

TOWN OF HARDWICK, VERMONT

AUDIT REPORT

JUNE 30, 2021

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of and for the year ended June 30, 2021, 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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses, and changing its net position. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Electric Fund and the Business-type Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the Electric Fund and the business-type activities of the Town of Hardwick, Vermont as of June 30, 2021, 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 Jeudevine Building Fund, the Water Fund, the Sewer Fund and the aggregate remaining fund information of the Town of Hardwick, Vermont, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note I.F. to the financial statements, effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities".

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.

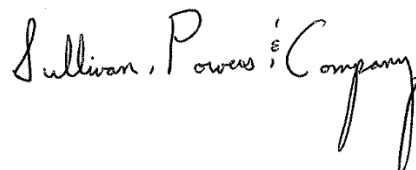
Other Information

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 28, 2022 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 28, 2022
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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, 2021, by \$14,743,744 (net position). This is an increase of \$537,653 over the previous year.
- In Exhibit A, Governmental Activities net position of \$9,997,395 represents an increase of \$780,441 over last year.
- In Exhibit A, \$4,746,349 of the net position represents water and sewer fund activities (business funds). This demonstrates a decrease of \$242,780 from the previous year.
- In Exhibit A, \$1,731,581 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 2020 of \$269,933.
- In Exhibit A, \$1,043,267 of governmental activities net position are unrestricted and may be used for future obligations. This is an increase of \$274,623 from June 30, 2020. Some of these include funding for projects related to paving, bridge work, but also for building upgrades and sidewalks.
- In Exhibit A, \$1,041,869 of Business-type Activities Net Position are Unrestricted and may be used to meet the Town's future water and sewer obligations. This is a decrease of \$270,089 from June 30, 2020. The Town spent money on the planning of the wastewater plant upgrades (engineering and design), which some will be reimbursed later, as well as about 200,000 on sludge disposal at the plant.

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

- In Exhibit D, the fund balances of governmental funds increased by \$1,011,053 in FY 2021. The increase can be attributed to increased capital fund balances, and expense savings among various departments, including Police, Highway, Line Items, Recreation, and Payroll.
- In Exhibit D, the General Fund balance increased by \$379,030 from June 30, 2020. The General Fund balance at the end of FY 2021 was \$1,190,018.
- In Exhibit D, the Jeudevine Building Fund balance increased by \$226,854 in FY2021. The total amount in the fund at year end was \$915,870. These are funds earmarked for the Library addition and renovation. The increase was a result of investment income, fundraising, and additional private donations for the building project.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

- The Water Fund ended the fiscal year with a net position balance of \$2,952,237, which represented a decrease of \$40,964. \$2,248,377 or 77% represents the Town's net investment in capital assets. The cash balance due from the General Account, (Exhibit F) at year end was \$612,839. which was a decrease of \$11,905. A total of \$703,860 of net position is unrestricted with \$129,757 set aside for well replacement, \$426,947 set aside for water capital projects, and the remaining \$147,156 available for operations.
- The Sewer Fund ended the fiscal year with a net position balance of \$1,794,112, a decrease of \$201,824 from the previous year. \$1,456,103 or 82% 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 and the costs associated with sludge disposal. The cash balance due from the General Account, (Exhibit F) at year end was \$241,225, which was a decrease of \$277,648. A total of \$338,009 of net position is unrestricted with \$319,002 set aside for sewer capital projects and \$19,007 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.)

