

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Electric Fund and the Business-type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the Electric Fund and the business-type activities of the Town of Hardwick, Vermont as of June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

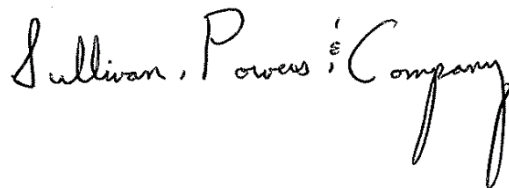
Other Information

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

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated March 17, 2020 on our consideration of the Town of Hardwick, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Hardwick, Vermont's internal control over financial reporting and compliance.

March 17, 2020
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 can be obtained through the Electric Department 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, 2019 by \$13,490,486 (net position). This is an increase of \$555,483 over the previous year.
- In Exhibit A, Governmental Activities net position of \$8,641,289 represents an increase of \$24,660 over last year.
- In Exhibit A, \$4,849,197 of the net position represents water and sewer fund activities (business funds). This demonstrates an increase of \$530,823 from the previous year.
- In Exhibit A, \$1,270,354 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 FY 2018 of \$14,716.
- In Exhibit A, \$720,659 of governmental activities net position are unrestricted and may be used for future obligations. This is an increase of \$148,223 from June 30, 2018. Some of these include funding for projects related to paving, bridge work, but also for the building upgrades and sidewalks.
- In Exhibit A, \$1,220,299 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 \$78,893 from June 30, 2018. There were minimal plant/equipment upgrades during this fiscal year.

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

- In Exhibit D, the fund balances of governmental funds increased by \$261,667 in FY 2019. The increase can be attributed to increased capital fund balances, savings in the Police Department due to vacant positions, and adequate budgeting practices.
- In Exhibit D, the General Fund balance increased by \$103,664 from June 30, 2018. The General Fund balance at the end of FY 2019 was \$515,646.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$212,738 on June 30, 2019, which is a decrease of \$51,311 from June 30, 2018. This is money that is available for future loans to promote economic development in Hardwick. The Town had 9 active small business loans on June 30, 2019. The total amount of outstanding principal for these loans was \$343,919.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

- In Exhibit D, the Capital General Fund balance increased by \$49,704 in FY 2019. The total amount in this fund at year end was \$373,569 and is designated for future projects such as sidewalk replacement, building improvements, gravel pit reclaiming, trails and recreation projects, and fire department equipment/clothing.
- The Water Fund ended the fiscal year with a net position balance of \$2,844,838, which represented an increase of \$618,962. \$2,204,826 or 77% represents the Town's net investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$582,425, which was an increase of \$4,963. A total of \$640,012 of net position is unrestricted with \$98,769 set aside for well replacement, \$424,297 set aside for water capital projects, and the remaining \$116,946 available for operations.
- The Sewer Fund ended the fiscal year with a net position balance of \$2,004,359, a decrease of \$88,139 from the previous year. \$1,424,072 or 71% 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 \$491,681, which was a decrease of \$27,318. A total of \$580,287 of net position is unrestricted with \$533,477 set aside for sewer capital projects and \$46,810 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, 2019

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 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Current and Other Assets	\$ 2,556,693	\$ 2,285,638	\$ 1,269,493	\$ 1,175,450	\$ 3,826,186	\$ 3,461,088
Capital Assets	7,253,135	7,443,260	4,601,151	4,789,874	11,854,286	12,233,134
Total Assets	9,809,828	9,728,898	5,870,644	5,965,324	15,680,472	15,694,222
Deferred Outflows of Resources	282,649	298,927	11,196	11,192	293,845	310,119
Current Liabilities	122,793	110,783	31,037	19,152	153,830	129,935
Long-Term Liabilities	1,303,336	1,272,161	1,000,665	1,638,005	2,304,001	2,910,166
Total Liabilities	1,426,129	1,382,944	1,031,702	1,657,157	2,457,831	3,040,101
Deferred Inflows of Resources	25,059	28,252	941	985	26,000	29,237
Net Position						
Net Investment in						
Capital Assets	6,650,276	6,788,555	3,628,898	3,176,968	10,279,174	9,965,523
Restricted	1,270,354	1,255,638	0	0	1,270,354	1,255,638
Unrestricted	720,659	572,436	1,220,299	1,141,406	1,940,958	1,713,842
Total Net Position	\$ 8,641,289	\$ 8,616,629	\$ 4,849,197	\$ 4,318,374	\$ 13,490,486	\$ 12,935,003

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,490,486 at the end of fiscal year 2019. This is an increase of \$555,483 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, 2019**

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 (\$1,270,354) is restricted to future use, such as the revolving loan fund. The remaining net position (\$1,940,958) 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 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
REVENUES						
Charges for Service	\$ 277,373	\$ 283,173	\$ 705,872	\$ 741,135	\$ 983,245	\$ 1,024,308
Operating Grants and Contributions	326,662	384,588	0	0	326,662	384,588
Capital Grants and Contributions	63,049	1,249,623	605,273	528,165	668,322	1,777,788
Property Taxes	2,266,565	2,162,844	0	0	2,266,565	2,162,844
Penalty and Interest on Delinquent Taxes	24,952	27,764	0	0	24,952	27,764
General State Grants	224,306	216,423	0	0	224,306	216,423
Unrestricted Investment Earnings	21,963	4,112	10,406	2,887	32,369	6,999
Gain on Sale of Vehicle	5,440	0	0	0	5,440	0
Other Revenues	9,616	2,978	0	0	9,616	2,978
Insurance Proceeds	0	82,166	0	0	0	82,166
Total Revenues	3,219,926	4,413,671	1,321,551	1,272,187	4,541,477	5,685,858
EXPENDITURES						
General Government	489,611	493,462	0	0	489,611	493,462
Public Safety	1,234,669	1,197,592	0	0	1,234,669	1,197,592
Highways and Streets	1,214,652	1,088,920	0	0	1,214,652	1,088,920
Culture and Recreation	201,853	179,038	0	0	201,853	179,038
Community Development	18,651	71,942	0	0	18,651	71,942
Cemetery	17,002	17,301	0	0	17,002	17,301
Interest on Long-Term Debt	18,828	19,830	0	0	18,828	19,830
Water	0	0	279,096	272,068	279,096	272,068
Sewer	0	0	511,632	491,396	511,632	491,396
Total Expenditures	3,195,266	3,068,085	790,728	763,464	3,985,994	3,831,549
Changes in Net Position	24,660	1,345,586	530,823	508,723	555,483	1,854,309
Net Position - Beginning of Year	8,616,629	7,271,043	4,318,374	3,809,651	12,935,003	11,080,694
Net Position - End of Year	\$ 8,641,289	\$ 8,616,629	\$ 4,849,197	\$ 4,318,374	\$ 13,490,486	\$ 12,935,003

Governmental activities (Exhibit B): Governmental activities increased the Town's net position by \$24,660 in FY 2019. This increase was primarily due to an increase in revenues and savings in Police Department expenditures, primarily the COPS grant officer position that was vacant for most of the year.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Business-type activities (Exhibit G): Business-type activities increased the Town's net position by \$530,823. This increase was primarily due to the principal forgiveness of \$605,273 on the Water Bond.

The Water Fund had an operational profit of \$7,944 and an increase in net position of \$618,962. This was the result of the installation of water meters in FY 2017, which decreased our water consumption, thus reducing the permit fees, and energy costs.

The Sewer Fund had a loss from operations of \$90,895 and a decrease in net position of \$88,139. This is primarily due to depreciation and lower than expected revenues.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance increased by \$103,664 during FY 2019. The total fund balance at year end was \$515,646. Of that amount, \$9,988 is non-spendable inventory. 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 in the Police Department due to a vacant position. It appears that with the existing fund balance being 15% 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 FY 2019 were higher than 2018 by \$195,195 primarily due to increased revenues from current property taxes and intergovernmental charges. Expenditures were \$61,369 under budget. The overall increase in the general fund balance of \$103,664 was due to revenues coming in at \$42,295 over the budgeted amount. Budget savings were the result of cost savings in the Police Department due to vacant positions and departments being cognitive of their budgets and not over-expending.

Revolving Loan Fund

For the year ending June 30, 2019, the Town's Revolving Loan Fund also known as the Economic Development Fund, had total revenues of \$74,687 as reported on Exhibit D. The year end fund balance was \$212,738, which was a decrease of \$51,311 from the previous year and resulted from the pay back of principal balance on the outstanding loans, as well as a couple of pay-offs. The Town had outstanding loans totaling \$1,756,739.

Capital General Fund

Also reported on Exhibit D, the Town's Capital General Fund had a year-end fund balance of \$373,569. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$91,049 of the fund on projects during FY 2019. This included a new heating system in the Memorial Building, a new Storage slab at the Town Garage, painting of the Public Safety building, purchase of fire equipment/clothing, a new heating system at the Town garage, and additional engineering work on the Bike Path.

Capital Roads Fund

As reported on Exhibit D, the Town's Capital Roads Fund had a year-end fund balance of \$75,936. 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, 2019

Jeudevine Building Fund

As reported on Exhibit D, the Jeudevine Building Fund had a year-end balance of \$574,236. These funds are for the addition/renovation of the Jeudevine Memorial Library. In FY 2019, the Building Fund received about \$17,000 in additional donations, and earned about \$12,000 in interest. These were added to the existing balance that was made up of a couple of significant bequests from prior years.

