenditures:	<u> 0</u>	<u> 0</u>	<u> 0</u>
Excess of Revenue Over Expenditures	<u> 806</u>	<u> 553</u>	<u> 1,359</u>
Other Financing Sources/(Uses):			
Transfers Out	<u> 0</u>	<u> (280)</u>	<u> (280)</u>
Total Other Financing Sources/(Uses)	<u> 0</u>	<u> (280)</u>	<u> (280)</u>
Net Change in Fund Balances	806	273	1,079
Fund Balance - July 1, 2010	<u> 9,487</u>	<u> 41,250</u>	<u> 50,737</u>
Fund Balance - June 30, 2011	<u> \$ 10,293</u>	<u> \$ 41,523</u>	<u> \$ 51,816</u>

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Water Rents	\$ 254,531	\$ 217,117	\$ (37,414)
Penalties and Interest	4,500	4,708	208
Interest Income	350	0	(350)
Miscellaneous Income	0	497	497
Total Revenue	259,381	222,322	(37,059)
Expenses:			
Administration Salaries	55,066	55,066	0
Public Works Salaries	34,207	34,247	(40)
Administrative Charge	8,376	8,376	0
Administrative Supplies	2,000	1,524	476
Sewer Fund Transfer	1,189	1,189	0
VLCT PACIF	1,428	1,345	83
Worker's Compensation	1,723	646	1,077
Insurance Deductible	500	0	500
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,000	5,365	(365)
Communications	1,500	1,245	255
Professional Services	1,500	0	1,500
Training and Safety	500	80	420
Utilities	35,092	32,846	2,246
Line Maintenance	13,500	10,243	3,257
Reservoir Maintenance	1,000	0	1,000
Pumphouse Maintenance	3,000	2,075	925
Generator-Wolcott Street	1,000	0	1,000
Hydrants	5,500	0	5,500
Water Testing	1,200	937	263

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenses/(Cont'd):			
Chlorination	\$ 800	\$ 0	\$ 800
Permit Fees	3,800	1,983	1,817
Minor Repair & Maintenance	1,500	0	1,500
Capital Fund Transfer	<u>71,000</u>	<u>71,000</u>	<u>0</u>
Total Expenses	<u>259,381</u>	<u>237,167</u>	<u>22,214</u>
Net Income/(Loss)	<u>\$ 0</u>	(14,845)	<u>\$ (14,845)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
STAG Grant Income		3,330	
Capital Fund Transfers		71,000	
Capital Fund Interest		1,876	
Depreciation		<u>(29,432)</u>	
Change in Net Assets - Exhibit G		<u>\$ 31,929</u>	

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Sewer Charges	\$ 368,685	\$ 308,372	\$ (60,313)
Penalties and Interest	6,500	8,170	1,670
Interest Income	1,000	220	(780)
Miscellaneous Income	0	200	200
Transfer In	5,151	6,946	1,795
Total Revenue	381,336	323,908	(57,428)
Expenses:			
General:			
Administration	55,066	55,066	0
Salaries - Sewer Fund	39,645	49,959	(10,314)
Public Works Salaries	34,247	34,247	0
Health Insurance	14,493	12,755	1,738
Social Security	2,620	3,332	(712)
Retirement	1,982	2,357	(375)
VLCT PACIF	6,780	8,037	(1,257)
Worker's Compensation	1,723	1,941	(218)
Insurance Deductible	500	0	500
Unemployment Insurance	396	469	(73)
Administrative Charge	8,376	8,376	0
Administrative Expenses	1,500	1,538	(38)
Equipment Charge	9,000	9,000	0
Legal and Accounting	5,500	5,365	135
Communications	1,800	928	872
Uniforms	900	709	191
Training	800	430	370
Safety	750	386	364
Utilities - Plant	27,800	25,801	1,999
Utilities - Lift Station	6,650	5,015	1,635

