

TOWN OF HARDWICK, VERMONT

**AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

JUNE 30, 2015

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AUDIT REPORT
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Hardwick, Vermont as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town of Hardwick, Vermont's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Hardwick, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Electric Fund and the Business-type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the Electric Fund and the business-type activities of the Town of Hardwick, Vermont as of June 30, 2015, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Revolving Loan Fund, the Capital Fund, the Equipment Replacement Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note I.F. to the financial statements, effective June 30, 2015, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27. As a result of this required change in accounting principle, the Town recorded a \$119,331 reduction in beginning net position of the Governmental Activities and a \$4,843 reduction in beginning net position of the Sewer Fund and Business-type Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations" and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated March 22, 2016 on our consideration of the Town of Hardwick, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Hardwick, Vermont’s internal control over financial reporting and compliance.

March 22, 2016
Montpelier, Vermont
VT Lic. #92-000180

Sullivan, Powers & Company

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. Please keep in mind that this discussion and our financial statements do not include Hardwick Electric, which is a wholly owned Town utility. Hardwick Electric is on a calendar year rather than a fiscal year used by the rest of the Town. Their financial statements are included in the Town Report independent of this discussion.

Financial Highlights

Government-Wide (Exhibit A)

- In Exhibit A, the Town's Total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2015 by \$10,706,724 (net position). This is a decrease of \$48,364 over the previous year.
- In Exhibit A, Governmental Activities net position of \$6,749,783 represents a decrease of \$37,384 over last year.
- In Exhibit A, \$3,956,941 of net position represents water and sewer fund activities (business funds). This demonstrates a decrease of \$10,980 from last year.
- In Exhibit A, \$851,603 of governmental activities net position, an increase of \$25,092 from 6/30/14, are unrestricted and may be used for future obligations. Some of these include funding for projects related to paving, bridges, sidewalks, rebuilding back roads and new Town facilities.
- In Exhibit A, Business-type Activities, Unrestricted Net Position of \$825,984, demonstrates a decrease of \$32,853 from 6/30/14 numbers, and are unrestricted net position and may be used to meet the Town's future water and sewer obligations. These include further improvements to the treatment plant and water and sewer main line upgrades.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

- In Exhibit D, the fund balances of governmental funds increased by \$17,814 in fiscal FY 15. 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 \$6,645 from 6/30/14. The General Fund balance at the end of FY 15 was \$175,722.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$224,246 on June 30, 2015, which is an increase of \$28,649 from 6/30/14. This is money that is available for future loans to promote economic development in Hardwick. The Town had 14 active small business loans on June 30, 2015. The total amount of outstanding principal for these loans was \$345,698.
- In Exhibit D, the Capital Fund balance increased by \$60,193 in fiscal 2015. The total amount in this fund at year end was \$600,721 and is designated for future projects such as sidewalk replacement, road paving/rebuilding and bridge and facility improvements.
- The Water Fund ended the fiscal year with a net position balance of \$1,586,222, which represented an increase of \$44,657. \$1,313,916 or 83% represents the Town's investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$420,831, which was an increase of \$117,634. A total of \$272,306 of net position is unrestricted with \$108,575 available for operations and \$163,731 available for future capital expenditures.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,370,719, a decrease of \$55,637. \$1,817,041 or 77% represents the Town's investment in capital assets. This decrease was primarily the result of depreciation of our capital investment in the plant distribution and collection systems. The cash balance due from the General Account, (Exhibit F) at year end was \$545,655, which was an increase of \$30,462. A total of \$553,678 of net position is unrestricted with \$494,924 available for future capital and \$58,754 available for operating expenses.

Overview of the Town's Financial Statements

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

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

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

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

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.

**TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Current and Other Assets	\$ 1,735,166	\$ 1,806,921	\$ 1,011,852	\$ 887,841	\$ 2,747,018	\$ 2,694,762
Capital Assets	5,861,233	5,595,951	4,147,305	3,208,812	10,008,538	8,804,763
Total Assets	7,596,399	7,402,872	5,159,157	4,096,653	12,755,556	11,499,525
Deferred Outflows of Resources	72,098	67,072	2,925	2,722	75,023	69,794
Current Liabilities	93,683	175,708	175,640	19,328	269,323	195,036
Long-Term Liabilities	677,340	506,764	1,023,562	112,126	1,700,902	618,890
Total Liabilities	771,023	682,472	1,199,202	131,454	1,970,225	813,926
Deferred Inflows of Resources	147,691	305	5,939	0	153,630	305
Net Position						
Net Investment in						
Capital Assets	5,286,104	5,341,321	3,130,957	3,109,084	8,417,061	8,450,405
Restricted	612,076	619,335	0	0	612,076	619,335
Unrestricted	851,603	826,511	825,984	858,837	1,677,587	1,685,348
Total Net Position	\$ 6,749,783	\$ 6,787,167	\$ 3,956,941	\$ 3,967,921	\$ 10,706,724	\$ 10,755,088

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,706,724 at the end of fiscal year 2015. This is a decrease of \$48,364 from fiscal year 2014 to fiscal year 2015. This means the financial strength of the Town decreased by that amount during the year.

The largest portion of the Town's net position is in its investment in capital assets, (79%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment and infrastructure). These are not available for future spending.

A portion of net position (\$612,076) is restricted to future use such as the revolving loan fund monies. The remaining net position (\$1,677,587) may be used to meet the government's ongoing obligations. Some of the amounts included in unrestricted net position have been designated by management for particular purposes (e.g. capital projects and equipment purchases).

**TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

	Governmental Activities		Business-Type Activities		Total	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
REVENUES						
Charges for Service	\$ 270,331	\$ 256,232	\$ 680,021	\$ 676,363	\$ 950,352	\$ 932,595
Operating Grants and Contributions	374,025	401,614	0	0	374,025	401,614
Capital Grants and Contributions	122,274	189,547	0	18,382	122,274	207,929
Property Taxes	1,893,178	1,870,785	0	0	1,893,178	1,870,785
Penalty and Interest on Delinquent Taxes	27,167	26,614	0	0	27,167	26,614
General State Grants	178,353	166,743	0	0	178,353	166,743
Unrestricted Investment Earnings	2,610	4,017	2,020	2,200	4,630	6,217
Gain on Sale of Vehicle	4,000	89	0	0	4,000	89
Other Revenues	3,515	6,267	0	0	3,515	6,267
Total Revenues	2,875,453	2,921,908	682,041	696,945	3,557,494	3,618,853
EXPENDITURES						
General Government	468,882	436,852	0	0	468,882	436,852
Public Safety	1,086,334	1,035,151	0	0	1,086,334	1,035,151
Highways and Streets	950,678	920,344	0	0	950,678	920,344
Culture and Recreation	229,182	156,228	0	0	229,182	156,228
Community Development	162,967	169,740	0	0	162,967	169,740
Interest on Long-Term Debt	14,794	4,296	0	0	14,794	4,296
Water	0	0	231,255	221,491	231,255	221,491
Sewer	0	0	461,766	470,188	461,766	470,188
Total Expenditures	2,912,837	2,722,611	693,021	691,679	3,605,858	3,414,290
Changes in Net Position	(37,384)	199,297	(10,980)	5,266	(48,364)	204,563
Net Position - Beginning of Year	6,787,167	6,707,201	3,967,921	3,967,498	10,755,088	10,674,699
Less GASB 68 Adjustments	0	(119,331)	0	(4,843)	0	(124,174)
Net Position - End of Year	<u>\$ 6,749,783</u>	<u>\$ 6,787,167</u>	<u>\$ 3,956,941</u>	<u>\$ 3,967,921</u>	<u>\$ 10,706,724</u>	<u>\$ 10,755,088</u>

Governmental activities: Governmental activities decreased the Town's net position by \$37,384 in FY 2015. This decrease was primarily due the Library donating their Trust Funds to the Vermont Community Foundation.

Business-type activities: Business-type activities decreased the Town's net position by \$10,980.

Exhibit G: The Water Fund had an operational income of \$43,859 and an increase in net position of \$44,657. The operational income was the result of increased revenues while holding down operating costs.

The Sewer Fund had a loss from operations of \$54,574 and a decrease in net position of \$55,637. These losses were primarily due to \$145,787 of depreciation.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance increased by \$6,645 during fiscal year 2015. The total fund balance at year end was \$175,722. Of that amount, \$33,485 is non-spendable inventory. Much of the increase in the General Fund - Fund Balance can be attributed to a change in budgeting, budgeting to actual expenses from the prior year and performing due diligence at controlling expenses by the Town Office staff and the various departments. It appears that with the existing fund balance being 6 percent of the overall budget and mostly available for use, the Town should not have to borrow funds to cover general operating expenses in the near future.

Revenues for Fiscal Year 2015 were higher than 2014 by \$32,365 primarily due to increased revenues from property taxes and grant revenue. Expenditures were \$31,137 under budget, but the overall increase in the general fund balance was limited to \$6,645 due to an increase in uncollected property taxes. Budget savings were the result of reduced spending in all departments and to more accurate budget estimates.

Revolving Loan Fund

For the year ending June 30, 2015, the Town's Revolving Loan Fund also known as the Economic Development Fund had total revenues of \$136,542 as reported on Exhibit D of the FY15 audit. The year end fund balance was \$224,246, which was an increase of \$28,649 from the previous year and primarily resulted from increased loan repayments. The Town had outstanding loans totaling \$345,698.

Capital Fund(s)

Also reported on Exhibit D, the Town's Capital Fund had a year-end fund balance of \$600,721. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$193,680 of the fund on projects during FY15. Highway projects accounted for \$145,888 of total expenditures or nearly 75%.

As reported on Exhibit D, the Town's Equipment Replacement Fund had a year-end fund balance of \$66,313. These funds are assigned for future equipment purchases. During the past year, the Town purchased a new plow truck, a Public Works pickup, and a police cruiser. Total expenditures from the fund were \$609,684 of which \$400,000 was financed through debt.

