

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2020

TOWN OF HARDWICK, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2020

| | <u>Page #</u> |
|--|------------------|
| Independent Auditor's Report | 1-3 |
| Management's Discussion and Analysis | 4-11 |
| Basic Financial Statements: | |
| Statement of Net Position | Exhibit A 12 |
| Statement of Activities | Exhibit B 13 |
| Governmental Funds: | |
| Balance Sheet | Exhibit C 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | Exhibit D 15 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | Exhibit E 16 |
| Proprietary Funds: | |
| Statement of Fund Net Position | Exhibit F 17 |
| Statement of Revenues, Expenses and Changes in Fund Net Position | Exhibit G 18 |
| Statement of Cash Flows | Exhibit H 19 |
| Notes to the Financial Statements | 20-48 |
| Required Supplementary Information: | |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | Schedule 1 49-56 |
| Schedule of Proportionate Share of the Net Pension Liability – VMERS Defined Benefit Plan | Schedule 2 57 |

TOWN OF HARDWICK, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2020

| | | <u>Page #</u> |
|---|-------------|---------------|
| Schedule of Contributions – VMERS Defined Benefit Plan | Schedule 3 | 58 |
| Other Information: | | |
| Combining Balance Sheet – Non-Major Governmental Funds | Schedule 4 | 59 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds | Schedule 5 | 60 |
| Combining Balance Sheet – Non-Major Special Revenue Funds | Schedule 6 | 61 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds | Schedule 7 | 62 |
| Combining Balance Sheet – Non-Major Capital Project Funds | Schedule 8 | 63 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Capital Project Funds | Schedule 9 | 64 |
| Schedule of Revenues and Expenses – Budget (Non GAAP Budgetary Basis) and Actual – Water Fund | Schedule 10 | 65 |
| Schedule of Revenues and Expenses – Budget (Non GAAP Budgetary Basis) and Actual – Sewer Fund | Schedule 11 | 66-67 |

TOWN OF HARDWICK, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2020

| | <u>Page #</u> |
|---|---------------|
| 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" | 68-69 |
| Schedule of Findings and Deficiencies in Internal Control | 70-71 |
| Response to Deficiencies in Internal Control | |

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
[VT Lic. #92-000180](#)

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, 2020, 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, 2020, 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 Jeudevine Building Fund, the Yellow Barn Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of June 30, 2020, 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.

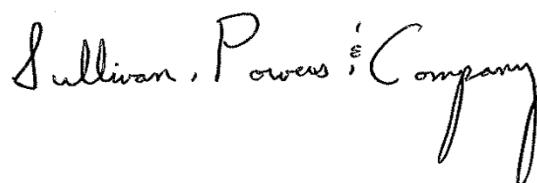
Other Information

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 January 25, 2021 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.

January 25, 2021
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 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 \$14,206,091 (net position). This is an increase of \$715,605 over the previous year.
- In Exhibit A, Governmental Activities net position of \$9,216,954 represents an increase of \$575,655 over last year.
- In Exhibit A, \$4,989,137 of the net position represents water and sewer fund activities (business funds). This demonstrates an increase of \$139,940 from the previous year.
- In Exhibit A, \$1,461,648 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 2019 of \$191,294.
- In Exhibit A, \$768,644 of governmental activities net position are unrestricted and may be used for future obligations. This is an increase of \$47,985 from June 30, 2019. Some of these include funding for projects related to paving, bridge work, but also for building upgrades and sidewalks.
- In Exhibit A, \$1,311,958 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 \$91,659 from June 30, 2019. The Town did invest money into slip lining the sewer pipes, which was about \$30,000.

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

- In Exhibit D, the fund balances of governmental funds increased by \$347,027 in FY 2020. The increase can be attributed to increased capital fund balances, and expense savings among various departments, including Police, Highway, and adequate budgeting practices.
- In Exhibit D, the General Fund balance increased by \$295,342 from June 30, 2019. The General Fund balance at the end of FY 2020 was \$810,988.
- In Exhibit D, the Revolving Loan Fund had a fund balance of \$237,701 on June 30, 2020, which is an increase of \$24,963 from June 30, 2019. 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, 2020. The total amount of outstanding principal for these loans was \$328,412.
- In Exhibit D, the Capital General Fund balance increased by \$39,808 in FY 2020. The total amount in this fund at year end was \$413,377 and is designated for future projects such as sidewalk replacement, bridge replacement, building improvements, gravel pit reclaiming, trails and recreation projects, and fire department equipment/clothing.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

- In Exhibit D, the Yellow Barn Fund balance deficit increased by \$164,514 in FY2020. The total amount in this fund at year end was (\$201,368) and is due to the loan from the Economic Development fund for the purchase of the building. When the project is complete, the money will be repaid through new market tax credits.
- In Exhibit D, the Jeudevine Building Fund balance increased by \$114,780 in FY2020. The total amount in the fund at year end was \$689,016. These are funds earmarked for the Library addition and renovation. The increase was a result of investment income and additional private donations for the Building project.
- The Water Fund ended the fiscal year with a net position balance of \$2,993,201, which represented an increase of \$148,363. \$2,288,888 or 76% represents the Town's net investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$624,744. which was an increase of \$42,319. A total of \$704,313 of net position is unrestricted with \$114,773 set aside for well replacement, \$465,498 set aside for water capital projects, and the remaining \$124,042 available for operations.
- The Sewer Fund ended the fiscal year with a net position balance of \$1,995,936, a decrease of \$8,423 from the previous year. \$1,388,291 or 70% represents the Town's net investment in capital assets. This decrease was primarily the result of depreciation of our capital investment in the plant distribution and collection systems. The cash balance due from the General Account, (Exhibit F) at year end was \$518,873, which was an increase of \$27,192. A total of \$607,645 of net position is unrestricted with \$579,691 set aside for sewer capital projects and \$27,954 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 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, 2020

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 2020 | FY2019 | FY 2020 | FY 2019 | FY 2020 | FY 2019 |
| Current and Other Assets | \$ 2,970,982 | \$ 2,556,693 | \$ 1,357,893 | \$ 1,269,493 | \$ 4,328,875 | \$ 3,826,186 |
| Capital Assets | 7,537,457 | 7,253,135 | 4,908,049 | 4,601,151 | 12,445,506 | 11,854,286 |
| Total Assets | 10,508,439 | 9,809,828 | 6,265,942 | 5,870,644 | 16,774,381 | 15,680,472 |
| Deferred Outflows of Resources | 264,021 | 282,649 | 9,522 | 11,196 | 273,543 | 293,845 |
| Current Liabilities | 137,544 | 122,793 | 23,340 | 31,037 | 160,884 | 153,830 |
| Long-Term Liabilities | 1,396,202 | 1,303,336 | 1,262,217 | 1,000,665 | 2,658,419 | 2,304,001 |
| Total Liabilities | 1,533,746 | 1,426,129 | 1,285,557 | 1,031,702 | 2,819,303 | 2,457,831 |
| Deferred Inflows of Resources | 21,760 | 25,059 | 770 | 941 | 22,530 | 26,000 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 6,986,662 | 6,650,276 | 3,677,179 | 3,628,898 | 10,663,841 | 10,279,174 |
| Restricted | 1,461,648 | 1,270,354 | 0 | 0 | 1,461,648 | 1,270,354 |
| Unrestricted | 768,644 | 720,659 | 1,311,958 | 1,220,299 | 2,080,602 | 1,940,958 |
| Total Net Position | \$ 9,216,954 | \$ 8,641,289 | \$ 4,989,137 | \$ 4,849,197 | \$ 14,206,091 | \$ 13,490,486 |

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,206,091 at the end of fiscal year 2020. This is an increase of \$715,605 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, 2020**

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 (\$1,461,648) is restricted to future use, such as the revolving loan fund. The remaining net position (\$2,080,602) 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 specific purposes (e.g., capital projects and equipment purchase).

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | FY 2020 | FY 2019 | FY 2020 | FY 2019 | FY 2020 | FY 2019 |
| REVENUES | | | | | | |
| Charges for Service | \$ 320,524 | \$ 277,373 | \$ 731,365 | \$ 705,872 | \$ 1,051,889 | \$ 983,245 |
| Operating Grants and Contributions | 308,158 | 326,662 | 0 | 0 | 308,158 | 326,662 |
| Capital Grants and Contributions | 420,500 | 63,049 | 126,002 | 605,273 | 546,502 | 668,322 |
| Property Taxes | 2,337,314 | 2,266,565 | 0 | 0 | 2,337,314 | 2,266,565 |
| Penalty and Interest on Delinquent Taxes | 40,732 | 24,952 | 0 | 0 | 40,732 | 24,952 |
| General State Grants | 232,670 | 224,306 | 0 | 0 | 232,670 | 224,306 |
| Unrestricted Investment Earnings | 25,929 | 21,963 | 5,633 | 10,406 | 31,562 | 32,369 |
| Gain on Sale of Vehicle | 0 | 5,440 | 0 | 0 | 0 | 5,440 |
| Other Revenues | 3,007 | 9,616 | 0 | 0 | 3,007 | 9,616 |
| Proceeds from Sale of Equipment | 800 | 0 | 0 | 0 | 800 | 0 |
| Total Revenues | <u>3,689,634</u> | <u>3,219,926</u> | <u>863,000</u> | <u>1,321,551</u> | <u>4,552,634</u> | <u>4,541,477</u> |
| EXPENDITURES | | | | | | |
| General Government | 521,975 | 489,611 | 0 | 0 | 521,975 | 489,611 |
| Public Safety | 1,157,336 | 1,234,669 | 0 | 0 | 1,157,336 | 1,234,669 |
| Highways and Streets | 1,172,541 | 1,214,652 | 0 | 0 | 1,172,541 | 1,214,652 |
| Culture and Recreation | 205,806 | 201,853 | 0 | 0 | 205,806 | 201,853 |
| Community Development | 18,306 | 18,651 | 0 | 0 | 18,306 | 18,651 |
| Cemetery | 18,800 | 17,002 | 0 | 0 | 18,800 | 17,002 |
| Interest on Long-Term Debt | 19,205 | 18,828 | 0 | 0 | 19,205 | 18,828 |
| Water | 0 | 0 | 276,875 | 279,096 | 276,875 | 279,096 |
| Sewer | 0 | 0 | 446,185 | 511,632 | 446,185 | 511,632 |
| Total Expenditures | <u>3,113,969</u> | <u>3,195,266</u> | <u>723,060</u> | <u>790,728</u> | <u>3,837,029</u> | <u>3,985,994</u> |
| Changes in Net Position | 575,665 | 24,660 | 139,940 | 530,823 | 715,605 | 555,483 |
| Net Position - Beginning of Year | <u>8,641,289</u> | <u>8,616,629</u> | <u>4,849,197</u> | <u>4,318,374</u> | <u>13,490,486</u> | <u>12,935,003</u> |
| Net Position - End of Year | <u>\$ 9,216,954</u> | <u>\$ 8,641,289</u> | <u>\$ 4,989,137</u> | <u>\$ 4,849,197</u> | <u>\$ 14,206,091</u> | <u>\$ 13,490,486</u> |

Governmental activities (Exhibit B): Governmental activities increased the Town's net position by \$575,665 in FY 2020. This increase was related to lower-than-expected expenses in the Police Department (vacant positions), Highway Department, and Buildings. In addition, insurance costs across the board were significantly less than expected. We had a milder winter, so we also saw savings in heating fuel costs.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Business-type activities (Exhibit G): Business-type activities increased the Town's net position by \$139,940. This increase was primarily due to the principal forgiveness of \$126,002 on the Bridgman Reservoir Water Bond.

The Water Fund had an operational profit of \$19,465 and an increase in net position of \$148,363. This was primarily due to the principal forgiveness of the Water Bond. However, the installation of water meters in FY 2017 did decrease our water consumption, thus reducing permit fees and energy costs.

The Sewer Fund had a loss from operations of \$9,349 and a decrease in net position of \$8,423. 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 \$295,342 during FY 2020. The total fund balance at year end was \$810,988. Of that amount, \$19,227 is non-spendable inventory. The increase in the General Fund Balance can be primarily attributed to expense savings in the Police Department, Highway Department, and buildings. Since the existing fund balance is roughly 24% of the overall budget and mostly available for use, the Town should not have to borrow funds to cover general operating expenses soon.

Revenues for FY 2020 were higher than 2019 by \$469,708 primarily due to increased revenues from capital grants and contributions, with some of the increase attributed to increased property tax revenue. Expenditures were \$304,414 under budget. The overall increase in the general fund balance of \$295,342 was partially due to increased revenues, but primarily due to less expenses in the Police Department due to vacant positions and health insurance costs. In addition, departments were being cognitive of their budgets, especially with a pandemic in the mix.

Revolving Loan Fund

For the year ending June 30, 2020, the Town's Revolving Loan Fund also known as the Economic Development Fund, had total revenues of \$61,405 as reported on Exhibit D. The year end fund balance was \$237,701, which was an increase of \$24,963 from the previous year and resulted from the pay back of principal balance on the outstanding loans. The Town had outstanding loans totaling \$1,741,233.