Capital Assets

The Town of Hardwick's net investment in capital assets for its governmental and business-type activities as of June 30, 2019 totaled \$6,650,276 and \$3,628,898, respectively, (net of Accumulated Depreciation and Related Debt). This is a decrease of \$138,279 over last year for governmental activities and an increase of \$451,930 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:

- Police cruiser
- Fire department safety gear
- Purchase of a Ford F250 truck with plow and cap
- Purchase of a portable industrial Jetter (to be shared with water/sewer)
- Paving of Greensboro Bend area – Bend Road, Tousant Hill, East Main Street, Stannard Mountain Road

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

- New grit removal system
- New lift station pump

Debt Administration

As of June 30, 2019, 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 \$293,332
- A loader purchase with an outstanding debt balance of \$54,527
- Mackville Road Improvements with an outstanding debt balance of \$255,000

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 the outstanding balance is \$926,253. In lieu of the -3% interest rate on this bond, a *one-time* principal forgiveness of \$605,273 was applied during FY 2019 and the interest rate changed to 0% for the remaining balance.

The **Sewer Fund** has one bond outstanding with a total principal debt of \$46,000. 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, 2019

Economic Factors and Next Year's Budgets and Rates

At the close of FY 2019, the Town was able to put \$103,664 into its General Fund balance (Town savings account). This budget savings was due largely to increased revenues and a savings of expenses associated with the Police Department and vacant positions. The fund balance is currently at \$515,646 or slightly more than 15% 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 2020 budget that was approved by the voters is \$3,359,616 which was an increase of 3.3% from FY 2019. Our goal for each year to is 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. Much of the increase was due to additional health insurance costs, specifically changes in plans such as single to family plans, which are more costly. We also had some staff changes resulting in increased salaries/benefits. In addition, we increased the amount of capital funds for general, roads, and equipment.

In the summer of 2019, we installed another 16 water meters, bringing us to 87% metered. Our goal is to have 100% metered within the next few years. Ideally, the sooner, the better, but it depends on funding each year that is available to work towards completion. At the end of FY 2019, we had our first full year of data for the new rate structure. We came in below budget on revenues for both water and sewer. We evaluated and adjusted rates slightly as of July 1, 2019 with a goal to break even on revenues and expenses for FY 2020.

During the summer of 2019, the Town had some paving projects completed by J. Hutchins. The work was made possible by the capital funds that the Town has set aside over the past years and continues to save for. Paving included Glenside Avenue, Sumner Street, Holton Hill, Dewey Street, Summer Street, as well as portions of Junction Rd. and Log Yard Drive.

Back in FY 2017, the Town, in cooperation with the Center for Agriculture (CAE), was awarded a \$250,000 federal grant by the Northern Border Regional Commission (NBRC) for the purchase of the historic *Yellow Barn* property located on the west end of Town on Route 15. 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 FY 2018. The project, known as the Hardwick Yellow Barn Business Accelerator & Corporate Campus will strengthen Vermont's farm-and-food based economy by allowing multiple establishments to grow and expand with other entrepreneurs, develop new products, and improve export to external markets.

In FY 2019, we received an additional \$36,900 grant for the Yellow Barn project from USDA Rural Development to assist with the planning/design, business planning, and environmental and historic assessments. The assessments were completed in late summer 2019, making it possible for the Town to finally purchase the *Yellow Barn* property officially on October 16, 2019. This was the result of many people and organizations coming together on this project. This project, once completed, will be very beneficial to the community with job creation, personal income increases and population growth.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 2,026,444	\$ 100	\$ 2,026,544
Investments	1,085,057	0	1,085,057
Receivables (Net of Allowance for Uncollectibles)	165,391	183,650	349,041
Loans Receivable (Net of Allowance for Uncollectibles)	343,919	0	343,919
Internal Balances	(1,074,106)	1,074,106	0
Prepaid Expenses	0	175	175
Inventory	9,988	11,462	21,450
Capital Assets:			
Land	176,277	80,741	257,018
Construction in Progress	101,853	22,704	124,557
Other Capital Assets, (Net of Accumulated Depreciation)	6,975,005	4,497,706	11,472,711
Total Assets	<u>9,809,828</u>	<u>5,870,644</u>	<u>15,680,472</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	282,649	11,196	293,845
Total Deferred Outflows of Resources	<u>282,649</u>	<u>11,196</u>	<u>293,845</u>
<u>LIABILITIES</u>			
Accounts Payable	42,503	24,865	67,368
Accrued Payroll and Benefits Payable	64,523	3,159	67,682
Unearned Revenue	13,137	2,223	15,360
Accrued Interest Payable	2,630	790	3,420
Noncurrent Liabilities:			
Due within One Year	52,064	35,381	87,445
Due in More than One Year	1,251,272	965,284	2,216,556
Total Liabilities	<u>1,426,129</u>	<u>1,031,702</u>	<u>2,457,831</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	1,289	0	1,289
Deferred Inflows of Resources Related to the Town's Participation in VMERS	23,770	941	24,711
Total Deferred Inflows of Resources	<u>25,059</u>	<u>941</u>	<u>26,000</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	6,650,276	3,628,898	10,279,174
Restricted For:			
Public Safety	6,811	0	6,811
Highways and Streets	75,936	0	75,936
Culture and Recreation	574,236	0	574,236
Community Development	556,657	0	556,657
Cemetery	56,552	0	56,552
Other	162	0	162
Unrestricted	720,659	1,220,299	1,940,958
Total Net Position	<u>\$ 8,641,289</u>	<u>\$ 4,849,197</u>	<u>\$ 13,490,486</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, 2019

	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	\$ 489,611	\$ 35,416	\$ 30,121	\$ 36,900	\$ (387,174)	\$ 0	\$ (387,174)
Public Safety	1,234,669	226,033	124,782	0	(883,854)	0	(883,854)
Highways and Streets	1,214,652	0	159,964	8,896	(1,045,792)	0	(1,045,792)
Culture and Recreation	201,853	6,910	11,795	17,253	(165,895)	0	(165,895)
Community Development	18,651	7,204	0	0	(11,447)	0	(11,447)
Cemetery	17,002	1,810	0	0	(15,192)	0	(15,192)
Interest on Long-term Debt	18,828	0	0	0	(18,828)	0	(18,828)
Total Governmental Activities	<u>3,195,266</u>	<u>277,373</u>	<u>326,662</u>	<u>63,049</u>	<u>(2,528,182)</u>	<u>0</u>	<u>(2,528,182)</u>
Business-type Activities:							
Water	279,096	287,040	0	605,273	0	613,217	613,217
Sewer	511,632	418,832	0	0	0	(92,800)	(92,800)
Total Business-type Activities	<u>790,728</u>	<u>705,872</u>	<u>0</u>	<u>605,273</u>	<u>0</u>	<u>520,417</u>	<u>520,417</u>
Total Primary Government	<u>\$ 3,985,994</u>	<u>\$ 983,245</u>	<u>\$ 326,662</u>	<u>\$ 668,322</u>	<u>(2,528,182)</u>	<u>520,417</u>	<u>(2,007,765)</u>
General Revenues:							
Property Taxes					2,266,565	0	2,266,565
Penalties and Interest on Delinquent Taxes					24,952	0	24,952
General State Grants					224,306	0	224,306
Unrestricted Investment Earnings					21,963	10,406	32,369
Other Revenues					9,616	0	9,616
Gain on Sale of Vehicle and Equipment					5,440	0	5,440
Total General Revenues					<u>2,552,842</u>	<u>10,406</u>	<u>2,563,248</u>
Change in Net Position					24,660	530,823	555,483
Net Position - July 1, 2018					<u>8,616,629</u>	<u>4,318,374</u>	<u>12,935,003</u>
Net Position - June 30, 2019					<u>\$ 8,641,289</u>	<u>\$ 4,849,197</u>	<u>\$ 13,490,486</u>