Capital Asset and Debt Administration

The Town of Hardwick's investment in capital assets for its governmental activities as of June 30, 2015 totaled \$5,286,104, (net of Accumulated Depreciation and Related Debt). This is a decrease of \$55,217 over last year. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment and furniture.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

- Plow Truck
- Police Cruiser
- Fire Truck
- Public Works Pickup
- Construction of New Water Reservoir
- Bridge/Bike Path Engineering
- New 3,000 gallon Highway Department Diesel Tank
- Wolcott Street Engineering
- Energy Efficiency Measures at Town Buildings

Debt Administration

As of June 30, 2015, the governmental activities of the Town of Hardwick were carrying two notes and one bond payable for the following:

- A fire truck purchase with an outstanding debt balance of \$400,000.
- A grader and loader purchase with an outstanding debt balance of \$81,385.
- A loader purchase with an outstanding debt balance of \$93,744.
- The Town paid off an old cruiser note and a fire truck note during the year.

The **Water Fund** has one outstanding bond for \$961,148 to the State Special Environmental Revolving Loan Fund. The funding was used for a new reservoir and water meter project.

The **Sewer Fund** had one bond outstanding with a total principal debt of \$55,200. The bond is through the USDA and was used to fund sewer line improvements on Mill Street.

Economic Factors and Next Year's Budgets and Rates

During the FY 15 budget process, the Select Board chose to invest an additional \$20,000 of capital resources to improve the Town class 3 highways. These are dirt roads that have become more problematic over the last several years due to deferred maintenance and higher use. The process included setting aside funds to purchase gravel, bringing in a crusher rather than a screener to produce better gravel from the Town pit, and buying winter sand to allow for more gravel from the Town pit to be used for summer maintenance. Additionally, the Town planned to purchase some manufactured material to compare its performance to gravel. The manufactured material is used in the same manner as gravel.

In March 2015, the Town voted to approve a \$400,000 bond for a new fire/rescue truck for the Hardwick Fire Department. The bond will increase the Town's indebtedness and will increase tax rates by a little more than 2 cents.

Due to a number of tax stabilization agreements beginning to mature, and even considering a reduction in the appraisals of several HUD rental properties owned by Lamoille Housing Partnership, the municipal Grand List increased by \$1,000,000 in 2015. This increase had a positive impact on the municipal tax rate, keeping increases to a minimum.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The cost to operate the Town's wastewater treatment plant has continued to increase and rates have been adjusted accordingly maintaining Hardwick rates at a level in the mid-range of what other nearby towns charge for their wastewater services. The Town continues to plan and set funds aside for maintaining and upgrading the system. Previous improvements to the treatment plant have actually increased its capacity. Thus extending the time when the Town will have to plan and implement more costly long term upgrades. Additionally, the Town is planning to replace a significant portion of the lagoon liner in lagoon number 2 and will at that time also remove wastewater sludge, transporting it to the Coventry Landfill. These actions should reduce the likelihood of a hydraulic failure of the lagoons and will increase treatment capacity.

The Town's water system is seeing significant improvements with the installation of a new transmission line, a new reservoir, looping of water mains on Mackville Road and Marshal Street, and pressure improvements on Pearl Street. The next phase of improvements will include the installation of water meters, and a new water main on Church Street, Maple Street, and Slapp Hill.

The Town has continued to improve its aging infrastructure, gravel roads, and equipment while trying to keep budget increases to a minimum. The Town is in the process of designing improvements to public access on South Main Street. It is using a federal earmark to rebuild approximately 800 feet of sidewalks and to relocate overhead utilities. Additionally, the Town is working to separate storm water and sanitary sewers on South Main Street and to build treatment systems for storm water in advance of state mandates. The Town is using State Ecosystem Preservation funds to initiate these actions. Total grant funding from the State could equal approximately \$50,000 for storm water related projects, which will include only minimal out of pocket funding from the Town.

Contacting the Town's Financial Management

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,112,682	\$ 100	\$ 2,112,782
Investments	9,078	0	9,078
Receivables (Net of Allowance for Uncollectibles)	200,709	37,385	238,094
Loans Receivable (Net of Allowance for Uncollectibles)	345,698	0	345,698
Internal Balances	(966,486)	966,486	0
Inventory	33,485	7,881	41,366
Capital Assets:			
Land	129,977	80,741	210,718
Construction in Progress	176,177	1,150,095	1,326,272
Other Capital Assets, (Net of Accumulated Depreciation)	5,555,079	2,916,469	8,471,548
Total Assets	7,596,399	5,159,157	12,755,556
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	72,098	2,925	75,023
Total Deferred Outflows of Resources	72,098	2,925	75,023
<u>LIABILITIES</u>			
Accounts Payable	77,221	171,709	248,930
Accrued Payroll and Benefits Payable	9,645	859	10,504
Accrued Interest Payable	2,769	948	3,717
Unearned Revenue	4,048	2,124	6,172
Noncurrent Liabilities:			
Due within One Year	62,669	2,300	64,969
Due in More than One Year	614,671	1,021,262	1,635,933
Total Liabilities	771,023	1,199,202	1,970,225
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	1,359	0	1,359
Deferred Inflows of Resources Related to the Town's Participation in VMERS	146,332	5,939	152,271
Total Deferred Inflows of Resources	147,691	5,939	153,630
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,286,104	3,130,957	8,417,061
Restricted For:			
Public Safety	7,919	0	7,919
Culture and Recreation	23,796	0	23,796
Community Development	569,944	0	569,944
Cemetery	10,417	0	10,417
Unrestricted	851,603	825,984	1,677,587
Total Net Position	\$ 6,749,783	\$ 3,956,941	\$ 10,706,724

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 468,882	\$ 37,522	\$ 14,194	\$ 0	\$ (417,166)	\$ 0	\$ (417,166)
Public Safety	1,086,334	213,733	54,695	1,584	(816,322)	0	(816,322)
Highways and Streets	950,678	0	147,106	48,358	(755,214)	0	(755,214)
Culture and Recreation	229,182	9,894	0	72,332	(146,956)	0	(146,956)
Community Development	162,967	9,182	158,030	0	4,245	0	4,245
Interest on Long-term Debt	14,794	0	0	0	(14,794)	0	(14,794)
Total Governmental Activities	<u>2,912,837</u>	<u>270,331</u>	<u>374,025</u>	<u>122,274</u>	<u>(2,146,207)</u>	<u>0</u>	<u>(2,146,207)</u>
Business-type Activities:							
Water	231,255	275,114	0	0	0	43,859	43,859
Sewer	461,766	404,907	0	0	0	(56,859)	(56,859)
Total Business-type Activities	<u>693,021</u>	<u>680,021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,000)</u>	<u>(13,000)</u>
Total Primary Government	<u>\$ 3,605,858</u>	<u>\$ 950,352</u>	<u>\$ 374,025</u>	<u>\$ 122,274</u>	<u>(2,146,207)</u>	<u>(13,000)</u>	<u>(2,159,207)</u>
General Revenues:							
Property Taxes					1,893,178	0	1,893,178
Penalties and Interest on Delinquent Taxes					27,167	0	27,167
General State Grants					178,353	0	178,353
Unrestricted Investment Earnings					2,610	2,020	4,630
Gain on Sale of Vehicle					4,000	0	4,000
Other Revenues					3,515	0	3,515
Total General Revenues					<u>2,108,823</u>	<u>2,020</u>	<u>2,110,843</u>
Change in Net Position					(37,384)	(10,980)	(48,364)
Net Position - July 1, 2014, As Restated					<u>6,787,167</u>	<u>3,967,921</u>	<u>10,755,088</u>
Net Position - June 30, 2015					<u>\$ 6,749,783</u>	<u>\$ 3,956,941</u>	<u>\$ 10,706,724</u>

