

TOWN OF HARDWICK, VERMONT

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

JUNE 30, 2018

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 AUDIT REPORT
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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Town of Hardwick, Vermont

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

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Electric Fund and the Business-type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the Electric Fund and the business-type activities of the Town of Hardwick, Vermont as of June 30, 2018, 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 General Fund, the Capital Roads Fund, the Jeudevine Building Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

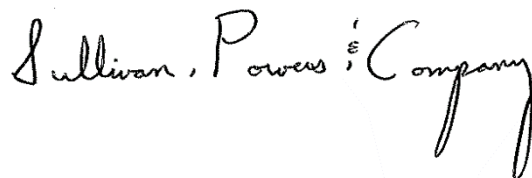
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hardwick, Vermont’s basic financial statements. The combining fund financial statements and budgetary comparison schedules of the Water and Sewer Funds are presented for purposes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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by “Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 February 13, 2019 on our consideration of the Town of Hardwick, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Hardwick, Vermont’s internal control over financial reporting and compliance.

February 13, 2019
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018 by \$12,935,003 (net position). This is an increase of \$1,854,309 over the previous year.
- In Exhibit A, Governmental Activities net position of \$8,616,629 represents an increase of \$1,345,586 over last year.
- In Exhibit A, \$4,318,374 of the net position represents water and sewer fund activities (business funds). This demonstrates an increase of \$508,723 from the previous year.
- In Exhibit A, \$1,255,638 of the net position is restricted for specific sources such as public safety, culture and recreation, community development, and cemetery perpetual care. This is an increase from FY2017 of \$586,412.
- In Exhibit A, \$572,436 of governmental activities net position are unrestricted and may be used for future obligations. This is a decrease of \$241,935 from June 30, 2017. Some of these include funding for projects primarily related to paving, but also for the Bike Path and sidewalks.
- In Exhibit A, \$1,141,406 of Business-type Activities Net Position are Unrestricted and may be used to meet the Town's future water and sewer obligations. This is an increase of \$217,296 from June 30, 2017. There were minimal plant/equipment upgrades during this fiscal year, as several were done the previous year.

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

- In Exhibit D, the fund balances of governmental funds increased by \$450,872 in fiscal FY 18. The increase can be attributed to lower than expected fuel expenses, lower than expected salary costs/office expenses and adequate budgeting practices.
- In Exhibit D, the General Fund balance increased by \$43,301 from June 30, 2017. The General Fund balance at the end of FY 18 was \$411,982.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$264,049 on June 30, 2018, which is an increase of \$51,396 from June 30, 2017. This is money that is available for future loans to promote economic development in Hardwick. The Town had 11 active small business loans on June 30, 2018. The total amount of outstanding principal for these loans was \$325,871.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

- In Exhibit D, the Capital General Fund balance decreased by \$246,716 in fiscal year 2018. The total amount in this fund at year end was \$323,865 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 \$2,225,876, which represented an increase of \$561,516. \$1,618,129 or 73% represents the Town's net investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$587,388, which was an increase of \$144,351. A total of \$607,747 of net position is unrestricted with \$88,769 set aside for well replacement, \$375,972 set aside for water capital projects, and the remaining \$143,006 available for operations.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,092,498, a decrease of \$52,793 from the previous year. \$1,558,839 or 74% represents the Town's net investment in capital assets. This decrease was primarily the result of depreciation of our capital investment in the plant distribution and collection systems. The cash balance due from the General Account, (Exhibit F) at year end was \$518,999, which was a decrease of \$79,891. A total of \$533,659 of net position is unrestricted with \$466,979 set aside for sewer capital projects and \$66,680 available for operations.

OVERVIEW OF THE TOWN'S FINANCIAL STATEMENTS

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

Government-wide Financial Statements (Exhibits A&B)

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

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund Financial Statements (Exhibits C through H)

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has two types of funds: governmental funds and proprietary funds. The proprietary funds of the Town are Enterprise Funds (business activities). These cover our water and sewer departments.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, the audit report also presents certain *supplementary information*. This supplementary information includes combining statements for various funds and budgetary comparison statements.

Government-wide Financial Analysis

	Governmental Activities		Business-Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Current and Other Assets	\$ 2,285,638	\$ 1,890,391	\$ 1,175,450	\$ 1,095,333	\$ 3,461,088	\$ 2,985,724
Capital Assets	7,443,260	6,521,407	4,789,874	4,656,889	12,233,134	11,178,296
Total Assets	9,728,898	8,411,798	5,965,324	5,752,222	15,694,222	14,164,020
Deferred Outflows of Resources	298,927	374,168	11,192	14,593	310,119	388,761
Current Liabilities	110,783	126,758	19,152	157,243	129,935	284,001
Long-Term Liabilities	1,272,161	1,365,723	1,638,005	1,799,193	2,910,166	3,164,916
Total Liabilities	1,382,944	1,492,481	1,657,157	1,956,436	3,040,101	3,448,917
Deferred Inflows of Resources	28,252	22,442	985	728	29,237	23,170
Net Position						
Net Investment in						
Capital Assets	6,788,555	5,787,446	3,176,968	2,885,541	9,965,523	8,672,987
Restricted	1,255,638	669,226	0	0	1,255,638	669,226
Unrestricted	572,436	814,371	1,141,406	924,110	1,713,842	1,738,481
Total Net Position	\$ 8,616,629	\$ 7,271,043	\$ 4,318,374	\$ 3,809,651	\$ 12,935,003	\$ 11,080,694

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,935,003 at the end of fiscal year 2018. This is an increase of \$1,854,309 from the previous year. This means the financial strength of the Town increased by that amount during the year.

**TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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

A portion of net position (\$1,255,638) is restricted to future use, such as the revolving loan fund. The remaining net position (\$1,713,842) may be used to meet the government's ongoing obligations. Some of the amounts included in unrestricted net position have been designated by management for particular purposes (e.g. capital projects and equipment purchases).

	Governmental Activities		Business-Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
REVENUES						
Charges for Service	\$ 283,173	\$ 287,591	\$ 741,135	\$ 718,404	\$ 1,024,308	\$ 1,005,995
Operating Grants and Contributions	384,588	554,030	0	20,000	384,588	574,030
Capital Grants and Contributions	1,249,623	74,401	528,165	0	1,777,788	74,401
Property Taxes	2,162,844	2,081,577	0	0	2,162,844	2,081,577
Penalty and Interest on Delinquent Taxes	27,764	30,412	0	0	27,764	30,412
General State Grants	216,423	183,214	0	0	216,423	183,214
Unrestricted Investment Earnings	4,112	5,513	2,887	2,431	6,999	7,944
Gain on Sale of Vehicle	0	54,200	0	0	0	54,200
Other Revenues	2,978	9,505	0	0	2,978	9,505
Insurance Proceeds	82,166	0	0	0	82,166	0
Total Revenues	4,413,671	3,280,443	1,272,187	740,835	5,685,858	4,021,278
EXPENDITURES						
General Government	493,462	493,497	0	0	493,462	493,497
Public Safety	1,197,592	1,174,969	0	0	1,197,592	1,174,969
Highways and Streets	1,088,920	1,012,057	0	0	1,088,920	1,012,057
Culture and Recreation	179,038	224,637	0	0	179,038	224,637
Community Development	71,942	241,099	0	0	71,942	241,099
Cemetery	17,301	800	0	0	17,301	800
Interest on Long-Term Debt	19,830	21,158	0	0	19,830	21,158
Water	0	0	272,068	260,188	272,068	260,188
Sewer	0	0	491,396	495,672	491,396	495,672
Total Expenditures	3,068,085	3,168,217	763,464	755,860	3,831,549	3,924,077
Changes in Net Position	1,345,586	112,226	508,723	(15,025)	1,854,309	97,201
Net Position - Beginning of Year	7,271,043	7,158,817	3,809,651	3,824,676	11,080,694	10,983,493
Net Position - End of Year	<u>\$ 8,616,629</u>	<u>\$ 7,271,043</u>	<u>\$ 4,318,374</u>	<u>\$ 3,809,651</u>	<u>\$ 12,935,003</u>	<u>\$ 11,080,694</u>

Governmental activities (Exhibit B): Governmental activities increased the Town's net position by \$1,345,586 in FY 2018. This increase was primarily due to an increase in revenues and savings in expenditure items such as fuel oil.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Business-type activities (Exhibit G): Business-type activities increased the Town's net position by \$508,723. This increase was primarily due to the replacement of the grit handling system, which increased efficiency of the system and reduced expenses.

The Water Fund had an operational profit of \$31,857 and an increase in net position of \$561,516. This was the result of the installation of water meters in the previous year, which decreased our water consumption by about 98,000 gallons per day, thus reducing the permit fees, and energy costs.

The Sewer Fund had a loss from operations of \$52,146 and a decrease in net position of \$52,793. This was the result of increased energy costs and chemical costs. Stricter permit requirements for phosphorus removal required us to change chemicals, which resulted in higher costs.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance increased by \$43,301 during fiscal year 2018. The total fund balance at year end was \$411,982. Of that amount, \$16,288 is non-spendable inventory. Much of the increase in the General Fund Balance can be attributed to an increase of revenues in property taxes, intergovernmental charges for service, grant revenue, and a significant savings on fuel oil expenses. It appears that with the existing fund balance being 13% 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 2018 were higher than 2017 by \$91,570 primarily due to increased revenues from current property taxes and intergovernmental charges. Expenditures were \$75,863 under budget. The overall increase in the general fund balance of \$43,301 was due to revenues coming in at \$31,059 over the budgeted amount. Budget savings were the result of lower fuel costs and all departments being cognitive of their budgets and not over-expending.

Revolving Loan Fund

For the year ending June 30, 2018, the Town's Revolving Loan Fund also known as the Economic Development Fund, had total revenues of \$52,824 as reported on Exhibit D of the FY18 audit. The year end fund balance was \$264,049, which was an increase of \$51,396 from the previous year and resulted from the pay back of principal balance on the outstanding loans. The Town had outstanding loans totaling \$1,738,691.