Fund Financial Statements (Exhibits C through J)

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

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

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 2021	FY2020	FY 2021	FY 2020	FY 2021	FY 2020
Current and Other Assets	\$ 3,947,001	\$ 2,970,982	\$ 1,092,173	\$ 1,357,893	\$ 5,039,174	\$ 4,328,875
Capital Assets	<u>7,721,047</u>	<u>7,537,457</u>	<u>4,922,639</u>	<u>4,908,049</u>	<u>12,643,686</u>	<u>12,445,506</u>
Total Assets	<u>11,668,048</u>	<u>10,508,439</u>	<u>6,014,812</u>	<u>6,265,942</u>	<u>17,682,860</u>	<u>16,774,381</u>
Deferred Outflows of Resources	<u>432,335</u>	<u>264,021</u>	<u>16,892</u>	<u>9,522</u>	<u>449,227</u>	<u>273,543</u>
Current Liabilities	137,855	137,544	21,329	23,340	159,184	160,884
Long-Term Liabilities	<u>1,932,132</u>	<u>1,396,202</u>	<u>1,262,847</u>	<u>1,262,217</u>	<u>3,194,979</u>	<u>2,658,419</u>
Total Liabilities	<u>2,069,987</u>	<u>1,533,746</u>	<u>1,284,176</u>	<u>1,285,557</u>	<u>3,354,163</u>	<u>2,819,303</u>
Deferred Inflows of Resources	<u>33,001</u>	<u>21,760</u>	<u>1,179</u>	<u>770</u>	<u>34,180</u>	<u>22,530</u>
Net Position						
Net Investment in Capital Assets	7,222,547	6,986,662	3,704,480	3,677,179	10,927,027	10,663,841
Restricted	1,731,581	1,461,648	0	0	1,731,581	1,461,648
Unrestricted	<u>1,043,267</u>	<u>768,644</u>	<u>1,041,869</u>	<u>1,311,958</u>	<u>2,085,136</u>	<u>2,080,602</u>
Total Net Position	<u>\$ 9,997,395</u>	<u>\$ 9,216,954</u>	<u>\$ 4,746,349</u>	<u>\$ 4,989,137</u>	<u>\$ 14,743,744</u>	<u>\$ 14,206,091</u>

As stated in Exhibit A, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,743,744 at the end of fiscal year 2021. This is an increase of \$537,653 from the previous year. This means the financial strength of the Town increased by that amount during the year.

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.

TOWN OF HARDWICK, VERMONT
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FOR THE YEAR ENDED JUNE 30, 2021

A portion of net position (\$1,731,581) is restricted to future use, such as the revolving loan fund. The remaining net position (\$2,085,136) 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 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
REVENUES						
Charges for Service	\$ 341,948	\$ 320,524	\$ 751,187	\$ 731,365	\$ 1,093,135	\$ 1,051,889
Operating Grants and Contributions	277,920	308,158	0	0	277,920	308,158
Capital Grants and Contributions	525,739	420,500	12,627	126,002	538,366	546,502
Property Taxes	2,412,849	2,337,314	0	0	2,412,849	2,337,314
Penalty and Interest on Delinquent Taxes	27,522	40,732	0	0	27,522	40,732
General State Grants	246,599	232,670	0	0	246,599	232,670
Unrestricted Investment Earnings	21,465	25,929	2,823	5,633	24,288	31,562
Other Revenues	1,268	3,007	0	0	1,268	3,007
Proceeds from Sale of Equipment	0	800	0	0	0	800
Total Revenues	3,855,310	3,689,634	766,637	863,000	4,621,947	4,552,634
EXPENDITURES						
General Government	547,611	521,975	0	0	547,611	521,975
Public Safety	1,145,009	1,157,336	0	0	1,145,009	1,157,336
Highways and Streets	1,152,796	1,172,541	0	0	1,152,796	1,172,541
Culture and Recreation	173,339	205,806	0	0	173,339	205,806
Community Development	20,355	18,306	0	0	20,355	18,306
Cemetery	17,323	18,800	0	0	17,323	18,800
Interest on Long-Term Debt	18,436	19,205	0	0	18,436	19,205
Water	0	0	359,456	276,875	359,456	276,875
Sewer	0	0	649,969	446,185	649,969	446,185
Total Expenditures	3,074,869	3,113,969	1,009,425	723,060	4,084,294	3,837,029
Changes in Net Position	780,441	575,665	(242,788)	139,940	537,653	715,605
Net Position - Beginning of Year	9,216,954	8,641,289	4,989,137	4,849,197	14,206,091	13,490,486
Net Position - End of Year	\$ 9,997,395	\$ 9,216,954	\$ 4,746,349	\$ 4,989,137	\$ 14,743,744	\$ 14,206,091