Capital General Fund

Also reported on Exhibit D, the Town's Capital General Fund had a year-end fund balance of \$413,377. These funds are assigned for future Town projects such as paving, bridge improvements and building upgrades. The Town spent a total of \$145,391 of the fund on projects during FY 2020. This included a new furnace at the Library, painting the Depot, purchase of fire equipment/clothing, purchase of a turnout gear washer for the Fire department, installation of a playground at the Mackville recreation area, and additional engineering work on the Bike Path.

Jeudevine Building Fund

As reported on Exhibit D, the Jeudevine Building Fund had a year-end balance of \$689,016. These funds are for the addition/renovation of the Jeudevine Memorial Library. In FY 2020, the Building Fund took in about \$109,783 through fundraising efforts and additional donations and earned \$10,425 in interest. This was added to the existing balance that was made up of significant bequests from prior years. The Library conducted a major capital campaign during 2020 to raise the remaining funds needed for the Library renovation.

Yellow Barn Fund

As reported on Exhibit D, the Yellow Barn Fund had a year-end deficit fund balance of (\$201,368). This deficit pertains to the funds borrowed from the Economic Development fund for the purchase of the property. Once the project is complete, we expect all the funds to be paid back to the Economic Development fund through new market tax credits and take care of the deficit balance.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets

The Town of Hardwick's net investment in capital assets for its governmental and business-type activities as of June 30, 2020 totaled \$6,986,662 and \$3,677,179, respectively, (net of Accumulated Depreciation and Related Debt). This is an increase of \$336,386 over last year for governmental activities and an increase of \$48,281 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 – Ford Explorer
- Fire department safety gear
- Commercial grade turnout gear washing machine for Fire Dept.
- A new Ford F150 utility truck for the Public Works Department
- A new Groomer for Trails
- A Toro Commercial Mower for Public Works
- A new Dump truck to replace Truck #2 (the Village truck)
- A new high band radio system to replace the old low band radio system
- Installation of a new playground at the Mackville Recreation area
- Painting of the historic Depot
- New Boiler/thermostat for the Library
- Paving of Glenside Avenue, Summer Street, Sumner Street, Log Yard Drive, and a portion of Junction Road

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

- Sewer slip lining

Debt Administration

As of June 30, 2020, the governmental activities of the Town of Hardwick were carrying two bonds and one note payable for the following:

- A fire truck purchase with an outstanding debt balance of \$266,665
- A loader purchase with an outstanding debt balance of \$44,130
- Mackville Road Improvements with an outstanding debt balance of \$240,000

The **Water Fund** has two outstanding bonds. One of them is to the State Special Environmental Revolving Loan Fund and was for the new reservoir and installation of meters and the outstanding balance is \$893,172. In lieu of the original -3% interest rate on this bond, a *one-time* principal forgiveness of \$605,273 was applied during FY 2019 and the interest rate was changed to 0% for the remaining balance. The other is also to the State Special Revolving Loan Fund and was to replace the Bridgman Reservoir roof. The project was not quite finished at the end of the fiscal year. We will receive a 30% subsidy on the total, equating to approximately \$148,500 in principal forgiveness upon completion of the project. This bond will be financed over 30 years at a 1.00% interest rate.

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 \$893,172. In lieu of the original -3% interest rate on this bond, a *one-time* principal forgiveness of \$605,273 was applied during FY 2019 and the interest rate was changed to 0% for the remaining balance.

The **Sewer Fund** has one bond outstanding with a total principal debt of \$43,700. 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, 2020

Economic Factors and Next Year's Budgets and Rates

The COVID-19 pandemic that started in the second half of FY20, brought about uncertainty across the board in terms of what to expect with revenues, as people lost their jobs and struggled to pay their taxes and utility bills. The Town has continued its operations despite the challenges brought on by this global pandemic. We anticipate that FY21 will also be a challenging year for the community with individuals struggling to make these payments again as the economy attempts to recover from the long-term closures and monetary effects of the pandemic. The Town is greatly aware of the possibility of a tough year to come, but we are poised to carry on. Our healthy Fund Balance will help us in the event of any revenue shortfalls in the coming year.

At the close of FY 2020, the Town was able to put \$295,342 into its General Fund balance (Town savings account). This budget savings was due largely to expense savings associated with the Police Department vacant positions and health insurance costs, heating fuel costs, and Highway Department expenses coming in lower than anticipated. The fund balance is currently at \$810,988 or about 24% 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 Town has a healthy fund balance.

The FY 2021 budget that was approved by the voters is \$3,507,881 which was an increase of 3.17% from FY 2020. 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 each year. Much of the increase was due to additional health insurance costs, specifically changes in plans such as single to family plans or additions for employees who were not previously on Town insurance. We also added \$30,000 of funding for a new position, a Community Development Coordinator. This person will be tasked with finding grant funding for Town projects and development. We saw an increase in line items with increased funding for the Rescue Squad and hiring an Assessor to take on the bulk of the Lister's duties. We also created a Fire Department Capital Fund for future equipment needs.

During the summer of 2020, the Town had some paving projects completed by Pike Industries. 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 Hillside Street, Woodbury Street, Prospect Street, Central Street, Park Street, Cottage Street, and West Hill Rd.

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, the Town 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.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Significant progress was made on the Yellow Barn project during the fiscal year. The Town was awarded a \$3M Economic Development Authority (EDA) grant and a \$900,000 grant from the Vermont Community Development Program (VCDP). A dedicated team of individuals at the Town level along with local development agencies continue to work on the project to close the funding gap that was created by COVID, when lumber prices skyrocketed and drove the project costs up substantially over the initial budget. This project, once completed, will be greatly beneficial to the community with job creation, personal income increases, and population growth.

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, 2020

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 2,330,917 | \$ 0 | \$ 2,330,917 |
| Investments | 1,205,514 | 0 | 1,205,514 |
| Receivables (Net of Allowance for Uncollectibles) | 230,528 | 206,161 | 436,689 |
| Loans Receivable (Net of Allowance for Uncollectibles) | 328,413 | 0 | 328,413 |
| Internal Balances | (1,143,617) | 1,143,617 | 0 |
| Inventory | 19,227 | 8,115 | 27,342 |
| Capital Assets: | | | |
| Land | 272,677 | 80,741 | 353,418 |
| Construction in Progress | 425,729 | 441,462 | 867,191 |
| Other Capital Assets, (Net of Accumulated Depreciation) | 6,839,051 | 4,385,846 | 11,224,897 |
| Total Assets | <u>10,508,439</u> | <u>6,265,942</u> | <u>16,774,381</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Outflows of Resources Related to the Town's Participation in VMERS | <u>264,021</u> | <u>9,522</u> | <u>273,543</u> |
| Total Deferred Outflows of Resources | <u>264,021</u> | <u>9,522</u> | <u>273,543</u> |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | 41,829 | 15,162 | 56,991 |
| Accrued Payroll and Benefits Payable | 83,734 | 2,878 | 86,612 |
| Unearned Revenue | 9,557 | 4,549 | 14,106 |
| Accrued Interest Payable | 2,424 | 751 | 3,175 |
| Noncurrent Liabilities: | | | |
| Due within One Year | 52,317 | 42,663 | 94,980 |
| Due in More than One Year | 1,343,885 | 1,219,554 | 2,563,439 |
| Total Liabilities | <u>1,533,746</u> | <u>1,285,557</u> | <u>2,819,303</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Prepaid Property Taxes | 414 | 0 | 414 |
| Deferred Inflows of Resources Related to the Town's Participation in VMERS | <u>21,346</u> | <u>770</u> | <u>22,116</u> |
| Total Deferred Inflows of Resources | <u>21,760</u> | <u>770</u> | <u>22,530</u> |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 6,986,662 | 3,677,179 | 10,663,841 |
| Restricted For: | | | |
| Public Safety | 7,866 | 0 | 7,866 |
| Highways and Streets | 111,680 | 0 | 111,680 |
| Culture and Recreation | 689,016 | 0 | 689,016 |
| Community Development | 566,114 | 0 | 566,114 |
| Cemetery | 57,769 | 0 | 57,769 |
| Other | 29,203 | 0 | 29,203 |
| Unrestricted | <u>768,644</u> | <u>1,311,958</u> | <u>2,080,602</u> |
| Total Net Position | <u>\$ 9,216,954</u> | <u>\$ 4,989,137</u> | <u>\$ 14,206,091</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, 2020

| | 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 | \$ 521,975 | \$ 46,617 | \$ 18,574 | \$ 23,660 | \$ (433,124) | \$ 0 | \$ (433,124) |
| Public Safety | 1,157,336 | 255,310 | 130,695 | 5,202 | (766,129) | 0 | (766,129) |
| Highways and Streets | 1,172,541 | 0 | 157,192 | 0 | (1,015,349) | 0 | (1,015,349) |
| Culture and Recreation | 205,806 | 9,892 | 1,697 | 141,638 | (52,579) | 0 | (52,579) |
| Community Development | 18,306 | 8,705 | 0 | 250,000 | 240,399 | 0 | 240,399 |
| Cemetery | 18,800 | 0 | 0 | 0 | (18,800) | 0 | (18,800) |
| Interest on Long-term Debt | 19,205 | 0 | 0 | 0 | (19,205) | 0 | (19,205) |
| Total Governmental Activities | <u>3,113,969</u> | <u>320,524</u> | <u>308,158</u> | <u>420,500</u> | <u>(2,064,787)</u> | <u>0</u> | <u>(2,064,787)</u> |
| Business-type Activities: | | | | | | | |
| Water | 276,875 | 296,340 | 0 | 126,002 | 0 | 145,467 | 145,467 |
| Sewer | 446,185 | 435,025 | 0 | 0 | 0 | (11,160) | (11,160) |
| Total Business-type Activities | <u>723,060</u> | <u>731,365</u> | <u>0</u> | <u>126,002</u> | <u>0</u> | <u>134,307</u> | <u>134,307</u> |
| Total Primary Government | <u>\$ 3,837,029</u> | <u>\$ 1,051,889</u> | <u>\$ 308,158</u> | <u>\$ 546,502</u> | <u>(2,064,787)</u> | <u>134,307</u> | <u>(1,930,480)</u> |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 2,337,314 | 0 | 2,337,314 |
| Penalties and Interest on Delinquent Taxes | | | | | 40,732 | 0 | 40,732 |
| General State Grants | | | | | 232,670 | 0 | 232,670 |
| Unrestricted Investment Earnings | | | | | 25,929 | 5,633 | 31,562 |
| Other Revenues | | | | | 3,007 | 0 | 3,007 |
| Proceeds from Sale of Equipment | | | | | 800 | 0 | 800 |
| Total General Revenues | | | | | <u>2,640,452</u> | <u>5,633</u> | <u>2,646,085</u> |
| Change in Net Position | | | | | 575,665 | 139,940 | 715,605 |
| Net Position - July 1, 2019 | | | | | <u>8,641,289</u> | <u>4,849,197</u> | <u>13,490,486</u> |
| Net Position - June 30, 2020 | | | | | <u>\$ 9,216,954</u> | <u>\$ 4,989,137</u> | <u>\$ 14,206,091</u> |

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Revolving Loan Fund | Capital General Fund | Jeudevine Building Fund | Yellow Barn Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-----------------|---------------------------|----------------------------|-------------------------------|------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash | \$ 2,292,901 | \$ 38,016 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 2,330,917 |
| Investments | 521,110 | 0 | 0 | 621,915 | 0 | 62,489 | 1,205,514 |
| Receivables (Net of Allowance for Uncollectibles) | 207,873 | 0 | 22,616 | 0 | 0 | 39 | 230,528 |
| Loans Receivable (Net of Allowance for Uncollectibles) | 0 | 328,413 | 0 | 0 | 0 | 0 | 328,413 |
| Due from Other Funds | 0 | 199,685 | 400,593 | 68,433 | 0 | 419,573 | 1,088,284 |
| Inventory | 19,227 | 0 | 0 | 0 | 0 | 0 | 19,227 |
| Total Assets | \$ 3,041,111 | \$ 566,114 | \$ 423,209 | \$ 690,348 | \$ 0 | \$ 482,101 | \$ 5,202,883 |
| LIABILITIES | | | | | | | |
| Accounts Payable | \$ 29,266 | \$ 0 | \$ 4,630 | \$ 1,332 | \$ 4,809 | \$ 1,792 | \$ 41,829 |
| Accrued Payroll and Benefits Payable | 80,847 | 0 | 0 | 0 | 0 | 2,887 | 83,734 |
| Due to Other Funds | 2,035,342 | 0 | 0 | 0 | 196,559 | 0 | 2,231,901 |
| Unearned Revenue | 0 | 0 | 0 | 0 | 0 | 9,557 | 9,557 |
| Total Liabilities | 2,145,455 | 0 | 4,630 | 1,332 | 201,368 | 14,236 | 2,367,021 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Prepaid Property Taxes | 414 | 0 | 0 | 0 | 0 | 0 | 414 |
| Unavailable Property Taxes, Penalties and Interest | 68,000 | 0 | 0 | 0 | 0 | 0 | 68,000 |
| Unavailable Grants | 16,254 | 0 | 5,202 | 0 | 0 | 0 | 21,456 |
| Unavailable Loans Receivable | 0 | 328,413 | 0 | 0 | 0 | 0 | 328,413 |
| Total Deferred Inflows of Resources | 84,668 | 328,413 | 5,202 | 0 | 0 | 0 | 418,283 |
| FUND BALANCES | | | | | | | |
| Nonspendable | 19,227 | 0 | 0 | 0 | 0 | 8,861 | 28,088 |
| Restricted | 0 | 237,701 | 29,203 | 689,016 | 0 | 168,454 | 1,124,374 |
| Committed | 0 | 0 | 384,174 | 0 | 0 | 184,237 | 568,411 |
| Assigned | 0 | 0 | 0 | 0 | 0 | 106,313 | 106,313 |
| Unassigned/(Deficit) | 791,761 | 0 | 0 | 0 | (201,368) | 0 | 590,393 |
| Total Fund Balances/(Deficit) | 810,988 | 237,701 | 413,377 | 689,016 | (201,368) | 467,865 | 2,417,579 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 3,041,111 | \$ 566,114 | \$ 423,209 | \$ 690,348 | \$ 0 | \$ 482,101 | |
| 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. | | | | | | | 7,537,457 |
| Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds. | | | | | | | 417,869 |
| 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. | | | | | | | (1,398,626) |
| 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. | | | | | | | 242,675 |
| Net Position of Governmental Activities | | | | | | | \$ 9,216,954 |