Capital General Fund

Also reported on Exhibit D, the Town's Capital General Fund had a year-end fund balance of \$323,865. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$668,845 of the fund on projects during FY18. This included a snowmobile purchase for Trails, building improvements to the Public Safety building, purchase of fire equipment/clothing, and book restoration for the Town Clerk's office. Phase III of the Bike Path accounted for \$610,854 of total expenditures or about 91%.

Capital Roads Fund

As reported on Exhibit D, the Town's Capital Roads Fund had a year-end fund balance of \$32,076. These funds are assigned for back road rebuild and paving projects, as well as any other necessary major road repairs.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Jeudevine Building Fund

As reported on Exhibit D, the Jeudevine Building Fund had a year-end balance of \$562,403. These funds are for the addition/renovation of the Jeudevine Memorial Library. In FY18, the Building Fund received substantial donations for the project totaling \$535,687, which makes up the majority of the fund.

Capital Assets

The Town of Hardwick's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totaled \$6,788,555 and \$3,176,968, respectively, (net of Accumulated Depreciation and Related Debt). This is an increase of \$1,001,109 over last year for governmental activities and an increase of \$291,427 for business-type activities over last year. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery and equipment and water/sewer distribution and collection systems.

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

- Sidewalks/stormwater drainage- So. Main St.
- Police cruiser
- Fire department safety gear
- Purchase of a snowblower
- Purchase of a Ford F550 Cab & Chassis
- New flooring in the Public Safety building
- Snowmobile for the Trails Department
- Paving of Hardwick Street//Church St./Slapp Hill/East Hardwick Village/Brown Farm Rd./Cottage/Highland Ave./Swinging Bridge area

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

- Research on back-up water source
- Completed Church St. waterline project, including slip lining
- Completed installation of the grit removal system at the Waste Water plant

Debt Administration

As of June 30, 2018, 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 \$319,999
- A loader purchase with an outstanding debt balance of \$64,706
- Mackville Road Improvements with an outstanding debt balance of \$270,000

The **Water Fund** has one outstanding bond. It is to the State Special Environmental Revolving Loan Fund and was for the new reservoir and installation of meters and that outstanding balance is \$1,564,606. We had two bonds to the same agency for the Church Street waterline project, which were *forgiven* this fiscal year totaling \$478,752. We have no remaining balance on these.

The **Sewer Fund** has one bond outstanding with a total principal debt of \$48,300. The bond is through the USDA and was used to fund sewer line improvements on Mill Street.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Economic Factors and Next Year's Budgets and Rates

At the close of FY18, the Town was able to put \$43,301 into its General Fund balance (Town savings account). This budget savings was due largely to increased revenues and a savings of expenses associated with lower fuel costs. The fund balance is currently at \$411,682 or slightly more than 13% of the Town budget. It is generally accepted that the fund balance should be 15% of the municipal budget. The fund balance serves as a reserve to help the Town through significant budget shortfalls or through natural or human triggered disasters.

The FY 2019 budget that was approved by the voters is \$3,208,240 which was an increase of 6.06% from FY 2018. Our goal for each year is to have an increase of roughly 3% as experience has been that having a slight increase will help prevent the large unplanned areas for tax increases in a given year. A significant portion of this increase relates to the COPS grant which increased expenditures by \$78,531; however, almost all of this is reimbursed on the revenue side.

The Town started installing water meters in FY2017 and more were installed this fiscal year. Meter installations are still a work in progress; however, good progress has been made. The new rate structure was established this year after an extended data collection period. The intent was to establish fair rates for all users and to ensure revenues are sufficient to adequately operate the two systems and to provide additional money to support necessary capital projects. The new rate structure was ready for implementation on July 1, 2018.

Installation of the grit handling system at the wastewater plant was completed in FY18. The equipment was originally purchased in late FY2017 with banked capital funds. In an effort to increase the longevity of the wastewater facility, the Town upgraded the grit system replacing a pump and grit separator and added a grit classifier to help dewater the grit making it easier to dispose of. The improvements to this system should reduce future operational costs for the wastewater facility.

Using the remnants of a federal earmark of approximately \$1.2 million, the Town completed Phase 3 of the "Bike Path/Pedestrian Access Project on South Main Street during Fiscal Year 2018. The project was initiated to improve the safety and walkability of the Village and has been on-going for approximately 15 years. Work included improved stormwater collection and treatment, new sidewalks and the widening of South Main Street from the Wolcott Street intersection to the Cherry Street intersection.

In FY2018, the Town performed a significant amount of paving. The work was made possible due to a VTrans paving grant of \$175,000, set aside in the Town's capital roads account and due to reasonable paving rates per ton of material (\$68/ton), which has been unheard of in this area for more than 10 years. Main Street and Hill Street in East Hardwick, as well as Brown Farm Road were all a part of the FY18 projects.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

Back in FY 2017, the Town, in cooperation with the Center for Agriculture (CAE), was awarded a \$250,000 federal grant by the Northern Borders Regional Commission (NBRC) for the purchase of a piece of property and a yellow barn located on the west end of Town on Wolcott Street. Working in cooperation with the CAE and the Northeastern Vermont Development Association (NVDA), the Town obtained a planning grant from the Vermont Community Development program to perform a feasibility study of several potential economic growth sites within or near the urban compact of the Town of Hardwick. Much of this study happened in Fiscal Year 2018. The plan is to move forward with additional funding opportunities to support business expansion and economic development within the Town of Hardwick. The intent is to keep businesses in Hardwick by providing a location and support for their growth. Helping businesses stay and flourish in Hardwick creates better paying jobs and will support additional economic development efforts for our residents and the surrounding communities. As of June 30, 2018, we have not spent this award. We won't be spending this until we have the match funds to purchase the Yellow Barn property.

Contacting the Town's Financial Management Staff

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,881,437	\$ 100	\$ 2,881,537
Receivables (Net of Allowance for Uncollectibles)	123,088	51,112	174,200
Loans Receivable (Net of Allowance for Uncollectibles)	315,871	0	315,871
Internal Balances	(1,106,387)	1,106,387	0
Deposit	10,270	0	10,270
Prepaid Expenses	45,071	1,457	46,528
Inventory	16,288	16,394	32,682
Capital Assets:			
Land	176,277	80,741	257,018
Construction in Progress	158,382	0	158,382
Other Capital Assets, (Net of Accumulated Depreciation)	7,108,601	4,709,133	11,817,734
Total Assets	<u>9,728,898</u>	<u>5,965,324</u>	<u>15,694,222</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>298,927</u>	<u>11,192</u>	<u>310,119</u>
Total Deferred Outflows of Resources	<u>298,927</u>	<u>11,192</u>	<u>310,119</u>
<u>LIABILITIES</u>			
Accounts Payable	34,765	12,107	46,872
Accrued Payroll and Benefits Payable	62,792	3,426	66,218
Unearned Revenue	10,524	2,789	13,313
Accrued Interest Payable	2,702	830	3,532
Noncurrent Liabilities:			
Due within One Year	51,846	35,381	87,227
Due in More than One Year	1,220,315	1,602,624	2,822,939
Total Liabilities	<u>1,382,944</u>	<u>1,657,157</u>	<u>3,040,101</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	1,946	0	1,946
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>26,306</u>	<u>985</u>	<u>27,291</u>
Total Deferred Inflows of Resources	<u>28,252</u>	<u>985</u>	<u>29,237</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	6,788,555	3,176,968	9,965,523
Restricted For:			
Public Safety	8,249	0	8,249
Highways and Streets	42,876	0	42,876
Culture and Recreation	562,403	0	562,403
Community Development	579,920	0	579,920
Cemetery	62,190	0	62,190
Unrestricted	<u>572,436</u>	<u>1,141,406</u>	<u>1,713,842</u>
Total Net Position	<u>\$ 8,616,629</u>	<u>\$ 4,318,374</u>	<u>\$ 12,935,003</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 493,462	\$ 38,937	\$ 39,593	\$ 0	\$ (414,932)	\$ 0	\$ (414,932)
Public Safety	1,197,592	225,941	122,029	2,463	(847,159)	0	(847,159)
Highways and Streets	1,088,920	0	143,124	711,473	(234,323)	0	(234,323)
Culture and Recreation	179,038	10,626	9,562	535,687	376,837	0	376,837
Community Development	71,942	7,669	68,651	0	4,378	0	4,378
Cemetery	17,301	0	1,629	0	(15,672)	0	(15,672)
Interest on Long-term Debt	19,830	0	0	0	(19,830)	0	(19,830)
Total Governmental Activities	3,068,085	283,173	384,588	1,249,623	(1,150,701)	0	(1,150,701)
Business-type Activities:							
Water	272,068	303,925	0	528,165	0	560,022	560,022
Sewer	491,396	437,210	0	0	0	(54,186)	(54,186)
Total Business-type Activities	763,464	741,135	0	528,165	0	505,836	505,836
Total Primary Government	\$ 3,831,549	\$ 1,024,308	\$ 384,588	\$ 1,777,788	(1,150,701)	505,836	(644,865)
General Revenues:							
Property Taxes					2,162,844	0	2,162,844
Penalties and Interest on Delinquent Taxes					27,764	0	27,764
General State Grants					216,423	0	216,423
Unrestricted Investment Earnings					4,112	2,887	6,999
Other Revenues					2,978	0	2,978
Insurance Proceeds					82,166	0	82,166
Total General Revenues					2,496,287	2,887	2,499,174
Change in Net Position					1,345,586	508,723	1,854,309
Net Position - July 1, 2017					7,271,043	3,809,651	11,080,694
Net Position - June 30, 2018					\$ 8,616,629	\$ 4,318,374	\$ 12,935,003