Governmental activities (Exhibit B): Governmental activities increased the Town's net position by \$780,441 in FY 2021. This increase was related to lower-than-expected expenses in the Police Department (vacant positions), savings in the Highway Department with a milder winter (less salt, overtime, fuel & truck maintenance), and insurance cost savings across multiple departments. We also experienced lower fuel prices and less use of diesel and heating oil with the milder winter.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Business-type activities (Exhibit G): Business-type activities decreased the Town's net position by \$242,788. This decrease was primarily due to depreciation and sludge disposal expenses.

The Water Fund had an operational loss of \$45,058 and a decrease in net position of \$40,964. This was primarily due to depreciation of assets.

The Sewer Fund had an operational loss of \$200,968 and a decrease in net position of \$201,824. This is primarily due to depreciation and the expenses associate with sludge disposal at the plant.

Financial Analysis of Major Governmental Funds

The General Fund

The General Fund balance increased by \$379,030 during FY 2021. The total fund balance at year end was \$1,190,018. Of that amount, \$22,808 is non-spendable inventory and prepaid items. The increase in the General Fund Balance can be primarily attributed to expense savings in the Police Department, Highway Department, Line Items, Insurance, and heating oil for our buildings. Since the existing fund balance is roughly 34% 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 2021 were higher than FY 2020 by \$165,676 primarily due to increased revenues from capital grants and contributions, with some of the increase attributed to increased property tax revenue and charges for services. Expenditures were \$325,335 under budget. The overall increase in the general fund balance of \$379,030 was partially due to increased revenues, but primarily due to expense savings the Police Department, Highway Department, Insurance, and Heating oil for our buildings. We had staff vacancies in the Police Department. It was a milder winter, so we saved on overtime, salt, and truck maintenance in the Highway Department. In addition, we were able to take advantage of an affordable fixed rate for fuel oil and did not use as much in previous years. Our insurance expense was less than expected based on our positive claims' history.

Jeudevine Building Fund

As reported on Exhibit D, the Jeudevine Building Fund had a year-end balance of \$915,870. These funds are for the addition/renovation of the Jeudevine Memorial Library. In FY 2021, the Building Fund took in about \$371,226 through fundraising efforts and additional donations and earned \$7,879 in interest. This was added to the existing balance that was made up of significant bequests from prior years.

Capital Assets

The Town of Hardwick's net investment in capital assets for its governmental and business-type activities as of June 30, 2021, totaled \$7,222,547 and \$3,704,480 respectively, (net of Accumulated Depreciation and Related Debt). This is an increase of \$235,885 over last year for governmental activities and an increase of \$27,301 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.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

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

- A new Western Star Dump truck to replace Truck #3 (Highway Dept.)
- A new Utility Vehicle with transport for the Fire Department
- Solar powered Crosswalk signals
- Paving of Hillside St., Union St., Central St., Woodbury St., Lower/Upper Prospect St., Upper Central St., & Park St.

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

- Sludge removal at the Wastewater Treatment facility
- A new Dodge Ram utility truck for Water & Sewer Department (shared)
- Completed the Bridgman Reservoir Roof Project
- Redevelopment of Well 1 & 2

Debt Administration

As of June 30, 2021, the governmental activities of the Town of Hardwick were carrying two notes and two bonds payable for the following:

- A fire truck purchase (2014) with an outstanding debt balance of \$239,998
- A fire truck purchase (2021) with an outstanding debt balance of \$275,000
- A loader purchase with an outstanding debt balance of \$33,502
- Mackville Road Improvements with an outstanding debt balance of \$225,000

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 \$860,091. 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 finished during FY21 and went not repayment. We received a 30% subsidy on the total, equating to approximately \$151,256 in principal forgiveness upon completion of the project. This bond will be financed over 30 years at a 1.00% interest rate. The principal balance at year end was \$316,668.