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, 2020

| | General Fund | Revolving Loan Fund | Capital General Fund | Jeudevine Building Fund | Yellow Barn Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------------|----------------------------|-------------------------------|------------------------|------------------------------------|--------------------------------|
| Revenues: | | | | | | | |
| Property Taxes | \$ 2,293,014 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 2,293,014 |
| Penalties & Interest on Delinquent Taxes | 37,532 | 0 | 0 | 0 | 0 | 0 | 37,532 |
| Intergovernmental | 460,829 | 0 | 26,854 | 0 | 250,000 | 58,352 | 796,035 |
| Charges for Services | 542,835 | 0 | 6,241 | 0 | 0 | 0 | 549,076 |
| Permits, Licenses & Fees | 33,278 | 0 | 7,168 | 0 | 0 | 0 | 40,446 |
| Fines and Forfeits | 10,899 | 0 | 0 | 0 | 0 | 0 | 10,899 |
| Loan Repayments | 0 | 51,706 | 0 | 0 | 0 | 0 | 51,706 |
| Loan Interest Income | 0 | 8,655 | 0 | 0 | 0 | 0 | 8,655 |
| Investment Income | 8,961 | 994 | 2,276 | 10,425 | 0 | 3,273 | 25,929 |
| Donations | 0 | 0 | 23,660 | 114,784 | 0 | 2,113 | 140,557 |
| Other | 3,007 | 50 | 0 | 0 | 0 | 7,201 | 10,258 |
| Total Revenues | 3,390,355 | 61,405 | 66,199 | 125,209 | 250,000 | 70,939 | 3,964,107 |
| Expenditures: | | | | | | | |
| General Government | 598,043 | 0 | 41,189 | 0 | 0 | 0 | 639,232 |
| Public Safety | 932,843 | 0 | 2,333 | 0 | 0 | 50,458 | 985,634 |
| Highways and Streets | 892,272 | 0 | 17,201 | 0 | 0 | 18,088 | 927,561 |
| Culture and Recreation | 33,448 | 0 | 14,093 | 7,613 | 0 | 124,772 | 179,926 |
| Community Development | 0 | 36,442 | 0 | 0 | 18,064 | 0 | 54,506 |
| Cemetery | 18,800 | 0 | 0 | 0 | 0 | 0 | 18,800 |
| Capital Outlay: | | | | | | | |
| General Government | 2,634 | 0 | 0 | 0 | 0 | 0 | 2,634 |
| Public Safety | 0 | 0 | 15,590 | 0 | 0 | 40,473 | 56,063 |
| Highways and Streets | 0 | 0 | 0 | 0 | 0 | 228,484 | 228,484 |
| Culture and Recreation | 914 | 0 | 54,985 | 2,816 | 0 | 0 | 58,715 |
| Community Development | 0 | 0 | 0 | 0 | 395,000 | 0 | 395,000 |
| Debt Service: | | | | | | | |
| Principal | 0 | 0 | 0 | 0 | 0 | 52,064 | 52,064 |
| Interest | 0 | 0 | 0 | 0 | 1,450 | 17,961 | 19,411 |
| Total Expenditures | 2,478,954 | 36,442 | 145,391 | 10,429 | 414,514 | 532,300 | 3,618,030 |
| Excess/(Deficiency) of Revenues Over Expenditures | 911,401 | 24,963 | (79,192) | 114,780 | (164,514) | (461,361) | 346,077 |
| Other Financing Sources/(Uses): | | | | | | | |
| Proceeds from Sale of Equipment | 450 | 0 | 0 | 0 | 0 | 500 | 950 |
| Transfers In | 0 | 0 | 119,000 | 0 | 0 | 497,509 | 616,509 |
| Transfers Out | (616,509) | 0 | 0 | 0 | 0 | 0 | (616,509) |
| Total Other Financing Sources/(Uses) | (616,059) | 0 | 119,000 | 0 | 0 | 498,009 | 950 |
| Net Change in Fund Balances | 295,342 | 24,963 | 39,808 | 114,780 | (164,514) | 36,648 | 347,027 |
| Fund Balances/(Deficits) - July 1, 2019 | 515,646 | 212,738 | 373,569 | 574,236 | (36,854) | 431,217 | 2,070,552 |
| Fund Balances/(Deficits) - June 30, 2020 | \$ 810,988 | \$ 237,701 | \$ 413,377 | \$ 689,016 | \$ (201,368) | \$ 467,865 | \$ 2,417,579 |

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, 2020

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) | \$ | 347,027 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$740,896) is allocated over their estimated useful lives and reported as depreciation expense (\$455,074). This is the amount by which capital outlays exceeded depreciation in the current period. | | 285,822 |
| 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. | | (1,500) |
| 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 (\$52,064) 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. | | 52,064 |
| The issuance of loans receivable (\$36,200) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$51,706) 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. | | (15,506) |
| Governmental funds report employer pension contributions as expenditures (\$87,649). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$233,514) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense. | | (145,865) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 68,686 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | <u>(15,063)</u> |
| Change in net position of governmental activities (Exhibit B) | \$ | <u><u>575,665</u></u> |

The General Fund charges the Water and Sewer Funds for various expenses. These charges totaling \$292,253 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, 2020

| | Water Fund | Sewer Fund | Total |
|--|---------------------|---------------------|---------------------|
| <u>ASSETS</u> | | | |
| Current Assets: | | | |
| Receivables (Net of Allowance for Uncollectibles) | \$ 83,384 | \$ 122,777 | \$ 206,161 |
| Due from Other Funds | 624,744 | 518,873 | 1,143,617 |
| Inventory | 5,350 | 2,765 | 8,115 |
| Total Current Assets | <u>713,478</u> | <u>644,415</u> | <u>1,357,893</u> |
| Noncurrent Assets: | | | |
| Land | 42,246 | 38,495 | 80,741 |
| Construction in Progress | 441,462 | 0 | 441,462 |
| Buildings and Building Improvements | 73,292 | 13,457 | 86,749 |
| Vehicles, Machinery and Equipment | 60,307 | 143,513 | 203,820 |
| Distribution/Collection Systems | 3,711,111 | 5,922,740 | 9,633,851 |
| Less: Accumulated Depreciation | <u>(852,360)</u> | <u>(4,686,214)</u> | <u>(5,538,574)</u> |
| Total Noncurrent Assets | <u>3,476,058</u> | <u>1,431,991</u> | <u>4,908,049</u> |
| Total Assets | <u>4,189,536</u> | <u>2,076,406</u> | <u>6,265,942</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Outflows of Resources Related to the Town's Participation in VMERS | | | |
| | <u>0</u> | <u>9,522</u> | <u>9,522</u> |
| Total Deferred Outflows of Resources | <u>0</u> | <u>9,522</u> | <u>9,522</u> |
| <u>LIABILITIES</u> | | | |
| Current Liabilities: | | | |
| Accounts Payable | 4,616 | 10,546 | 15,162 |
| Accrued Payroll and Benefits Payable | 0 | 2,878 | 2,878 |
| Unearned Revenue | 4,549 | 0 | 4,549 |
| Accrued Interest Payable | 0 | 751 | 751 |
| General Obligation Bond Payable - Current Portion | <u>40,363</u> | <u>2,300</u> | <u>42,663</u> |
| Total Current Liabilities | <u>49,528</u> | <u>16,475</u> | <u>66,003</u> |
| Noncurrent Liabilities: | | | |
| Compensated Absences Payable | 0 | 3,938 | 3,938 |
| Net Pension Liability | 0 | 27,409 | 27,409 |
| General Obligation Bond Payable - Noncurrent Portion | <u>1,146,807</u> | <u>41,400</u> | <u>1,188,207</u> |
| Total Noncurrent Liabilities | <u>1,146,807</u> | <u>72,747</u> | <u>1,219,554</u> |
| Total Liabilities | <u>1,196,335</u> | <u>89,222</u> | <u>1,285,557</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred Inflows of Resources Related to the Town's Participation in VMERS | | | |
| | <u>0</u> | <u>770</u> | <u>770</u> |
| Total Deferred Inflows of Resources | <u>0</u> | <u>770</u> | <u>770</u> |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 2,288,888 | 1,388,291 | 3,677,179 |
| Unrestricted | <u>704,313</u> | <u>607,645</u> | <u>1,311,958</u> |
| Total Net Position | <u>\$ 2,993,201</u> | <u>\$ 1,995,936</u> | <u>\$ 4,989,137</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, 2020

| | Water Fund | Sewer Fund | Total |
|--|---------------------|---------------------|---------------------|
| Operating Revenues: | | | |
| Charges for Services | \$ 291,859 | \$ 424,288 | \$ 716,147 |
| Penalties & Interest | 4,481 | 6,613 | 11,094 |
| Interfund Charges | 0 | 4,124 | 4,124 |
| Total Operating Revenues | <u>296,340</u> | <u>435,025</u> | <u>731,365</u> |
| Operating Expenses: | | | |
| Administrative Salaries | 74,003 | 74,003 | 148,006 |
| Salaries and Wages | 51,950 | 112,029 | 163,979 |
| Administrative Charges | 11,947 | 10,173 | 22,120 |
| Administrative Supplies | 1,750 | 1,388 | 3,138 |
| Benefits | 0 | 33,470 | 33,470 |
| Insurances | 1,053 | 10,331 | 11,384 |
| Town Equipment Charge | 10,000 | 10,000 | 20,000 |
| Legal/Audit | 5,585 | 5,585 | 11,170 |
| Communications | 705 | 1,502 | 2,207 |
| Utilities | 31,988 | 48,880 | 80,868 |
| Maintenance | 7,737 | 24,752 | 32,489 |
| Chemicals | 1,662 | 32,898 | 34,560 |
| Depreciation | 73,779 | 75,692 | 149,471 |
| Other Operating Expenses | 4,716 | 3,671 | 8,387 |
| Total Operating Expenses | <u>276,875</u> | <u>444,374</u> | <u>721,249</u> |
| Operating Income/(Loss) | <u>19,465</u> | <u>(9,349)</u> | <u>10,116</u> |
| Non-Operating Revenues/(Expenses): | | | |
| Investment Income | 2,896 | 2,737 | 5,633 |
| Interest Expense | 0 | (1,811) | (1,811) |
| Total Non-Operating Revenues/(Expenses) | <u>2,896</u> | <u>926</u> | <u>3,822</u> |
| Net Income/(Loss) Before Capital Contributions | 22,361 | (8,423) | 13,938 |
| Capital Contributions | <u>126,002</u> | <u>0</u> | <u>126,002</u> |
| Change in Net Position | 148,363 | (8,423) | 139,940 |
| Net Position - July 1, 2019 | <u>2,844,838</u> | <u>2,004,359</u> | <u>4,849,197</u> |
| Net Position - June 30, 2020 | <u>\$ 2,993,201</u> | <u>\$ 1,995,936</u> | <u>\$ 4,989,137</u> |

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Water Fund | Sewer Fund | Total |
|---|------------------|------------------|-------------------|
| Cash Flows From Operating Activities: | | | |
| Receipts from Customers and Users | \$ 289,747 | \$ 417,309 | \$ 707,056 |
| Receipts from Interfund Services | 0 | 4,124 | 4,124 |
| Payments for Goods and Services | (54,681) | (119,749) | (174,430) |
| Payments for Interfund Services | (147,900) | (146,127) | (294,027) |
| Payments for Wages and Benefits | 0 | (89,391) | (89,391) |
| Net Cash Provided by Operating Activities | 87,166 | 66,166 | 153,332 |
| Cash Flows From Noncapital Financing Activities: | | | |
| Increase in Due from Other Funds | (42,319) | (27,192) | (69,511) |
| Net Cash Provided/(Used) by Noncapital Financing Activities | (42,319) | (27,192) | (69,511) |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Acquisition and Construction of Capital Assets | (434,712) | (37,611) | (472,323) |
| Proceeds from Long-term Debt | 420,000 | 0 | 420,000 |
| Principal Paid on: | | | |
| General Obligation Bonds | (33,081) | (2,300) | (35,381) |
| Interest Paid on: | | | |
| General Obligation Bonds | 0 | (1,850) | (1,850) |
| Net Cash Provided/(Used) by Capital and Related Financing Activities | (47,793) | (41,761) | (89,554) |
| Cash Flows From Investing Activities: | | | |
| Receipt of Interest & Dividends | 2,896 | 2,737 | 5,633 |
| Net Cash Provided by Investing Activities | 2,896 | 2,737 | 5,633 |
| Net Increase/(Decrease) in Cash | (50) | (50) | (100) |
| Cash - July 1, 2019 | 50 | 50 | 100 |
| Cash - June 30, 2020 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities: | | | |
| Operating Income/(Loss) | \$ 19,465 | \$ (9,349) | \$ 10,116 |
| Depreciation | 73,779 | 75,692 | 149,471 |
| (Increase)/Decrease in Receivables | (8,919) | (13,592) | (22,511) |
| (Increase)/Decrease in Prepaid Expenses | 0 | 175 | 175 |
| (Increase)/Decrease in Inventory | 0 | 3,347 | 3,347 |
| (Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS | 0 | 1,674 | 1,674 |
| Increase/(Decrease) in Accounts Payable | 515 | 5,736 | 6,251 |
| Increase/(Decrease) in Accrued Payroll and Benefits Payable | 0 | (281) | (281) |
| Increase/(Decrease) in Compensated Absences Payable | 0 | 502 | 502 |
| Increase/(Decrease) in Net Pension Liability | 0 | 2,433 | 2,433 |
| Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS | 0 | (171) | (171) |
| Increase/(Decrease) in Unearned Revenue | 2,326 | 0 | 2,326 |
| Net Cash Provided by Operating Activities | \$ 87,166 | \$ 66,166 | \$ 153,332 |

The Water Fund recognized forgiveness of debt from the State of Vermont in the amount of \$126,002.