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Revolving Loan Fund	Capital General Fund	Capital Roads Fund	Jeudevine Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 2,606,736	\$ 264,172	\$ 0	\$ 0	\$ 0	\$ 10,529	\$ 2,881,437
Receivables (Net of Allowance for Uncollectibles)	86,343	0	4,083	17,512	0	15,150	123,088
Loans Receivable (Net of Allowance for Uncollectibles)	0	315,871	0	0	0	0	315,871
Due from Other Funds	0	0	321,753	28,733	562,403	220,537	1,133,426
Deposit	10,270	0	0	0	0	0	10,270
Prepaid Expenses	44,543	0	0	0	0	528	45,071
Inventory	16,288	0	0	0	0	0	16,288
Total Assets	\$ 2,764,180	\$ 580,043	\$ 325,836	\$ 46,245	\$ 562,403	\$ 246,744	\$ 4,525,451
LIABILITIES							
Accounts Payable	\$ 17,210	\$ 123	\$ 1,971	\$ 3,369	\$ 0	\$ 12,092	\$ 34,765
Accrued Payroll and Benefits Payable	57,829	0	0	0	0	4,963	62,792
Due to Other Funds	2,235,158	0	0	0	0	4,655	2,239,813
Unearned Revenue	0	0	0	0	0	10,524	10,524
Total Liabilities	2,310,197	123	1,971	3,369	0	32,234	2,347,894
DEFERRED INFLOWS OF RESOURCES							
Prepaid Property Taxes	1,946	0	0	0	0	0	1,946
Unavailable Property Taxes, Penalties and Interest	39,000	0	0	0	0	0	39,000
Unavailable Grants	1,055	0	0	10,800	0	0	11,855
Unavailable Loans Receivable	0	315,871	0	0	0	0	315,871
Total Deferred Inflows of Resources	42,001	315,871	0	10,800	0	0	368,672
FUND BALANCES							
Nonspendable	60,831	0	0	0	0	8,861	69,692
Restricted	0	264,049	0	32,076	562,403	61,578	920,106
Committed	0	0	323,865	0	0	68,291	392,156
Assigned	0	0	0	0	0	75,788	75,788
Unassigned/(Deficit)	351,151	0	0	0	0	(8)	351,143
Total Fund Balances	411,982	264,049	323,865	32,076	562,403	214,510	1,808,885
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,764,180	\$ 580,043	\$ 325,836	\$ 46,245	\$ 562,403	\$ 246,744	
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.							7,443,260
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.							366,726
Long-Term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, therefore, are Not Reported in the Funds.							(1,274,863)
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.							272,621
Net Position of Governmental Activities							\$ 8,616,629

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, 2018

	General Fund	Revolving Loan Fund	Capital General Fund	Capital Roads Fund	Jeudevine Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Property Taxes	\$ 2,153,544	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,153,544
Penalties & Interest on Delinquent Taxes	27,064	0	0	0	0	0	27,064
Intergovernmental	399,107	0	528,903	181,712	0	198,416	1,308,138
Charges for Services	471,650	0	0	0	0	0	471,650
Permits, Licenses & Fees	31,253	0	0	0	0	1,629	32,882
Fines and Forfeits	7,314	0	0	0	0	0	7,314
Loan Repayments	0	44,799	0	0	0	0	44,799
Loan Interest Income	0	7,669	0	0	0	0	7,669
Investment Income	2,166	356	595	0	543	452	4,112
Donations	2,650	0	600	0	535,687	1,865	540,802
Other	3,703	0	6,544	0	0	9,817	20,064
Total Revenues	3,098,451	52,824	536,642	181,712	536,230	212,179	4,618,038
Expenditures:							
General Government	582,464	0	13,625	0	0	18,255	614,344
Public Safety	972,719	0	2,156	0	0	94,762	1,069,637
Highways and Streets	805,384	0	9,242	31,896	0	22,985	869,507
Culture and Recreation	32,131	0	1,063	0	1,149	121,855	156,198
Community Development	0	1,428	0	0	0	70,514	71,942
Cemetery	12,296	0	0	0	0	5,005	17,301
Capital Outlay:							
Public Safety	11,938	0	15,085	0	0	48,957	75,980
Highways and Streets	145,787	0	616,474	467,932	0	33,561	1,263,754
Culture and Recreation	321	0	11,200	0	0	0	11,521
Debt Service:							
Principal	0	0	0	15,000	0	64,256	79,256
Interest	0	0	0	8,321	0	12,071	20,392
Total Expenditures	2,563,040	1,428	668,845	523,149	1,149	492,221	4,249,832
Excess/(Deficiency) of Revenues Over Expenditures	535,411	51,396	(132,203)	(341,437)	535,081	(280,042)	368,206
Other Financing Sources/(Uses):							
Proceeds from Sale of Vehicle	0	0	0	0	0	500	500
Insurance Proceeds	82,166	0	0	0	0	0	82,166
Transfers In	0	0	109,000	373,513	0	315,276	797,789
Transfers Out	(574,276)	0	(223,513)	0	0	0	(797,789)
Total Other Financing Sources/(Uses)	(492,110)	0	(114,513)	373,513	0	315,776	82,666
Net Change in Fund Balances	43,301	51,396	(246,716)	32,076	535,081	35,734	450,872
Fund Balances - July 1, 2017	368,681	212,653	570,581	0	27,322	178,776	1,358,013
Fund Balances - June 30, 2018	\$ 411,982	\$ 264,049	\$ 323,865	\$ 32,076	\$ 562,403	\$ 214,510	\$ 1,808,885

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, 2018

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)	\$	450,872
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,351,255) is allocated over their estimated useful lives and reported as depreciation expense (\$424,402). This is the amount by which capital outlays exceeded depreciation in the current period.		926,853
The net effect of various transactions involving capital assets (i.e., sales, trade-ins and net gains and losses on disposal of assets) is to increase net position.		(5,000)
The issuance of long-term debt (\$-0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$79,256) 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.		79,256
The issuance of loans receivable (\$-0-) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$44,799) 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.		(44,799)
Governmental funds report employer pension contributions as expenditures (\$81,620). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$134,187) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(52,567)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		6,405
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>(15,434)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>1,345,586</u></u>

The General Fund charges the Water and Sewer Funds for various expenses. These charges totaling \$248,139 have been eliminated from the Governmental Activities on the Statement of Activities.

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	19,418	31,694	51,112
Due from Other Funds	587,388	518,999	1,106,387
Prepaid Expenses	0	1,457	1,457
Inventory	5,350	11,044	16,394
Total Current Assets	<u>612,206</u>	<u>563,244</u>	<u>1,175,450</u>
Noncurrent Assets:			
Land	42,246	38,495	80,741
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	66,486	116,287	182,773
Distribution/Collection Systems	3,711,111	5,895,228	9,606,339
Less: Accumulated Depreciation	(710,400)	(4,456,328)	(5,166,728)
Total Noncurrent Assets	<u>3,182,735</u>	<u>1,607,139</u>	<u>4,789,874</u>
Total Assets	<u>3,794,941</u>	<u>2,170,383</u>	<u>5,965,324</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS			
	<u>0</u>	<u>11,192</u>	<u>11,192</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>11,192</u>	<u>11,192</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	2,699	9,408	12,107
Accrued Payroll and Benefits Payable	0	3,426	3,426
Unearned Revenue	1,760	1,029	2,789
Accrued Interest Payable	0	830	830
General Obligation Bond Payable - Current Portion	0	2,300	2,300
Notes Payable - Current Portion	33,081	0	33,081
Total Current Liabilities	<u>37,540</u>	<u>16,993</u>	<u>54,533</u>
Noncurrent Liabilities:			
Compensated Absences Payable	0	4,166	4,166
Net Pension Liability	0	20,933	20,933
General Obligation Bond Payable - Noncurrent Portion	0	46,000	46,000
Notes Payable - Noncurrent Portion	1,531,525	0	1,531,525
Total Noncurrent Liabilities	<u>1,531,525</u>	<u>71,099</u>	<u>1,602,624</u>
Total Liabilities	<u>1,569,065</u>	<u>88,092</u>	<u>1,657,157</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS			
	<u>0</u>	<u>985</u>	<u>985</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>985</u>	<u>985</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,618,129	1,558,839	3,176,968
Unrestricted	607,747	533,659	1,141,406
Total Net Position	<u>\$ 2,225,876</u>	<u>\$ 2,092,498</u>	<u>\$ 4,318,374</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 297,981	\$ 419,443	\$ 717,424
Penalties & Interest	4,304	5,957	10,261
Interfund Charges	0	8,570	8,570
Miscellaneous	1,640	3,240	4,880
Total Operating Revenues	<u>303,925</u>	<u>437,210</u>	<u>741,135</u>
Operating Expenses:			
Administrative Salaries	65,521	65,521	131,042
Salaries and Wages	38,735	93,994	132,729
Administrative Charges	13,411	9,814	23,225
Administrative Supplies	1,690	1,718	3,408
Benefits	0	30,387	30,387
Insurances	2,727	15,666	18,393
Town Equipment Charge	10,000	10,000	20,000
Legal/Audit	5,204	5,204	10,408
Communications	1,626	1,268	2,894
Utilities	29,287	52,314	81,601
Maintenance	27,818	24,996	52,814
Chemicals	2,438	24,401	26,839
Depreciation	69,836	149,302	219,138
Other Operating Expenses	3,775	4,771	8,546
Total Operating Expenses	<u>272,068</u>	<u>489,356</u>	<u>761,424</u>
Operating Income/(Loss)	<u>31,857</u>	<u>(52,146)</u>	<u>(20,289)</u>
Non-Operating Revenues/(Expenses):			
Investment Income	1,494	1,393	2,887
Interest Expense	0	(2,040)	(2,040)
Total Non-Operating Revenues/(Expenses)	<u>1,494</u>	<u>(647)</u>	<u>847</u>
Net Income/(Loss) Before Capital Contributions	33,351	(52,793)	(19,442)
Capital Contributions	<u>528,165</u>	<u>0</u>	<u>528,165</u>
Change in Net Position	561,516	(52,793)	508,723
Net Position - July 1, 2017	<u>1,664,360</u>	<u>2,145,291</u>	<u>3,809,651</u>
Net Position - June 30, 2018	<u>\$ 2,225,876</u>	<u>\$ 2,092,498</u>	<u>\$ 4,318,374</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, 2018