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Revolving Loan Fund	Capital Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 1,886,745	\$ 224,246	\$ 0	\$ 60	\$ 1,631	\$ 2,112,682
Investments	0	0	0	0	9,078	9,078
Receivables (Net of Allowance for Uncollectibles)	174,015	0	25,795	0	899	200,709
Loans Receivable (Net of Allowance for Uncollectibles)	0	345,698	0	0	0	345,698
Due from Other Funds	0	0	597,230	66,253	170,357	833,840
Inventory	33,485	0	0	0	0	33,485
Total Assets	\$ <u>2,094,245</u>	\$ <u>569,944</u>	\$ <u>623,025</u>	\$ <u>66,313</u>	\$ <u>181,965</u>	\$ <u>3,535,492</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 43,848	\$ 0	\$ 22,304	\$ 0	\$ 11,069	\$ 77,221
Accrued Payroll and Benefits Payable	8,880	0	0	0	765	9,645
Due to Other Funds	1,800,326	0	0	0	0	1,800,326
Unearned Revenue	2,211	0	0	0	1,837	4,048
Total Liabilities	<u>1,855,265</u>	<u>0</u>	<u>22,304</u>	<u>0</u>	<u>13,671</u>	<u>1,891,240</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	1,359	0	0	0	0	1,359
Unavailable Property Taxes, Penalties and Interest	61,000	0	0	0	0	61,000
Unavailable Grants	899	0	0	0	899	1,798
Unavailable Loans Receivable	0	345,698	0	0	0	345,698
Total Deferred Inflows of Resources	<u>63,258</u>	<u>345,698</u>	<u>0</u>	<u>0</u>	<u>899</u>	<u>409,855</u>
<u>FUND BALANCES</u>						
Nonspendable	33,485	0	0	0	8,861	42,346
Restricted	0	224,246	0	0	33,271	257,517
Committed	0	0	0	0	6,788	6,788
Assigned	9,337	0	600,721	66,313	119,374	795,745
Unassigned/(Deficit)	132,900	0	0	0	(899)	132,001
Total Fund Balances	<u>175,722</u>	<u>224,246</u>	<u>600,721</u>	<u>66,313</u>	<u>167,395</u>	<u>1,234,397</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>2,094,245</u>	\$ <u>569,944</u>	\$ <u>623,025</u>	\$ <u>66,313</u>	\$ <u>181,965</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:						
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.						5,861,233
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						408,496
Long-Term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, therefore, are Not Reported in the Funds.						(680,109)
Deferred Outflows and Inflows of Resources Related to the Town's Participation in VMERS are Applicable to Future Periods and, therefore, are not Reported in the Funds.						(74,234)
Net Position of Governmental Activities						\$ <u>6,749,783</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Revolving Loan Fund	Capital Fund	Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 1,874,278	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,874,278
Penalties & Interest on Delinquent Taxes	26,567	0	0	0	0	26,567
Intergovernmental	336,529	0	78,395	0	220,633	635,557
Charges for Services	440,143	0	0	0	0	440,143
Permits, Licenses & Fees	31,676	0	0	0	0	31,676
Fines and Forfeits	8,598	0	0	0	0	8,598
Loan Repayments	0	126,917	0	0	0	126,917
Loan Interest Income	0	9,182	0	0	0	9,182
Investment Income	353	293	1,453	104	407	2,610
Donations	3,581	0	0	0	53,286	56,867
Other	402	150	0	0	3,188	3,740
Total Revenues	<u>2,722,127</u>	<u>136,542</u>	<u>79,848</u>	<u>104</u>	<u>277,514</u>	<u>3,216,135</u>
Expenditures:						
General Government	549,946	0	11,130	0	32,147	593,223
Public Safety	914,227	0	10,355	0	50,260	974,842
Highways and Streets	748,992	0	67,165	0	0	816,157
Culture and Recreation	27,758	0	5,630	0	174,944	208,332
Community Development	0	107,893	0	0	162,074	269,967
Capital Outlay:						
General Government		0	7,345	0	0	7,345
Public Safety	1,198	0	6,179	549,224	0	556,601
Highways and Streets	4,259	0	78,723	0	0	82,982
Culture and Recreation		0	7,153	0	0	7,153
Debt Service:						
Principal	24,250	0	0	55,251	0	79,501
Interest	9,109	0	0	5,209	0	14,318
Total Expenditures	<u>2,279,739</u>	<u>107,893</u>	<u>193,680</u>	<u>609,684</u>	<u>419,425</u>	<u>3,610,421</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>442,388</u>	<u>28,649</u>	<u>(113,832)</u>	<u>(609,580)</u>	<u>(141,911)</u>	<u>(394,286)</u>
Other Financing Sources/(Uses):						
Proceeds from Sale of Vehicle	0	0	8,100	0	4,000	12,100
Proceeds from Long-term Debt	0	0	0	400,000	0	400,000
Transfers In	0	0	165,925	158,000	111,888	435,813
Transfers Out	(435,743)	0	0	0	(70)	(435,813)
Total Other Financing Sources/(Uses)	<u>(435,743)</u>	<u>0</u>	<u>174,025</u>	<u>558,000</u>	<u>115,818</u>	<u>412,100</u>
Net Change in Fund Balances	6,645	28,649	60,193	(51,580)	(26,093)	17,814
Fund Balances - July 1, 2014	<u>169,077</u>	<u>195,597</u>	<u>540,528</u>	<u>117,893</u>	<u>193,488</u>	<u>1,216,583</u>
Fund Balances - June 30, 2015	<u>\$ 175,722</u>	<u>\$ 224,246</u>	<u>\$ 600,721</u>	<u>\$ 66,313</u>	<u>\$ 167,395</u>	<u>\$ 1,234,397</u>

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, 2015

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)	\$ 17,814
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$654,081) is allocated over their estimated useful lives and reported as depreciation expense (\$351,764). This is the amount by which capital outlays exceeded depreciation in the current period.	302,317
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(37,035)
The issuance of long-term debt (\$400,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$79,501) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(320,499)
The issuance of loans receivable (\$107,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$126,917) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.	(19,917)
Governmental funds report employer pension contributions as expenditures (\$69,770). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$72,129) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(2,359)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,795
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>10,500</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (37,384)</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	14,136	23,249	37,385
Due from Other Funds	420,831	545,655	966,486
Inventory	5,350	2,531	7,881
Total Current Assets	440,367	571,485	1,011,852
Noncurrent Assets:			
Land	42,246	38,495	80,741
Construction in Progress	1,150,095	0	1,150,095
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	12,271	79,923	92,194
Distribution/Collection Systems	1,594,505	5,781,692	7,376,197
Less: Accumulated Depreciation	(597,345)	(4,041,326)	(4,638,671)
Total Noncurrent Assets	2,275,064	1,872,241	4,147,305
Total Assets	2,715,431	2,443,726	5,159,157
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	2,925	2,925
Total Deferred Outflows of Resources	0	2,925	2,925
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	166,930	4,779	171,709
Accrued Payroll and Benefits Payable	0	859	859
Accrued Interest Payable	0	948	948
Unearned Revenue	1,131	993	2,124
General Obligation Bonds Payable - Current Portion	0	2,300	2,300
Total Current Liabilities	168,061	9,879	177,940
Noncurrent Liabilities:			
Compensated Absences Payable	0	5,288	5,288
Net Pension Liability	0	1,926	1,926
General Obligation Bonds Payable - Noncurrent Portion	0	52,900	52,900
Notes Payable - Noncurrent Portion	961,148	0	961,148
Total Noncurrent Liabilities	961,148	60,114	1,021,262
Total Liabilities	1,129,209	69,993	1,199,202
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	5,939	5,939
Total Deferred Inflows of Resources	0	5,939	5,939
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,313,916	1,817,041	3,130,957
Unrestricted	272,306	553,678	825,984
Total Net Position	\$ 1,586,222	\$ 2,370,719	\$ 3,956,941

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 270,387	\$ 390,551	\$ 660,938
Penalties & Interest	4,589	7,181	11,770
Interfund Charges	0	7,175	7,175
Miscellaneous	<u>138</u>	<u>0</u>	<u>138</u>
Total Operating Revenues	<u>275,114</u>	<u>404,907</u>	<u>680,021</u>
Operating Expenses:			
Administrative Salaries	61,020	61,020	122,040
Salaries and Wages	35,637	86,966	122,603
Administrative Charges	11,990	9,123	21,113
Administrative Supplies	2,190	2,136	4,326
Benefits	0	21,008	21,008
Insurances	2,671	14,445	17,116
Town Equipment Charge	9,000	9,000	18,000
Legal/Audit	5,362	5,362	10,724
Communications	421	1,127	1,548
Utilities	43,162	43,994	87,156
Maintenance	19,506	35,115	54,621
Chemicals	1,065	22,352	23,417
Depreciation	33,954	145,787	179,741
Other Operating Expenses	<u>5,277</u>	<u>2,046</u>	<u>7,323</u>
Total Operating Expenses	<u>231,255</u>	<u>459,481</u>	<u>690,736</u>
Operating Income/(Loss)	<u>43,859</u>	<u>(54,574)</u>	<u>(10,715)</u>
Non-Operating Revenues/(Expenses):			
Investment Income	798	1,222	2,020
Interest Expense	<u>0</u>	<u>(2,285)</u>	<u>(2,285)</u>
Total Non-Operating Revenues/(Expenses)	<u>798</u>	<u>(1,063)</u>	<u>(265)</u>
Change in Net Position	44,657	(55,637)	(10,980)
Net Position - July 1, 2014, As Restated	<u>1,541,565</u>	<u>2,426,356</u>	<u>3,967,921</u>
Net Position - June 30, 2015	<u>\$ 1,586,222</u>	<u>\$ 2,370,719</u>	<u>\$ 3,956,941</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, 2015

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 284,659	\$ 411,787	\$ 696,446
Receipts from Interfund Services	0	7,175	7,175
Payments for Goods and Services	(91,577)	(142,230)	(233,807)
Payments for Interfund Services	(20,990)	(18,123)	(39,113)
Payments for Wages and Benefits	(96,657)	(148,892)	(245,549)
Net Cash Provided by Operating Activities	<u>75,435</u>	<u>109,717</u>	<u>185,152</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	<u>(117,634)</u>	<u>(30,462)</u>	<u>(148,096)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(117,634)</u>	<u>(30,462)</u>	<u>(148,096)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(892,297)	(61,075)	(953,372)
Proceeds of Long-Term Debt	961,148	0	961,148
Principal Paid on:			
General Obligation Bonds	(27,450)	(17,078)	(44,528)
Interest Paid on:			
General Obligation Bonds	<u>0</u>	<u>(2,324)</u>	<u>(2,324)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>41,401</u>	<u>(80,477)</u>	<u>(39,076)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>798</u>	<u>1,222</u>	<u>2,020</u>
Net Cash Provided by Investing Activities	<u>798</u>	<u>1,222</u>	<u>2,020</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2014	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2015	<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)	\$ 43,859	\$ (54,574)	\$ (10,715)
Depreciation	33,954	145,787	179,741
(Increase)/Decrease in Receivables	9,167	13,768	22,935
(Increase)/Decrease in Prepaid Expenses	0	150	150
(Increase)/Decrease in Inventory	1,800	(800)	1,000
(Increase)/Decrease in Deferred Outflows of Resources			
Related to the Town's Participation in VMERS	0	(203)	(203)
Increase/(Decrease) in Accounts Payable	(13,723)	3,869	(9,854)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	678	678
Increase/(Decrease) in Compensated Absences Payable	0	455	455
Increase/(Decrease) in Net Pension Liability	0	(5,639)	(5,639)
Increase/(Decrease) in Deferred Inflows of Resources			
Related to the Town's Participation in VMERS	0	5,939	5,939
Increase/(Decrease) in Unearned Revenue	<u>378</u>	<u>287</u>	<u>665</u>
Net Cash Provided by Operating Activities	<u>\$ 75,435</u>	<u>\$ 109,717</u>	<u>\$ 185,152</u>

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

The Town reports on the following major governmental funds:

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

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

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

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

The Town reports on the following major enterprise funds:

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

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

E. Use of Estimates

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

F. New Pronouncement – Pension Plans

Effective June 30, 2015, the Town implemented GASB Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town's participation in the Vermont Municipal Employees' Retirement System (VMERS) as well as additional disclosures and required supplemental information.