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Revolving Loan Fund	Capital General Fund	Capital Roads Fund	Jeudevine Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 1,847,706	\$ 178,738	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,026,444
Investments	511,882	0	0	0	511,882	61,293	1,085,057
Receivables (Net of Allowance for Uncollectibles)	156,091	0	1,500	0	0	7,800	165,391
Loans Receivable (Net of Allowance for Uncollectibles)	0	343,919	0	0	0	0	343,919
Due from Other Funds	0	34,000	372,069	75,936	62,566	313,825	858,396
Inventory	9,988	0	0	0	0	0	9,988
Total Assets	<u>\$ 2,525,667</u>	<u>\$ 556,657</u>	<u>\$ 373,569</u>	<u>\$ 75,936</u>	<u>\$ 574,448</u>	<u>\$ 382,918</u>	<u>\$ 4,489,195</u>
LIABILITIES							
Accounts Payable	\$ 36,229	\$ 0	\$ 0	\$ 0	\$ 212	\$ 6,062	\$ 42,503
Accrued Payroll and Benefits Payable	59,208	0	0	0	0	5,315	64,523
Due from Other Funds	1,892,525	0	0	0	0	39,977	1,932,502
Unearned Revenue	0	0	0	0	0	13,137	13,137
Total Liabilities	<u>1,987,962</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>212</u>	<u>64,491</u>	<u>2,052,665</u>
DEFERRED INFLOWS OF RESOURCES							
Prepaid Property Taxes	1,289	0	0	0	0	0	1,289
Unavailable Property Taxes, Penalties and Interest	20,500	0	0	0	0	0	20,500
Unavailable Grants	270	0	0	0	0	0	270
Unavailable Loans Receivable	0	343,919	0	0	0	0	343,919
Total Deferred Inflows of Resources	<u>22,059</u>	<u>343,919</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>365,978</u>
FUND BALANCES							
Nonspendable	9,988	0	0	0	0	8,861	18,849
Restricted	0	212,738	0	75,936	574,236	54,664	917,574
Committed	0	0	373,569	0	0	200,563	574,132
Assigned	0	0	0	0	0	91,193	91,193
Unassigned/(Deficit)	505,658	0	0	0	0	(36,854)	468,804
Total Fund Balances	<u>515,646</u>	<u>212,738</u>	<u>373,569</u>	<u>75,936</u>	<u>574,236</u>	<u>318,427</u>	<u>2,070,552</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,525,667</u>	<u>\$ 556,657</u>	<u>\$ 373,569</u>	<u>\$ 75,936</u>	<u>\$ 574,448</u>	<u>\$ 382,918</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:							
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.							7,253,135
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.							364,689
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.							(1,305,966)
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.							<u>258,879</u>
Net Position of Governmental Activities							<u>\$ 8,641,289</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Revolving Loan Fund	Capital General Fund	Capital Roads Fund	Jeudevine Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Property Taxes	\$ 2,284,465	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,284,465
Penalties & Interest on Delinquent Taxes	25,552	0	0	0	0	0	25,552
Intergovernmental	433,356	0	2,615	21,569	0	121,089	578,629
Charges for Services	505,902	0	2,031	0	0	0	507,933
Permits, Licenses & Fees	29,326	0	0	0	0	1,810	31,136
Fines and Forfeits	1,767	0	0	0	0	0	1,767
Loan Repayments	0	67,064	0	0	0	0	67,064
Loan Interest Income	0	7,104	0	0	0	0	7,104
Investment Income	1,987	419	3,357	519	12,459	3,222	21,963
Donations	1,675	0	18,750	0	17,253	1,957	39,635
Other	9,616	100	0	0	0	12,217	21,933
Total Revenues	3,293,646	74,687	26,753	22,088	29,712	140,295	3,587,181
Expenditures:							
General Government	608,563	0	194	0	0	251	609,008
Public Safety	1,007,834	0	10,152	0	0	76,118	1,094,104
Highways and Streets	913,873	0	14,751	40,758	0	0	969,382
Culture and Recreation	36,574	0	160	0	17,879	118,971	173,584
Community Development	0	100,998	0	0	0	12,765	113,763
Cemetery	12,432	0	0	0	0	4,570	17,002
Capital Outlay:							
General Government	3,269	0	24,275	0	0	0	27,544
Public Safety	6,480	0	5,178	0	0	23,363	35,021
Highways and Streets	9,368	0	33,669	74,344	0	42,070	159,451
Culture and Recreation	0	0	2,670	0	0	0	2,670
Community Development	0	0	0	0	0	85,989	85,989
Debt Service:							
Principal	0	0	0	15,000	0	36,846	51,846
Interest	0	0	0	8,126	0	10,774	18,900
Total Expenditures	2,598,393	100,998	91,049	138,228	17,879	411,717	3,358,264
Excess/(Deficiency) of Revenues Over Expenditures	695,253	(26,311)	(64,296)	(116,140)	11,833	(271,422)	228,917
Other Financing Sources/(Uses):							
Proceeds from Sale of Vehicle and Equipment	250	0	5,000	0	0	27,500	32,750
Transfers In	0	0	109,000	160,000	0	347,839	616,839
Transfers Out	(591,839)	(25,000)	0	0	0	0	(616,839)
Total Other Financing Sources/(Uses)	(591,589)	(25,000)	114,000	160,000	0	375,339	32,750
Net Change in Fund Balances	103,664	(51,311)	49,704	43,860	11,833	103,917	261,667
Fund Balances - July 1, 2018	411,982	264,049	323,865	32,076	562,403	214,510	1,808,885
Fund Balances - June 30, 2019	\$ 515,646	\$ 212,738	\$ 373,569	\$ 75,936	\$ 574,236	\$ 318,427	\$ 2,070,552

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, 2019

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)	\$	261,667
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$310,675) is allocated over their estimated useful lives and reported as depreciation expense (\$452,250). This is the amount by which depreciation exceeded capital outlay in the current period.		(141,575)
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.		(48,550)
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 (\$51,846) 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.		51,846
The issuance of loans receivable (\$100,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$67,064) 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.		32,936
Governmental funds report employer pension contributions as expenditures (\$83,901). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$169,270) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(85,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(34,973)
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>(11,322)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>24,660</u></u>

The General Fund charges the Water and Sewer Funds for various expenses. These charges totaling \$275,546 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, 2019

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectibles)	74,465	109,185	183,650
Due from Other Funds	582,425	491,681	1,074,106
Prepaid Expenses	0	175	175
Inventory	5,350	6,112	11,462
Total Current Assets	<u>662,290</u>	<u>607,203</u>	<u>1,269,493</u>
Noncurrent Assets:			
Land	42,246	38,495	80,741
Construction in Progress	22,704	0	22,704
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	60,307	136,502	196,809
Distribution/Collection Systems	3,711,111	5,892,140	9,603,251
Less: Accumulated Depreciation	<u>(778,581)</u>	<u>(4,610,522)</u>	<u>(5,389,103)</u>
Total Noncurrent Assets	<u>3,131,079</u>	<u>1,470,072</u>	<u>4,601,151</u>
Total Assets	<u>3,793,369</u>	<u>2,077,275</u>	<u>5,870,644</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS			
	<u>0</u>	<u>11,196</u>	<u>11,196</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>11,196</u>	<u>11,196</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	20,055	4,810	24,865
Accrued Payroll and Benefits Payable	0	3,159	3,159
Unearned Revenue	2,223	0	2,223
Accrued Interest Payable	0	790	790
General Obligation Bond Payable - Current Portion	<u>33,081</u>	<u>2,300</u>	<u>35,381</u>
Total Current Liabilities	<u>55,359</u>	<u>11,059</u>	<u>66,418</u>
Noncurrent Liabilities:			
Compensated Absences Payable	0	3,436	3,436
Net Pension Liability	0	24,976	24,976
General Obligation Bond Payable - Noncurrent Portion	<u>893,172</u>	<u>43,700</u>	<u>936,872</u>
Total Noncurrent Liabilities	<u>893,172</u>	<u>72,112</u>	<u>965,284</u>
Total Liabilities	<u>948,531</u>	<u>83,171</u>	<u>1,031,702</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS			
	<u>0</u>	<u>941</u>	<u>941</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>941</u>	<u>941</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,204,826	1,424,072	3,628,898
Unrestricted	<u>640,012</u>	<u>580,287</u>	<u>1,220,299</u>
Total Net Position	<u>\$ 2,844,838</u>	<u>\$ 2,004,359</u>	<u>\$ 4,849,197</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, 2019

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 282,961	\$ 404,266	\$ 687,227
Penalties & Interest	4,079	5,942	10,021
Interfund Charges	0	8,624	8,624
Total Operating Revenues	287,040	418,832	705,872
Operating Expenses:			
Administrative Salaries	68,923	68,923	137,846
Salaries and Wages	48,655	105,689	154,344
Administrative Charges	13,960	10,195	24,155
Administrative Supplies	1,589	1,761	3,350
Benefits	0	30,953	30,953
Insurances	1,405	13,119	14,524
Town Equipment Charge	10,000	10,000	20,000
Legal/Audit	5,326	5,397	10,723
Communications	1,376	1,342	2,718
Utilities	36,349	45,929	82,278
Maintenance	12,017	27,010	39,027
Chemicals	1,800	26,326	28,126
Depreciation	73,860	156,782	230,642
Other Operating Expenses	3,836	6,301	10,137
Total Operating Expenses	279,096	509,727	788,823
Operating Income/(Loss)	7,944	(90,895)	(82,951)
Non-Operating Revenues/(Expenses):			
Investment Income	5,745	4,661	10,406
Interest Expense	0	(1,905)	(1,905)
Total Non-Operating Revenues/(Expenses)	5,745	2,756	8,501
Net Income/(Loss) Before Capital Contributions	13,689	(88,139)	(74,450)
Capital Contributions	605,273	0	605,273
Change in Net Position	618,962	(88,139)	530,823
Net Position - July 1, 2018	2,225,876	2,092,498	4,318,374
Net Position - June 30, 2019	\$ 2,844,838	\$ 2,004,359	\$ 4,849,197

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, 2019

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 232,456	\$ 331,688	\$ 564,144
Receipts from Interfund Services	0	8,624	8,624
Payments for Goods and Services	(61,796)	(125,069)	(186,865)
Payments for Interfund Services	(137,773)	(137,773)	(275,546)
Payments for Wages and Benefits	(3,765)	(84,989)	(88,754)
Net Cash Provided/(Used) by Operating Activities	<u>29,122</u>	<u>(7,519)</u>	<u>21,603</u>
Cash Flows From Noncapital Financing Activities:			
Decrease in Due from Other Funds	<u>4,963</u>	<u>27,318</u>	<u>32,281</u>
Net Cash Provided by Noncapital Financing Activities	<u>4,963</u>	<u>27,318</u>	<u>32,281</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(6,750)	(20,215)	(26,965)
Principal Paid on:			
General Obligation Bonds	(33,080)	(2,300)	(35,380)
Interest Paid on:			
General Obligation Bonds	<u>0</u>	<u>(1,945)</u>	<u>(1,945)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(39,830)</u>	<u>(24,460)</u>	<u>(64,290)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>5,745</u>	<u>4,661</u>	<u>10,406</u>
Net Cash Provided by Investing Activities	<u>5,745</u>	<u>4,661</u>	<u>10,406</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2018	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2019	<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)	\$ 7,944	\$ (90,895)	\$ (82,951)
Depreciation	73,860	156,782	230,642
Loss on Disposition of Fixed Assets	500	500	1,000
(Increase)/Decrease in Receivables	(55,047)	(77,491)	(132,538)
(Increase)/Decrease in Prepaid Expenses	0	1,282	1,282
(Increase)/Decrease in Inventory	0	4,932	4,932
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(4)	(4)
Increase/(Decrease) in Accounts Payable	1,402	(4,598)	(3,196)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	(267)	(267)
Increase/(Decrease) in Compensated Absences Payable	0	(730)	(730)
Increase/(Decrease) in Net Pension Liability	0	4,043	4,043
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	(44)	(44)
Increase/(Decrease) in Unearned Revenue	<u>463</u>	<u>(1,029)</u>	<u>(566)</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 29,122</u>	<u>\$ (7,519)</u>	<u>\$ 21,603</u>