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 302,172	\$ 424,148	\$ 726,320
Receipts from Interfund Services	0	8,570	8,570
Payments for Goods and Services	(88,039)	(136,040)	(224,079)
Payments for Interfund Services	(23,411)	(19,814)	(43,225)
Payments for Wages and Benefits	<u>(104,256)</u>	<u>(187,859)</u>	<u>(292,115)</u>
Net Cash Provided by Operating Activities	<u>86,466</u>	<u>89,005</u>	<u>175,471</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	<u>(144,351)</u>	<u>79,891</u>	<u>(64,460)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(144,351)</u>	<u>79,891</u>	<u>(64,460)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(315,632)	(165,909)	(481,541)
Proceeds of Long-term Debt	405,104	0	405,104
Principal Paid on:			
General Obligation Bonds	(33,081)	(2,300)	(35,381)
Interest Paid on:			
General Obligation Bonds	<u>0</u>	<u>(2,080)</u>	<u>(2,080)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>56,391</u>	<u>(170,289)</u>	<u>(113,898)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>1,494</u>	<u>1,393</u>	<u>2,887</u>
Net Cash Provided by Investing Activities	<u>1,494</u>	<u>1,393</u>	<u>2,887</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2017	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2018	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 100</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 31,857	\$ (52,146)	\$ (20,289)
Depreciation	69,836	149,302	219,138
(Increase)/Decrease in Receivables	(2,018)	(4,529)	(6,547)
(Increase)/Decrease in Prepaid Expenses	0	(1,457)	(1,457)
(Increase)/Decrease in Inventory	0	(7,653)	(7,653)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	3,401	3,401
Increase/(Decrease) in Accounts Payable	(13,474)	3,408	(10,066)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	1,131	1,131
Increase/(Decrease) in Compensated Absences Payable	0	(722)	(722)
Increase/(Decrease) in Net Pension Liability	0	(2,024)	(2,024)
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	257	257
Increase/(Decrease) in Unearned Revenue	<u>265</u>	<u>37</u>	<u>302</u>
Net Cash Provided by Operating Activities	<u>\$ 86,466</u>	<u>\$ 89,005</u>	<u>\$ 175,471</u>

The Water Fund recognized forgiveness of debt from the State of Vermont in the amount of \$528,165.

Capital asset acquisitions in the amount of \$129,418 in the Water Fund are included in accounts payable at June 30, 2017.

The Water Fund disposed of capital assets with a cost and accumulated depreciation of \$19,856.

The Sewer Fund disposed of capital assets with a cost and accumulated depreciation of \$1,125.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

The Town reports on the following major governmental funds:

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

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

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

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

Jeudevine Building Fund – This fund accounts for the capital improvement expenditures of the Jeudevine Building.

The Town reports on the following major enterprise funds:

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

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

TOWN OF HARDWICK, VERMONT
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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.

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

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

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

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

E. Use of Estimates

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

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

1. Cash

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

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

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2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

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

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

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

6. Pensions

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

TOWN OF HARDWICK, VERMONT
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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future period that the amounts become available or to which they relate.

8. Capital Assets

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

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

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

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

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

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9. Compensated Absences

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

10. Long-term Liabilities

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

11. Fund Equity

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

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

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

The Town's cash and cash equivalents as of June 30, 2018 consisted of the following:

Cash and Cash Equivalents:

Deposits with Financial Institutions	\$2,870,358
Deposits held by Investment Company	19
Certificates of Deposit	10,510
Cash on Hand	<u>650</u>
 Total Cash and Cash Equivalents	 <u>\$2,881,537</u>

The Town has three (3) certificates of deposit at Community Bank ranging from \$1,143 to \$5,181 with an interest rate of 0.4%. All of these certificates of deposit will mature during fiscal year 2019. The Town also has one (1) certificate of deposit at Union Bank in the amount of \$1,350 with an interest rate of 0.30% that will mature during fiscal year 2019.

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>
Insured by FDIC/SIPC	\$ 260,529	\$ 260,529
Uninsured, Collateralized by Irrevocable Stand-by Letter of Credit by the Federal Home Loan Bank of Boston	<u>2,620,358</u>	<u>2,739,690</u>
Total	<u>\$2,880,887</u>	<u>\$3,000,219</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,870,358
Cash – Deposits held by Investment Company	19
Cash Equivalents – Certificates of Deposit	<u>10,510</u>
Total	<u>\$2,880,887</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, 2018, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 72,205	\$ 0	\$ 72,205
Penalties and Interest	7,229	0	7,229
Billed Services	0	24,485	24,485
Unbilled Services	0	25,579	25,579
Trailer Lease Receivable	4,366	0	4,366
Grants Receivable	37,352	0	37,352
Miscellaneous	6,436	1,548	7,984
Allowance for Doubtful Accounts - Delinquent Taxes, Penalties and Interest	<u>(4,500)</u>	<u>(500)</u>	<u>(5,000)</u>
Total	<u>\$ 123,088</u>	<u>\$ 51,112</u>	<u>\$ 174,200</u>

TOWN OF HARDWICK, VERMONT
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C. Loans Receivable

Loans receivable as of June 30, 2018 consists of a number of loans for community development as follows:

Loan Receivable, Highland Hill Housing Limited Partnership, Payable on Demand on and After August 29, 2018, 0% Interest, Secured by Second Mortgage, In Default	\$ 70,247
Loan Receivable, Bemis Block Housing Limited Partnership, Payable on Demand on and After June 5, 2037, 0% Interest, Secured by Second Mortgage	215,000
Loan Receivable, Maple Street Housing Limited Partnership, Payable on Demand on and After April 10, 2044, 0% Interest, Secured by Second Mortgage	340,000
Loan Receivable, Jeudevine Housing Limited Partnership, Payable on Demand on and After January 1, 2048, 0% Interest, Secured by Second Mortgage	787,573
Loans Receivable, 11 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 2.25% to 7.25%, Various Due Dates, Secured by Business Assets	<u>325,871</u>
Total	1,738,691
Less: Allowance for Doubtful Loans Receivable	<u>(1,422,820)</u>
Reported Value at June 30, 2018	\$ <u>315,871</u>

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

<u>Balance</u> July 1, 2017	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> June 30, 2018
<u>\$1,783,490</u>	<u>\$787,573</u>	<u>\$ 832,372</u>	<u>\$1,738,691</u>

During the year ended June 30, 2018, the remaining principal balance of Hardwick Housing Partnership and a portion of the outstanding principal balance of Highland Hill Housing Limited Partnership in the amounts of \$530,000 and \$257,573, respectively, were refinanced to Jeudevine Housing Limited Partnership.

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, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 176,277	\$ 0	\$ 0	\$ 176,277
Construction in Progress	186,872	856,452	884,942	158,382
Total Capital Assets, Not Being Depreciated	<u>363,149</u>	<u>856,452</u>	<u>884,942</u>	<u>334,659</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,600,199	8,247	0	1,608,446
Vehicles	2,394,791	90,224	31,215	2,453,800
Machinery and Equipment	360,744	23,091	2,087	381,748
Roads, Bridges and Sidewalks	4,479,851	1,258,183	0	5,738,034
Totals	<u>8,835,585</u>	<u>1,379,745</u>	<u>33,302</u>	<u>10,182,028</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	451,628	37,148	0	488,776
Vehicles	884,097	155,004	26,215	1,012,886
Machinery and Equipment	212,655	28,806	2,087	239,374
Roads, Bridges and Sidewalks	1,128,947	203,444	0	1,332,391
Totals	<u>2,677,327</u>	<u>424,402</u>	<u>28,302</u>	<u>3,073,427</u>
Total Capital Assets, Being Depreciated	<u>6,158,258</u>	<u>955,343</u>	<u>5,000</u>	<u>7,108,601</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,521,407</u>	<u>\$ 1,811,795</u>	<u>\$ 889,942</u>	<u>\$ 7,443,260</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 80,741	\$ 0	\$ 0	\$ 80,741
Construction in Progress	345,772	136,216	481,988	0
Total Capital Assets, Not Being Depreciated	<u>426,513</u>	<u>136,216</u>	<u>481,988</u>	<u>80,741</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	82,777	99,996	0	182,773
Distribution and Collection Systems	9,029,421	597,899	20,981	9,606,339
Totals	<u>9,198,947</u>	<u>697,895</u>	<u>20,981</u>	<u>9,875,861</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	34,456	3,258	0	37,714
Vehicles, Machinery and Equipment	58,977	5,040	0	64,017
Distribution and Collection Systems	4,875,138	210,840	20,981	5,064,997
Totals	<u>4,968,571</u>	<u>219,138</u>	<u>20,981</u>	<u>5,166,728</u>
Total Capital Assets, Being Depreciated	<u>4,230,376</u>	<u>478,757</u>	<u>0</u>	<u>4,709,133</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,656,889</u>	<u>\$ 614,973</u>	<u>\$ 481,988</u>	<u>\$ 4,789,874</u>

TOWN OF HARDWICK, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 23,289	Water	\$ 69,836
Public Safety	81,742	Sewer	<u>149,302</u>
Highways and Streets	297,825		
Culture and Recreation	<u>21,546</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	\$ <u>424,402</u>		\$ <u>219,138</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2018 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 2,235,158
Capital General Fund	321,753	0
Capital Roads Fund	28,733	0
Jeudevine Building Fund	562,403	0
Non-Major Governmental Funds	220,537	4,655
Water Fund	587,388	0
Sewer Fund	<u>518,999</u>	<u>0</u>
Total	\$ <u>2,239,813</u>	\$ <u>2,239,813</u>

Interfund transfers during the year ended June 30, 2018 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital General Fund	\$ 109,000	Annual Appropriation
General Fund	Capital Roads Fund	150,000	Annual Appropriation
General Fund	Restorative Justice Fund	3,000	Annual Appropriation
General Fund	Jeudevine Memorial Library Fund	108,576	Annual Appropriation
General Fund	Equipment Replacement Fund	200,000	Annual Appropriation
General Fund	Cemetery Fund	3,700	Annual Appropriation
Capital General Fund	Capital Roads Fund	<u>223,513</u>	Create Capital Roads Fund
Total		\$ <u>797,789</u>	

TOWN OF HARDWICK, VERMONT
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F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$8,131 from the difference between the expected and actual experience, \$117,011 from changes in assumptions, \$93,092 from the difference between the projected and actual investment earnings, \$2,019 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 \$78,674 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$298,927.