The **Sewer Fund** has one bond outstanding with a total principal debt of \$41,400. The bond is through the USDA and was used to fund sewer line improvements on Mill Street. A bond of \$2.2M for improvements to the wastewater plant was approved by the voters, but we are still in the planning stages of the project and plan to re-bid it in the Spring of 2022 due to higher than anticipated costs on the first round of bids received.

Economic Factors and Next Year's Budgets and Rates

The COVID-19 pandemic continued to provide challenges during the year both in terms of delinquent utility bills and taxes, and rising material costs associated with supply chain issues. One example is the Wastewater Treatment Facility (WWTF) upgrade project. The bids came in significantly higher than the \$2.2M Bond. We had to reject the bids and will need to put it back out to bid in the Spring of 2022. Rising material costs also challenged the Yellow Barn and Business Accelerator project, which has not went out to bid yet, but will be soon. The planning team had to reorganize their funding sources in anticipation of higher construction costs.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fortunately for the Town, we don't regularly buy the types of goods that saw major supply chain issues, such as groceries and home goods. However, we did see challenges when trying to purchase new equipment and vehicles. There were extended wait times on these products. Our new fire truck took over a year and half to get. We must place orders 12-18 months in advance of the actual purchase for these types of goods. We are well prepared to purchase these items with the capital replacement schedule that we have been following.

There were some State and Federal programs put into place to help users with their delinquent water and sewer accounts. There was a point during the fiscal year when our utility delinquencies were upwards of \$60,000. The VCAAP program, along with individualized payment plans, enabled us to bring these balances down to less than \$20,000 before the year ended.

At the close of FY 2021, the Town was able to put \$379,030 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, insurance costs, and Highway Department expenses being lower than anticipated with a mild winter. The fund balance is currently at \$1,190,018 or about 34% 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 FY22 budget is looking at a potential shortfall with the loss of the Greensboro Police contract, so there is a possibility that we will need to use some of the fund balance. If other departments or expenses come in at less than expected, then it will also help to offset the revenue loss, which will reduce any amount of Fund balance we would need to use.

The FY 2022 budget that was approved by the voters is \$3,525,629 (excluding appropriations) which was an increase of 1.75% from FY 2021 (excluding appropriations). Our goal for each year is to have an increase of roughly 3% as experience has been that having a slight increase will help prevent the large unplanned areas for tax increases each year. Some 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 opted to increase capital fund contributions by about \$40,000, which is needed for future equipment purchases and building improvements.

The Town is planning to gradually inject some of the fund balance into the Town's budget starting with the FY23 budget to make any tax increases manageable to the taxpayers. The idea is to bring the fund balance back down to around 20%, which is the Town's goal in the Fund Balance Policy. We want to bring it down gradually so that the budget doesn't jump significantly after 1-2 years. Barring any unforeseen circumstances, or expenses, this should help to keep any tax rate increases relatively stable for taxpayers.

During the late summer of 2021, the Town had some paving projects completed by Gray's Paving. 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 Brickhouse Road, Cedar Street, and Belfry Road in East Hardwick.

TOWN OF HARDWICK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

Significant progress was made on the Yellow Barn & Business Accelerator project during the fiscal year. The Town was awarded an additional \$1,000,000 grant from the Northern Border Regional Commission (NBRC), to add to the existing \$3M Economic Development Authority (EDA) grant, and the \$950,000 grant from the Vermont Community Development Program (VCDP). We previously used an NBRC grant to purchase the property back in 2019. A dedicated team of individuals at the Town level along with local development agencies continue to work on the project which is very close to being put out to bid for construction. They have worked diligently to secure funding sources to account for the rising construction costs created by the pandemic. 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 David Upson or Casey Rowell.