The Water Fund recognized forgiveness of debt from the State of Vermont in the amount of \$605,273.
Capital asset acquisitions in the amount of \$15,954 in the Water Fund are included in accounts payable at June 30, 2019.
The Water Fund disposed of capital assets with a cost of \$6,179 and accumulated depreciation of \$5,679.
The Sewer Fund disposed of capital assets with a cost of \$3,088 and accumulated depreciation of \$2,588.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

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

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

E. Use of Estimates

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

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

1. Cash

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

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

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2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Inventories and Prepaid Expenses

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

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

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

6. Pensions

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Capital Assets

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

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

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

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

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

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9. Compensated Absences

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

10. Long-term Liabilities

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

11. Fund Equity

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

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

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2019 consisted of the following:

Cash:

Deposits with Financial Institutions	\$2,025,894
Cash on Hand	<u>650</u>
Total Cash	<u>2,026,544</u>

Investments:

Certificates of Deposit	<u>1,085,057</u>
Total Cash and Investments	<u>\$3,111,601</u>

The Town has three (3) certificates of deposit at Community Bank ranging from \$1,148 to \$5,202 with an interest rate of 0.4%. All of these certificates of deposit will mature during fiscal year 2019. The Town also has three (3) certificate of deposit at Union Bank ranging from \$1,354 to \$1,023,764 with interest rates ranging from 0.30% to 2.035%, two (2) of which will mature during fiscal year 2019 and one (1) during fiscal year 2021.

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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	\$ 509,197	\$ 509,197
Uninsured, Collateralized by Irrevocable Stand-by Letter of Credit by the Federal Home Loan Bank of Boston	<u>2,601,754</u>	<u>2,640,373</u>
Total	<u>\$3,110,951</u>	<u>\$3,149,570</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	\$2,025,894
Investments – Certificates of Deposit	<u>1,085,057</u>
Total	<u>\$3,110,951</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.

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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. The Town does not have any investments subject to concentration of credit risk disclosure.

B. Receivables

Receivables as of June 30, 2019, 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	\$ 93,556	\$ 0	\$ 93,556
Penalties and Interest	9,381	0	9,381
Billed Services	0	184,150	184,150
Trailer Lease Receivable	3,072	0	3,072
Grants Receivable	28,785	0	28,785
Miscellaneous	33,697	0	33,697
Allowance for Doubtful Accounts - Delinquent Taxes, Penalties and Interest	<u>(3,100)</u>	<u>(500)</u>	<u>(3,600)</u>
Total	<u>\$ 165,391</u>	<u>\$ 183,650</u>	<u>\$ 349,041</u>

TOWN OF HARDWICK, VERMONT
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C. Loans Receivable

Loans receivable as of June 30, 2019 consists of a number of loans for community development as follows:

Loan Receivable, Lamoille Housing Partnership, Payable on Demand on and After August 29, 2048, 0% Interest, Secured by Second Mortgage	\$ 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, 9 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>343,919</u>
Total	1,756,739
Less: Allowance for Doubtful Loans Receivable	<u>(1,412,820)</u>
Reported Value at June 30, 2019	\$ <u>343,919</u>

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

<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
\$ <u>1,738,691</u>	\$ <u>100,000</u>	\$ <u>81,952</u>	\$ <u>1,756,739</u>

TOWN OF HARDWICK, VERMONT
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D. Capital Assets

Capital asset activity for the year ended June 30, 2019 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	<u>158,382</u>	<u>103,258</u>	<u>159,787</u>	<u>101,853</u>
Total Capital Assets, Not Being Depreciated	<u>334,659</u>	<u>103,258</u>	<u>159,787</u>	<u>278,130</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,608,446	200,432	18,457	1,790,421
Vehicles	2,453,800	61,533	63,766	2,451,567
Machinery and Equipment	381,748	21,114	37,922	364,940
Roads, Bridges and Sidewalks	<u>5,738,034</u>	<u>84,125</u>	<u>0</u>	<u>5,822,159</u>
Totals	<u>10,182,028</u>	<u>367,204</u>	<u>120,145</u>	<u>10,429,087</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	488,776	40,180	7,135	521,821
Vehicles	1,012,886	150,236	40,248	1,122,874
Machinery and Equipment	239,374	27,044	24,212	242,206
Roads, Bridges and Sidewalks	<u>1,332,391</u>	<u>234,790</u>	<u>0</u>	<u>1,567,181</u>
Totals	<u>3,073,427</u>	<u>452,250</u>	<u>71,595</u>	<u>3,454,082</u>
Total Capital Assets, Being Depreciated	<u>7,108,601</u>	<u>(85,046)</u>	<u>48,550</u>	<u>6,975,005</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,443,260</u>	<u>\$ 18,212</u>	<u>\$ 208,337</u>	<u>\$ 7,253,135</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	<u>0</u>	<u>22,704</u>	<u>0</u>	<u>22,704</u>
Total Capital Assets, Not Being Depreciated	<u>80,741</u>	<u>22,704</u>	<u>0</u>	<u>103,445</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	182,773	20,215	6,179	196,809
Distribution and Collection Systems	<u>9,606,339</u>	<u>0</u>	<u>3,088</u>	<u>9,603,251</u>
Totals	<u>9,875,861</u>	<u>20,215</u>	<u>9,267</u>	<u>9,886,809</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	37,714	3,258	0	40,972
Vehicles, Machinery and Equipment	64,017	10,494	5,679	68,832
Distribution and Collection Systems	<u>5,064,997</u>	<u>216,890</u>	<u>2,588</u>	<u>5,279,299</u>
Totals	<u>5,166,728</u>	<u>230,642</u>	<u>8,267</u>	<u>5,389,103</u>
Total Capital Assets, Being Depreciated	<u>4,709,133</u>	<u>(210,427)</u>	<u>1,000</u>	<u>4,497,706</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,789,874</u>	<u>\$ (187,723)</u>	<u>\$ 1,000</u>	<u>\$ 4,601,151</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 24,513	Water	\$ 73,860
Public Safety	73,935	Sewer	<u>156,782</u>
Highways and Streets	332,589		
Culture and Recreation	<u>21,213</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	\$ <u>452,250</u>		\$ <u>230,642</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2019 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,892,525
Revolving Loan Fund	34,000	0
Capital General Fund	372,069	0
Capital Roads Fund	75,936	0
Jeudevine Building Fund	62,566	0
Non-Major Governmental Funds	313,825	39,977
Water Fund	582,425	0
Sewer Fund	<u>491,681</u>	<u>0</u>
Total	<u>\$ 1,932,502</u>	<u>\$ 1,932,502</u>

Interfund transfers during the year ended June 30, 2019 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Capital General Fund	\$ 109,000	Annual Appropriation
General Fund	Capital Roads Fund	160,000	Annual Appropriation
General Fund	Restorative Justice Fund	3,000	Annual Appropriation
General Fund	Jeudevine Memorial Library Fund	110,339	Annual Appropriation
General Fund	Equipment Replacement Fund	205,000	Annual Appropriation
General Fund	Cemetery Fund	4,500	Annual Appropriation
Revolving Loan Fund	Yellow Barn Fund	<u>25,000</u>	Establish Yellow Barn Fund
Total		<u>\$ 616,839</u>	

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F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$54,770 from the difference between the expected and actual experience, \$69,825 from changes in assumptions, \$73,078 from the difference between the projected and actual investment earnings, \$1,074 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 \$83,902 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 \$282,649.

Deferred outflows of resources in the Sewer Fund and Business-type Activities consists of \$2,169 from the difference between the expected and actual experience, \$2,766 from changes in assumptions, \$2,895 from the difference between the projected and actual investment earnings, \$43 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 \$3,323 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 \$11,196.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$13,137 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$1,289 of prepaid property taxes, \$10,083 from the difference between the expected and actual experience and \$13,687 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 \$25,059.

Deferred inflows of resources in the General Fund consists of \$20,500 of delinquent property taxes, penalties and interest on those taxes and \$270 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 \$1,289 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$22,059.

Deferred inflows of resources in the Revolving Loan Fund consists of \$343,919 of loans receivable as these would not be available to liquidate current liabilities.

TOWN OF HARDWICK, VERMONT
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Deferred inflows of resources in the Sewer Fund and Business-type Activities consists of \$399 from the difference between the expected and actual experience and \$542 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 \$941.