Deferred outflows of resources in the Sewer Fund and Business-type Activities consists of \$304 from the difference between the expected and actual experience, \$4,381 from changes in assumptions, \$3,486 from the difference between the projected and actual investment earnings, \$75 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 \$2,946 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Sewer Fund and Business-type Activities is \$11,192.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$10,524 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$1,946 of prepaid property taxes, \$13,836 from the difference between the expected and actual experience and \$12,470 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Governmental Activities is \$28,252.

Deferred inflows of resources in the General Fund consists of \$39,000 of delinquent property taxes, penalties and interest on those taxes and \$1,055 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 \$1,946 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$42,001.

Deferred inflows of resources in the Revolving Loan Fund consists of \$315,871 of loans receivable as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Capital Roads Fund consists of \$10,800 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

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Deferred inflows of resources in the Sewer Fund and Business-type Activities consists of \$518 from the difference between the expected and actual experience and \$467 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Sewer Fund and Business-type Activities is \$985.

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, 2018 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Grader and Loader, Principal and Interest Payments of \$28,372 Payable on November 1 Annually, Interest at 2.24%, Due and Paid in November, 2017	\$ 27,694	\$ 0	\$ 27,694	\$ 0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Loader, Principal Payments Ranging from \$9,256 to \$11,409 Payable on May 15 Annually Plus Interest at 2.4%, Due May, 2024	\$ 74,601	\$ 0	\$ 9,895	\$ 64,706
Bond Payable, Vermont Municipal Bond Bank, Fire Truck, Principal Payments of \$26,667 Payable on November 15 Annually, Various Interest Rates Ranging from .513% to 3.653% Payable Semi-Annually on November 15 and May 15, Due November, 2029	346,666	0	26,667	319,999
Bond Payable, Vermont Municipal Bond Bank, Mackville Road Improvements, Principal Payments of \$15,000 on November 1 Annually, Various Interest Rates Ranging from .83% to 4.16% Payable Semi-Annually on November 1 and May 1, Due November, 2035	<u>285,000</u>	<u>0</u>	<u>15,000</u>	<u>270,000</u>
Total Governmental Activities	<u>\$733,961</u>	<u>\$ 0</u>	<u>\$ 79,256</u>	<u>\$654,705</u>

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Reservoir and Water Meter Projects, Annual Principal Payments of \$33,080 Beginning June 1, 2018, Interest at -3.0%, Due June, 2047. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest	\$1,647,100	\$ 0	\$ 82,494	\$1,564,606
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Church Street Waterline Upgrade, Authorized to \$25,000, Annual Principal Payments of \$5,000 Beginning on February 1, 2018, Interest at 0%, Due February, 2022. The Town Recognized Grant Income for the Total Principal Balance that was Forgiven in June, 2018	24,037	0	24,037	0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Church Street Project, Authorized to \$675,000 Annual Principal Payments of \$13,557 Beginning September 1, 2019, Interest at -3.0%, Due September, 2048. The Town Recognized Grant Income for the Total Principal Balance that was Forgiven in June, 2018	\$ 49,611	\$ 405,104	\$ 454,715	\$ 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>50,600</u>	<u>0</u>	<u>2,300</u>	<u>48,300</u>
Total Business-type Activities	<u>\$1,771,348</u>	<u>\$ 405,104</u>	<u>\$ 563,546</u>	<u>\$1,612,906</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	\$ 631,666	\$ 0	\$ 41,667	\$ 589,999	\$ 41,667
Notes Payable	102,295	0	37,589	64,706	10,179
Compensated Absences	42,538	15,996	0	58,534	0
Net Pension Liability	<u>589,224</u>	<u>0</u>	<u>30,302</u>	<u>558,922</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,365,723</u>	<u>\$ 15,996</u>	<u>\$ 109,558</u>	<u>\$ 1,272,161</u>	<u>\$ 51,846</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 50,600	\$ 0	\$ 2,300	\$ 48,300	\$ 2,300
Notes Payable	1,720,748	405,104	561,246	1,564,606	33,081
Compensated Absences	4,888	0	722	4,166	0
Net Pension Liability	<u>22,957</u>	<u>0</u>	<u>2,024</u>	<u>20,933</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 1,799,193</u>	<u>\$ 405,104</u>	<u>\$ 566,292</u>	<u>\$ 1,638,005</u>	<u>\$ 35,381</u>

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

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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
2019	\$ 51,846	\$ 18,901	\$ 35,381	\$ 1,992
2020	52,063	17,962	35,380	1,898
2021	52,318	16,850	35,381	1,803
2022	52,572	15,614	35,381	1,708
2023	52,832	14,254	35,380	1,613
2024-2028	219,742	49,870	176,902	6,641
2029-2033	128,332	19,263	176,902	4,270
2033-2038	45,000	2,789	176,902	1,898
2039-2043	0	0	167,702	98
2044-2048	0	0	132,323	0
Principal to be Forgiven (To Be Converted to Grant)	0	0	605,272	0
Total	\$ <u>654,705</u>	\$ <u>155,503</u>	\$ <u>1,612,906</u>	\$ <u>21,921</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.

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 44,543
Nonspendable Inventory	<u>16,288</u>
Total General Fund	<u>60,831</u>

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	<u>8,861</u>
Total Nonspendable Fund Balances	<u>\$ 69,692</u>

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

Major Funds

Revolving Loan Fund:

Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue)	<u>\$264,049</u>
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Capital Roads Fund:

Restricted for Capital Road Expenditures by Statute (Source of Revenue is Highway Property Taxes)	<u>32,076</u>
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Jeudevine Building Fund:

Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations)	<u>562,403</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations)	<u>8,249</u>
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TOWN OF HARDWICK, VERMONT
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Permanent Fund:	
Restricted for Cemetery Fund by Donations – Expendable Portion (Source of Revenue is Donations)	\$ <u>53,329</u>
Total Non-Major Funds	<u>61,578</u>
Total Restricted Fund Balances	<u>\$920,106</u>

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

Major Funds

Capital General Fund:	
Committed for Capital Expenditures by the Voters	\$ <u>323,865</u>

Non-Major Funds

Special Revenue Fund:	
Committed for Jeudevine Memorial Library Expenses by the Voters	<u>4,740</u>
Capital Project Fund:	
Committed for Equipment Replacement Expenditures by the Voters	<u>63,551</u>
Total Non-Major Funds	<u>68,291</u>
Total Committed Fund Balances	<u>\$392,156</u>

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

Non-Major Funds

Special Revenue Fund:	
Assigned for Reappraisal Expenses	\$ <u>75,788</u>
Total Assigned Fund Balances	<u>\$ 75,788</u>

The unassigned deficit of \$8 in the Restorative Justice Fund will be funded by the collection of future grant revenue.

TOWN OF HARDWICK, VERMONT
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JUNE 30, 2018

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2018 consisted of the following:

Governmental Activities:

Restricted for Capital Roads Expenditures by Statute	\$ 42,876
Restricted for Fire Department Expenses by Donations	8,249
Restricted for Jeudevine Building Expenditures by Donations	562,403
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	53,329
Restricted for Community Development by Grant Agreements	<u>579,920</u>
Total Governmental Activities	<u>\$1,255,638</u>

The designated net position of the Town’s Proprietary Funds as of June 30, 2018 consisted of the following:

Water Fund:

Designated for Well Replacement	\$ 88,769
Designated for Water Capital Projects	375,972
Designated for Water Operations	<u>143,006</u>
Total Water Fund	<u>607,747</u>

Sewer Fund:

Designated for Sewer Capital Projects	466,979
Designated for Sewer Operations	<u>66,680</u>
Total Sewer Fund	<u>533,659</u>

Total Business-type Activities \$1,141,406

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	\$ 92,861	\$ 125,491	\$ 556,236
Connection Fees	0	1,500	3,000
Interest Earnings	233	1,034	1,358
Transfer In From Water Operations	10,000	78,000	0
Transfer In From Sewer Operations	0	0	88,000
Proceeds from Long-term Debt	0	405,104	0
Capital Purchases/Expenses	(14,325)	(202,076)	(181,615)
Debt Service Payment	0	(33,081)	0
Ending Balance	<u>\$ 88,769</u>	<u>\$ 375,972</u>	<u>\$ 466,979</u>

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V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plans

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement system consisted of 423 participating employers.

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

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

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

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 0.4786% resulting in a net pension liability of \$579,855. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2018, the Town's proportion of 0.4786% was an increase of 0.0029 from its proportion measured as of June 30, 2017.

TOWN OF HARDWICK, VERMONT
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For the year ended June 30, 2018, the Town recognized pension expense of \$135,820.

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 8,435	\$ 14,354
Changes in assumptions	121,392	0
Difference between projected and actual investment earnings	96,578	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,094	12,937
Town's required employer contributions made subsequent to the measurement date	<u>81,620</u>	<u>0</u>
	<u>\$ 310,119</u>	<u>\$ 27,291</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$81,620 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>	
2019	\$ 71,015
2020	104,082
2021	30,284
2022	<u>(4,173)</u>
Total	<u>\$201,208</u>

Summary of System Provisions

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

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Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

Member Contributions – Group B – 4.875%. Group D – 11.35%.

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

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Group B – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017. Group D – RP-2014 Blue Collar Annuitant Table with generation projection using Scale SSA-2017.

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017. Group D – 100% of RP-2014 Health Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Groups B and D – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse's Age: Females three years younger than males.

TOWN OF HARDWICK, VERMONT
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Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B and D members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups B and D who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75% for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: 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 market value of assets by more than 20%.

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$1,035,292	\$579,855	\$202,143

Additional Information

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

Deferred Compensation Plan

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

B. RISK MANAGEMENT

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

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

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 JUNE 30, 2018

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 for the first three (3) months and 1.5% for every month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.6098	.6098
Highway	.5614	.5614
Local Agreement	.0094	.0094
Education	<u>1.6488</u>	<u>1.5215</u>
Total	<u>2.8294</u>	<u>2.7021</u>

D. ENDOWMENT FUNDS

On February 26, 2015, the Jeudevine Memorial Library contributed \$64,222 to the Vermont Community Foundation to create three endowments: the Jeudevine Memorial Library Endowment Fund, the Jeudevine Memorial Library Muriel Hensen Fund and the Jeudevine Memorial Library Building Fund. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds 36-month rolling average balance. Payments are to be made at least annually. The endowment is not reflected on the balance sheet of the Town. \$40,472 of these funds came from the Library Endowment Fund and the remaining \$23,750 came from a donation received in fiscal year 2015. The Town received distributions in the amounts of \$0, \$2,243 and \$25,024 during fiscal years 2018, 2017 and 2016, respectively. The Jeudevine Memorial Library Building Fund was closed during fiscal year 2017. The balance of the Endowment Fund at June 30, 2018 is \$47,758.