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 3,482,035	\$ 0	\$ 3,482,035
Restricted Cash	275,000	0	275,000
Investments	592,311	0	592,311
Receivables (Net of Allowance for Uncollectibles)	129,734	229,488	359,222
Loans Receivable (Net of Allowance for Uncollectibles)	299,126	0	299,126
Internal Balances	(854,064)	854,064	0
Prepaid Expenses	272	0	272
Inventory	22,587	8,621	31,208
Capital Assets:			
Land	272,677	80,741	353,418
Construction in Progress	771,089	129,946	901,035
Other Capital Assets, (Net of Accumulated Depreciation)	6,677,281	4,711,952	11,389,233
Total Assets	<u>11,668,048</u>	<u>6,014,812</u>	<u>17,682,860</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	432,335	16,892	449,227
Total Deferred Outflows of Resources	<u>432,335</u>	<u>16,892</u>	<u>449,227</u>
<u>LIABILITIES</u>			
Accounts Payable	36,610	16,021	52,631
Accrued Payroll and Benefits Payable	87,686	2,146	89,832
Unearned Revenue	9,573	1,658	11,231
Accrued Interest Payable	3,986	1,504	5,490
Noncurrent Liabilities:			
Due within One Year	70,904	42,384	113,288
Due in More than One Year	1,861,228	1,220,463	3,081,691
Total Liabilities	<u>2,069,987</u>	<u>1,284,176</u>	<u>3,354,163</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	2,831	0	2,831
Deferred Inflows of Resources Related to the Town's Participation in VMERS	30,170	1,179	31,349
Total Deferred Inflows of Resources	<u>33,001</u>	<u>1,179</u>	<u>34,180</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	7,222,547	3,704,480	10,927,027
Restricted:			
Non-Expendable:			
Cemetery	8,861	0	8,861
Expendable:			
Highways and Streets	114,561	0	114,561
Culture and Recreation	925,870	0	925,870
Community Development	575,843	0	575,843
Cemetery	51,043	0	51,043
Other	55,403	0	55,403
Unrestricted	1,043,267	1,041,869	2,085,136
Total Net Position	<u>\$ 9,997,395</u>	<u>\$ 4,746,349</u>	<u>\$ 14,743,744</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, 2021

	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	\$ 547,611	\$ 54,808	\$ 33,796	\$ 0	\$ (459,007)	\$ 0	\$ (459,007)
Public Safety	1,145,009	277,809	31,819	1,100	(834,281)	0	(834,281)
Highways and Streets	1,152,796	0	199,347	0	(953,449)	0	(953,449)
Culture and Recreation	173,339	0	12,958	509,639	349,258	0	349,258
Community Development	20,355	9,331	0	15,000	3,976	0	3,976
Cemetery	17,323	0	0	0	(17,323)	0	(17,323)
Interest on Long-term Debt	18,436	0	0	0	(18,436)	0	(18,436)
Total Governmental Activities	3,074,869	341,948	277,920	525,739	(1,929,262)	0	(1,929,262)
Business-type Activities:							
Water	359,456	303,902	0	12,627	0	(42,927)	(42,927)
Sewer	649,969	447,285	0	0	0	(202,684)	(202,684)
Total Business-type Activities	1,009,425	751,187	0	12,627	0	(245,611)	(245,611)
Total Primary Government	\$ 4,084,294	\$ 1,093,135	\$ 277,920	\$ 538,366	(1,929,262)	(245,611)	(2,174,873)
General Revenues:							
Property Taxes					2,412,849	0	2,412,849
Penalties and Interest on Delinquent Taxes					27,522	0	27,522
General State Grants					246,599	0	246,599
Unrestricted Investment Earnings					21,465	2,823	24,288
Other Revenues					1,268	0	1,268
Total General Revenues					2,709,703	2,823	2,712,526
Change in Net Position					780,441	(242,788)	537,653
Net Position - July 1, 2020					9,216,954	4,989,137	14,206,091
Net Position - June 30, 2021					\$ 9,997,395	\$ 4,746,349	\$ 14,743,744