Capital asset acquisitions in the amount of \$15,954 in the Water Fund are included in accounts payable at June 30, 2019.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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

Yellow Barn Fund – This fund accounts for the revenues and expenditures of the Yellow Barn and Accelerator Building Project.

The Town reports on the following major enterprise funds:

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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/Items

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/items.

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

6. Pensions

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

7. Deferred Outflows/Inflows of Resources

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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. 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

9. Compensated Absences

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

10. Long-term Liabilities

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

11. Fund Equity

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

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

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

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 the issuance 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, 2020 consisted of the following:

Cash:

| | |
|--------------------------------------|------------------|
| Deposits with Financial Institutions | \$2,330,517 |
| Cash on Hand | <u>400</u> |
| Total Cash | <u>2,330,917</u> |

Investments:

| | |
|----------------------------|--------------------|
| Certificates of Deposit | <u>1,205,514</u> |
| Total Cash and Investments | <u>\$3,536,431</u> |

The Town has three (3) certificates of deposit at Community Bank ranging from \$1,153 to \$5,223 with an interest rate of 0.4%. All of these certificates of deposit will mature during fiscal year 2021. The Town also has three (3) certificate of deposit at Union Bank ranging from \$1,358 to \$1,143,026 with interest rates ranging from 0.30% to 4.0%, all of which will mature during fiscal year 2021.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020

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 | \$ 509,233 | \$ 509,233 |
| Uninsured, Collateralized by Irrevocable Stand-by Letter of Credit by the Federal Home Loan Bank of Boston | <u>3,026,798</u> | <u>3,030,661</u> |
| Total | <u>\$3,536,031</u> | <u>\$3,539,894</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 | \$2,330,517 |
| Investments – Certificates of Deposit | <u>1,205,514</u> |
| Total | <u>\$3,536,031</u> |

Interest Rate Risk

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Delinquent Taxes | \$ 146,004 | \$ 0 | \$ 146,004 |
| Penalties and Interest | 14,675 | 0 | 14,675 |
| Billed Services | 0 | 39,572 | 39,572 |
| Unbilled Services | 0 | 176,589 | 176,589 |
| Trailer Lease Receivable | 968 | 0 | 968 |
| Grants Receivable | 54,581 | 0 | 54,581 |
| Miscellaneous | 14,300 | 0 | 14,300 |
| Allowance for Doubtful Accounts - Delinquent Water, Sewer, Penalties and Interest | 0 | (10,000) | (10,000) |
| Total | \$ 230,528 | \$ 206,161 | \$ 436,689 |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

C. Loans Receivable

Loans receivable as of June 30, 2020 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 and Personal Guarantees | <u>328,413</u> |
| Total | 1,741,233 |
| Less: Allowance for Doubtful Loans Receivable | <u>(1,412,820)</u> |
| Reported Value at June 30, 2020 | \$ <u><u>328,413</u></u> |

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

| <u>Balance</u> <u>July 1, 2019</u> | <u>Additions</u> | <u>Payments/ Reductions</u> | <u>Balance</u> <u>June 30, 2020</u> |
|---------------------------------------|------------------|---------------------------------|--|
| \$ <u>1,756,739</u> | \$ <u>36,200</u> | \$ <u>51,706</u> | \$ <u>1,741,233</u> |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 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 | \$ 96,400 | \$ 0 | \$ 272,677 |
| Construction in Progress | 101,853 | 420,276 | 96,400 | 425,729 |
| Total Capital Assets, Not Being Depreciated | <u>278,130</u> | <u>516,676</u> | <u>96,400</u> | <u>698,406</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Building Improvements | 1,790,421 | 13,554 | 0 | 1,803,975 |
| Vehicles | 2,451,567 | 189,778 | 142,631 | 2,498,714 |
| Machinery and Equipment | 364,940 | 55,821 | 0 | 420,761 |
| Roads, Bridges and Sidewalks | 5,822,159 | 93,803 | 0 | 5,915,962 |
| Totals | <u>10,429,087</u> | <u>352,956</u> | <u>142,631</u> | <u>10,639,412</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Building Improvements | 521,821 | 41,209 | 0 | 563,030 |
| Vehicles | 1,122,874 | 147,846 | 108,795 | 1,161,925 |
| Machinery and Equipment | 242,206 | 25,171 | 0 | 267,377 |
| Roads, Bridges and Sidewalks | 1,567,181 | 240,848 | 0 | 1,808,029 |
| Totals | <u>3,454,082</u> | <u>455,074</u> | <u>108,795</u> | <u>3,800,361</u> |
| Total Capital Assets, Being Depreciated | <u>6,975,005</u> | <u>(102,118)</u> | <u>33,836</u> | <u>6,839,051</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 7,253,135</u> | <u>\$ 414,558</u> | <u>\$ 130,236</u> | <u>\$ 7,537,457</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 | 22,704 | 418,758 | 0 | 441,462 |
| Total Capital Assets, Not Being Depreciated | <u>103,445</u> | <u>418,758</u> | <u>0</u> | <u>522,203</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Building Improvements | 86,749 | 0 | 0 | 86,749 |
| Vehicles, Machinery and Equipment | 196,809 | 7,011 | 0 | 203,820 |
| Distribution and Collection Systems | 9,603,251 | 30,600 | 0 | 9,633,851 |
| Totals | <u>9,886,809</u> | <u>37,611</u> | <u>0</u> | <u>9,924,420</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Building Improvements | 40,972 | 3,258 | 0 | 44,230 |
| Vehicles, Machinery and Equipment | 68,832 | 11,660 | 0 | 80,492 |
| Distribution and Collection Systems | 5,279,299 | 134,553 | 0 | 5,413,852 |
| Totals | <u>5,389,103</u> | <u>149,471</u> | <u>0</u> | <u>5,538,574</u> |
| Total Capital Assets, Being Depreciated | <u>4,497,706</u> | <u>(111,860)</u> | <u>0</u> | <u>4,385,846</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 4,601,151</u> | <u>\$ 306,898</u> | <u>\$ 0</u> | <u>\$ 4,908,049</u> |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Depreciation was charged as follows:

| Governmental Activities: | | Business-type Activities: | | | |
|---|----|---------------------------|--|----|-------------------|
| General Government | \$ | 24,154 | Water | \$ | 73,779 |
| Public Safety | | 72,564 | Sewer | | <u>75,692</u> |
| Highways and Streets | | 336,996 | | | |
| Culture and Recreation | | <u>21,360</u> | | | |
| Total Depreciation Expense - Governmental Activities | | <u>\$ 455,074</u> | Total Depreciation Expense - Business-type Activities | | <u>\$ 149,471</u> |

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2020 are as follows:

| Fund | Due from Other Funds | Due to Other Funds |
|------------------------------|-------------------------|-----------------------|
| General Fund | \$ 0 | \$ 2,035,342 |
| Revolving Loan Fund | 199,685 | 0 |
| Capital General Fund | 400,593 | 0 |
| Jeudevine Building Fund | 68,433 | 0 |
| Yellow Barn Fund | 0 | 196,559 |
| Non-Major Governmental Funds | 419,573 | 0 |
| Water Fund | 624,744 | 0 |
| Sewer Fund | <u>518,873</u> | <u>0</u> |
| Total | <u>\$ 2,231,901</u> | <u>\$ 2,231,901</u> |

Interfund transfers during the year ended June 30, 2020 were as follows:

| Transfer From | Transfer To | Amount | Purpose |
|---------------|---------------------------------|-------------------|----------------------|
| General Fund | Capital General Fund | \$ 119,000 | Annual Appropriation |
| General Fund | Restorative Justice Fund | 3,000 | Annual Appropriation |
| General Fund | Jeudevine Memorial Library Fund | 114,209 | Annual Appropriation |
| General Fund | Conservation Commission Fund | 300 | Annual Appropriation |
| General Fund | Equipment Replacement Fund | 210,000 | Annual Appropriation |
| General Fund | Capital Roads Fund | <u>170,000</u> | Annual Appropriation |
| Total | | <u>\$ 616,509</u> | |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$98,493 from the difference between the expected and actual experience, \$25,382 from changes in assumptions, \$51,778 from the difference between the projected and actual investment earnings, \$719 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 \$87,649 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 \$264,021.

Deferred outflows of resources in the Sewer Fund and Business-type Activities consists of \$3,551 from the difference between the expected and actual experience, \$915 from changes in assumptions, \$1,867 from the difference between the projected and actual investment earnings, \$26 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 \$3,163 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 \$9,522.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$9,557 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$414 of prepaid property taxes, \$6,571 from the difference between the expected and actual experience and \$14,775 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 \$21,760.

Deferred inflows of resources in the Business-type Activities and Sewer Fund consists of \$237 from the difference between the expected and actual experience and \$533 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 \$770.

Deferred inflows of resources in the General Fund consists of \$68,000 of delinquent property taxes, penalties and interest on those taxes and \$16,254 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 \$414 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$84,668.

Deferred inflows of resources in the Revolving Loan Fund consists of \$328,413 of loans receivable as these would not be available to liquidate current liabilities.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020

Deferred inflows of resources in the Capital General Fund consists of \$5,202 of grant revenue not collected within sixty (60) days after year-end as it would not be available to liquidate current liabilities.

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, 2020 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 | \$ 54,527 | \$ 0 | \$ 10,397 | \$ 44,130 |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

| | <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 | \$293,332 | \$ 0 | \$ 26,667 | \$266,665 |
| 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>255,000</u> | <u>0</u> | <u>15,000</u> | <u>240,000</u> |
| Total Governmental Activities | <u>\$602,859</u> | <u>\$ 0</u> | <u>\$ 52,064</u> | <u>\$550,795</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 \$33,081, Interest at -3.0%, Due June, 2047 | \$ 926,253 | \$ 0 | \$ 33,081 | \$ 893,172 |
| Water Bond Payable, State of Vermont Special Environmental Revolving Fund, Bridgman Hill Reservoir, Annual Principal and Interest Payments of \$17,678, Interest at 3.0%, Due June, 2050, Authorized to \$495,000, the Town Recognized Grant Income in the Amount of \$126,002 for Forgiven Principal during Fiscal Year 2020. | 0 | 420,000 | 126,002 | 293,998 |
| 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>46,000</u> | <u>0</u> | <u>2,300</u> | <u>43,700</u> |
| Total Business-type Activities | <u>\$ 972,253</u> | <u>\$ 420,000</u> | <u>\$ 161,383</u> | <u>\$1,230,870</u> |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 | \$ 548,332 | \$ 0 | \$ 41,667 | \$ 506,665 | \$ 41,666 |
| Notes Payable | 54,527 | 0 | 10,397 | 44,130 | 10,651 |
| Compensated Absences | 69,928 | 15,269 | 0 | 85,197 | 0 |
| Net Pension Liability | <u>630,549</u> | <u>129,661</u> | <u>0</u> | <u>760,210</u> | <u>0</u> |
| Total Governmental Activities Long-term Liabilities | <u>\$ 1,303,336</u> | <u>\$ 144,930</u> | <u>\$ 52,064</u> | <u>\$ 1,396,202</u> | <u>\$ 52,317</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 | \$ 972,253 | \$ 420,000 | \$ 161,383 | \$ 1,230,870 | \$ 42,663 |
| Compensated Absences | 3,436 | 502 | 0 | 3,938 | 0 |
| Net Pension Liability | <u>24,976</u> | <u>2,433</u> | <u>0</u> | <u>27,409</u> | <u>0</u> |
| Total Business-type Activities Long-term Liabilities | <u>\$ 1,000,665</u> | <u>\$ 422,935</u> | <u>\$ 161,383</u> | <u>\$ 1,262,217</u> | <u>\$ 42,663</u> |