E. CONTINGENT LIABILITIES

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. RELATED PARTY TRANSACTIONS

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

Currently, one member of the Selectboard has an outstanding loan within the Town's Community Development loan program. The outstanding balance as of June 30, 2018 was \$26,623.

A member of the Selectboard purchased a mower from the Town in the amount of \$500 and was paid \$2,975 for the demolition of the Town garage.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,149,726	\$ 2,153,544	\$ 3,818
School Tax Administration Fee	5,750	5,590	(160)
PILOT	80,000	69,525	(10,475)
Current Use	108,000	146,898	38,898
Delinquent Late Charges	27,000	27,064	64
Trailer Lease Revenue	1,500	1,894	394
Tax Sale Interest	1,000	697	(303)
Zoning Permits	4,000	2,320	(1,680)
Licenses and Fees	2,800	3,155	355
Recording Fees	18,500	18,015	(485)
Dog License	3,400	2,118	(1,282)
DMV Fees	700	579	(121)
State Aid to Highways	143,300	143,124	(176)
Copier Fees	5,000	5,066	66
Greensboro Police Contract	214,377	214,377	0
Police Fines and Miscellaneous Revenues	9,500	7,314	(2,186)
PD Outside Services Revenues	1,500	1,450	(50)
Investment Income	250	1,469	1,219
Miscellaneous	500	2,478	1,978
Water and Sewer Charges	248,139	248,139	0
Lister Education Grant	250	0	(250)
Efficiency Vermont Reimbursement	0	1,225	1,225
Fireworks Donations	0	2,650	2,650
Police Department - Vest Grant	700	1,267	567
Greenup Day Grant	500	400	(100)
SIU Revenue	24,000	24,000	0
Government Highway Revenue	17,000	9,827	(7,173)
Room Rent	0	200	200
VCDP Grant	0	3,566	3,566
VLCT Grant	0	500	500
Total Revenues	3,067,392	3,098,451	31,059
Expenditures:			
Office Expenditures:			
Town Manager - Salary	75,670	75,712	(42)
Payroll Administrator - Salary	38,627	38,477	150
Town Clerk - Salary	46,340	46,342	(2)
Town Clerk Aides - Salary	27,958	31,454	(3,496)
Business Manager - Salary	45,033	42,063	2,970
Social Security	17,873	17,249	624
Retirement	12,850	12,888	(38)
Worker's Compensation	1,086	63	1,023
Unemployment Insurance	488	518	(30)
VLCT/PACIF	4,963	3,870	1,093
Health/Dental/Life/Disability Insurances	56,715	51,085	5,630
Town Manager's Office Supplies	4,500	2,494	2,006

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Office Expenditures/(Cont'd):			
Town Clerk's Office Supplies	\$ 3,500	\$ 3,202	\$ 298
Town Report	2,500	1,172	1,328
Conferences/Dues	1,900	1,079	821
Tax Billing/Collection Expense	1,500	1,610	(110)
Telephone	2,300	1,879	421
Advertising	2,000	633	1,367
Copier	750	752	(2)
Election Expense	250	152	98
Computer Services	1,700	1,762	(62)
Website Maintenance	150	0	150
Equipment Purchases	3,000	3,221	(221)
Lister Supplies	4,000	3,262	738
Health Officer Supplies	150	15	135
Education/Training	1,500	0	1,500
Zoning	4,000	1,372	2,628
Total Office Expenditures	<u>361,303</u>	<u>342,326</u>	<u>18,977</u>
Payroll (Other):			
Listers	9,500	12,296	(2,796)
Zoning Administrator	21,607	21,502	105
Zoning and Planning Board	3,500	1,950	1,550
Board of Civil Authority	100	48	52
Moderator	50	50	0
Selectboard	5,000	5,000	0
Social Security	3,240	3,719	(479)
Public Officers Liability	9,645	9,178	467
Election Officials	1,500	247	1,253
Energy Coordinator	50	50	0
Website Coordinator	600	600	0
Solid Waste Representative	500	500	0
TEC Conferences	250	85	165
Part-Time Labor	3,500	214	3,286
Town Service Officer	100	100	0
Health Officer	600	600	0
Total Payroll (Other)	<u>59,742</u>	<u>56,139</u>	<u>3,603</u>
Memorial Building:			
Custodian	8,660	8,334	326
Social Security	662	173	489
Operating Supplies	3,200	1,515	1,685
Repairs/Maintenance to Building	3,500	2,062	1,438
Utilities	5,750	5,898	(148)
Fuel Oil	14,300	7,132	7,168
VLCT/PACIF	6,927	6,240	687
Town House Repair	828	997	(169)

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Memorial Building/(Cont'd):			
Town House PACIF	\$ 3,774	\$ 3,445	\$ 329
Town House Utilities	377	259	118
Generator	750	50	700
Elevator	1,500	1,481	19
Depot Maintenance	400	35	365
Depot PACIF	804	678	126
Senior Center Building Insurance	357	327	30
Total Memorial Building	<u>51,789</u>	<u>38,626</u>	<u>13,163</u>
Public Safety Building:			
VLCT	7,103	6,494	609
Operating Supplies	1,000	278	722
Maintenance to Building	3,000	2,237	763
Utilities	2,300	2,558	(258)
Fuel	6,965	3,265	3,700
Custodial Salary	4,132	4,251	(119)
Social Security	316	325	(9)
Total Public Safety Building	<u>24,816</u>	<u>19,408</u>	<u>5,408</u>
Police Department:			
Base Payroll	426,805	419,990	6,815
Overtime	49,113	47,190	1,923
Special Officers	11,000	3,017	7,983
Social Security	37,249	34,643	2,606
Retirement	45,259	45,367	(108)
Worker's Compensation	31,874	37,647	(5,773)
Unemployment Insurance	905	831	74
VLCT/PACIF	56,484	50,276	6,208
Health/Dental/Life and Disability Insurances	127,345	131,556	(4,211)
K-9 Expense	1,000	510	490
Operating Supplies	7,000	5,139	1,861
Training	5,000	2,988	2,012
Memberships	400	280	120
Legal	0	787	(787)
Internet Communication	4,000	4,677	(677)
Dispatch Services	32,089	32,089	0
Telephone	4,200	4,428	(228)
Cruiser Repairs and Maintenance	6,500	7,845	(1,345)
Advertising	250	719	(469)
Radio Service	1,000	360	640
Investigation Expense	1,500	530	970
Uniforms - Cleaning	1,000	1,345	(345)
Uniforms - Purchases	3,250	2,456	794
Fuel	15,000	14,575	425
Tires	2,500	2,281	219
Education	500	0	500

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Equipment	\$ 3,750	\$ 3,454	\$ 296
SIU Salary and Social Security	4,000	357	3,643
SIU Expense	500	717	(217)
Governor's Highway Safety Grant	7,000	6,303	697
Governor's Equipment Grant	5,000	1,804	3,196
VLCT Grant	0	500	(500)
Vest Grant	750	1,806	(1,056)
	<u>892,223</u>	<u>866,467</u>	<u>25,756</u>
Total Police Department			
Fire Department:			
Labor	12,000	6,575	5,425
Social Security	918	491	427
Worker's Compensation	3,902	181	3,721
Liability Insurance	9,252	8,475	777
VLCT/PACIF	6,292	5,752	540
Operating Supplies	2,300	2,509	(209)
Telephone	1,000	981	19
Gasoline	100	21	79
Utilities	3,000	2,822	178
Fuel Oil	9,000	5,139	3,861
Diesel	1,000	687	313
Dispatch Services	13,752	13,752	0
Equipment Purchases	4,828	22,420	(17,592)
Repairs and Maintenance to Fire Station	2,699	665	2,034
Equipment Repairs	5,000	495	4,505
Training	750	0	750
	<u>75,793</u>	<u>70,965</u>	<u>4,828</u>
Total Fire Department			
Highway/Garage/Equipment:			
Salaries	267,408	266,596	812
Overtime	30,000	24,505	5,495
Sewer Operator	4,974	4,974	0
Social Security	22,752	21,597	1,155
Retirement	16,357	16,501	(144)
Worker's Compensation	25,674	26,910	(1,236)
Unemployment Insurance	621	575	46
VLCT/PACIF	30,820	26,010	4,810
Health/Dental/Life and Disability Insurances	89,538	82,646	6,892
Summer Gravel	30,000	28,603	1,397
Chloride	19,000	22,644	(3,644)
Sidewalk Plowing	1,500	599	901
Mowing Contract	6,300	6,000	300

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Summer Paving	\$ 5,000	\$ 3,680	\$ 1,320
Downtown Improvement	1,200	2,637	(1,437)
Street Sweeping	4,800	3,500	1,300
Winter Sand	26,000	29,140	(3,140)
Winter Salt	72,000	76,444	(4,444)
Operating Supplies	16,000	17,667	(1,667)
Permits/Fees	5,000	0	5,000
Telephone	950	951	(1)
Low Band Radio	1,050	1,042	8
Culverts	2,500	4,707	(2,207)
Uniforms	3,800	4,704	(904)
Sidewalk/Line Painting	1,000	6,325	(5,325)
Streetscape	1,500	1,375	125
Storm Drainage	1,500	1,516	(16)
Safety/Training	2,500	1,652	848
Building Repairs	1,200	541	659
Equipment Repairs	35,000	30,637	4,363
Equipment Maintenance Expense	35,000	28,268	6,732
Fuel	4,000	2,387	1,613
Diesel Fuel	37,500	32,677	4,823
Utilities	4,000	4,716	(716)
Fuel Oil	1,500	7	1,493
Total Highway/Garage/Equipment	<u>807,944</u>	<u>782,733</u>	<u>25,211</u>
Appropriations:			
Restorative Justice	3,000	3,000	0
C.H.H.C.A., Inc.	2,600	2,600	0
Northeast Kingdom Arts Council	3,161	3,161	0
A.W.A.R.E.	3,500	3,500	0
Area Agency on Aging	4,500	4,500	0
Lamoille Family Center	1,200	1,200	0
N.K.Y. Services	600	600	0
NCAL	1,900	1,900	0
NEKARTS	2,500	2,500	0
Greensboro Nursing	4,500	4,500	0
Hardwick Historical	3,000	3,000	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	5,500	5,500	0
H.A.C.C.	3,000	3,000	0
Total Appropriations	<u>42,361</u>	<u>42,361</u>	<u>0</u>
Rescue Squad Pro-Rated Share:	<u>21,889</u>	<u>21,889</u>	<u>0</u>
County Tax:	<u>23,000</u>	<u>21,964</u>	<u>1,036</u>