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, 2019 were as follows:

Governmental Activities:

	<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	\$ 64,706	\$ 0	\$ 10,179	\$ 54,527

TOWN OF HARDWICK, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Fire Truck, Principal Payments of \$26,667 Payable on November 15 Annually, Various Interest Rates Ranging from .513% to 3.653% Payable Semi-Annually on November 15 and May 15, Due November, 2029	\$319,999	\$ 0	\$ 26,667	\$293,332
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>270,000</u>	<u>0</u>	<u>15,000</u>	<u>255,000</u>
Total Governmental Activities	<u>\$654,705</u>	<u>\$ 0</u>	<u>\$ 51,846</u>	<u>\$602,859</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, Interest at -3.0%, Due June, 2047. The Town Recognized Grant Income for the Entire Amount of Forgiven Principal as a Result of Negative Interest Forgiven in June, 2019	\$1,564,606	\$ 0	\$ 638,353	\$ 926,253
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>48,300</u>	<u>0</u>	<u>2,300</u>	<u>46,000</u>
Total Business-type Activities	<u>\$1,612,906</u>	<u>\$ 0</u>	<u>\$ 640,653</u>	<u>\$ 972,253</u>

TOWN OF HARDWICK, VERMONT
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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	\$ 589,999	\$ 0	\$ 41,667	\$ 548,332	\$ 41,667
Notes Payable	64,706	0	10,179	54,527	10,397
Compensated Absences	58,534	11,394	0	69,928	0
Net Pension Liability	<u>558,922</u>	<u>71,627</u>	<u>0</u>	<u>630,549</u>	<u>0</u>
 Total Governmental Activities Long-term Liabilities	 <u>\$ 1,272,161</u>	 <u>\$ 83,021</u>	 <u>\$ 51,846</u>	 <u>\$ 1,303,336</u>	 <u>\$ 52,064</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 1,612,906	\$ 0	\$ 640,653	\$ 972,253	\$ 35,381
Compensated Absences	4,166	0	730	3,436	0
Net Pension Liability	<u>20,933</u>	<u>4,043</u>	<u>0</u>	<u>24,976</u>	<u>0</u>
 Total Business-type Activities Long-term Liabilities	 <u>\$ 1,638,005</u>	 <u>\$ 4,043</u>	 <u>\$ 641,383</u>	 <u>\$ 1,000,665</u>	 <u>\$ 35,381</u>

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

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 52,064	\$ 17,962	\$ 35,381	\$ 1,898
2021	52,317	16,850	35,380	1,803
2022	52,572	15,614	35,381	1,708
2023	52,833	14,254	35,381	1,613
2024	53,074	12,795	35,380	1,518
2025-2029	208,333	42,863	176,902	6,167
2030-2034	101,666	14,053	176,902	3,795
2035-2039	30,000	1,244	176,902	1,424
2040-2044	0	0	165,402	0
2045-2047	<u>0</u>	<u>0</u>	<u>99,242</u>	<u>0</u>
 Total	 <u>\$ 602,859</u>	 <u>\$ 135,635</u>	 <u>\$ 972,253</u>	 <u>\$ 19,926</u>

TOWN OF HARDWICK, VERMONT
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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.

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

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

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

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

Major Funds

General Fund:

Nonspendable Inventory	\$ <u>9,988</u>
Total General Fund	<u>9,988</u>

TOWN OF HARDWICK, VERMONT
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Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	\$ <u>8,861</u>
Total Nonspendable Fund Balances	\$ <u>18,849</u>

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

Major Funds

Revolving Loan Fund:

Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue)	\$ <u>212,738</u>
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Capital Roads Fund:

Restricted for Capital Road Expenditures by Statute (Source of Revenue is Highway Property Taxes)	<u>75,936</u>
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Jeudevine Building Fund:

Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations)	<u>574,236</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations)	6,811
Restricted for Conservation Commission by Donations (Source of Revenue is Donations)	<u>162</u>
Total Special Revenue Funds	<u>6,973</u>

Permanent Fund:

Restricted for Cemetery Fund by Donations – Expendable Portion (Source of Revenue is Donations)	<u>47,691</u>
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Total Non-Major Funds	<u>54,664</u>
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Total Restricted Fund Balances	\$ <u>917,574</u>
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The fund balances in the following funds are committed as follows:

Major Funds

Capital General Fund:

Committed for Capital Expenditures by the Voters	\$ <u>373,569</u>
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TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Non-Major Funds

Special Revenue Fund:	
Committed for Jeudevine Memorial Library Expenses by the Voters	\$ <u>8,116</u>
Capital Project Fund:	
Committed for Equipment Replacement Expenditures by the Voters	<u>184,247</u>
Permanent Fund:	
Committed for Cemetery Expenditures by the Voters	<u>8,200</u>
Total Non-Major Funds	<u>200,563</u>
Total Committed Fund Balances	<u>\$574,132</u>

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

Non-Major Funds

Special Revenue Fund:	
Assigned for Reappraisal Expenses	\$ <u>91,193</u>
Total Assigned Fund Balances	<u>\$ 91,193</u>

The unassigned deficit of \$36,854 in the Yellow Barn Fund will be funded by the collection of future grant revenue.

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2019 consisted of the following:

Governmental Activities:	
Restricted for Capital Roads Expenditures by Statute	\$ 75,936
Restricted for Fire Department Expenses by Donations	6,811
Restricted for Jeudevine Building Expenditures by Donations	574,236
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	47,691
Restricted for Conservation Commission by Donations	162
Restricted for Community Development by Grant Agreements	<u>556,657</u>
Total Governmental Activities	<u>\$1,270,354</u>

TOWN OF HARDWICK, VERMONT
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The designated net position of the Town's Proprietary Funds as of June 30, 2019 consisted of the following:

Water Fund:		
Designated for Well Replacement	\$	99,773
Designated for Water Capital Projects		422,683
Designated for Water Operations		<u>117,556</u>
Total Water Fund		<u>640,012</u>
Sewer Fund:		
Designated for Sewer Capital Projects		533,323
Designated for Sewer Operations		<u>46,964</u>
Total Sewer Fund		<u>580,287</u>
Total Business-type Activities		<u>\$1,220,299</u>

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	\$ 88,769	\$ 375,972	\$ 466,979
Interest Earnings	1,004	4,130	4,661
Transfer In From Water Operations	10,000	78,000	0
Transfer In From Sewer Operations	0	0	88,000
Capital Purchases/Expenses	0	(2,339)	(26,317)
Debt Service Payment	0	(33,080)	0
Ending Balance	<u>\$ 99,773</u>	<u>\$ 422,683</u>	<u>\$ 533,323</u>

TOWN OF HARDWICK, VERMONT
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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, 2019, the retirement system consisted of 402 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, Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the Town's proportionate share of this was 0.4660% resulting in a net pension liability of \$655,525. The net pension liability was measured as of June 30, 2018, 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. The Town's proportion of 0.4660% was a decrease of 0.0126 from its proportion measured as of the prior year.

TOWN OF HARDWICK, VERMONT
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For the year ended June 30, 2019, the Town recognized pension expense of \$176,589.

As of June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 56,939	\$ 10,482
Changes in assumptions	72,591	0
Difference between projected and actual investment earnings	75,973	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,117	14,229
Town's required employer contributions made subsequent to the measurement date	87,225	0
	\$ 293,845	\$ 24,711

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$87,225 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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>	
2020	\$114,999
2021	43,318
2022	9,768
2023	<u>13,824</u>
Total	<u>\$181,909</u>

Summary of System Provisions

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

TOWN OF HARDWICK, VERMONT
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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 50 with 20 years of service for Group D.

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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 – 5.0%. Group D – 11.475%

Employer Contributions – Group B – 5.625%. Group D – 9.975%.

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.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Group B – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement. Group D – RP-2006 Blue Collar Annuitant Table with generation improvement.

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement. Group D – 100% of RP-2014 Healthy Annuitant with generational improvement.

Disabled Post-Retirement: Groups B and D – RP-2006 Disabled Mortality Table with generational improvement.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Group B members (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, 2019 COLA is assumed to be 1.3% for all groups.

TOWN OF HARDWICK, VERMONT
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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%.

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, 2018 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	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. 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.

TOWN OF HARDWICK, VERMONT
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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>
\$1,110,311	\$655,525	\$285,658

Additional Information

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

Deferred Compensation Plan

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

B. Risk Management

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

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

TOWN OF HARDWICK, VERMONT
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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 2019 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.6613	.6613
Highway	.5649	.5649
Local Agreement	.0099	.0099
Education	<u>1.7008</u>	<u>1.5805</u>
Total	<u>2.9369</u>	<u>2.8166</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, \$0, \$2,243 and \$25,024 during fiscal years 2019, 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, 2019 is \$49,011.

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, 2019

F. Commitment

The Town of Hardwick, alongside multiple other non-profit and for-profit entities, are proceeding with the “Yellow Barn Project.” The Yellow Barn Project consists of the Town of Hardwick purchasing a building in Town and then the Town, with the assistance of others, will be seeking out loans and grants to reconstruct the barn into useable space and simultaneously build an Accelerator Building on-site. The project has an approximate cost of \$8,775,000 and will be financed from a number of sources. The Town of Hardwick will be the recipient of many grants for the project and has also committed \$200,000 from its Revolving Loan Fund toward the project. All loans to the project will be issued to a separate Non-for Profit entity and the Town of Hardwick will have no further financial exposure to the project other than the \$200,000 from the Revolving Loan Fund. The Town intends to lease the property to the Non-Profit holding company for \$1 per year.