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

Debt service requirements to maturity are as follows:

| Year Ending <u>June 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 52,317 | \$ 16,850 | \$ 42,663 | \$ 12,198 |
| 2022 | 52,572 | 15,614 | 42,883 | 11,884 |
| 2023 | 52,833 | 14,254 | 43,108 | 11,564 |
| 2024 | 53,074 | 12,795 | 43,339 | 11,238 |
| 2025 | 41,667 | 11,270 | 43,577 | 10,904 |
| 2026-2030 | 208,332 | 35,917 | 221,728 | 49,258 |
| 2031-2035 | 75,000 | 10,661 | 228,868 | 39,745 |
| 2036-2040 | 15,000 | 312 | 234,844 | 29,098 |
| 2041-2045 | 0 | 0 | 235,240 | 18,553 |
| 2046-2050 | <u>0</u> | <u>0</u> | <u>94,620</u> | <u>4,087</u> |
| Total | <u>\$ 550,795</u> | <u>\$ 117,673</u> | <u>\$ 1,230,870</u> | <u>\$ 198,529</u> |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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>19,227</u> |
| Total General Fund | <u>19,227</u> |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Non-Major Funds

Permanent Funds:

| | |
|--------------------------------------|------------------|
| Nonspendable Cemetery Fund Principal | \$ <u>8,861</u> |
| Total Nonspendable Fund Balances | \$ <u>28,088</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>237,701</u> |
|---|-------------------|

Capital General Fund:

| | |
|---|---------------|
| Restricted for Restoration of Records by Statute (Source of Revenue is Recording Fees) | 7,168 |
| Restricted for Depot Roof Replacement by Donations (Source of Revenue is Donations) | 20,000 |
| Restricted for Town House Painting by Donations (Source of Revenue is Donations) | 1,750 |
| Restricted for Trails Expenditures by Donations (Source of Revenue is Donations) | <u>285</u> |
| Total Capital General Fund | <u>29,203</u> |

Jeudevine Building Fund:

| | |
|---|----------------|
| Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations) | <u>689,016</u> |
|---|----------------|

Non-Major Funds

Special Revenue Fund:

| | |
|--|--------------|
| Restricted for Fire Department Expenses by Donations (Source of Revenue is Donations) | <u>7,866</u> |
|--|--------------|

Capital Projects Fund:

| | |
|---|----------------|
| Restricted for Highway Expenditures by Statute – Designated for Capital Road Expenditures (Source of Revenue is Highway Property Taxes) | <u>111,680</u> |
|---|----------------|

Permanent Fund:

| | |
|--|---------------|
| Restricted for Cemetery Fund by Donations – Expendable Portion (Source of Revenue is Donations) | <u>48,908</u> |
|--|---------------|

| | |
|-----------------------|----------------|
| Total Non-Major Funds | <u>168,454</u> |
|-----------------------|----------------|

| | |
|--------------------------------|---------------------|
| Total Restricted Fund Balances | \$ <u>1,124,374</u> |
|--------------------------------|---------------------|

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

Major Funds

| | |
|--|------------------|
| Capital General Fund: | |
| Committed for Capital Expenditures by the Voters | <u>\$384,174</u> |

Non-Major Funds

| | |
|---|--------------|
| Special Revenue Funds: | |
| Committed for Jeudevine Memorial Library Expenses by the Voters | 3,219 |
| Committed for Conservation Commission Expenses by the Voters | <u>237</u> |
| Total Special Revenue Funds | <u>3,456</u> |

| | |
|---|----------------|
| Capital Project Fund: | |
| Committed for Equipment Replacement Expenditures by the Voters | <u>172,581</u> |

| | |
|---|--------------|
| Permanent Fund: | |
| Committed for Cemetery Expenditures by the Voters | <u>8,200</u> |

| | |
|-----------------------|----------------|
| Total Non-Major Funds | <u>184,237</u> |
|-----------------------|----------------|

| | |
|-------------------------------|------------------|
| Total Committed Fund Balances | <u>\$568,411</u> |
|-------------------------------|------------------|

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

Non-Major Funds

| | |
|-----------------------------------|------------------|
| Special Revenue Fund: | |
| Assigned for Reappraisal Expenses | <u>\$106,313</u> |

| | |
|------------------------------|------------------|
| Total Assigned Fund Balances | <u>\$106,313</u> |
|------------------------------|------------------|

The unassigned deficit of \$201,368 in the Yellow Barn Fund will be potentially funded by New Market Tax Credits received over the next few years from outside investors.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2020 consisted of the following:

Governmental Activities:

| | |
|---|--------------------|
| Restricted for Fire Department Expenses by Donations | \$ 7,866 |
| Restricted for Capital Roads Expenditures by Statute | 111,680 |
| Restricted for Jeudevine Building Expenditures by Donations | 689,016 |
| Restricted for Community Development by Grant Agreements | 566,114 |
| Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion | 8,861 |
| Restricted for Cemetery Fund by Trust Agreement – Expendable Portion | 48,908 |
| Restricted for Restoration of Records by Statute | 7,168 |
| Restricted for Depot Roof Replacement by Donations | 20,000 |
| Restricted for Town House Painting by Donations | 1,750 |
| Restricted for Trails Expenditures by Donations | <u>285</u> |
| Total Governmental Activities | <u>\$1,461,648</u> |

The designated net position of the Town’s Proprietary Funds as of June 30, 2020 consisted of the following:

Water Fund:

| | |
|---------------------------------------|----------------|
| Designated for Well Replacement | \$ 115,398 |
| Designated for Water Capital Projects | 464,873 |
| Designated for Water Operations | <u>124,042</u> |

Total Water Fund 704,313

Sewer Fund:

| | |
|---------------------------------------|---------------|
| Designated for Sewer Capital Projects | 579,537 |
| Designated for Sewer Operations | <u>28,108</u> |

Total Sewer Fund 607,645

Total Business-type Activities \$1,311,958

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 | \$ 99,773 | \$ 422,683 | \$ 533,323 |
| Interest Earnings | 625 | 2,271 | 3,727 |
| Transfer In From Water Operations | 15,000 | 73,000 | 0 |
| Transfer In From Sewer Operations | 0 | 0 | 88,000 |
| Capital Purchases/Expenses | <u>0</u> | <u>(33,081)</u> | <u>(45,513)</u> |
| Ending Balance | <u>\$ 115,398</u> | <u>\$ 464,873</u> | <u>\$ 579,537</u> |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

V. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2019, the measurement date selected by the State of Vermont, the retirement system consisted of 379 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, 2019, the measurement date selected by the State of Vermont, VMERS was funded at 80.35% and had a plan fiduciary net position of \$709,465,831 and a total pension liability of \$882,957,638 resulting in a net position liability of \$173,491,807. As of June 30, 2020, the Town's proportionate share of this was 0.4540% resulting in a net pension liability of \$787,619. The net pension liability was measured as of June 30, 2019, 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 0.4540% was a decrease of 0.012 from its proportion measured as of the prior year.

For the year ended June 30, 2020, the Town recognized pension expense of \$240,613.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

As of June 30, 2020, 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 | \$ 102,044 | \$ 6,808 |
| Changes in assumptions | 26,297 | 0 |
| Difference between projected and actual investment earnings | 53,645 | 0 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 745 | 15,308 |
| Town's required employer contributions made subsequent to the measurement date | 90,812 | 0 |
| | \$ 273,543 | \$ 22,116 |

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$90,812 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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> | |
|-------------------------------|------------------|
| 2021 | \$ 66,052 |
| 2022 | 33,367 |
| 2023 | 37,307 |
| 2024 | <u>23,889</u> |
| Total | <u>\$160,615</u> |

Summary of System Provisions

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Groups B and D.

Creditable Service – Service as a member plus purchased service.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – 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 A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B 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 Groups A and B and 50% of AFC for Groups C and 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 Groups A and B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Groups A and 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Death Benefit:

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

Amount – For Groups A, B and C, 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 Groups A, B and C, 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 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 2.75%. Group B – 5.125%. Group C – 10.25%. Group D – 11.60%.

Employer Contributions – Group A – 4.25%. Group B – 5.75%. Group C – 7.50%. Group D – 10.10%.

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: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using scale SSA-2017.

Healthy Post-Retirement: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projections using scale SSA-2017.

Disabled Post-Retirement: All Groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

Cost-of-Living Adjustments: 1.15% for Group A members and 1.30% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, respectively, for all groups.

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

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

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, 2019 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---|
| Global Equity | 29% | 6.90% |
| US Equity – Large Cap | 4% | 5.94% |
| US Equity – Small/Mid Cap | 3% | 6.72% |
| Non-US Equity – Large Cap | 5% | 6.81% |
| Non-US Equity – Small Cap | 2% | 7.31% |
| Emerging Markets Debt | 4% | 4.26% |
| Core Bond | 14% | 1.79% |
| Non-Core Bonds | 6% | 3.22% |
| Short Quality Credit | 5% | 1.81% |
| Private Credit | 5% | 6.00% |
| US TIPS | 3% | 1.45% |
| Core Real Estate | 5% | 4.26% |
| Non-Core Real Estate | 3% | 5.76% |
| Private Equity | 10% | 10.81% |
| Infrastructure/Farmland | 2% | 4.89% |

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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> |
|----------------------------|------------------------------|----------------------------|
| \$1,291,576 | \$787,619 | \$370,435 |

Additional Information

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

Deferred Compensation Plan

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

B. Risk Management

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

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020

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.

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 2020 were as follows:

| | <u>Homestead</u> | <u>Non-Homestead</u> |
|-----------------|------------------|----------------------|
| Town | .6461 | .6461 |
| Highway | .6084 | .6084 |
| Local Agreement | .0105 | .0105 |
| Education | <u>1.7092</u> | <u>1.6099</u> |
| Total | <u>2.9742</u> | <u>2.8749</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, \$0, \$2,243 and \$25,024 during fiscal years 2020, 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, 2020 is \$47,601.

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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

F. Commitment

The Town of Hardwick, alongside multiple other non-profit and for-profit entities, are proceeding with the “Yellow Barn Project.” After several years of detailed planning, the Town of Hardwick purchased the historic Yellow Barn in October 2019 and with the assistance of others, will be seeking out loans and grants to construct a new two-story multi-purpose accelerator and create an adaptive reuse of the historic Yellow Barn. There are two anchor tenants, Jasper Hill and Cabot, that are prepared to occupy the space with additional space to be available. The project has an approximate cost of \$11,500,000 and will be financed from several sources, including grants, loans, and improvements made by some of the tenants. The Town of Hardwick has already secured a \$3M Economic Development Authority (EDA) grant, a \$900,000 Vermont Community Development Corporation (VCDP) grant, 250,000 NBRC grant to purchase the building, as well as other smaller grants totaling \$56,900 for planning and permitting. The Town has also committed \$200,000 from its Revolving Loan Fund toward the project and a \$25,000 initial deposit in 2018. All loans to the project will be issued to a separate Not-for-Profit entity and the Town of Hardwick will have no further financial exposure to the project other than the \$225,000 already spent. 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.

A member of the Selectboard is also on the Board 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 with the Town’s Community Development loan program. The outstanding balance as of June 30, 2020 was \$35,952.

Currently, one member of the Selectboard is a guarantor on a loan with the Town’s Community Development loan program. The outstanding balance as of June 30, 2020 was \$45,941.

H. Subsequent Events

On September 11, 2020, the voters authorized the Town to borrow in an amount not to exceed \$275,000 for the purpose of acquiring a replacement fire truck.

On September 11, 2020, the voters authorized the Town to borrow in an amount not to exceed \$550,000 for the purpose of constructing and equipping an addition to the Jeudevine Memorial Library.