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses:			
Auditing	\$ 13,000	\$ 10,407	\$ 2,593
Fireworks	3,000	5,650	(2,650)
Dog Control	3,500	2,507	993
Professional Services	9,000	12,048	(3,048)
NVDA	2,258	2,258	0
VLCT	4,411	4,411	0
Jeudevine Memorial Library	108,576	108,576	0
Memorial Day	750	685	65
Caspian Lake	2,950	2,750	200
Cemeteries	16,400	15,996	404
Transfer to Equipment Replacement Fund	200,000	200,000	0
Transfer to Capital Road Fund	150,000	150,000	0
Transfer to Capital General Fund	104,000	104,000	0
Tax Mapping	3,750	3,700	50
Solid Waste District	2,956	2,956	0
Streetlights	23,000	22,651	349
Memorial Park Electricity	350	293	57
Employment Practices Insurance	15,217	14,709	508
VLCT Community Crime Insurance	3,512	3,421	91
Town Service Office Expense	500	0	500
Hazard Mitigation Fund	7,500	4,410	3,090
Tax Sale Expense	0	6,068	(6,068)
Tax Sale Property Expenses	0	23,081	(23,081)
Insurance Deductibles	1,500	0	1,500
Total Other Expenses	676,130	700,577	(24,447)
Recreation Department:			
Recreation Coordinator Salary	8,320	5,675	2,645
Social Security	636	434	202
Worker's Compensation	497	231	266
Liability Insurance	34	45	(11)
VLCT/PACIF	327	249	78
Youth Programs	8,662	5,495	3,167
Holiday Program	250	926	(676)
Green-Up Day	919	676	243
Senior Trotters	600	600	0
Supplies and Advertising	100	79	21
Sports Program	618	36	582
Calendar/Website	600	198	402
Maintenance	200	45	155
Training	170	220	(50)
Mileage	0	131	(131)
Transfer Out	0	5,000	(5,000)
Total Recreation Department	21,933	20,040	1,893

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Trails Department:			
Worker's Compensation	\$ 175	\$ 108	\$ 67
Unemployment Insurance	34	31	3
VLCT/PACIF	688	627	61
Salaries	2,900	2,210	690
Social Security	222	156	66
Programs and Activities	1,000	1,329	(329)
Advertising	400	429	(29)
Equipment Repair	2,000	1,770	230
Repair and Construction	450	771	(321)
Gas, Oil, Diesel	600	603	(3)
Total Trails Department	8,469	8,034	435
Total Expenditures	3,067,392	2,991,529	75,863
Excess of Revenues Over Expenditures	\$ 0	106,922	\$ 106,922
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Unbudgeted Insurance Proceeds		82,166	
Unbudgeted Town Garage Rebuild		(145,787)	
Change in Modified Accrual Basis Fund Balance - Exhibit D		\$ 43,301	

The reconciling items are due to unbudgeted insurance proceeds and related expenses.

TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.4786%	0.4757%	0.5194%	0.5411%
Town's Proportionate Share of the Net Pension Liability	\$ 579,855	\$ 612,181	\$ 400,422	\$ 49,382
Town's Covered Employee Payroll	\$ 1,137,683	\$ 1,083,924	\$ 991,431	\$ 1,023,717
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	50.9681%	56.4782%	40.3883%	4.8238%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 81,620	\$ 78,160	\$ 72,296	\$ 72,602
Contributions in Relation to the Actuarially Determined Contributions	<u>81,620</u>	<u>78,160</u>	<u>72,296</u>	<u>72,602</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,137,683	\$ 1,083,924	\$ 991,431	\$ 1,023,717
Contributions as a Percentage of Town's Covered Employee Payroll	7.174%	7.211%	7.292%	7.092%

Notes to Schedule

Valuation Date: June 30, 2017

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

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Project Fund Equipment Replacement Fund	Permanent Fund Cemetery Fund	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 10,529	\$ 10,529
Receivables (Net of Allowance for Uncollectibles)	15,150	0	0	15,150
Due from Other Funds	105,325	63,551	51,661	220,537
Prepaid Expenses	<u>528</u>	<u>0</u>	<u>0</u>	<u>528</u>
Total Assets	<u>\$ 121,003</u>	<u>\$ 63,551</u>	<u>\$ 62,190</u>	<u>\$ 246,744</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 12,092	\$ 0	\$ 0	\$ 12,092
Accrued Payroll and Benefits Payable	4,963	0	0	4,963
Due to Other Funds	4,655	0	0	4,655
Unearned Revenue	<u>10,524</u>	<u>0</u>	<u>0</u>	<u>10,524</u>
Total Liabilities	<u>32,234</u>	<u>0</u>	<u>0</u>	<u>32,234</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	8,861	8,861
Restricted	8,249	0	53,329	61,578
Committed	4,740	63,551	0	68,291
Assigned	75,788	0	0	75,788
Unassigned/(Deficit)	<u>(8)</u>	<u>0</u>	<u>0</u>	<u>(8)</u>
Total Fund Balances	<u>88,769</u>	<u>63,551</u>	<u>62,190</u>	<u>214,510</u>
Total Liabilities and Fund Balances	<u>\$ 121,003</u>	<u>\$ 63,551</u>	<u>\$ 62,190</u>	<u>\$ 246,744</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, 2018

	Special Revenue Funds	Capital Project Fund Equipment Replacement Fund	Permanent Fund Cemetery Fund	Total
Revenues:				
Intergovernmental	\$ 198,416	\$ 0	\$ 0	\$ 198,416
Permits, Licenses & Fees	0	0	1,629	1,629
Investment Income	239	138	75	452
Donations	1,865	0	0	1,865
Other	9,317	500	0	9,817
Total Revenues	209,837	638	1,704	212,179
Expenditures:				
General Government	18,255	0	0	18,255
Public Safety	94,762	0	0	94,762
Highways and Streets	0	22,985	0	22,985
Culture and Recreation	121,855	0	0	121,855
Community Development	70,514	0	0	70,514
Cemetery	0	0	5,005	5,005
Capital Outlay:				
Public Safety	0	48,957	0	48,957
Highways and Streets	0	33,561	0	33,561
Debt Service:				
Principal	0	64,256	0	64,256
Interest	0	12,071	0	12,071
Total Expenditures	305,386	181,830	5,005	492,221
Excess/(Deficiency) of Revenues Over Expenditures	(95,549)	(181,192)	(3,301)	(280,042)
Other Financing Sources:				
Proceeds from Sale of Vehicle	0	500	0	500
Transfers In	111,576	200,000	3,700	315,276
Total Other Financing Sources	111,576	200,500	3,700	315,776
Net Change in Fund Balances	16,027	19,308	399	35,734
Fund Balances - July 1, 2017	72,742	44,243	61,791	178,776
Fund Balances - June 30, 2018	<u>\$ 88,769</u>	<u>\$ 63,551</u>	<u>\$ 62,190</u>	<u>\$ 214,510</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
<u>ASSETS</u>						
Receivables (Net of Allowance for Uncollectibles)	\$ 15,150	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,150
Due from Other Funds	0	75,788	12,302	8,249	8,986	105,325
Prepaid Expenses	0	0	0	0	528	528
Total Assets	<u>\$ 15,150</u>	<u>\$ 75,788</u>	<u>\$ 12,302</u>	<u>\$ 8,249</u>	<u>\$ 9,514</u>	<u>\$ 121,003</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 10,350	\$ 0	\$ 102	\$ 0	\$ 1,640	\$ 12,092
Accrued Payroll and Benefits Payable	0	0	1,829	0	3,134	4,963
Due to Other Funds	4,655	0	0	0	0	4,655
Unearned Revenue	145	0	10,379	0	0	10,524
Total Liabilities	<u>15,150</u>	<u>0</u>	<u>12,310</u>	<u>0</u>	<u>4,774</u>	<u>32,234</u>
<u>FUND BALANCES</u>						
Restricted	0	0	0	8,249	0	8,249
Committed	0	0	0	0	4,740	4,740
Assigned	0	75,788	0	0	0	75,788
Unassigned/(Deficit)	0	0	(8)	0	0	(8)
Total Fund Balances/(Deficit)	<u>0</u>	<u>75,788</u>	<u>(8)</u>	<u>8,249</u>	<u>4,740</u>	<u>88,769</u>
Total Liabilities and Fund Balances	<u>\$ 15,150</u>	<u>\$ 75,788</u>	<u>\$ 12,302</u>	<u>\$ 8,249</u>	<u>\$ 9,514</u>	<u>\$ 121,003</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 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Total
Revenues:						
Intergovernmental	\$ 131,455	\$ 14,592	\$ 47,922	\$ 0	\$ 4,447	\$ 198,416
Investment Income	0	175	0	20	44	239
Donations	0	0	0	0	1,865	1,865
Other	0	0	2,800	2,435	4,082	9,317
Total Revenues	131,455	14,767	50,722	2,455	10,438	209,837
Expenditures:						
General Government	18,255	0	0	0	0	18,255
Public Safety	40,036	0	53,730	996	0	94,762
Culture and Recreation	0	0	0	0	121,855	121,855
Community Development	70,514	0	0	0	0	70,514
Total Expenditures	128,805	0	53,730	996	121,855	305,386
Excess/(Deficiency) of Revenues Over Expenditures	2,650	14,767	(3,008)	1,459	(111,417)	(95,549)
Other Financing Sources:						
Transfers In	0	0	3,000	0	108,576	111,576
Total Other Financing Sources	0	0	3,000	0	108,576	111,576
Net Change in Fund Balances	2,650	14,767	(8)	1,459	(2,841)	16,027
Fund Balances/(Deficit) - July 1, 2017	(2,650)	61,021	0	6,790	7,581	72,742
Fund Balances/(Deficit) - June 30, 2018	\$ 0	\$ 75,788	\$ (8)	\$ 8,249	\$ 4,740	\$ 88,769