G. 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, 2019 was \$23,570.

H. Subsequent Events

On August 14, 2019, the Town executed a Bond with the Vermont State Environmental Revolving Fund in the amount of \$420,000 for Bridgman Reservoir repairs. This bond is due July 1, 2049 with preliminary interest at 1.0% and preliminary administrative fee at 2.0%.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,201,664	\$ 2,284,465	\$ 82,801
School Tax Administration Fee	5,500	6,014	514
PILOT	80,000	72,235	(7,765)
Current Use	144,000	152,071	8,071
Delinquent Late Charges	30,000	25,552	(4,448)
Trailer Lease Revenue	600	76	(524)
Tax Sale Interest	650	146	(504)
Zoning Permits	3,250	1,950	(1,300)
Licenses and Fees	2,500	2,227	(273)
Recording Fees	17,850	17,570	(280)
Dog License	3,350	2,507	(843)
DMV Fees	620	615	(5)
State Aid to Highways	143,000	143,112	112
Copier Fees	4,750	4,457	(293)
Greensboro Police Contract	228,458	223,966	(4,492)
Grant - COPS Funds	59,815	14,912	(44,903)
Police Fines and Miscellaneous Revenues	8,250	1,767	(6,483)
PD Outside Services Revenues	1,050	300	(750)
Sale of Vehicles	0	250	250
Efficiency Vermont Reimbursement	0	768	768
Investment Income	150	1,841	1,691
Miscellaneous	250	8,848	8,598
Water and Sewer Charges	275,546	275,546	0
Fireworks Donations	0	1,675	1,675
SIU Revenue	24,000	24,000	0
Police Department - Vest Grant	728	944	216
Government Highway Revenue	15,000	12,318	(2,682)
Lister Education Grant	270	0	(270)
VLCT Grant	0	1,000	1,000
Greenup Day Grant	350	400	50
CCRND Grant - Highway	0	6,281	6,281
Grants-in-Aid Revenue	0	6,083	6,083
Total Revenues	3,251,601	3,293,896	42,295
Expenditures:			
Office Expenditures:			
Town Manager - Salary	77,983	86,951	(8,968)
Payroll Administrator - Salary	39,784	39,791	(7)
Town Clerk - Salary	47,733	47,736	(3)
Town Clerk Aides - Salary	28,789	31,113	(2,324)
Business Manager - Salary	46,383	47,827	(1,444)
Social Security	18,411	18,979	(568)
Retirement	13,237	14,422	(1,185)
Worker's Compensation	1,270	1,315	(45)
Unemployment Insurance	574	521	53
VLCT/PACIF	2,971	2,778	193
Health/Dental/Life/Disability Insurances	67,479	67,904	(425)
Town Manager's Office Supplies	3,700	5,751	(2,051)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Office Expenditures/(Cont'd):			
Town Clerk's Office Supplies	\$ 3,500	\$ 3,292	\$ 208
Town Report	1,750	1,463	287
Conferences/Dues	2,000	1,622	378
Tax Billing/Collection Expense	1,300	450	850
Telephone	1,850	2,419	(569)
Advertising	1,500	4,051	(2,551)
Copier	750	560	190
Election Expense	1,750	1,479	271
Computer Services	1,700	2,057	(357)
Website Maintenance	75	250	(175)
Equipment Purchases	6,000	4,193	1,807
Lister Supplies	3,000	2,207	793
Health Officer Supplies	100	0	100
Education/Training	500	3,186	(2,686)
Zoning	4,000	777	3,223
Total Office Expenditures	378,089	393,094	(15,005)
Payroll (Other):			
Listers	9,450	5,936	3,514
Zoning Administrator	22,259	21,858	401
Zoning and Planning Board	3,000	1,375	1,625
Board of Civil Authority	75	111	(36)
Moderator	50	0	50
Selectboard	5,000	5,000	0
Social Security	3,240	3,494	(254)
Public Officers Liability	9,171	6,486	2,685
Election Officials	1,350	2,302	(952)
Energy Coordinator	50	0	50
Website Coordinator	600	600	0
Solid Waste Representative	500	500	0
TEC Conferences	100	0	100
Part-Time Labor	3,500	0	3,500
Town Service Officer	100	100	0
Health Officer	600	600	0
Total Payroll (Other)	59,045	48,362	10,683
Memorial Building:			
Custodian	8,660	9,470	(810)
Social Security	662	0	662
Operating Supplies	3,000	1,357	1,643
Repairs/Maintenance to Building	4,000	2,473	1,527
Utilities	5,800	5,822	(22)
Fuel Oil	9,000	10,068	(1,068)
VLCT/PACIF	5,865	4,452	1,413
Town House Repair	800	2,060	(1,260)

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Memorial Building/(Cont'd):			
Town House PACIF	\$ 3,288	\$ 2,564	\$ 724
Town House Utilities	300	305	(5)
Generator	850	171	679
Elevator	1,500	2,640	(1,140)
Depot Maintenance	400	0	400
Depot PACIF	2,197	1,167	1,030
Senior Center Building Insurance	313	243	70
Town Property - Carey Rd	0	5	(5)
	<u>46,635</u>	<u>42,797</u>	<u>3,838</u>
Total Memorial Building			
Public Safety Building:			
VLCT	6,210	4,819	1,391
Operating Supplies	1,000	0	1,000
Maintenance to Building	3,500	2,136	1,364
Utilities	2,500	2,642	(142)
Fuel	5,000	4,866	134
Custodial Salary	5,784	4,878	906
Social Security	442	373	69
	<u>24,436</u>	<u>19,714</u>	<u>4,722</u>
Total Public Safety Building			
Police Department:			
Base Payroll	443,591	427,234	16,357
Overtime	56,931	48,306	8,625
Part-Time Officers	5,500	23,185	(17,685)
Social Security	38,711	38,208	503
Retirement	47,514	46,906	608
Worker's Compensation	41,990	42,041	(51)
Unemployment Insurance	798	754	44
VLCT/PACIF	46,403	33,770	12,633
Health/Dental/Life and Disability Insurances	145,783	123,822	21,961
K-9 Expense	1,000	366	634
Operating Supplies	7,000	6,696	304
Training	5,000	2,282	2,718
Memberships	400	400	0
Legal	0	53	(53)
Internet Communication	4,500	4,950	(450)
Dispatch Services	33,349	33,349	0
Telephone	4,500	4,982	(482)
Cruiser Repairs and Maintenance	6,500	6,244	256
Advertising	200	50	150
Radio Service	1,000	0	1,000
Investigation Expense	1,500	991	509
Uniforms - Cleaning	1,200	1,535	(335)
Uniforms - Purchases	3,500	5,128	(1,628)
Fuel	15,000	13,446	1,554
Tires	2,500	1,690	810
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
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Equipment	\$ 4,000	\$ 4,242	\$ (242)
SIU Salary and Social Security	3,000	54	2,946
SIU Expense	750	2,244	(1,494)
Governor's Highway Safety Grant Expense	7,500	5,384	2,116
Governor's Equipment Grant Expense	6,000	6,711	(711)
VLCT Grant Expense	0	1,095	(1,095)
Vest Grant Expense	1,456	2,814	(1,358)
COPS Grant Expense	78,531	19,882	58,649
Recruitment Expense	0	725	(725)
Total Police Department	1,016,107	909,539	106,568
Fire Department:			
Labor	10,000	7,120	2,880
Social Security	765	529	236
Worker's Compensation	1,430	1,333	97
Liability Insurance	8,122	6,243	1,879
VLCT/PACIF	5,499	4,267	1,232
Operating Supplies	2,000	1,557	443
Telephone	1,000	1,027	(27)
Gasoline	100	0	100
Utilities	2,900	2,601	299
Fuel Oil	7,000	6,341	659
Diesel	1,000	693	307
Dispatch Services	14,292	14,292	0
Equipment Purchases	6,100	4,874	1,226
Repairs and Maintenance to Fire Station	2,000	65	1,935
Equipment Repairs	7,500	5,654	1,846
Training	1,000	0	1,000
Total Fire Department	70,708	56,596	14,112
Highway/Garage/Equipment:			
Salaries	277,380	267,894	9,486
Overtime	30,185	29,497	688
Sewer Operator	4,859	4,859	0
Social Security	23,529	21,620	1,909
Retirement	16,916	16,942	(26)
Worker's Compensation	26,640	27,815	(1,175)
Unemployment Insurance	557	553	4
VLCT/PACIF	23,793	18,195	5,598
Health/Dental/Life and Disability Insurances	90,355	103,955	(13,600)
Summer Gravel	30,000	28,008	1,992
Ditch Stone	8,000	0	8,000
Hydroseeding	4,000	2,690	1,310
Mud Season Maintenance	10,000	7,880	2,120
Brush Cutting	0	1,978	(1,978)
Chloride	19,000	13,448	5,552
Sidewalk Plowing	700	599	101

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Mowing Contract	\$ 6,000	\$ 6,000	\$ 0
Summer Paving	4,000	3,325	675
Downtown Improvement	1,500	2,135	(635)
Street Sweeping	4,000	4,300	(300)
Winter Sand	27,000	29,420	(2,420)
Winter Salt	72,000	102,510	(30,510)
Operating Supplies	20,000	30,153	(10,153)
Permits/Fees	3,500	1,990	1,510
Telephone	950	1,028	(78)
Low Band Radio	1,042	1,053	(11)
Culverts	2,500	7,125	(4,625)
Uniforms	4,750	5,745	(995)
Sidewalk/Line Painting	1,500	1,111	389
Streetscape	1,000	309	691
Storm Drainage	1,500	11,077	(9,577)
Road Signs	500	0	500
Safety/Training	1,500	1,385	115
Building Repairs	600	970	(370)
Equipment Repairs	35,000	32,376	2,624
Equipment Maintenance Expense	35,000	46,409	(11,409)
Fuel	3,000	3,102	(102)
Diesel Fuel	37,500	53,297	(15,797)
Utilities	4,100	4,868	(768)
Fuel Oil	1,500	5,058	(3,558)
Total Highway/Garage/Equipment	835,856	900,679	(64,823)
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	3,500	3,500	0
Greensboro Nursing	4,500	4,500	0
Hardwick Historical	3,000	3,000	0
Hardwick Community Television	3,000	3,000	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	2,500	2,500	0
H.A.C.C.	3,000	3,000	0
Total Appropriations	43,361	43,361	0
Rescue Squad Pro-Rated Share:	23,007	22,761	246
County Tax:	22,625	22,966	(341)