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

1. Cash

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

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

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2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

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

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

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

6. Pensions

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

TOWN OF HARDWICK, VERMONT
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7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities reports deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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

8. Capital Assets

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

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

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

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

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

9. Compensated Absences

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

10. Long-term Liabilities

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

11. Fund Equity

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

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

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Restatement of Net Position

Effective June 30, 2015, the Town implemented GASB Statement No. 68, “Financial Reporting for Pension Plans” – An amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town’s participation in the Vermont Municipal Employees’ Retirement System (VMERS) as well as additional disclosures and required supplemental information.

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As a result of adopting this new accounting principle, beginning net position of the Governmental Activities was reduced by \$119,331 resulting from the proportionate share of the net pension liability of \$186,403 at June 30, 2014 net of the deferred outflows of resources of \$67,072 of required contributions made during fiscal year 2014. The Governmental Activities net position has been restated from \$6,906,498 to \$6,787,167.

The beginning net position of the Business-type Activities was reduced by \$4,843 resulting from the proportionate share of the net pension liability of \$7,565 at June 30, 2014 net of the deferred outflows of resources of \$2,722 of required contributions made during fiscal year 2014. The business-type activities net position has been restated from \$3,972,764 to \$3,967,921.

The beginning net position of the Sewer Fund was reduced by \$4,843 resulting from the proportionate share of the net pension liability of \$7,565 at June 30, 2014 net of the deferred outflows of resources of \$2,722 of required contributions made during fiscal year 2014. The Sewer Fund net position has been restated from \$2,431,199 to \$2,426,356.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2015 consisted of the following:

Cash:

Deposits with Financial Institutions	\$2,112,132
Cash on Hand	<u>650</u>
Total Cash	<u>2,112,782</u>

Investments:

Certificates of Deposit	<u>9,078</u>
Total Investments	<u>9,078</u>

Total Cash and Investments	<u>\$2,121,860</u>
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The Town has three (3) certificates of deposit at Merchants Bank ranging from \$1,133 to \$5,135 with an interest rate of 0.25%. All of the certificates of deposit will mature during fiscal year 2016.

TOWN OF HARDWICK, VERMONT
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Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 259,138	\$ 259,138
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	1,372,926	1,372,926
Uninsured, Uncollateralized	<u>489,146</u>	<u>549,409</u>
Total	<u>\$2,121,210</u>	<u>\$2,181,473</u>

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

\$175,129 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,112,132
Investments – Certificates of Deposit	<u>9,078</u>
Total	<u>\$2,121,210</u>

Interest Rate Risk

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

TOWN OF HARDWICK, VERMONT
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Credit Risk

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

Concentration of Credit Risk

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

B. Receivables

Receivables as of June 30, 2015, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes	\$ 141,105	\$ 0	\$ 141,105
Penalties and Interest	14,189	0	14,189
Billed Services	7,632	35,785	43,417
Unbilled Services	0	2,600	2,600
Tax Sale Receivables	11,946	0	11,946
Grants	34,180	0	34,180
Miscellaneous	657	0	657
Allowance for Doubtful Accounts	(9,000)	(1,000)	(10,000)
	<u>\$ 200,709</u>	<u>\$ 37,385</u>	<u>\$ 238,094</u>

C. Loans Receivable

Loans receivable as of June 30, 2015 consists of a number of loans for community development as follows:

Loan Receivable, Hardwick Housing Partnership, Payable on Demand on and after January 8, 2033, 2% Interest, Secured by a Second Mortgage	\$ 530,000
Loan Receivable, Highland Hill Housing Limited Partnership, Payable on Demand on and After August 29, 2018, 0% Interest, Secured by Second Mortgage	327,820

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Loan Receivable, Bemis Block Housing Limited Partnership, Payable on Demand on and After June 5, 2037, 0% Interest, Secured by Second Mortgage	\$ 215,000
Loan Receivable, Maple Street Housing Limited Partnership, Authorized to \$340,000, Terms have not been Finalized	340,000
Loans Receivable, 14 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 2.25% to 8.00%, Various Due Dates, Secured by Business Assets	<u>345,698</u>
Total	1,758,518
Plus: Accrued Interest on Loans	225,074
Less: Allowance for Doubtful Loans Receivable and Accrued Interest	(1,458,081)
Less: Discount on Loans Receivable and Accrued Interest	<u>(179,813)</u>
Reported Value at June 30, 2015	<u>\$ 345,698</u>

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

<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>\$1,622,035</u>	<u>\$263,400</u>	<u>\$126,917</u>	<u>\$1,758,518</u>

Accrued interest on the Hardwick Housing Partnership loan totals \$225,074.

A discount of \$179,813 has been recorded to accurately reflect the present value of the two loans receivable that have a 0% interest rate and the accrued interest receivable. The Town has imputed a 3% interest rate on these loans and accrued interest which was the average market rate at the time the loans were issued.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 129,977	\$ 0	\$ 0	\$ 129,977
Construction in Progress	106,346	69,831	0	176,177
Total Capital Assets, Not Being Depreciated	<u>236,323</u>	<u>69,831</u>	<u>0</u>	<u>306,154</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,405,400	13,298	0	1,418,698
Vehicles	2,039,952	560,224	259,199	2,340,977
Machinery and Equipment	341,746	20,528	0	362,274
Roads, Bridges and Sidewalks	3,704,268	1,200	0	3,705,468
Totals	<u>7,491,366</u>	<u>595,250</u>	<u>259,199</u>	<u>7,827,417</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	355,040	30,845	0	385,885
Vehicles	910,252	158,716	211,164	857,804
Machinery and Equipment	158,283	34,866	0	193,149
Roads, Bridges and Sidewalks	708,163	127,337	0	835,500
Totals	<u>2,131,738</u>	<u>351,764</u>	<u>211,164</u>	<u>2,272,338</u>
Total Capital Assets, Being Depreciated	<u>5,359,628</u>	<u>243,486</u>	<u>48,035</u>	<u>5,555,079</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,595,951</u>	<u>\$ 313,317</u>	<u>\$ 48,035</u>	<u>\$ 5,861,233</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 46,432	\$ 34,309	\$ 0	\$ 80,741
Construction in Progress	134,554	1,049,850	34,309	1,150,095
Total Capital Assets, Not Being Depreciated	<u>180,986</u>	<u>1,084,159</u>	<u>34,309</u>	<u>1,230,836</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	94,476	0	2,282	92,194
Distribution and Collection Systems	7,308,862	68,384	1,049	7,376,197
Totals	<u>7,490,087</u>	<u>68,384</u>	<u>3,331</u>	<u>7,555,140</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	24,682	3,258	0	27,940
Vehicles, Machinery and Equipment	81,517	3,327	2,282	82,562
Distribution and Collection Systems	4,356,062	173,156	1,049	4,528,169
Totals	<u>4,462,261</u>	<u>179,741</u>	<u>3,331</u>	<u>4,638,671</u>
Total Capital Assets, Being Depreciated	<u>3,027,826</u>	<u>(111,357)</u>	<u>0</u>	<u>2,916,469</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,208,812</u>	<u>\$ 972,802</u>	<u>\$ 34,309</u>	<u>\$ 4,147,305</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 18,363	Water	\$ 33,954
Public Safety	88,771	Sewer	<u>145,787</u>
Highways and Streets	223,565		
Culture and Recreation	<u>21,065</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
\$ <u>351,764</u>		\$ <u>179,741</u>	

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2015 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,800,326
Capital Fund	597,230	0
Equipment Replacement Fund	66,253	0
Non-Major Governmental Funds	170,357	0
Water Fund	420,831	0
Sewer Fund	<u>545,655</u>	<u>0</u>
Total	\$ <u>1,800,326</u>	\$ <u>1,800,326</u>

Interfund transfers during the year ended June 30, 2015 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital Fund	\$ 162,000	Annual Appropriation
General Fund	Equipment Replacement Fund	158,000	Annual Appropriation
General Fund	Restorative Justice Fund	3,000	Annual Appropriation
General Fund	Jeudevine Memorial Library Fund	103,319	Annual Appropriation
General Fund	Jeudevine Memorial Library Fund	5,499	Create a Special Revenue Fund
General Fund	Recreation Committee Fund	20,831	* Annual Appropriation
Recreation Committee Fund	Capital Fund	3,925	Transfer of Trail Revenue
Library Endowment Fund	Jeudevine Memorial Library Fund	<u>70</u>	Transfer of Interest Income
Total		\$ <u>456,644</u>	

* The transfers from the General Fund to the Recreation Committee Fund are netted within the General Fund as these funds are consolidated within the General Fund to comply with GASB Statement No. 54. The transfer from the Recreation Committee Fund to the Capital Fund is included with the General Fund.

TOWN OF HARDWICK, VERMONT
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F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$2,328 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$69,770 of required employer pension contributions made subsequent to the measurement date for a total of \$72,098, as further described in Note V.A.

Deferred outflows of resources in the Sewer Fund and Business-type Activities consists of \$94 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$2,831 of required employer pension contributions made subsequent to the measurement date for a total of \$2,925, as further described in Note V.A.

G. Unearned Revenue

Unearned revenue in the General Fund consists of \$2,211 of grant revenue received in advance.

Unearned revenue in the Non-Major Governmental Funds consists of \$1,837 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$1,359 of prepaid property taxes and \$146,332 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A. Total deferred inflows of resources in the Governmental Activities is \$147,691.

Deferred inflows of resources in the General Fund consists of \$61,000 of delinquent property taxes, penalties and interest on those taxes and \$899 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$1,359 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$63,258.

Deferred inflows of resources in the Revolving Loan Fund consists of \$345,698 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$899 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Sewer Fund and Business-type Activities consists of \$5,939 resulting from the difference between the projected and actual investment earnings related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.