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|----------------------------------|------------------|------------------|---|
| Revenues: | | | |
| Property Taxes | \$ 2,331,357 | \$ 2,293,014 | \$ (38,343) |
| School Tax Administration Fee | 5,500 | 6,040 | 540 |
| PILOT | 71,288 | 73,523 | 2,235 |
| Current Use | 150,916 | 159,147 | 8,231 |
| Delinquent Late Charges | 25,000 | 37,532 | 12,532 |
| Trailer Lease Revenue | 800 | 31 | (769) |
| Tax Sale Interest | 500 | 517 | 17 |
| Zoning Permits | 2,500 | 2,685 | 185 |
| Licenses and Fees | 3,000 | 2,781 | (219) |
| Recording Fees | 18,000 | 19,742 | 1,742 |
| Dog License | 2,100 | 2,064 | (36) |
| DMV Fees | 575 | 444 | (131) |
| State Aid to Highways | 143,000 | 146,863 | 3,863 |
| Copying Fees | 4,750 | 5,562 | 812 |
| Greensboro Police Contract | 230,879 | 244,355 | 13,476 |
| COPS Grant | 57,892 | 52,044 | (5,848) |
| Hardwick PD Ticket Revenue | 7,500 | 10,899 | 3,399 |
| PD Outside Services Revenues | 1,050 | 56 | (994) |
| Sale of Equipment | 0 | 450 | 450 |
| Investment Income | 1,500 | 8,444 | 6,944 |
| Miscellaneous | 1,000 | 3,007 | 2,007 |
| Water and Sewer Charges | 303,100 | 292,253 | (10,847) |
| Fireworks Donations | 2,650 | 0 | (2,650) |
| Room Rent | 0 | 100 | 100 |
| SIU Revenue | 24,000 | 24,000 | 0 |
| Police Department - Vest Grant | 900 | 484 | (416) |
| Government Highway Safety Grants | 9,500 | 4,325 | (5,175) |
| Lister Education Grant | 270 | 270 | 0 |
| Greenup Day Grant | 350 | 173 | (177) |
| Total Revenues | 3,399,877 | 3,390,805 | (9,072) |
| Expenditures: | | | |
| Office Expenditures: | | | |
| Town Manager - Salary | 80,000 | 82,805 | (2,805) |
| Payroll Administrator - Salary | 40,976 | 39,603 | 1,373 |
| Town Clerk - Salary | 49,150 | 49,549 | (399) |
| Town Clerk Aides - Salary | 35,880 | 36,674 | (794) |
| Business Manager - Salary | 49,275 | 49,654 | (379) |
| Social Security | 20,422 | 19,354 | 1,068 |
| Retirement | 14,678 | 15,188 | (510) |
| Worker's Compensation | 1,464 | 1,264 | 200 |
| Unemployment Insurance | 504 | 249 | 255 |
| VLCT/PACIF | 3,430 | 1,482 | 1,948 |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|----------------|----------------|---|
| Office Expenditures/(Cont'd): | | | |
| Health Insurance | \$ 74,525 | \$ 70,369 | \$ 4,156 |
| Dental/Vision/Life/Disability Insurances | 4,650 | 4,839 | (189) |
| Town Manager's Office Supplies | 4,500 | 5,016 | (516) |
| Town Clerk's Office Supplies | 3,500 | 3,119 | 381 |
| Town Report | 1,750 | 1,701 | 49 |
| Conferences/Dues | 1,500 | 1,201 | 299 |
| Tax Billing/Collection Expense | 1,500 | 1,542 | (42) |
| Telephone | 1,900 | 2,450 | (550) |
| Advertising | 1,000 | 547 | 453 |
| Copier | 750 | 47 | 703 |
| Election Expense | 1,500 | 846 | 654 |
| Computer Services | 1,700 | 2,406 | (706) |
| Website Maintenance | 75 | 0 | 75 |
| Equipment Purchases | 5,000 | 3,734 | 1,266 |
| Lister Supplies | 3,000 | 2,229 | 771 |
| Health Officer Supplies | 50 | 0 | 50 |
| Education/Training | 2,000 | 1,042 | 958 |
| Zoning | 2,500 | 2,164 | 336 |
| | <u>407,179</u> | <u>399,074</u> | <u>8,105</u> |
| Total Office Expenditures | | | |
| Payroll (Other): | | | |
| Listers | 16,000 | 4,013 | 11,987 |
| Zoning Administrator | 21,829 | 21,977 | (148) |
| Zoning and Planning Board | 2,500 | 1,725 | 775 |
| Board of Civil Authority | 75 | 39 | 36 |
| Moderator | 50 | 0 | 50 |
| Selectboard | 5,000 | 5,000 | 0 |
| Social Security | 3,719 | 2,852 | 867 |
| Public Officers Liability | 9,393 | 3,628 | 5,765 |
| Election Officials | 500 | 713 | (213) |
| Energy Coordinator | 50 | 0 | 50 |
| Website Coordinator | 600 | 600 | 0 |
| Solid Waste Representative | 500 | 500 | 0 |
| TEC Conferences | 100 | 68 | 32 |
| Part-Time Labor | 500 | 0 | 500 |
| Town Service Officer | 100 | 100 | 0 |
| Health Officer | 600 | 600 | 0 |
| | <u>61,516</u> | <u>41,815</u> | <u>19,701</u> |
| Total Payroll (Other) | | | |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|------------------------------|---------------|---------------|---|
| Memorial Building: | | | |
| Custodian Salary | \$ 8,920 | \$ 9,274 | \$ (354) |
| Custodian Social Security | 713 | 495 | 218 |
| VLCT/PACIF | 3,342 | 2,932 | 410 |
| Operating Expenses/Supplies | 3,000 | 3,036 | (36) |
| Building Repairs/Maintenance | 4,000 | 5,148 | (1,148) |
| Utilities | 5,800 | 6,002 | (202) |
| Fuel Oil | 9,000 | 7,829 | 1,171 |
| Elevator | 1,500 | 2,247 | (747) |
| Generator | 500 | 0 | 500 |
| Total Memorial Building | <u>36,775</u> | <u>36,963</u> | <u>(188)</u> |
| Public Safety Building: | | | |
| VLCT/PACIF | 3,757 | 3,214 | 543 |
| Operating Supplies | 1,000 | 906 | 94 |
| Building Repairs/Maintenance | 3,500 | 664 | 2,836 |
| Utilities | 2,500 | 2,804 | (304) |
| Fuel Oil | 5,000 | 4,320 | 680 |
| Custodial Salary | 5,958 | 5,271 | 687 |
| Social Security | 476 | 403 | 73 |
| Total Public Safety Building | <u>22,191</u> | <u>17,582</u> | <u>4,609</u> |
| Fire Station: | | | |
| VLCT/PACIF | 3,326 | 2,843 | 483 |
| Utilities | 2,900 | 2,544 | 356 |
| Fuel Oil | 7,500 | 4,879 | 2,621 |
| Building Maintenance/Repair | 2,000 | 2,037 | (37) |
| Total Fire Station | <u>15,726</u> | <u>12,303</u> | <u>3,423</u> |
| Town House: | | | |
| VLCT/PACIF | 1,981 | 1,692 | 289 |
| Building Maintenance/Repair | 1,000 | 299 | 701 |
| Utilities | 300 | 543 | (243) |
| Total Town House | <u>3,281</u> | <u>2,534</u> | <u>747</u> |
| Historical Depot: | | | |
| VLCT/PACIF | 200 | 171 | 29 |
| Building Maintenance/Repair | 400 | 262 | 138 |
| Total Historical Depot | <u>600</u> | <u>433</u> | <u>167</u> |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|---------|---------|---|
| Old Senior Center Building | | | |
| VLCT/PACIF | \$ 189 | \$ 162 | \$ 27 |
| Total Old Senior Center Building | 189 | 162 | 27 |
| Yellow Barn: | | | |
| VLCT/PACIF | 0 | 125 | (125) |
| Building Maintenance/Repair | 0 | 265 | (265) |
| Utilities | 0 | 182 | (182) |
| Total Yellow Barn | 0 | 572 | (572) |
| Police Department: | | | |
| Base Payroll | 449,010 | 393,149 | 55,861 |
| Overtime | 55,000 | 74,852 | (19,852) |
| Part-Time Officers | 12,000 | 790 | 11,210 |
| Social Security | 42,202 | 36,407 | 5,795 |
| Retirement | 50,905 | 44,681 | 6,224 |
| Worker's Compensation | 48,498 | 36,261 | 12,237 |
| Unemployment Insurance | 777 | 445 | 332 |
| VLCT/PACIF | 45,350 | 18,833 | 26,517 |
| Health Insurance | 121,610 | 64,061 | 57,549 |
| Dental/Vision/Life and Disability Insurances | 13,089 | 5,525 | 7,564 |
| Operating Supplies | 7,000 | 7,774 | (774) |
| Training | 5,000 | 1,384 | 3,616 |
| Memberships | 400 | 292 | 108 |
| Legal | 1,000 | 0 | 1,000 |
| Internet Communication | 4,700 | 4,530 | 170 |
| Dispatch Services | 34,683 | 33,756 | 927 |
| Telephone | 4,500 | 4,110 | 390 |
| Cruiser Repairs and Maintenance | 7,000 | 3,087 | 3,913 |
| Advertising | 300 | 449 | (149) |
| Radio Service | 1,000 | 1,590 | (590) |
| Investigation Expense | 1,500 | 2,312 | (812) |
| Uniforms - Cleaning | 1,400 | 769 | 631 |
| Uniforms - Purchases | 4,000 | 4,385 | (385) |
| Fuel | 15,000 | 9,178 | 5,822 |
| Tires | 3,000 | 1,788 | 1,212 |
| Education | 500 | 0 | 500 |
| Equipment | 5,500 | 6,188 | (688) |
| Recruitment | 0 | 1,525 | (1,525) |
| SIU Salary and Social Security | 2,000 | 0 | 2,000 |
| SIU Expense | 750 | 280 | 470 |
| COPS Grant Expense | 77,190 | 72,721 | 4,469 |
| Governor's Highway Safety Grant Expense | 7,500 | 329 | 7,171 |
| Governor's Highway Equipment Grant Expense | 0 | 3,910 | (3,910) |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|------------------|----------------|---|
| Police Department/(Cont'd): | | | |
| VLCT Grant Expense | \$ 500 | \$ 0 | \$ 500 |
| Vest Grant Expense | 1,800 | 968 | 832 |
| Total Police Department | <u>1,024,664</u> | <u>836,329</u> | <u>188,335</u> |
| Fire Department: | | | |
| Labor | 9,000 | 6,525 | 2,475 |
| Social Security | 680 | 483 | 197 |
| Worker's Compensation | 1,202 | 585 | 617 |
| Liability Insurance | 9,124 | 3,959 | 5,165 |
| Operating Supplies | 2,800 | 2,408 | 392 |
| Telephone | 1,000 | 1,297 | (297) |
| Gasoline | 100 | 18 | 82 |
| Diesel | 750 | 918 | (168) |
| Dispatch Services | 14,721 | 14,467 | 254 |
| Equipment Purchases | 8,100 | 6,254 | 1,846 |
| Equipment Repairs | 5,500 | 2,247 | 3,253 |
| Training | 500 | 0 | 500 |
| Total Fire Department | <u>53,477</u> | <u>39,161</u> | <u>14,316</u> |
| Highway/Garage/Equipment: | | | |
| Salaries | 285,701 | 275,500 | 10,201 |
| Overtime | 31,090 | 22,513 | 8,577 |
| Sewer Operator | 5,005 | 2,351 | 2,654 |
| Social Security | 25,343 | 21,657 | 3,686 |
| Retirement | 18,473 | 17,829 | 644 |
| Worker's Compensation | 31,191 | 26,994 | 4,197 |
| Unemployment Insurance | 562 | 289 | 273 |
| VLCT/PACIF | 27,244 | 12,245 | 14,999 |
| Health Insurance | 105,265 | 91,433 | 13,832 |
| Dental/Vision/Life and Disability Insurances | 8,259 | 7,991 | 268 |
| Summer Gravel | 35,000 | 29,758 | 5,242 |
| Ditch Stone | 8,000 | 17,856 | (9,856) |
| Hydro seeding | 4,000 | 0 | 4,000 |
| Mud Season Maintenance | 10,000 | 4,278 | 5,722 |
| Chloride | 22,000 | 15,709 | 6,291 |
| East Hardwick Sidewalks | 600 | 599 | 1 |
| Mowing Contract | 6,000 | 4,950 | 1,050 |
| Summer Paving | 4,000 | 5,369 | (1,369) |
| Downtown Beauty | 2,000 | 1,032 | 968 |
| Street Sweeping | 4,000 | 4,500 | (500) |
| Winter Sand | 30,000 | 30,770 | (770) |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|----------------|----------------|---|
| Highway/Garage/Equipment/(Cont'd): | | | |
| Winter Salt | \$ 82,000 | \$ 80,705 | \$ 1,295 |
| Operating Supplies | 19,000 | 21,707 | (2,707) |
| Permits/Fees | 3,000 | 1,350 | 1,650 |
| Telephone | 950 | 1,195 | (245) |
| Low Band Radio | 1,042 | 1,009 | 33 |
| Culverts | 4,000 | 5,725 | (1,725) |
| Uniforms | 4,750 | 6,376 | (1,626) |
| Sidewalk/Line Painting | 1,000 | 990 | 10 |
| Streetscape | 1,500 | 191 | 1,309 |
| Storm Drainage | 1,500 | 3,439 | (1,939) |
| Road Signs | 500 | 0 | 500 |
| Safety/Training | 600 | 2,681 | (2,081) |
| Building Repairs | 0 | 5,291 | (5,291) |
| Equipment Repairs/Maintenance | 70,000 | 90,606 | (20,606) |
| Fuel | 3,000 | 2,600 | 400 |
| Diesel Fuel | 37,500 | 42,535 | (5,035) |
| Utilities | 4,800 | 5,389 | (589) |
| Fuel Oil | 5,000 | 3,389 | 1,611 |
| Total Highway/Garage/Equipment | <u>903,875</u> | <u>868,801</u> | <u>35,074</u> |
| Appropriations: | | | |
| Restorative Justice | 3,000 | 3,000 | 0 |
| Caledonia Home Health Care and Hospice | 2,600 | 2,600 | 0 |
| Northeast Kingdom Human Services | 3,161 | 3,161 | 0 |
| A.W.A.R.E. | 3,500 | 3,500 | 0 |
| Lamoille Family Center | 1,500 | 1,500 | 0 |
| North Country Animal League | 2,100 | 2,100 | 0 |
| Northeastern Kingdom Council on Aging | 4,500 | 4,500 | 0 |
| Northeast Kingdom Arts Council | 3,500 | 3,500 | 0 |
| Greensboro Nursing | 4,500 | 4,500 | 0 |
| Hardwick Historical Society | 3,000 | 3,000 | 0 |
| Hardwick Community Television | 3,000 | 3,000 | 0 |
| Rural Community Transportation | 3,400 | 3,400 | 0 |
| Hardwick Area Food Pantry | 2,500 | 2,500 | 0 |
| Total Appropriations | <u>40,261</u> | <u>40,261</u> | <u>0</u> |
| Rescue Squad Pro-Rated Share: | <u>22,762</u> | <u>22,762</u> | <u>0</u> |
| County Tax: | <u>22,802</u> | <u>21,398</u> | <u>1,404</u> |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|----------------|----------------|---|
| Other Expenses: | | | |
| Auditing | \$ 27,000 | \$ 11,830 | \$ 15,170 |
| Fireworks | 3,000 | 4,000 | (1,000) |
| Dog Control | 3,000 | 2,791 | 209 |
| Professional Services | 7,000 | 4,494 | 2,506 |
| NVDA | 2,258 | 2,258 | 0 |
| VLCT | 4,500 | 4,632 | (132) |
| Jeudevine Memorial Library | 114,209 | 114,209 | 0 |
| Memorial Day | 500 | 450 | 50 |
| Caspian Lake | 3,250 | 3,250 | 0 |
| Cemeteries | 19,000 | 18,800 | 200 |
| Transfer to Equipment Replacement Fund | 210,000 | 210,000 | 0 |
| Transfer to Capital Road Fund | 170,000 | 170,000 | 0 |
| Transfer to Capital General Fund | 119,000 | 119,000 | 0 |
| Tax Mapping | 4,000 | 3,800 | 200 |
| Solid Waste District | 2,956 | 2,956 | 0 |
| Streetlights | 22,500 | 23,471 | (971) |
| Memorial Park Electricity | 450 | 195 | 255 |
| Employment Practices Insurance | 18,669 | 7,835 | 10,834 |
| VLCT Community Crime Insurance | 4,179 | 1,784 | 2,395 |
| Town Service Officer Expense | 250 | 131 | 119 |
| Hazard Mitigation Fund | 7,500 | 1,091 | 6,409 |
| Tax Sale Expense | 5,000 | 1,713 | 3,287 |
| Town Property - Carey Rd | 0 | 175 | (175) |
| Insurance Deductibles | 2,000 | 1,531 | 469 |
| Conservation Commission | 0 | 300 | (300) |
| Lister Professional Services | 0 | 18,150 | (18,150) |
| | <u>750,221</u> | <u>728,846</u> | <u>21,375</u> |
| Total Other Expenses | | | |
| Recreation Department: | | | |
| Recreation Coordinator Salary | 6,240 | 2,710 | 3,530 |
| Social Security | 499 | 207 | 292 |
| Worker's Compensation | 515 | 382 | 133 |
| Unemployment Insurance | 58 | 36 | 22 |
| VLCT/PACIF | 242 | 102 | 140 |
| Youth Programs | 11,235 | 10,265 | 970 |
| Holiday Program | 1,500 | 932 | 568 |
| Green-Up Day | 700 | 174 | 526 |
| Senior Trotters | 2,200 | 688 | 1,512 |
| Supplies and Advertising | 500 | 139 | 361 |
| Sports Program | 800 | 0 | 800 |
| Maintenance | 400 | 3,470 | (3,070) |
| Training | 280 | 305 | (25) |
| Mileage | 262 | 193 | 69 |
| | <u>25,431</u> | <u>19,603</u> | <u>5,828</u> |
| Total Recreation Department | | | |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--------------------------------------|------------------|-------------------|---|
| Trails Department: | | | |
| Worker's Compensation | \$ 193 | \$ 178 | \$ 15 |
| Unemployment Insurance | 38 | 24 | 14 |
| VLCT/PACIF | 646 | 326 | 320 |
| Salaries | 3,100 | 3,672 | (572) |
| Social Security | 250 | 281 | (31) |
| Programs and Activities | 1,000 | 537 | 463 |
| Advertising | 400 | 417 | (17) |
| Equipment Repair | 1,800 | 993 | 807 |
| Repair and Construction | 800 | 46 | 754 |
| Gas, Oil, Diesel | 700 | 390 | 310 |
| Total Trails Department | <u>8,927</u> | <u>6,864</u> | <u>2,063</u> |
| Total Expenditures | <u>3,399,877</u> | <u>3,095,463</u> | <u>304,414</u> |
| Excess of Revenues Over Expenditures | <u>\$ 0</u> | 295,342 | <u>\$ 295,342</u> |
| Fund Balance - July 1, 2019 | | <u>515,646</u> | |
| Fund Balance - June 30, 2020 | | <u>\$ 810,988</u> | |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2020