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses:			
Auditing	\$ 11,500	\$ 15,847	\$ (4,347)
Fireworks	3,000	4,000	(1,000)
Dog Control	3,500	2,778	722
Professional Services	7,000	8,342	(1,342)
NVDA	2,258	2,363	(105)
VLCT	4,507	4,507	0
Jeudevine Memorial Library	110,339	110,339	0
Memorial Day	500	675	(175)
Caspian Lake	3,250	2,750	500
Cemeteries	19,000	16,932	2,068
Transfer to Equipment Replacement Fund	205,000	205,000	0
Transfer to Capital Road Fund	160,000	160,000	0
Transfer to Capital General Fund	109,000	109,000	0
Tax Mapping	5,450	3,800	1,650
Solid Waste District	2,956	2,956	0
Streetlights	22,500	22,562	(62)
Memorial Park Electricity	450	310	140
Employment Practices Insurance	14,937	11,840	3,097
VLCT Community Crime Insurance	3,500	2,727	773
Town Service Office Expense	500	111	389
Hazard Mitigation Fund	7,500	6,902	598
Tax Sale Expense	0	1,084	(1,084)
Insurance Deductibles	2,000	2,000	0
Dog Warden Social Security	0	199	(199)
Lister Professional Services	0	4,500	(4,500)
Total Other Expenses	<u>698,647</u>	<u>701,524</u>	<u>(2,877)</u>
Recreation Department:			
Recreation Coordinator Salary	8,320	4,430	3,890
Social Security	636	374	262
Worker's Compensation	512	374	138
Unemployment Insurance	58	53	5
VLCT/PACIF	183	148	35
Youth Programs	11,235	8,348	2,887
Holiday Program	250	1,377	(1,127)
Green-Up Day	1,000	651	349
Senior Trotters	800	800	0
Supplies and Advertising	100	83	17
Sports Program	1,200	0	1,200
Maintenance	200	5,917	(5,717)
Training	200	60	140
Mileage	0	67	(67)
Total Recreation Department	<u>24,694</u>	<u>22,682</u>	<u>2,012</u>

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Trails Department:			
Worker's Compensation	\$ 176	\$ 183	\$ (7)
Unemployment Insurance	30	33	(3)
VLCT/PACIF	598	469	129
Salaries	3,100	2,970	130
Social Security	237	275	(38)
Programs and Activities	1,000	627	373
Advertising	400	203	197
Equipment Repair	1,800	260	1,540
Repair and Construction	450	571	(121)
Gas, Oil, Diesel	600	566	34
Total Trails Department	8,391	6,157	2,234
Total Expenditures	3,251,601	3,190,232	61,369
Excess of Revenues Over Expenditures	\$ 0	103,664	\$ 103,664
Fund Balance - July 1, 2018		411,982	
Fund Balance - June 30, 2019		\$ 515,646	

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TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2019

	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.4660%	0.4786%	0.4757%	0.5194%	0.5411%
Town's Proportionate Share of the Net Pension Liability	\$ 655,525	\$ 579,855	\$ 612,181	\$ 400,422	\$ 49,382
Town's Covered Employee Payroll	\$ 1,192,399	\$ 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	54.9753%	50.9681%	56.4782%	40.3883%	4.8238%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

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TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 87,225	\$ 81,620	\$ 78,160	\$ 72,296	\$ 72,602
Contributions in Relation to the Actuarially Determined Contributions	<u>87,225</u>	<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>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,192,399	\$ 1,137,683	\$ 1,083,924	\$ 991,431	\$ 1,023,717
Contributions as a Percentage of Town's Covered Employee Payroll	7.315%	7.174%	7.211%	7.292%	7.092%

Notes to Schedule

Valuation Date: June 30, 2018

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

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Fund	Total
<u>ASSETS</u>				
Investments	\$ 0	\$ 0	\$ 61,293	\$ 61,293
Receivables (Net of Allowance for Uncollectibles)	1,390	6,410	0	7,800
Due from Other Funds	126,119	184,247	3,459	313,825
Total Assets	\$ 127,509	\$ 190,657	\$ 64,752	\$ 382,918
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,775	\$ 3,287	\$ 0	\$ 6,062
Accrued Payroll and Benefits Payable	5,315	0	0	5,315
Due to Other Funds	0	39,977	0	39,977
Unearned Revenue	13,137	0	0	13,137
Total Liabilities	21,227	43,264	0	64,491
<u>FUND BALANCES</u>				
Nonspendable	0	0	8,861	8,861
Restricted	6,973	0	47,691	54,664
Committed	8,116	184,247	8,200	200,563
Assigned	91,193	0	0	91,193
Unassigned/(Deficit)	0	(36,854)	0	(36,854)
Total Fund Balances	106,282	147,393	64,752	318,427
Total Liabilities and Fund Balances	\$ 127,509	\$ 190,657	\$ 64,752	\$ 382,918

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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, 2019

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Fund	Total
Revenues:				
Intergovernmental	\$ 84,189	\$ 36,900	\$ 0	\$ 121,089
Permits, Licenses & Fees	0	0	1,810	1,810
Investment Income	1,045	1,355	822	3,222
Donations	1,957	0	0	1,957
Other	12,217	0	0	12,217
	<u>99,408</u>	<u>38,255</u>	<u>2,632</u>	<u>140,295</u>
Total Revenues				
Expenditures:				
General Government	145	106	0	251
Public Safety	76,118	0	0	76,118
Culture and Recreation	118,971	0	0	118,971
Community Development	0	12,765	0	12,765
Cemetery	0	0	4,570	4,570
Capital Outlay:				
Public Safety	0	23,363	0	23,363
Highways and Streets	0	42,070	0	42,070
Community Development	0	85,989	0	85,989
Debt Service:				
Principal	0	36,846	0	36,846
Interest	0	10,774	0	10,774
	<u>195,234</u>	<u>211,913</u>	<u>4,570</u>	<u>411,717</u>
Total Expenditures				
Excess/(Deficiency) of Revenues				
Over Expenditures	<u>(95,826)</u>	<u>(173,658)</u>	<u>(1,938)</u>	<u>(271,422)</u>
Other Financing Sources:				
Proceeds from Sale of Vehicle	0	27,500	0	27,500
Transfers In	113,339	230,000	4,500	347,839
	<u>113,339</u>	<u>257,500</u>	<u>4,500</u>	<u>375,339</u>
Total Other Financing Sources				
Net Change in Fund Balances	17,513	83,842	2,562	103,917
Fund Balances - July 1, 2018	<u>88,769</u>	<u>63,551</u>	<u>62,190</u>	<u>214,510</u>
Fund Balances - June 30, 2019	<u>\$ 106,282</u>	<u>147,393</u>	<u>\$ 64,752</u>	<u>\$ 318,427</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Conservation Commission Fund	Total
<u>ASSETS</u>							
Receivables (Net of Allowance for Uncollectibles)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,390	\$ 0	\$ 1,390
Due from Other Funds	<u>0</u>	<u>92,693</u>	<u>15,135</u>	<u>6,811</u>	<u>11,318</u>	<u>162</u>	<u>126,119</u>
Total Assets	<u>\$ 0</u>	<u>\$ 92,693</u>	<u>\$ 15,135</u>	<u>\$ 6,811</u>	<u>\$ 12,708</u>	<u>\$ 162</u>	<u>\$ 127,509</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 0	\$ 1,500	\$ 0	\$ 0	\$ 1,275	\$ 0	\$ 2,775
Accrued Payroll and Benefits Payable	0	0	1,998	0	3,317	0	5,315
Unearned Revenue	<u>0</u>	<u>0</u>	<u>13,137</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,137</u>
Total Liabilities	<u>0</u>	<u>1,500</u>	<u>15,135</u>	<u>0</u>	<u>4,592</u>	<u>0</u>	<u>21,227</u>
<u>FUND BALANCES</u>							
Restricted	0	0	0	6,811	0	162	6,973
Committed	0	0	0	0	8,116	0	8,116
Assigned	<u>0</u>	<u>91,193</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91,193</u>
Total Fund Balances	<u>0</u>	<u>91,193</u>	<u>0</u>	<u>6,811</u>	<u>8,116</u>	<u>162</u>	<u>106,282</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 92,693</u>	<u>\$ 15,135</u>	<u>\$ 6,811</u>	<u>\$ 12,708</u>	<u>\$ 162</u>	<u>\$ 127,509</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, 2019

	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Conservation Commission Fund	Total
Revenues:							
Intergovernmental	\$ 18,855	\$ 14,611	\$ 47,591	\$ 0	\$ 3,132	\$ 0	\$ 84,189
Investment Income	0	794	0	80	171	0	1,045
Donations	0	0	0	0	1,795	162	1,957
Other	0	0	4,694	613	6,910	0	12,217
Total Revenues	<u>18,855</u>	<u>15,405</u>	<u>52,285</u>	<u>693</u>	<u>12,008</u>	<u>162</u>	<u>99,408</u>
Expenditures:							
General Government	145	0	0	0	0	0	145
Public Safety	18,710	0	55,277	2,131	0	0	76,118
Culture and Recreation	0	0	0	0	118,971	0	118,971
Total Expenditures	<u>18,855</u>	<u>0</u>	<u>55,277</u>	<u>2,131</u>	<u>118,971</u>	<u>0</u>	<u>195,234</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>15,405</u>	<u>(2,992)</u>	<u>(1,438)</u>	<u>(106,963)</u>	<u>162</u>	<u>(95,826)</u>
Other Financing Sources:							
Transfers In	0	0	3,000	0	110,339	0	113,339
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>3,000</u>	<u>0</u>	<u>110,339</u>	<u>0</u>	<u>113,339</u>
Net Change in Fund Balances	0	15,405	8	(1,438)	3,376	162	17,513
Fund Balances/(Deficit) - July 1, 2018	<u>0</u>	<u>75,788</u>	<u>(8)</u>	<u>8,249</u>	<u>4,740</u>	<u>0</u>	<u>88,769</u>
Fund Balances - June 30, 2019	<u>\$ 0</u>	<u>\$ 91,193</u>	<u>\$ 0</u>	<u>\$ 6,811</u>	<u>\$ 8,116</u>	<u>\$ 162</u>	<u>\$ 106,282</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2019