TOWN OF HARDWICK, VERMONT
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I. Long-term Liabilities

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

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

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

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

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

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

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

Long-term liabilities outstanding as of June 30, 2015 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Fire Truck Purchase, Principal and Interest Payments of \$24,760 Payable on May 15 Annually, Interest at 2.5%, Due and Paid in May, 2015	\$ 24,250	\$ 0	\$24,250	\$ 0
Note Payable, Union Bank, Grader and Loader, Principal and Interest Payments of \$28,372 Payable on November 1 Annually, Interest at 2.24%, Due November, 2017	107,307	0	25,922	81,385

TOWN OF HARDWICK, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Police Cruiser, Principal and Interest Payments of \$10,348 Payable on September 15 Annually, Interest at 2%, Due and Paid in September, 2014	\$ 10,073	\$ 0	\$10,073	\$ 0
Note Payable, Union Bank, Loader, Principal Payments Ranging from \$9,256 to \$11,409 Payable on May 15 Annually Plus Interest at 2.4%, Due May, 2024	103,000	0	9,256	93,744
Note Payable, Union Bank, Police Cruiser, Principal Payment of \$10,000 Payable on September 5 Plus Interest at 1.35%, Due and Paid in September, 2014	10,000	0	10,000	0
Bond Payable, Vermont Municipal Bond Bank, Fire Truck, Annual Principal Payments of \$26,664 Starting November 15, 2015, Various Interest Rates Ranging from .513% to 3.653% Payable Semi-Annually on November 15 and May 15, Due November, 2029	<u>0</u>	<u>400,000</u>	<u>0</u>	<u>400,000</u>
Total Governmental Activities	<u>\$254,630</u>	<u>\$400,000</u>	<u>\$79,501</u>	<u>\$575,129</u>
Business-type Activities:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Supply System Improvements, Annual Principal Payments of \$5,490 Starting September 1, 2017, 0% Interest, Due September, 2021, Total Outstanding Principal was paid on January 20, 2015	\$ 27,450	\$ 0	\$ 27,450	\$ 0
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Reservoir and Water Meter Projects, Annual Principal Payments of \$36,151 Starting July 1, 2017, Interest at -3.0%, Due July, 2046. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest	0	961,148	0	961,148

TOWN OF HARDWICK, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sewer Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal Payments of \$14,778 Payable on April 1 Annually, 0% Interest, Due and Paid in April, 2015	\$ 14,778	\$ 0	\$14,778	\$ 0
Sewer Bond Payable, U.S. Department of Agriculture, Mill Street Project, Principal Payments of \$2,300 Payable August 1 Annually, Interest at 4.125% Payable February 1 and August 1, Due August, 2038	<u>57,500</u>	<u>0</u>	<u>2,300</u>	<u>55,200</u>
Total Business-type Activities	\$ <u>99,728</u>	\$ <u>961,148</u>	\$ <u>44,528</u>	\$ <u>1,016,348</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 0	\$ 400,000	\$ 0	\$ 400,000	\$ 26,667
Notes Payable	254,630	0	79,501	175,129	36,002
Compensated Absences	65,731	0	10,976	54,755	0
Net Pension Liability	<u>186,403</u>	<u>0</u>	<u>138,947</u>	<u>47,456</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	\$ <u>506,764</u>	\$ <u>400,000</u>	\$ <u>229,424</u>	\$ <u>677,340</u>	\$ <u>62,669</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 99,728	\$ 961,148	\$ 44,528	\$ 1,016,348	\$ 2,300
Compensated Absences	4,833	455	0	5,288	0
Net Pension Liability	<u>7,565</u>	<u>0</u>	<u>5,639</u>	<u>1,926</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	\$ <u>112,126</u>	\$ <u>961,603</u>	\$ <u>50,167</u>	\$ <u>1,023,562</u>	\$ <u>2,300</u>

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

TOWN OF HARDWICK, VERMONT
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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 62,669	\$ 14,226	\$ 2,300	\$ 2,277
2017	63,499	13,175	38,451	2,182
2018	64,278	12,044	38,451	2,087
2019	36,823	10,797	38,451	1,992
2020	37,063	10,067	38,451	1,898
2021-2025	177,463	36,137	192,255	8,065
2026-2030	133,334	11,903	143,722	5,693
2031-2035	0	0	11,500	3,320
2036-2040	0	0	9,200	950
Principal to be Forgiven (To Be Converted to Grant)	<u>0</u>	<u>0</u>	<u>503,567</u>	<u>0</u>
Total	\$ <u>575,129</u>	\$ <u>108,349</u>	\$ <u>1,016,348</u>	\$ <u>28,464</u>

J. Fund Balances

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Inventory	\$ <u>33,485</u>
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Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	<u>8,861</u>
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Total Nonspendable Fund Balances	\$ <u><u>42,346</u></u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Revolving Loan Fund:

Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue)	\$ <u>224,246</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Dare/Drug Seizure Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	292
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Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations)	<u>7,627</u>
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Total Special Revenue Funds	<u><u>7,919</u></u>
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Capital Project Funds:

Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations)	<u>23,796</u>
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion (Source of Revenue is Donations)	\$ <u>1,556</u>
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Total Non-Major Funds	<u>33,271</u>
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Total Restricted Fund Balances	<u>\$257,517</u>
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The fund balances in the following funds are committed as follows:

Non-Major Funds

Special Revenue Fund:

Committed for Jeudevine Memorial Library Expenses by the Voters	\$ <u>6,788</u>
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Total Committed Fund Balances	<u>\$ 6,788</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Recreation Committee Expenses	\$ <u>9,337</u>
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Capital Fund:

Assigned for Capital Expenditures	<u>600,721</u>
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Equipment Replacement Fund:

Assigned for Equipment Replacement Expenditures	<u>66,313</u>
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Non-Major Funds

Special Revenue Fund:

Assigned for Reappraisal Expenses (Source of Revenue is Grant Revenue)	<u>119,374</u>
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Total Assigned Fund Balances	<u>\$795,745</u>
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The unassigned deficit of \$899 in the Grant Fund will be funded with the collection of grant receivables.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2015 consisted of the following:

Governmental Activities:

Restricted for Dare/Drug Seizure Expenses by Grant Agreements	\$ 292
Restricted for Fire Department Expenses by Donations	7,627
Restricted for Jeudevine Building Expenditures by Donations	23,796
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	1,556
Restricted for Community Development by Grant Agreements	<u>569,944</u>
 Total Governmental Activities	 <u>\$612,076</u>

The designated net position of the Town's Proprietary Funds as of June 30, 2015 consisted of the following:

Water Fund:

Designated for Well Replacement	\$ 82,422
Designated for Water Capital Projects	81,309
Designated for Water Operations	<u>108,575</u>
 Total Water Fund	 <u>272,306</u>

Sewer Fund:

Designated for Sewer Capital Projects	494,924
Designated for Sewer Operations	<u>58,754</u>
 Total Sewer Fund	 <u>553,678</u>

Total Business-type Activities \$825,984

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

	Well Replacement Account	Water Capital Account	Sewer Capital Account
Beginning Balance	\$ 77,220	\$ 102,842	\$ 491,798
Interest Earnings	202	478	1,222
Transfer In From Water Operations	5,000	74,000	0
Transfer In From Sewer Operations	0	0	77,000
Proceeds from Long-term Debt	0	961,148	0
Capital Purchases/Expenses	<u>0</u>	<u>(1,057,159)</u>	<u>(75,096)</u>
 Ending Balance	 <u>\$ 82,422</u>	 <u>\$ 81,309</u>	 <u>\$ 494,924</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2014, the measurement date selected by the State of Vermont, VMERS was funded at 98.32% and had a plan fiduciary net position of \$534,525,477 and a total pension liability of \$543,652,090 resulting in a net pension liability of \$9,126,613. As of June 30, 2015, the Town's proportionate share of this was 0.5411% resulting in a liability of \$49,382. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2014, the Town's proportion of 0.5411% was an increase of 0.0083% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$75,057.

TOWN OF HARDWICK, VERMONT
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As of June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportional share of contributions	\$ 2,421	\$ 0
Difference between projected and actual earnings on pension plan investments	0	152,271
Required employer contributions made subsequent to the measurement date	<u>72,602</u>	<u>0</u>
	\$ <u>75,023</u>	\$ <u>152,271</u>

The deferred outflows of resources resulting from the Town's required employer contributions in the amount of \$72,602 made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2016	\$ 29,970
2017	29,970
2018	29,970
2019	29,970
2020	<u>29,970</u>
Total	<u>\$149,850</u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

TOWN OF HARDWICK, VERMONT
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Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefits of 10% of AFC payable to up to three (3) minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Optional Benefit and Death after Retirement – For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance of 70% contingent annuitant option with no reduction.

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

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

Member Contributions – Group B – 4.75% effective July 1, 2014 (increased from 4.625%).
Group D – 11.25% effective July 1, 2014 (increased from 11.25%).

Employer Contributions – Group B – 5.275% effective July 1, 2014 (increased from 5.125%).
Group D – 9.75% effective July 1, 2014 (increased from 9.625%).

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

Significant Actuarial Assumptions and Methods

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

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

Salary increases – 5% per year.

Deaths:

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

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

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

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

TOWN OF HARDWICK, VERMONT
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Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants – Assumed to occur at the rate of 1.8% per annum for Groups B and D members.

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

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

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

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

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

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

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%):

<u>1% Decrease (7.23%)</u>	<u>Discount Rate (8.23%)</u>	<u>1% Increase (9.23)</u>
\$416,007	\$49,382	\$(258,207)

Additional Information

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

Deferred Compensation Plan

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

B. RISK MANAGEMENT

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

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

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are due and payable on May 10 and become delinquent on May 11. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2015 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.6523	.6523
Highway	.5101	.5101
Local Agreement	.0083	.0083
Education	<u>1.6799</u>	<u>1.7005</u>
Total	<u>2.8506</u>	<u>2.8712</u>

D. ENDOWMENT FUNDS

On February 26, 2015, the Jeudevine Memorial Library contributed \$64,222 to the Vermont Community Foundation to create three endowments: the Jeudevine Memorial Library Endowment Fund, the Jeudevine Memorial Library Muriel Hensen Fund and the Jeudevine Memorial Library Building Fund. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds 36-month rolling average balance. Payments are to be made at least annually. The endowment is not reflected on the balance sheet of the Town. \$40,472 of these funds came from the Library Endowment Fund and the remaining \$23,750 came from a donation received in fiscal year 2015. The balance of the Endowment Fund at June 30, 2015 is \$65,428.