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|----------------|---------------|--------------|
| Total Plan Net Pension Liability | \$ 173,491,807 | \$ 140,675,892 | \$ 121,155,552 | \$ 128,696,167 | \$ 77,095,810 | \$ 9,126,613 |
| Town's Proportion of the Net Pension Liability | 0.4540% | 0.4660% | 0.4786% | 0.4757% | 0.5194% | 0.5411% |
| Town's Proportionate Share of the Net Pension Liability | \$ 787,619 | \$ 655,525 | \$ 579,855 | \$ 612,181 | \$ 400,422 | \$ 49,382 |
| Town's Covered Employee Payroll | \$ 1,227,362 | \$ 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 | 64.1717% | 54.9753% | 50.9681% | 56.4782% | 40.3883% | 4.8238% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 80.35% | 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 six years are shown.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required Contribution (Actuarially Determined) | \$ 90,812 | \$ 87,225 | \$ 81,620 | \$ 78,160 | \$ 72,296 | \$ 72,602 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>90,812</u> | <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> | <u>\$ 0</u> |
| Town's Covered Employee Payroll | \$ 1,227,362 | \$ 1,192,399 | \$ 1,137,683 | \$ 1,083,924 | \$ 991,431 | \$ 1,023,717 |
| Contributions as a Percentage of Town's Covered Employee Payroll | 7.399% | 7.315% | 7.174% | 7.211% | 7.292% | 7.092% |

Notes to Schedule

Valuation Date: June 30, 2019

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

| | Special Revenue Funds | Capital Project Funds | Permanent Fund Cemetery Fund | Total |
|--|-----------------------------|--------------------------|---------------------------------------|-------------------|
| <u>ASSETS</u> | | | | |
| Investments | \$ 0 | \$ 0 | \$ 62,489 | \$ 62,489 |
| Receivables (Net of Allowance for Uncollectibles) | 39 | 0 | 0 | 39 |
| Due from Other Funds | <u>131,832</u> | <u>284,261</u> | <u>3,480</u> | <u>419,573</u> |
| Total Assets | <u>\$ 131,871</u> | <u>\$ 284,261</u> | <u>\$ 65,969</u> | <u>\$ 482,101</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 1,792 | \$ 0 | \$ 0 | \$ 1,792 |
| Accrued Payroll and Benefits Payable | 2,887 | 0 | 0 | 2,887 |
| Unearned Revenue | <u>9,557</u> | <u>0</u> | <u>0</u> | <u>9,557</u> |
| Total Liabilities | <u>14,236</u> | <u>0</u> | <u>0</u> | <u>14,236</u> |
| <u>FUND BALANCES</u> | | | | |
| Nonspendable | 0 | 0 | 8,861 | 8,861 |
| Restricted | 7,866 | 111,680 | 48,908 | 168,454 |
| Committed | 3,456 | 172,581 | 8,200 | 184,237 |
| Assigned | <u>106,313</u> | <u>0</u> | <u>0</u> | <u>106,313</u> |
| Total Fund Balances | <u>117,635</u> | <u>284,261</u> | <u>65,969</u> | <u>467,865</u> |
| Total Liabilities and Fund Balances | <u>\$ 131,871</u> | <u>\$ 284,261</u> | <u>\$ 65,969</u> | <u>\$ 482,101</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 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | Capital Project Funds | Permanent Fund Cemetery Fund | Total |
|--|-----------------------------|--------------------------|---------------------------------------|----------------|
| Revenues: | | | | |
| Intergovernmental | \$ 58,352 | \$ 0 | \$ 0 | \$ 58,352 |
| Investment Income | 663 | 1,393 | 1,217 | 3,273 |
| Donations | 2,113 | 0 | 0 | 2,113 |
| Other | 7,201 | 0 | 0 | 7,201 |
| Total Revenues | 68,329 | 1,393 | 1,217 | 70,939 |
| Expenditures: | | | | |
| Public Safety | 49,713 | 745 | 0 | 50,458 |
| Highways and Streets | 0 | 18,088 | 0 | 18,088 |
| Culture and Recreation | 124,772 | 0 | 0 | 124,772 |
| Capital Outlay: | | | | |
| Public Safety | 0 | 40,473 | 0 | 40,473 |
| Highways and Streets | 0 | 228,484 | 0 | 228,484 |
| Debt Service: | | | | |
| Principal | 0 | 52,064 | 0 | 52,064 |
| Interest | 0 | 17,961 | 0 | 17,961 |
| Total Expenditures | 174,485 | 357,815 | 0 | 532,300 |
| Excess/(Deficiency) of Revenues Over Expenditures | (106,156) | (356,422) | 1,217 | (461,361) |
| Other Financing Sources: | | | | |
| Proceeds from Sale of Equipment | 0 | 500 | 0 | 500 |
| Transfers In | 117,509 | 380,000 | 0 | 497,509 |
| Total Other Financing Sources | 117,509 | 380,500 | 0 | 498,009 |
| Net Change in Fund Balances | 11,353 | 24,078 | 1,217 | 36,648 |
| Fund Balances - July 1, 2019 | 106,282 | 260,183 | 64,752 | 431,217 |
| Fund Balances - June 30, 2020 | \$ 117,635 | \$ 284,261 | \$ 65,969 | \$ 467,865 |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

| | 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 | \$ 39 | \$ 0 | \$ 39 |
| Due from Other Funds | <u>106,313</u> | <u>9,557</u> | <u>7,866</u> | <u>7,859</u> | <u>237</u> | <u>131,832</u> |
| Total Assets | <u>\$ 106,313</u> | <u>\$ 9,557</u> | <u>\$ 7,866</u> | <u>\$ 7,898</u> | <u>\$ 237</u> | <u>\$ 131,871</u> |
| <u>LIABILITIES</u> | | | | | | |
| Accounts Payable | \$ 0 | \$ 0 | \$ 0 | \$ 1,792 | \$ 0 | \$ 1,792 |
| Accrued Payroll and Benefits Payable | 0 | 0 | 0 | 2,887 | 0 | 2,887 |
| Unearned Revenue | <u>0</u> | <u>9,557</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>9,557</u> |
| Total Liabilities | <u>0</u> | <u>9,557</u> | <u>0</u> | <u>4,679</u> | <u>0</u> | <u>14,236</u> |
| <u>FUND BALANCES</u> | | | | | | |
| Restricted | 0 | 0 | 7,866 | 0 | 0 | 7,866 |
| Committed | 0 | 0 | 0 | 3,219 | 237 | 3,456 |
| Assigned | <u>106,313</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>106,313</u> |
| Total Fund Balances | <u>106,313</u> | <u>0</u> | <u>7,866</u> | <u>3,219</u> | <u>237</u> | <u>117,635</u> |
| Total Liabilities and Fund Balances | <u>\$ 106,313</u> | <u>\$ 9,557</u> | <u>\$ 7,866</u> | <u>\$ 7,898</u> | <u>\$ 237</u> | <u>\$ 131,871</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, 2020

| | Reappraisal Fund | Restorative Justice Fund | Fire Department Special Fund | Jeudevine Memorial Library Fund | Conservation Commission Fund | Total |
|--|---------------------|--------------------------------|------------------------------------|---------------------------------------|------------------------------------|-------------------|
| Revenues: | | | | | | |
| Intergovernmental | \$ 14,592 | \$ 43,163 | \$ 0 | \$ 597 | \$ 0 | \$ 58,352 |
| Investment Income | 528 | 0 | 42 | 93 | 0 | 663 |
| Donations | 0 | 0 | 1,013 | 1,100 | 0 | 2,113 |
| Other | 0 | 3,550 | 0 | 3,651 | 0 | 7,201 |
| Total Revenues | <u>15,120</u> | <u>46,713</u> | <u>1,055</u> | <u>5,441</u> | <u>0</u> | <u>68,329</u> |
| Expenditures: | | | | | | |
| Public Safety | 0 | 49,713 | 0 | 0 | 0 | 49,713 |
| Culture and Recreation | 0 | 0 | 0 | 124,547 | 225 | 124,772 |
| Total Expenditures | <u>0</u> | <u>49,713</u> | <u>0</u> | <u>124,547</u> | <u>225</u> | <u>174,485</u> |
| Excess/(Deficiency) of Revenues Over Expenditures | <u>15,120</u> | <u>(3,000)</u> | <u>1,055</u> | <u>(119,106)</u> | <u>(225)</u> | <u>(106,156)</u> |
| Other Financing Sources: | | | | | | |
| Transfers In | 0 | 3,000 | 0 | 114,209 | 300 | 117,509 |
| Total Other Financing Sources | <u>0</u> | <u>3,000</u> | <u>0</u> | <u>114,209</u> | <u>300</u> | <u>117,509</u> |
| Net Change in Fund Balances | 15,120 | 0 | 1,055 | (4,897) | 75 | 11,353 |
| Fund Balances - July 1, 2019 | <u>91,193</u> | <u>0</u> | <u>6,811</u> | <u>8,116</u> | <u>162</u> | <u>106,282</u> |
| Fund Balances - June 30, 2020 | <u>\$ 106,313</u> | <u>\$ 0</u> | <u>\$ 7,866</u> | <u>\$ 3,219</u> | <u>\$ 237</u> | <u>\$ 117,635</u> |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECT FUNDS
 JUNE 30, 2020