	Equipment Replacement Fund	Yellow Barn Fund	Total
<u>ASSETS</u>			
Receivables (Net of Allowance for Uncollectibles)	\$ 0	\$ 6,410	\$ 6,410
Due from Other Funds	184,247	0	184,247
Total Assets	\$ 184,247	\$ 6,410	\$ 190,657
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 3,287	\$ 3,287
Due to Other Funds	0	39,977	39,977
Total Liabilities	0	43,264	43,264
<u>FUND BALANCES</u>			
Committed	184,247	0	184,247
Unassigned/(Deficit)	0	(36,854)	(36,854)
Total Fund Balances/(Deficit)	184,247	(36,854)	147,393
Total Liabilities and Fund Balances	\$ 184,247	\$ 6,410	\$ 190,657

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Equipment Replacement Fund	Yellow Barn Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 0	\$ 36,900	\$ 36,900
Investment Income	<u>1,355</u>	<u>0</u>	<u>1,355</u>
Total Revenues	<u>1,355</u>	<u>36,900</u>	<u>38,255</u>
Expenditures:			
General Government	106	0	106
Community Development	0	12,765	12,765
Capital Outlay:			
Public Safety	23,363	0	23,363
Highways and Streets	42,070	0	42,070
Community Development	0	85,989	85,989
Debt Service:			
Principal	36,846	0	36,846
Interest	<u>10,774</u>	<u>0</u>	<u>10,774</u>
Total Expenditures	<u>113,159</u>	<u>98,754</u>	<u>211,913</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(111,804)</u>	<u>(61,854)</u>	<u>(173,658)</u>
Other Financing Sources:			
Proceeds from Sale of Vehicle	27,500	0	27,500
Transfers In	<u>205,000</u>	<u>25,000</u>	<u>230,000</u>
Total Other Financing Sources	<u>232,500</u>	<u>25,000</u>	<u>257,500</u>
Net Change in Fund Balances	120,696	(36,854)	83,842
Fund Balances - July 1, 2018	<u>63,551</u>	<u>0</u>	<u>63,551</u>
Fund Balances/(Deficit) - June 30, 2019	<u>\$ 184,247</u>	<u>\$ (36,854)</u>	<u>\$ 147,393</u>

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Base Revenue	\$ 243,298	\$ 193,444	\$ (49,854)
Water Usage Revenue	53,315	89,517	36,202
Penalties & Interest	4,500	4,079	(421)
Investment Income	175	611	436
Total Revenues	301,288	287,651	(13,637)
Expenses:			
Administration Salaries	68,923	68,923	0
Public Works Salaries	48,655	48,655	0
Administrative Charge	10,195	10,195	0
Administrative Supplies	2,200	1,589	611
Transfer to Sewer Fund	3,765	3,765	0
VLCT/PACIF	1,800	1,405	395
Town Equipment Charge	10,000	10,000	0
Legal/Audit	5,500	5,326	174
Communications	1,600	1,376	224
Professional Services	500	1,630	(1,130)
Training and Safety	1,100	1,233	(133)
Utilities	37,000	36,349	651
Line Maintenance	9,000	1,463	7,537
Reservoir Maintenance	500	494	6
Pumphouse Maintenance	2,500	2,288	212
Generator - Wolcott Street	850	0	850
Hydrants	1,000	0	1,000
Water Testing	1,000	1,800	(800)
Chlorination	650	0	650
Permit Fees	4,800	3,819	981
Truck Repair & Maintenance	500	145	355
Minor Repair & Maintenance	750	0	750
Gasoline	500	473	27
Capital Fund Transfer	88,000	88,000	0
Total Expenses	301,288	288,928	12,360
Net Income/(Loss)	\$ 0	(1,277)	\$ (1,277)
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(73,860)	
Well Replacement Account Transfer In		10,000	
Capital Account Transfer In		78,000	
Well Replacement Account Investment Income		1,004	
Capital Account Investment Income		4,130	
Debt Forgiveness		605,273	
Loss on Disposal of Fixed Assets		(500)	
Bridgeman Reservoir Expenses		(1,469)	
Capital Account Expenses		(2,339)	
Change in Net Position - Exhibit G		\$ 618,962	

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, 2019

	Budget	Actual	Favorable/ (Unfavorable)
Revenues:			
Sewer Base Revenue	\$ 350,447	\$ 280,488	\$ (69,959)
Sewer Usage Revenue	78,403	123,778	45,375
Penalties & Interest	6,000	5,942	(58)
Investment Income	15	0	(15)
Interfund Charges	8,624	8,624	0
Total Revenues	443,489	418,832	(24,657)
Expenses:			
Administration Salaries	68,923	68,923	0
Public Works Salaries	48,655	48,655	0
Salaries - Sewer Fund	48,589	47,444	1,145
Assistant Sewer Operator Salary	0	639	(639)
Sewer Operator Overtime	6,250	8,951	(2,701)
Administrative Charge	10,195	10,195	0
Administrative Supplies	2,500	1,761	739
Health Insurance	22,028	18,118	3,910
Dental Insurance	1,218	1,218	0
Vision Insurance	130	128	2
Life Insurance	283	283	0
Social Security	4,195	3,884	311
Retirement	3,085	7,322	(4,237)
VLCT/PACIF	10,892	8,774	2,118
Worker's Compensation	4,016	4,229	(213)
Insurance Deductible	1,000	0	1,000
Unemployment Insurance	120	116	4
Town Equipment Charge	10,000	10,000	0
Legal/Audit	5,500	5,397	103
Communications	1,260	1,342	(82)
Uniforms	750	691	59
Professional Services	500	300	200
Training	1,000	1,249	(249)
Safety	1,000	1,119	(119)
Utilities - Plant	37,500	36,246	1,254
Utilities - Lift Station	3,800	3,957	(157)
Fuel Oil	4,000	4,815	(815)
Alarms	650	626	24
Water Charge	3,500	285	3,215
Lab Operations	5,000	7,897	(2,897)
Lift Station Maintenance	2,000	1,210	790
Plant Operations	4,500	2,396	2,104
Sewer Line Cleaning	5,000	2,814	2,186
Sewer Line Maintenance	4,000	6,469	(2,469)
Grit Disposal	950	0	950
Process Chemicals	26,000	26,326	(326)
Licenses & Fees	1,200	1,969	(769)
Equipment Maintenance	500	276	224

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenses/(Cont'd):			
Gasoline/Diesel	\$ 500	\$ 473	\$ 27
Mill Street Bond and Interest	4,300	4,205	95
Capital Fund Transfer	88,000	88,000	0
Total Expenses	443,489	438,702	4,787
Net Income/(Loss)	\$ 0	(19,870)	\$ (19,870)
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(156,782)	
Principal Payments on Bonds Payable		2,300	
Capital Fund Transfer In		88,000	
Capital Fund Investment Income		4,661	
Capital Fund Expenses		(5,948)	
Loss on Disposal of Fixed Assets		(500)	
Change in Net Position - Exhibit G		\$ (88,139)	

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
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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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Hardwick, Vermont's basic financial statements and have issued our report thereon dated March 17, 2020. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency in internal control that we consider to be a material weakness and another that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Hardwick, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2019-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2019-02 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated March 17, 2020.

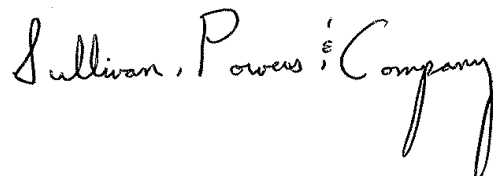
Town of Hardwick, Vermont's Response to Deficiencies in Internal Control

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

Purpose of this Report

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

March 17, 2020
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Deficiencies in Internal Control:

Material Weaknesses:

2019-01 Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition:

A number of the Town's balance sheet accounts were not reconciled to the actual balances at year end which resulted in various adjustments to revenue and expenses.

Cause:

Unknown.

Effect:

The Town's account balances were incorrect.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

Significant Deficiencies:

2019-02 Review and Approval of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to review and authorize all adjustments to the books of original entry to ensure that the adjustments are valid and appropriate.

Condition:

It is the policy of the Town to require the Town Manager to review and authorize adjustments to the books of original entry. However, multiple journal entries were missing approval and were made to incorrect general ledger accounts which resulted in additional adjustments.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2019

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town require appropriate officials to review all general journal entries to ensure that they are valid and appropriate.



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

Phone: (802) 472-6120 • E-mail: casey.rowell@hardwickvt.org • Fax: (802) 472-3793

February 27, 2020

Sullivan & Powers & Co., P.C.
77 Barre Street
P.O. Box 947
Montpelier, VT 05601

Dear Chad,

Our response to the audit material weakness is as follows:

2019-01 Reconciliation of Balance Sheet Accounts

We have implemented reconciliation of Balance sheet accounts on a monthly basis to detect and correct any errors prior to the year-end audit.

Our response to the significant deficiencies is as follows:

2019-02 Review and Approval of General Journal Entries

The Town Manager will review for accuracy and approve all general ledger journal entries.

Please feel free to contact me with any further questions.

Sincerely,

Casey Rowell
Business Manager

Hardwick Town Manager
Hardwick Town Clerk
Hardwick Public Works Director

Shaun Fielder
Alberta Miller
Tom Fadden

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