E. CONTINGENT LIABILITIES

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

F. RELATED PARTY TRANSACTIONS

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

Currently, two members of the Selectboard have outstanding loans within the Town's Community Development loan program. The outstanding balances as of June 30, 2015 were \$62,683 and \$26,030.

G. SUBSEQUENT EVENTS

On August 1, 2015, the Town received \$300,000 in bond proceeds from the Vermont Municipal Bond Bank for capital improvements related to Mackville Road. The bond requires annual principal payments of \$15,000 beginning November 1, 2016. The interest rate ranges from .83% to 4.16% and the bond matures on November 1, 2035.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,922,070	\$ 1,874,278	\$ (47,792)
School Tax Administration Fee	4,100	5,318	1,218
PILOT	68,000	80,122	12,122
Current Use	90,000	98,231	8,231
Delinquent Late Charges	25,000	26,567	1,567
Zoning Permits	3,000	2,440	(560)
Licenses and Fees	32,000	22,834	(9,166)
DMV Fees	1,000	741	(259)
State Aid to Highways	138,000	143,317	5,317
Copier Fees	4,000	5,661	1,661
Greensboro Police Contract	185,187	185,055	(132)
Police Fines and Miscellaneous Revenues	13,000	11,434	(1,566)
Investment Income	1,200	318	(882)
Water and Sewer Charges	229,560	229,560	0
FEMA - Standard Mountain Road	0	2,924	2,924
Lister Education Grant	0	398	398
Efficiency Vermont Reimbursement	0	130	130
Fireworks Donations	0	1,595	1,595
Hardwick Rescue Reimbursement	1,200	2,244	1,044
Police Department - Vest Grant	0	300	300
VCDP Maple Street Grant	0	865	865
VLCT Grant	0	751	751
SIU Revenue	15,000	15,000	0
Government Highway Revenue	11,000	9,121	(1,879)
Miscellaneous	500	402	(98)
Total Revenues	2,743,817	2,719,606	(24,211)
Expenditures:			
Office Expenditures:			
Town Manager - Salary	70,263	70,533	(270)
Office Manager - Salary	47,840	48,024	(184)
Town Clerk - Salary	42,411	42,574	(163)
Town Clerk Aides	25,600	26,435	(835)
Administrative Assistant	37,336	34,787	2,549
Social Security	17,094	16,157	937
Retirement	12,010	11,904	106
Worker's Compensation	1,513	1,407	106
Unemployment Insurance	238	263	(25)
VLCT/PACIF	7,417	7,606	(189)
Health/Dental/Life/Disability Insurances	50,833	50,836	(3)
Town Manager's Office Supplies	4,000	3,694	306
Town Clerk's Office Supplies	4,000	3,455	545
Town Report	4,500	1,979	2,521
Conferences/Dues	1,300	1,295	5
Tax Billing/Collection Expense	1,600	1,563	37
Telephone	1,400	1,956	(556)
Advertising	1,000	1,054	(54)
Copier	900	781	119
Election Expense	2,500	2,845	(345)
Computer Services	2,000	1,390	610
Website Maintenance	900	120	780
Equipment Purchases	3,000	2,406	594
Lister Supplies	3,500	3,381	119
Health Officer Supplies	150	0	150
Education/Training	600	145	455
Zoning	1,000	1,716	(716)
Total Office Expenditures	344,905	338,306	6,599

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Payroll (Other):			
Listers	\$ 10,000	\$ 7,144	\$ 2,856
Zoning Administrator	18,466	18,933	(467)
Zoning and Planning Board	3,000	2,300	700
Board of Civil Authority	140	216	(76)
Moderator	50	50	0
Selectboard	5,500	5,000	500
Social Security	3,049	2,834	215
Public Officers Liability	8,361	8,617	(256)
Election Officials	1,600	1,839	(239)
Energy Coordinator	50	50	0
Website Coordinator	600	600	0
Solid Waste Representative	500	354	146
TEC Conferences	250	65	185
Part-Time Labor	2,500	1,664	836
Town Service Officer	50	50	0
Health Officer	500	500	0
Total Payroll (Other)	54,616	50,216	4,400
Memorial Building:			
Custodian	7,561	7,895	(334)
Social Security	578	594	(16)
Operating Supplies	2,500	3,093	(593)
Repairs/Maintenance to Building	2,500	2,859	(359)
Utilities	7,300	5,728	1,572
Fuel Oil	14,345	14,259	86
VLCT/PACIF	7,048	6,938	110
Town House Repair	575	1,043	(468)
Town House - PACIF	4,190	3,948	242
Electric	210	425	(215)
Fuel	850	0	850
Generator	500	467	33
Elevator	2,500	2,589	(89)
Total Memorial Building	50,657	49,838	819
Public Safety Building:			
VLCT	7,497	7,228	269
Operating Supplies	1,500	716	784
Maintenance to Building	3,500	2,805	695
Utilities	2,400	2,306	94
Fuel	7,400	7,043	357
Custodial Salary	1,512	1,541	(29)
Social Security	116	116	0
Total Public Safety Building	23,925	21,755	2,170
Police Department:			
Base Payroll	398,701	381,376	17,325
Overtime	40,000	56,040	(16,040)
Special Officers	12,500	12,177	323
Start Salary	0	1,705	(1,705)
SIU Salary	0	691	(691)
Social Security	34,517	33,407	1,110
Retirement	42,773	41,512	1,261
Worker's Compensation	18,742	23,158	(4,416)
Unemployment Insurance	244	271	(27)
VLCT/PACIF	43,738	44,614	(876)

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Health/Dental/Life and Disability Insurances	\$ 118,198	\$ 115,233	\$ 2,965
Governor Highway Ticket	0	4,085	(4,085)
Governor Highway DUI	0	1,679	(1,679)
K-9 Expense	750	512	238
Operating Supplies	5,200	6,670	(1,470)
Memberships	300	340	(40)
Training	4,000	2,802	1,198
Internet Communication	4,800	5,746	(946)
Dispatch Services	32,200	32,143	57
Telephone	4,100	4,486	(386)
Cruiser Repairs and Maintenance	3,500	6,217	(2,717)
Advertising	250	142	108
Radio Service	1,250	889	361
Investigation Expense	1,500	1,563	(63)
Uniforms - Cleaning	800	540	260
Uniforms - Purchases	4,250	2,982	1,268
VLCT Grant Expense	0	751	(751)
Vest Grant Expense	700	599	101
Equipment Grant Expense	0	1,281	(1,281)
Fuel	24,000	16,458	7,542
Tires	2,300	2,675	(375)
Education	500	0	500
Equipment	4,000	3,421	579
Total Police Department	803,813	806,165	(2,352)
Fire Department:			
Labor	14,400	11,339	3,061
Social Security	1,102	831	271
Worker's Compensation	2,082	3,160	(1,078)
VLCT/PACIF	18,180	17,295	885
Operating Supplies	2,500	1,379	1,121
Telephone	800	911	(111)
Repeater Electricity	150	0	150
Gasoline	150	37	113
Utilities	2,400	2,887	(487)
Fuel Oil	9,000	9,728	(728)
Diesel	3,000	921	2,079
Radio/Dispatch	13,800	13,776	24
Repairs and Maintenance to Fire Station	3,000	1,469	1,531
Equipment Repairs	5,000	4,066	934
Training	800	650	150
Fire Truck Debt Payment	23,318	24,790	(1,472)
Rescue Pumper Bond Payment	8,700	8,569	131
Total Fire Department	108,382	101,808	6,574
Highway/Garage/Equipment:			
Payroll	248,498	237,820	10,678
Overtime	29,000	35,237	(6,237)
Sewer Operator	4,308	4,308	0
Social Security	21,229	19,787	1,442
Retirement	14,916	14,802	114
Worker's Compensation	21,731	23,075	(1,344)
Unemployment Insurance	181	201	(20)
VLCT/PACIF	28,281	28,710	(429)
Health/Dental/Life and Disability Insurances	73,606	72,600	1,006
Summer Gravel	30,000	22,483	7,517

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Chloride	\$ 12,000	\$ 7,980	\$ 4,020
Mowing Contract	6,000	6,250	(250)
Summer Paving	3,000	3,410	(410)
Brush Cutting	1,500	0	1,500
FEMA - Standard Mountain Road	0	2,828	(2,828)
Downtown Improvement	1,000	1,137	(137)
Street Sweeping	3,900	4,250	(350)
Winter Sand	17,000	17,793	(793)
Winter Salt	50,000	71,980	(21,980)
Operating Supplies	16,500	13,020	3,480
Telephone	800	863	(63)
Low Band Radio	1,050	1,042	8
Culverts	3,000	2,372	628
Uniforms	6,500	4,143	2,357
Sidewalk Expense	750	1,028	(278)
Radio Service	300	327	(27)
Streetscape	1,000	918	82
Road Signs	2,000	1,976	24
Safety/Training	2,700	3,100	(400)
Building Repairs	1,200	1,265	(65)
Equipment Repairs	32,000	28,564	3,436
Equipment Maintenance Expense	25,000	24,920	80
Fuel	5,000	3,548	1,452
Diesel Fuel	53,000	50,829	2,171
Utilities	4,800	5,196	(396)
Storm Drainage	1,500	1,495	5
Total Highway/Garage/Equipment	723,250	719,257	3,993
Appropriations:			
Senior Citizens Center	2,500	2,500	0
Restorative Justice	3,000	3,000	0
C.H.H.C.A., Inc.	2,600	2,600	0
N.K.M.H.S.	3,161	3,161	0
Northeast Kingdom Arts Council	2,500	2,500	0
A.W.A.R.E.	3,000	3,000	0
Area Agency on Aging	4,500	4,500	0
Lamoille Family Center	1,200	1,200	0
N.K.Y. Services	600	600	0
NCAL	1,600	1,600	0
Greensboro Nursing	3,000	3,000	0
Hardwick Historical	3,000	3,000	0
HCVT	3,000	3,000	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	2,500	2,500	0
H.A.C.C.	3,000	3,000	0
Total Appropriations	42,561	42,561	0
Rescue Squad Pro-Rated Share:	15,893	15,893	0
County Tax:	24,837	23,464	1,373
Other Expenses:			
Auditing	15,000	10,725	4,275
Dog Control	3,600	2,979	621
Dog Warden Social Security	0	184	(184)
Professional Services	10,500	3,991	6,509
NVDA	1,333	1,333	0
VLCT	4,080	4,080	0