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Rents	\$ 290,204	\$ 297,981	\$ 7,777
Penalties & Interest	4,600	4,304	(296)
Investment Income	150	227	77
Miscellaneous	0	1,640	1,640
Total Revenues	294,954	304,152	9,198
Expenses:			
Administration Salaries	65,521	65,521	0
Public Works Salaries	38,735	38,735	0
Administrative Charge	9,814	9,814	0
Administrative Supplies	2,200	1,690	510
Transfer to Sewer Fund	3,596	3,597	(1)
VLCT/PACIF	2,863	2,727	136
Town Equipment Charge	10,000	10,000	0
Legal/Audit	5,900	5,204	696
Communications	650	1,626	(976)
Professional Services	500	300	200
Training and Safety	1,000	974	26
Utilities	43,500	28,857	14,643
Line Maintenance	9,000	1,388	7,612
Reservoir Maintenance	500	41	459
Pumphouse Maintenance	2,500	3,663	(1,163)
Generator - Wolcott Street	850	0	850
Hydrants	500	1,094	(594)
Water Testing	1,150	747	403
Chlorination	600	597	3
Permit Fees	5,625	2,501	3,124
Truck Repair & Maintenance	750	143	607
Minor Repair & Maintenance	750	508	242
Gasoline	450	430	20
Capital Fund Transfer	88,000	88,000	0
Total Expenses	294,954	268,157	26,797
Net Income	\$ 0	35,995	\$ 35,995
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(69,836)	
Well Replacement Account Transfer In		10,000	
Capital Account Transfer In		78,000	
Well Replacement Account Investment Income		233	
Capital Account Investment Income		1,034	
Debt Forgiveness		528,165	
Capital Account Expenses		(22,075)	
Change in Net Position - Exhibit G		\$ 561,516	

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Charges	\$ 412,545	\$ 419,443	\$ 6,898
Penalties & Interest	6,600	5,957	(643)
Investment Income	20	35	15
Interfund Charges	8,571	8,570	(1)
Miscellaneous	0	3,240	3,240
Total Revenues	427,736	437,245	9,509
Expenses:			
Administration Salaries	65,521	65,521	0
Public Works Salaries	38,735	38,735	0
Salaries - Sewer Fund	47,028	46,348	680
Assistant Sewer Operator Salary	2,709	1,824	885
Sewer Operator Overtime	6,500	7,087	(587)
Administrative Charge	9,814	9,814	0
Administrative Supplies	2,600	1,718	882
Health Insurance	20,559	20,410	149
Dental Insurance	1,202	1,196	6
Vision Insurance	131	129	2
Life Insurance	241	283	(42)
Social Security	4,302	3,736	566
Retirement	2,944	4,633	(1,689)
VLCT/PACIF	12,290	11,760	530
Worker's Compensation	3,313	3,805	(492)
Insurance Deductible	1,000	0	1,000
Unemployment Insurance	87	101	(14)
Town Equipment Charge	10,000	10,000	0
Legal/Audit	5,900	5,204	696
Communications	1,260	1,268	(8)
Uniforms	750	772	(22)
Professional Services	250	800	(550)
Training	600	1,112	(512)
Safety	1,000	874	126
Utilities - Plant	35,000	36,187	(1,187)
Utilities - Lift Station	3,500	3,712	(212)
Fuel Oil	4,500	3,008	1,492
Alarms	650	801	(151)
Water Charge	3,500	3,370	130
Lab Operations	6,000	4,805	1,195
Lift Station Maintenance	2,000	3,420	(1,420)
Plant Operations	5,000	6,045	(1,045)
Sewer Line Cleaning	5,000	4,266	734
Sewer Line Maintenance	5,000	3,659	1,341
Grit Disposal	1,000	845	155
Process Chemicals	23,000	24,401	(1,401)
Licenses & Fees	1,200	1,213	(13)
Equipment Maintenance	750	249	501

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenses/(Cont'd):			
Gasoline/Diesel	\$ 500	\$ 431	\$ 69
Mill Street Bond and Interest	4,400	4,340	60
Capital Fund Transfer	88,000	88,000	0
Total Expenses	427,736	425,882	1,854
Net Income	\$ 0	11,363	\$ 11,363
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(149,302)	
Principal Payments on Bonds Payable		2,300	
Capital Fund Transfer In		88,000	
Capital Fund Investment Income		1,358	
Capital Fund Expenses		(6,512)	
Change in Net Position - Exhibit G		\$ (52,793)	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass through to Subrecipients	Total Federal Expenditures
<u>Institute of Museum and Library Services</u>				
Passed through the Vermont Agency of Administration Department of Libraries Grants to States	45.310	01130-COURIER-LSTA17.1.37	\$ 0	\$ 195
Grants to States	45.310	01130-COURIER-LSTA17.2.71	0	195
Grants to States	45.310	01130-NELA-LSTA16.24	0	490
Grants to States	45.310	01130-VERSO-LSTA16.17	<u>0</u>	<u>3,050</u>
Total Institute of Museum and Library Services			<u>0</u>	<u>3,930</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	06140-RF3-339	<u>0</u>	<u>136,116</u>
Total U.S. Environmental Protection Agency			<u>0</u>	<u>136,116</u>
<u>U.S. Department of Justice</u>				
Direct				
Bulletproof Vest Partnership Program	16.607	2016BUBX16081136	0	668
Bulletproof Vest Partnership Program	16.607	2017BUBX17086555	0	235
Passed Through State of Vermont Department of Public Safety				
Violence Against Woman Formula Grants	16.588	02160-STOP17-40050	<u>0</u>	<u>40,036</u>
Total U.S. Department of Justice			<u>0</u>	<u>40,939</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	08100-CAO182	0	488,683
Highway Planning and Construction	20.205	08126-BR0042	<u>0</u>	<u>4,294</u>
Total Highway Planning and Construction Cluster			<u>0</u>	<u>492,977</u>

See Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass through to Subrecipients	Total Federal Expenditures
Highway Safety Cluster				
State and Community Highway Safety	20.600	08100-GR1023	\$ 0	\$ 1,096
State and Community Highway Safety	20.600	08100-GR1169	0	4,276
Passed through State of Vermont Department of Public Safety				
National Priority Safety Programs	20.616	02140-NH17405C-703D	<u>0</u>	<u>1,560</u>
Total Highway Safety Cluster			<u>0</u>	<u>6,932</u>
Passed through State of Vermont Agency of Transportation				
Minimum Penalties for Repeat Offenders For Driving While Intoxicated	20.608	08100-GR1169	0	2,137
Minimum Penalties for Repeat Offenders For Driving While Intoxicated	20.608	08126-GR1023	<u>0</u>	<u>758</u>
Total U.S. Department of Transportation			<u>0</u>	<u>502,804</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Vermont Agency of Commerce and Community Development				
Community Development Block Grant	14.228	07110-IG-2015- HARDWICK-00007	<u>68,164</u>	<u>70,514</u>
Total U.S. Department of Housing and Urban Development			<u>68,164</u>	<u>70,514</u>
Total			<u>\$ 68,164</u>	<u>\$ 754,303</u>

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Town of Hardwick, Vermont under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Hardwick, Vermont it is not intended to and does not present the financial position, changes in net position or cash flows.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Hardwick, Vermont has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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VT Lic. #92-000180

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements and have issued our report thereon dated February 13, 2019. 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

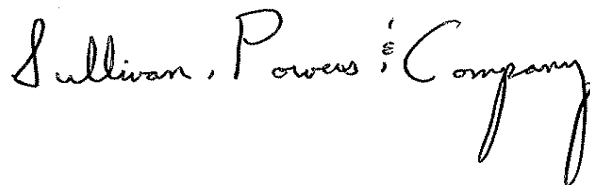
As part of obtaining reasonable assurance about whether the Town of Hardwick, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated February 13, 2019.

Purpose of this Report

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

February 13, 2019
Montpelier, Vermont
VT Lic. #92-000180

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

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Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Town of Hardwick, Vermont compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "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, 2018. 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 Title 2 U.S. "Code of Federal Regulations" Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance 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 its major federal program. However, our audit does not provide a legal determination of the Town of Hardwick, Vermont's compliance.

Opinion on Each 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, 2018.

Report on Internal Control Over Compliance

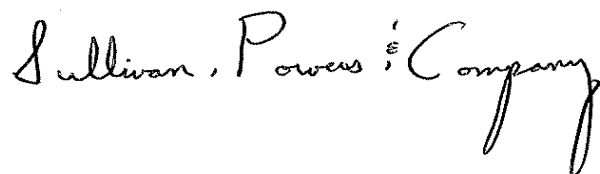
The management of the Town of Hardwick, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Town of Hardwick, Vermont's 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 and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for 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 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 significant deficiencies or material weaknesses. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

February 13, 2019
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

A single audit was not required in the prior year.

TOWN OF HARDWICK VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2018

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:

Unmodified:

Governmental Activities
General Fund
Revolving Loan Fund
Capital General Fund
Capital Roads Fund
Jeudevine Building Fund
Water Fund
Sewer Fund
Aggregate Remaining Fund Information

Adverse:

Business-Type Activities
Electric Fund

Internal Control Over Financial Reporting:

Material Weaknesses identified:

None noted.

Significant Deficiencies identified not considered to be material weaknesses:

None noted.

Noncompliance material to financial statements:

None noted.

Federal Awards

Internal Control Over Major Programs:

Material Weaknesses identified:

None noted.

Significant Deficiencies identified not considered to be material weaknesses:

None noted.

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 2 CFR 200.516(a).

TOWN OF HARDWICK VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2018

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
20.205	Highway Planning and Construction	U.S. Department of Transportation

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee did not qualify as a low risk auditee.