| | <u>Equipment Replacement Fund</u> | <u>Capital Roads Fund</u> | <u>Total</u> |
|-------------------------------------|---|-----------------------------------|--------------------------|
| <u>ASSETS</u> | | | |
| Due from Other Funds | \$ <u>172,581</u> | \$ <u>111,680</u> | \$ <u>284,261</u> |
| Total Assets | \$ <u><u>172,581</u></u> | \$ <u><u>111,680</u></u> | \$ <u><u>284,261</u></u> |
| <u>LIABILITIES</u> | | | |
| Liabilities: | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| <u>FUND BALANCES</u> | | | |
| Restricted | 0 | 111,680 | 111,680 |
| Committed | <u>172,581</u> | <u>0</u> | <u>172,581</u> |
| Total Fund Balances | <u>172,581</u> | <u>111,680</u> | <u>284,261</u> |
| Total Liabilities and Fund Balances | \$ <u><u>172,581</u></u> | \$ <u><u>111,680</u></u> | \$ <u><u>284,261</u></u> |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

| | Equipment Replacement Fund | Capital Roads Fund | Total |
|--|----------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Investment Income | \$ 1,044 | \$ 349 | \$ 1,393 |
| Total Revenues | <u>1,044</u> | <u>349</u> | <u>1,393</u> |
| Expenditures: | | | |
| Public Safety | 745 | 0 | 745 |
| Highways and Streets | 180 | 17,908 | 18,088 |
| Capital Outlay: | | | |
| Public Safety | 40,473 | 0 | 40,473 |
| Highways and Streets | 134,681 | 93,803 | 228,484 |
| Debt Service: | | | |
| Principal | 37,064 | 15,000 | 52,064 |
| Interest | 10,067 | 7,894 | 17,961 |
| Total Expenditures | <u>223,210</u> | <u>134,605</u> | <u>357,815</u> |
| Excess/(Deficiency) of Revenues Over Expenditures | <u>(222,166)</u> | <u>(134,256)</u> | <u>(356,422)</u> |
| Other Financing Sources: | | | |
| Proceeds from Sale of Equipment | 500 | 0 | 500 |
| Transfers In | 210,000 | 170,000 | 380,000 |
| Total Other Financing Sources | <u>210,500</u> | <u>170,000</u> | <u>380,500</u> |
| Net Change in Fund Balances | (11,666) | 35,744 | 24,078 |
| Fund Balances - July 1, 2019 | <u>184,247</u> | <u>75,936</u> | <u>260,183</u> |
| Fund Balances - June 30, 2020 | <u>\$ 172,581</u> | <u>\$ 111,680</u> | <u>\$ 284,261</u> |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|------------|------------|---|
| Revenues: | | | |
| Water Base Revenue | \$ 226,872 | \$ 184,591 | \$ (42,281) |
| Water Usage Revenue | 75,664 | 107,268 | 31,604 |
| Penalties & Interest | 4,500 | 4,481 | (19) |
| Investment Income | 175 | 0 | (175) |
| Total Revenues | 307,211 | 296,340 | (10,871) |
| Expenses: | | | |
| Administration Salaries | 74,003 | 74,003 | 0 |
| Public Works Salaries | 51,949 | 51,950 | (1) |
| Administrative Charge | 10,174 | 10,174 | 0 |
| Administrative Supplies | 2,000 | 1,750 | 250 |
| Transfer to Sewer Fund | 3,835 | 1,773 | 2,062 |
| VLCT/PACIF | 2,400 | 1,053 | 1,347 |
| Town Equipment Charge | 10,000 | 10,000 | 0 |
| Legal/Audit | 5,500 | 5,585 | (85) |
| Communications | 1,200 | 705 | 495 |
| Professional Services | 500 | 300 | 200 |
| Training and Safety | 1,100 | 884 | 216 |
| Utilities | 34,000 | 31,988 | 2,012 |
| Line Maintenance | 9,000 | 1,576 | 7,424 |
| Reservoir Maintenance | 500 | 1,608 | (1,108) |
| Pumphouse Maintenance | 4,000 | 2,329 | 1,671 |
| Generators | 850 | 0 | 850 |
| Hydrants | 1,100 | 0 | 1,100 |
| Water Testing | 1,200 | 1,662 | (462) |
| Chlorination | 650 | 0 | 650 |
| Permit Fees | 3,500 | 3,097 | 403 |
| Truck Repair & Maintenance | 500 | 203 | 297 |
| Minor Repair & Maintenance | 750 | 956 | (206) |
| Gasoline | 500 | 435 | 65 |
| Capital Fund Transfer | 88,000 | 88,000 | 0 |
| Total Expenses | 307,211 | 290,031 | 17,180 |
| Net Income | \$ 0 | 6,309 | \$ 6,309 |
| Adjustments to Reconcile to GAAP Basis Statements: | | | |
| Depreciation | | (73,779) | |
| Well Replacement Account Transfer In | | 15,000 | |
| Capital Account Transfer In | | 73,000 | |
| Well Replacement Account Investment Income | | 625 | |
| Capital Account Investment Income | | 2,271 | |
| Debt Forgiveness | | 126,002 | |
| Bridgeman Reservoir Expenses | | (1,065) | |
| Change in Net Position - Exhibit G | | \$ 148,363 | |

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, 2020

| | Budget | Actual | Favorable/ (Unfavorable) |
|---------------------------------|----------------|----------------|-----------------------------|
| Revenues: | | | |
| Sewer Base Revenue | \$ 323,208 | \$ 267,205 | \$ (56,003) |
| Sewer Usage Revenue | 119,573 | 157,083 | 37,510 |
| Penalties & Interest | 4,206 | 6,613 | 2,407 |
| Investment Income | 15 | 0 | (15) |
| Interfund Charges | 8,624 | 4,124 | (4,500) |
| | <u>455,626</u> | <u>435,025</u> | <u>(20,601)</u> |
| Total Revenues | | | |
| Expenses: | | | |
| Administration Salaries | 74,003 | 74,003 | 0 |
| Public Works Salaries | 51,949 | 51,950 | (1) |
| Salaries - Sewer Fund | 50,149 | 51,557 | (1,408) |
| Assistant Sewer Operator Salary | 400 | 1,124 | (724) |
| Sewer Operator Overtime | 7,000 | 6,896 | 104 |
| Administrative Charge | 10,173 | 10,173 | 0 |
| Administrative Supplies | 2,000 | 1,388 | 612 |
| Health Insurance | 21,173 | 20,671 | 502 |
| Dental Insurance | 1,237 | 1,255 | (18) |
| Vision Insurance | 128 | 128 | 0 |
| Life Insurance | 283 | 262 | 21 |
| Social Security | 3,950 | 3,960 | (10) |
| Retirement | 3,271 | 3,258 | 13 |
| VLCT/PACIF | 11,800 | 5,999 | 5,801 |
| Worker's Compensation | 3,950 | 4,242 | (292) |
| Insurance Deductible | 1,000 | 0 | 1,000 |
| Unemployment Insurance | 110 | 90 | 20 |
| Town Equipment Charge | 10,000 | 10,000 | 0 |
| Legal/Audit | 5,500 | 5,585 | (85) |
| Communications | 1,275 | 1,502 | (227) |
| Uniforms | 775 | 1,097 | (322) |
| Professional Services | 600 | 300 | 300 |
| Training | 1,200 | 0 | 1,200 |
| Safety | 1,000 | 726 | 274 |
| Utilities - Plant | 37,500 | 40,582 | (3,082) |
| Utilities - Lift Station | 3,800 | 3,952 | (152) |
| Fuel Oil | 4,000 | 3,178 | 822 |
| Alarms | 850 | 880 | (30) |
| Water Charge | 3,500 | 288 | 3,212 |
| Lab Operations | 5,000 | 6,821 | (1,821) |
| Lift Station Maintenance | 2,500 | 333 | 2,167 |
| Plant Operations | 50,000 | 6,671 | 43,329 |
| Sewer Line Cleaning | 5,000 | 4,500 | 500 |
| Sewer Line Maintenance | 40,000 | 4,352 | 35,648 |
| Grit Disposal | 950 | 677 | 273 |
| Process Chemicals | 26,000 | 26,077 | (77) |
| Licenses & Fees | 1,200 | 1,113 | 87 |
| Equipment Maintenance | 500 | 317 | 183 |

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, 2020

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|-------------|------------|---|
| Expenses/(Cont'd): | | | |
| Gasoline/Diesel | \$ 600 | \$ 435 | \$ 165 |
| Mill Street Bond and Interest | 4,300 | 4,150 | 150 |
| Capital Fund Transfer | 88,000 | 88,000 | 0 |
| Total Expenses | 536,626 | 448,492 | 88,134 |
| Net Income/(Loss) | \$ (81,000) | (13,467) | \$ 67,533 |
| Adjustments to Reconcile to GAAP Basis Statements: | | | |
| Depreciation | | (75,692) | |
| Principal Payments on Bonds Payable | | 2,300 | |
| Change in Net Pension Liability - GASB 68 | | (3,936) | |
| Change in Accrued Compensated Absences | | (502) | |
| Change in Accrued Interest | | 39 | |
| Capital Fund Transfer In | | 88,000 | |
| Capital Fund Investment Income | | 2,737 | |
| Capital Fund Expenses | | (7,902) | |
| Change in Net Position - Exhibit G | | \$ (8,423) | |

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
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, 2020, 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 January 25, 2021. 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 2020-01 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 2020-02 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 January 25, 2021.

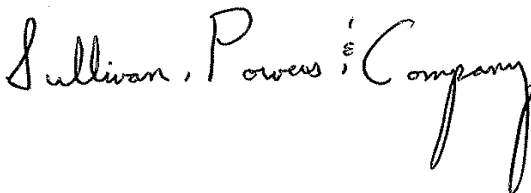
Town of Hardwick, Vermont's Response to Deficiencies in Internal Control

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.

January 25, 2021
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2020

Deficiencies in Internal Control:

Material Weaknesses:

2020-01 Unbilled Receivables/Grants Receivable/Deferred Inflows of Resources

Criteria:

Internal controls should be in place to ensure that the unbilled receivables, grants receivable and related deferred inflows of resources balances are recorded properly at year end.

Condition:

The unbilled water and sewer receivables, grants receivable and related deferred inflows of resources accounts were not reconciled to the actual balances at year end which resulted in various adjustments.

Cause:

Unknown.

Effect:

The Town's unbilled receivables, grants receivable and related deferred inflows of resources balances were incorrect.

Recommendation:

We recommend that the Town reconcile the unbilled receivables, grants receivable and related deferred inflows of resources balances to supporting documentation at least annually in order to detect and correct errors.

Significant Deficiencies:

2020-02 Review and Approval of General Journal Entries

Criteria:

Internal controls should be in place that requires an appropriate official to review and authorize all adjustments to the books of original entry to ensure that the adjustments are valid and appropriate. Also, internal controls should be in place to ensure that supporting documentation is maintained to support all journal entries.

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 made to incorrect general ledger accounts which resulted in additional adjustments. Also, several journal entries were missing appropriate supporting documentation.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2020

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 an appropriate official to review all general journal entries to ensure that they are valid and appropriate. We also recommend that the Town maintain all supporting documentation for general journal entries.



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

January 5, 2021

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

Dear Rick,

Our response to the material weakness is as follows:

2020-01 Unbilled Receivables/Grants Receivable/Deferred Inflows of Resources

The Business Manager will work with the Town Clerk/Treasurer and the Town Manager to ensure that water and sewer billings are booked prior to June 30. In the event this is not possible, the Business Manager will book the appropriate entries for the unbilled receivables prior to the auditor's on-site review.

Our response to the significant deficiency is as follows:

2020-02 Review and Approval of General Journal Entries

All journal entries will have supporting documentation attached to them. The Town Manager will continue to review and sign off on all journal entries. The Town will explore having a third-party Accountant review journal entries on a regularly timed basis.

Sincerely,

Casey Rowell

Casey Rowell
Business Manager

Hardwick Town Manager
Hardwick Town Clerk
Hardwick Public Works Director

Shaun Fielder
Alberta Miller
Tom Fadden

(802) 472-6120
(802) 472-5971
(802) 472-6029