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TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses/(Cont'd):			
Jeudevine Memorial Library	\$ 103,319	\$ 103,319	\$ 0
Memorial Day	1,200	821	379
Caspian Lake	2,450	2,450	0
Cemeteries	17,000	13,507	3,493
Solid Waste District	3,003	3,003	0
Streetlights	34,220	33,994	226
Employment Practices Insurance	7,192	7,721	(529)
Flexible Benefits	250	0	250
Recreation Department	20,831	20,831	0
Fireworks	3,000	4,595	(1,595)
Tax Mapping	2,500	3,549	(1,049)
Memorial Park Electricity	0	184	(184)
Insurance Deductibles	1,500	652	848
Transfer to Equipment Replacement Fund	158,000	158,000	0
Transfer to Capital Fund	162,000	162,000	0
Total Other Expenses	550,978	537,918	13,060
Transfer to Jeudevine Memorial Library Fund:	0	5,499	(5,499)
Total Expenditures	2,743,817	2,712,680	31,137
Excess of Revenues Over Expenditures	\$ 0	6,926	\$ 6,926
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Income		2,521	
Recreation Committee Fund Appropriation		20,831	
Recreation Committee Fund Expenses		(19,708)	
Recreation Committee Fund Transfer to Capital Fund		(3,925)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		\$ 6,645	

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

TOWN OF HARDWICK, VERMONT
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2015

	<u>2015</u>
Total Plan Net Pension Liability	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.5411%
Town's Proportionate Share of the Net Pension Liability	\$ 49,382
Town's Covered Employee Payroll	\$ 1,023,717
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	4.8238%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.32% as of June 30, 2014

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: None.

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2015

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

Notes to Schedule

Valuation Date: June 30, 2014

Fiscal year 2015 was the first year of implementation, therefore, only one year is shown.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Capital Project Fund Jeudevine Building Fund	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 292	\$ 0	\$ 1,339	\$ 1,631
Investments	0	0	9,078	9,078
Receivables (Net of Allowance for Uncollectibles)	899	0	0	899
Due from Other Funds	<u>146,561</u>	<u>23,796</u>	<u>0</u>	<u>170,357</u>
Total Assets	\$ <u>147,752</u>	\$ <u>23,796</u>	\$ <u>10,417</u>	\$ <u>181,965</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 11,069	\$ 0	\$ 0	\$ 11,069
Accrued Payroll and Benefits Payable	765	0	0	765
Unearned Revenue	<u>1,837</u>	<u>0</u>	<u>0</u>	<u>1,837</u>
Total Liabilities	<u>13,671</u>	<u>0</u>	<u>0</u>	<u>13,671</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>899</u>	<u>0</u>	<u>0</u>	<u>899</u>
Total Deferred Inflows of Resources	<u>899</u>	<u>0</u>	<u>0</u>	<u>899</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	8,861	8,861
Restricted	7,919	23,796	1,556	33,271
Committed	6,788	0	0	6,788
Assigned	119,374	0	0	119,374
Unassigned/(Deficit)	<u>(899)</u>	<u>0</u>	<u>0</u>	<u>(899)</u>
Total Fund Balances	<u>133,182</u>	<u>23,796</u>	<u>10,417</u>	<u>167,395</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>147,752</u>	\$ <u>23,796</u>	\$ <u>10,417</u>	\$ <u>181,965</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Project Fund Jeudevine Building Fund	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 220,633	\$ 0	\$ 0	\$ 220,633
Investment Income/(Loss)	387	46	(26)	407
Donations	3,286	50,000	0	53,286
Other	<u>3,188</u>	<u>0</u>	<u>0</u>	<u>3,188</u>
Total Revenues	<u>227,494</u>	<u>50,046</u>	<u>(26)</u>	<u>277,514</u>
Expenditures:				
General Government	32,147	0	0	32,147
Public Safety	50,260	0	0	50,260
Culture and Recreation	106,137	26,250	42,557	174,944
Community Development	<u>162,074</u>	<u>0</u>	<u>0</u>	<u>162,074</u>
Total Expenditures	<u>350,618</u>	<u>26,250</u>	<u>42,557</u>	<u>419,425</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(123,124)</u>	<u>23,796</u>	<u>(42,583)</u>	<u>(141,911)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Vehicle	4,000	0	0	4,000
Transfers In	111,888	0	0	111,888
Transfers Out	<u>0</u>	<u>0</u>	<u>(70)</u>	<u>(70)</u>
Total Other Financing Sources/(Uses)	<u>115,888</u>	<u>0</u>	<u>(70)</u>	<u>115,818</u>
Net Change in Fund Balances	(7,236)	23,796	(42,653)	(26,093)
Fund Balances - July 1, 2014	<u>140,418</u>	<u>0</u>	<u>53,070</u>	<u>193,488</u>
Fund Balances - June 30, 2015	<u>\$ 133,182</u>	<u>\$ 23,796</u>	<u>\$ 10,417</u>	<u>\$ 167,395</u>

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TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
<u>ASSETS</u>							
Cash	\$ 292	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292
Receivables (Net of Allowance for Uncollectibles)	0	899	0	0	0	0	899
Due from Other Funds	<u>0</u>	<u>0</u>	<u>125,989</u>	<u>4,924</u>	<u>7,627</u>	<u>8,021</u>	<u>146,561</u>
Total Assets	<u>\$ 292</u>	<u>\$ 899</u>	<u>\$ 125,989</u>	<u>\$ 4,924</u>	<u>\$ 7,627</u>	<u>\$ 8,021</u>	<u>\$ 147,752</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 0	\$ 899	\$ 6,615	\$ 2,729	\$ 0	\$ 826	\$ 11,069
Accrued Payroll and Benefits Payable	0	0	0	358	0	407	765
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,837</u>	<u>0</u>	<u>0</u>	<u>1,837</u>
Total Liabilities	<u>0</u>	<u>899</u>	<u>6,615</u>	<u>4,924</u>	<u>0</u>	<u>1,233</u>	<u>13,671</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Grants	<u>0</u>	<u>899</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>899</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>899</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>899</u>
<u>FUND BALANCES/(DEFICIT)</u>							
Restricted	292	0	0	0	7,627	0	7,919
Committed	0	0	0	0	0	6,788	6,788
Assigned	0	0	119,374	0	0	0	119,374
Unassigned/(Deficit)	<u>0</u>	<u>(899)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(899)</u>
Total Fund Balances/(Deficit)	<u>292</u>	<u>(899)</u>	<u>119,374</u>	<u>0</u>	<u>7,627</u>	<u>6,788</u>	<u>133,182</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 292</u>	<u>\$ 899</u>	<u>\$ 125,989</u>	<u>\$ 4,924</u>	<u>\$ 7,627</u>	<u>\$ 8,021</u>	<u>\$ 147,752</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
Revenues:							
Intergovernmental	\$ 0	\$ 162,805	\$ 14,194	\$ 43,534	\$ 0	\$ 100	\$ 220,633
Investment Income	0	0	332	0	19	36	387
Donations	0	0	0	939	1,409	938	3,286
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>225</u>	<u>0</u>	<u>2,963</u>	<u>3,188</u>
Total Revenues	<u>0</u>	<u>162,805</u>	<u>14,526</u>	<u>44,698</u>	<u>1,428</u>	<u>4,037</u>	<u>227,494</u>
Expenditures:							
General Government	0	0	32,147	0	0	0	32,147
Public Safety	0	0	0	47,698	2,562	0	50,260
Culture and Recreation	0	0	0	0	0	106,137	106,137
Community Development	<u>0</u>	<u>162,074</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>162,074</u>
Total Expenditures	<u>0</u>	<u>162,074</u>	<u>32,147</u>	<u>47,698</u>	<u>2,562</u>	<u>106,137</u>	<u>350,618</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>731</u>	<u>(17,621)</u>	<u>(3,000)</u>	<u>(1,134)</u>	<u>(102,100)</u>	<u>(123,124)</u>
Other Financing Sources:							
Proceeds on Sale of Vehicle	0	0	0	0	4,000	0	4,000
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>108,888</u>	<u>111,888</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>4,000</u>	<u>108,888</u>	<u>115,888</u>
Net Change in Fund Balances	0	731	(17,621)	0	2,866	6,788	(7,236)
Fund Balances/(Deficit) - July 1, 2014	<u>292</u>	<u>(1,630)</u>	<u>136,995</u>	<u>0</u>	<u>4,761</u>	<u>0</u>	<u>140,418</u>
Fund Balances/(Deficit) - June 30, 2015	<u>\$ 292</u>	<u>\$ (899)</u>	<u>\$ 119,374</u>	<u>\$ 0</u>	<u>\$ 7,627</u>	<u>\$ 6,788</u>	<u>\$ 133,182</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2015