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Fuel Oil	\$ 5,000	\$ 5,402	\$ (402)
Water Charge	2,280	2,490	(210)
Process Chemicals	30,000	21,196	8,804
Lab Operations	4,500	4,553	(53)
Lift Station Maintenance	4,500	1,897	2,603
Plant Operations	6,000	3,964	2,036
Sewer Line Cleaning	4,500	8,090	(3,590)
Repair & Maint Camera	500	0	500
Sewer Line Maintenance	6,000	6,020	(20)
Grit Disposal	900	609	291
Professional Services	1,500	0	1,500
Licenses & Fees	750	572	178
Mill Street Bond and Interest	5,100	3,589	1,511
Bond and Interest	14,778	14,778	0
Capital Fund Transfer	<u>74,500</u>	<u>74,500</u>	<u>0</u>
 Total Expenses	 <u>381,336</u>	 <u>373,371</u>	 <u>7,965</u>
 Net Income/(Loss)	 <u>\$ 0</u>	 (49,463)	 <u>\$ (49,463)</u>
 Adjustments to Reconcile to GAAP Basis Statements:			
Principal Payments on Bonds		17,078	
Depreciation		(145,612)	
Connection Fees		2,000	
Sewer Capital Fund Transfer		74,500	
Sewer Capital Fund Interest		2,400	
Sewer Capital Fund Expenses		<u>(3,318)</u>	
 Change in Net Assets - Exhibit G		 <u>\$ (102,415)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

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P.O. Box 947
Montpelier, VT 05601
802/223-2352
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Fred Duplessis, CPA
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Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

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
P.O. Box 523
Hardwick, Vermont 05843

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, 2011 and have issued our report thereon dated January 31, 2012. The report on the business-type activities was adverse because of the omission of the Electric Fund. 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.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the Town of Hardwick, Vermont’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hardwick, Vermont’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been 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. However, as described in the accompanying Schedule of Deficiencies in Internal Control, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiency identified as Item 11-1 described in the accompanying Schedule of Deficiencies in Internal Control to be a material weakness.

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. We consider the deficiency identified as Item 11-2 described in the accompanying Schedule of Deficiencies in Internal Control to be a significant deficiency.

Compliance and Other Matters

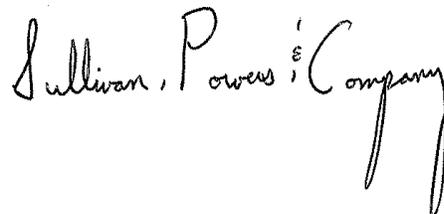
As part of obtaining reasonable assurance about whether the Town of Hardwick, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

We also noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated January 31, 2012.

The Town of Hardwick, Vermont's response to the findings identified in our audit follows the accompanying Schedule of Deficiencies in Internal Control. We did not audit the Town of Hardwick, Vermont's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Selectboard, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 31, 2012
Montpelier, Vermont
Vt Lic. #92-000180

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

TOWN OF HARDWICK, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

Deficiencies in Internal Control:

Material Weaknesses:

11-1 Controls Over Capital Grant Revenues and Expenses

Criteria:

Internal controls should be in place that provides reasonable assurance that all grant revenue and expenses are properly recorded.

Condition:

Internal controls over recording grant revenue and expenses were inadequately designed. The Town did not record all of their grant revenue and expenses in the Grant Fund. They did not record grant revenue and expenses of \$36,507.

Cause:

Unknown

Effect:

An adjustment was required to record additional grant revenues and expenses that were not recorded in the general ledger.

Recommendation:

We recommend that the Town implement procedures to ensure that all grant revenues and expenses are reported in the general ledger.

Significant Deficiencies:

11-2 Controls over Grant Revenue and Deferred Revenue

Criteria:

Internal controls should be in place to ensure grant revenue and expenditure recognition is in accordance with generally accepted accounting principles (GAAP). GAAP requires that funds received in advanced and not spent be recorded as deferred revenue.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

Condition:

Internal controls over recording grant revenue and deferred revenue were inadequately designed. The Town received two (2) grants in advance, however at year-end the Town did not record the unspent portion as deferred revenue.

Cause:

Unknown

Effect:

An adjustment was required to record additional grant revenues and expenses that were not recorded in the general ledger.

Recommendation:

We recommend that the Town implement procedures to ensure that all grant revenues received in advance are recorded as deferred revenue at the end of the fiscal year.



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

Phone: (802) 472-6120 • E-mail: Rosie.Hardwick@vtlink.net • Fax: (802) 472-3793

January 31, 2012

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

Dear Chad,

Our response to the audit questions are as follows:

Controls over Grant Revenues and Expenses

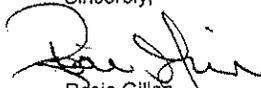
All activity in this account will be dealt with as it occurs instead of waiting monthly.

Controls over Grants Revenue and Deferred Revenue

We will reconcile all grant activity and make sure all unspent grant proceeds are deferred in the future.

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

Sincerely,


Rosie Gillen
Executive Assistant

Hardwick Town Manager Office
Hardwick Town Clerk
Hardwick Public Works Director

Jon Jewett
Alberta Miller
Tom Fadden

(802) 472-6120
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(802) 472-6029