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 1,339	\$ 0	\$ 1,339
Investments	<u>9,078</u>	<u>0</u>	<u>9,078</u>
Total Assets	\$ <u><u>10,417</u></u>	\$ <u><u>0</u></u>	\$ <u><u>10,417</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Nonspendable	8,861	0	8,861
Restricted	<u>1,556</u>	<u>0</u>	<u>1,556</u>
Total Fund Balances	<u>10,417</u>	<u>0</u>	<u>10,417</u>
Total Liabilities and Fund Balances	\$ <u><u>10,417</u></u>	\$ <u><u>0</u></u>	\$ <u><u>10,417</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Cemetery Fund	Library Endowment Fund	Total
Revenues:			
Investment Income/(Loss)	\$ 24	\$ (50)	\$ (26)
Total Revenues	24	(50)	(26)
Expenditures:			
Culture and Recreation	0	42,557	42,557
Total Expenditures	0	42,557	42,557
Excess of Revenues Over Expenditures	24	(42,607)	(42,583)
Other Financing Sources/(Uses):			
Transfers Out	0	(70)	(70)
Total Other Financing Sources/(Uses)	0	(70)	(70)
Net Change in Fund Balances	24	(42,677)	(42,653)
Fund Balances - July 1, 2014	10,393	42,677	53,070
Fund Balances - June 30, 2015	\$ 10,417	\$ 0	\$ 10,417

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Rents	\$ 267,999	\$ 270,387	\$ 2,388
Penalties & Interest	4,800	4,589	(211)
Investment Income	50	118	68
Miscellaneous	<u>0</u>	<u>138</u>	<u>138</u>
Total Revenues	<u>272,849</u>	<u>275,232</u>	<u>2,383</u>
Expenses:			
Administration Salaries	61,020	61,020	0
Public Works Salaries	35,638	35,637	1
Administrative Charge	9,123	9,123	0
Administrative Supplies	2,500	2,190	310
Transfer to Sewer Fund	2,867	2,867	0
VLCT/PACIF	2,631	2,671	(40)
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,362	138
Communications	420	421	(1)
Professional Services	1,000	0	1,000
Training and Safety	750	500	250
Utilities	41,500	43,162	(1,662)
Line Maintenance	8,000	11,997	(3,997)
Reservoir Maintenance	500	23	477
Pumphouse Maintenance	3,000	3,034	(34)
Generator - Wolcott Street	750	892	(142)
Hydrants	1,000	3,345	(2,345)
Water Testing	900	929	(29)
Chlorination	750	136	614
Permit Fees	6,000	4,776	1,224
Minor Repair & Maintenance	1,000	216	784
Capital Fund Transfer	<u>79,000</u>	<u>79,000</u>	<u>0</u>
Total Expenses	<u>272,849</u>	<u>276,301</u>	<u>(3,452)</u>
Net Income/(Loss)	\$ <u>0</u>	(1,069)	\$ <u>(1,069)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(33,954)	
Capital Fund Transfer In		79,000	
Capital Fund Investment Income		<u>680</u>	
Change in Net Position - Exhibit G		\$ <u>44,657</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Charges	\$ 387,261	\$ 390,551	\$ 3,290
Penalties & Interest	7,000	7,181	181
Investment Income	50	0	(50)
Interfund Charges	<u>7,175</u>	<u>7,175</u>	<u>0</u>
Total Revenues	<u>401,486</u>	<u>404,907</u>	<u>3,421</u>
Expenses:			
Administration Salaries	61,020	61,020	0
Public Works Salaries	43,077	43,356	(279)
Public Works Overtime	7,000	7,973	(973)
Salaries - Sewer Fund	35,638	35,637	1
Administrative Charge	9,123	9,123	0
Administrative Supplies	2,500	2,136	364
Health Insurance	15,097	14,821	276
Social Security	3,831	3,567	264
Retirement	2,692	2,620	72
VLCT/PACIF	10,705	10,720	(15)
Worker's Compensation	2,724	2,700	24
Insurance Deductible	500	1,000	(500)
Unemployment Insurance	51	25	26
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,500	5,362	138
Communications	1,300	1,127	173
Uniforms	700	688	12
Professional Services	250	0	250
Training	700	69	631
Safety	700	484	216
Utilities - Plant	28,000	29,647	(1,647)
Utilities - Lift Station	6,000	3,765	2,235
Fuel Oil	5,500	6,050	(550)
Alarms	1,400	1,402	(2)
Water Charge	3,250	3,130	120
Lab Operations	7,000	6,799	201
Lift Station Maintenance	3,000	691	2,309
Plant Operations	6,350	7,274	(924)
Sewer Line Cleaning	5,000	5,026	(26)
Sewer Line Maintenance	5,000	2,825	2,175
Lagoon Liner Repair	0	4,615	(4,615)
Grit Disposal	800	1,061	(261)
Sludge Disposal	0	6,824	(6,824)
Process Chemicals	20,500	22,352	(1,852)
Licenses & Fees	800	805	(5)
Mill Street Bond and Interest	5,000	4,585	415
Bond and Interest	14,778	14,778	0
Capital Fund Transfer	<u>77,000</u>	<u>77,000</u>	<u>0</u>
Total Expenses	<u>401,486</u>	<u>410,057</u>	<u>(8,571)</u>
Net Income/(Loss)	<u>\$ 0</u>	<u>(5,150)</u>	<u>\$ (5,150)</u>
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(145,787)	
Principal Payments on Bonds Payable		17,078	
Capital Fund Transfer In		77,000	
Capital Fund Investment Income		<u>1,222</u>	
Change in Net Position - Exhibit G		<u>\$ (55,637)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Housing & Urban Development</u>				
Passed through Vermont Agency of Commerce and and Community Development				
Community Development Block Grants	14.228	07110-IG-2012 HARDWICK (13)	350,000	\$ 157,299
Total U.S. Department of Housing & Urban Development				157,299
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	2014BUBX14072319	2,007	299
Passed through Vermont Department of Corrections				
Restorative Reintegration - COSA	16.812	03520-1166	37,500	443
Restorative Reintegration - COSA	16.812	03520-1395	30,000	12,527
Total U.S. Department of Justice				13,269
<u>Institute of Museum and Library Services</u>				
Passed through the Vermont Agency of Administration Department of Libraries				
State Library Program	45.310	01130_PL_FFY14-068	129	129
Total Institute of Museum and Library Services				129
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Drinking Water State Revolving Fund - Loan	66.468	06140-RF3-305	1,800,000	1,000,396
Total U.S. Environmental Protection Agency				1,000,396
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Department of Public Safety				
DUI Enforcement	20.608	02140-1115-5120	3,000	322
DUI Enforcement	20.608	02140-1114-5016	3,000	518
OP Enforcement	20.600	02140-1314-1015	3,000	422
OP Enforcement	20.600	02140-1415-1019	4,000	2,178
Passed through State of Vermont Agency of Transportation				
2015 Equipment Incentives	20.600	08100-GR0457	5,000	1,284
DUI Enforcement	20.608	08100-GR0488	5,000	1,092
OP Enforcement	20.600	08100-GR0537	5,000	3,305
Highway Planning and Construction Grant	20.205	08126-CA0182	550,400	21,332
Total U.S. Department of Transportation				30,453

See Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Passed through the Vermont Department of Health				
Moms at Work Program	93.524	03420-LG6550	1,000	\$ 1,000
Total U.S. Department of Health				1,000
Total Federal Awards				\$ 1,202,546

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Town of Hardwick, Vermont and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients:

Of the Federal expenditures presented in the schedule, the Town of Hardwick, Vermont provided Federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants	14.228	\$ 157,299

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements, and have issued our report thereon dated March 22, 2016. The report on the business-type activities was adverse because of the omission of the Electric Fund and this report does not include that Fund.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

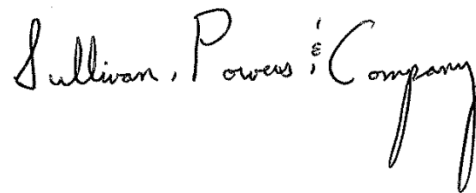
As part of obtaining reasonable assurance about whether the Town of Hardwick, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

However, we have noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated March 22, 2016.

Purpose of this Report

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

March 22, 2016
Montpelier, Vermont
VT Lic. #92-000180

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

Sullivan, Powers & Co., P.C.

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Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for the Major Federal Program

We have audited the Town of Hardwick, Vermont's compliance with the types of compliance requirements described in the "OMB Circular A-133 Compliance Supplement" that could have a direct and material effect on the Town of Hardwick, Vermont's major federal program for the year ended June 30, 2015. The Town of Hardwick, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Hardwick, Vermont's major federal program based on our audit of the types of compliance requirements referred to previously. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hardwick, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Hardwick, Vermont's compliance.

Opinion on the Major Federal Program

In our opinion, the Town of Hardwick, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

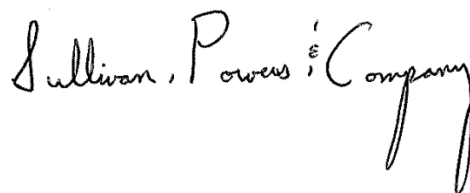
Management of the Town of Hardwick, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Town of Hardwick, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hardwick, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

March 22, 2016
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SCHEDULE OF PRIOR FINDINGS
AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2015

A single audit was not required in the prior year.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2015

Financial Statements

Type of Auditor's Report Issued:

Adverse for the Electric Fund and the Business-Type Activities.

Unmodified for the Governmental Activities, the General Fund, the Revolving Loan Fund, the Capital Fund, the Equipment Replacement Fund, the Water Fund, the Sewer Fund and the Aggregate Remaining Fund information.

Internal Control Over Financial Reporting:

Material Weaknesses identified:

No.

Significant Deficiencies identified not considered to be material weaknesses:

No.

Noncompliance material to financial statements:

None noted.

Federal Awards

Internal Control Over Major Programs:

Material Weaknesses identified:

No.

Significant Deficiencies identified not considered to be material weaknesses:

No.

Type of auditor's report issued on compliance for major programs:

Unmodified.

There are no audit findings that are required to be reported in accordance with OMB Circular A-133, Section 510(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
66.468	Drinking Water State Revolving Fund-Loan	U.S. Environmental Protection Agency

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The auditee did not qualify as a low risk auditee.