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Jeudevine Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 3,405,577	\$ 0	\$ 76,458	\$ 3,482,035
Restricted Cash	0	0	275,000	275,000
Investments	527,400	304	64,607	592,311
Receivables	127,917	0	1,817	129,734
Loans Receivable (Net of Allowance for Uncollectibles)	0	0	299,126	299,126
Due from Other Funds	0	918,165	1,116,332	2,034,497
Prepaid Items	221	0	51	272
Inventry	22,587	0	0	22,587
Total Assets	<u>\$ 4,083,702</u>	<u>\$ 918,469</u>	<u>\$ 1,833,391</u>	<u>\$ 6,835,562</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 33,342	\$ 2,599	\$ 669	\$ 36,610
Accrued Payroll and Benefits Payable	83,843	0	3,843	87,686
Due to Other Funds	2,691,125	0	197,436	2,888,561
Unearned Revenue	0	0	9,573	9,573
Total Liabilities	<u>2,808,310</u>	<u>2,599</u>	<u>211,521</u>	<u>3,022,430</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	2,831	0	0	2,831
Unavailable Property Taxes, Penalties and Interest	71,000	0	0	71,000
Unavailable Grants	11,543	0	0	11,543
Unavailable Loans Receivable	0	0	299,126	299,126
Total Deferred Inflows of Resources	<u>85,374</u>	<u>0</u>	<u>299,126</u>	<u>384,500</u>
<u>FUND BALANCES</u>				
Nonspendable	22,808	0	8,912	31,720
Restricted	900	915,870	759,237	1,676,007
Committed	0	0	625,518	625,518
Assigned	100,000	0	126,387	226,387
Unassigned/(Deficit)	1,066,310	0	(197,310)	869,000
Total Fund Balances	<u>1,190,018</u>	<u>915,870</u>	<u>1,322,744</u>	<u>3,428,632</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,083,702</u>	<u>\$ 918,469</u>	<u>\$ 1,833,391</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:				
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.				7,721,047
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				381,669
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.				(1,936,118)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.				<u>402,165</u>
Net Position of Governmental Activities				<u>\$ 9,997,395</u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Jeudevine Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 2,409,849	\$ 0	\$ 0	\$ 2,409,849
Penalties and Interest on Delinquent Taxes	27,522	0	0	27,522
Intergovernmental	485,206	1,000	192,659	678,865
Charges for Services	581,519	0	0	581,519
Permits, Licenses and Fees	39,441	0	9,028	48,469
Fines and Forfeits	8,921	0	0	8,921
Loan Repayments	0	0	69,287	69,287
Loan Interest Income	0	0	9,331	9,331
Investment Income	8,100	7,879	5,486	21,465
Donations	1,300	371,226	5,947	378,473
Other	1,218	0	2,883	4,101
Total Revenues	3,563,076	380,105	294,621	4,237,802
Expenditures:				
General Government	656,927	0	19,050	675,977
Public Safety	974,942	0	3,538	978,480
Highways and Streets	837,442	0	50,127	887,569
Culture and Recreation	17,582	4,567	122,674	144,823
Community Development	9,068	0	51,287	60,355
Cemetery	17,323	0	0	17,323
Capital Outlay:				
Public Safety	0	0	35,156	35,156
Highways and Streets	0	0	370,768	370,768
Culture and Recreation	2,648	148,684	113,797	265,129
Debt Service:				
Principal	0	0	52,295	52,295
Interest	0	0	16,874	16,874
Total Expenditures	2,515,932	153,251	835,566	3,504,749
Excess/(Deficiency) of Revenues Over Expenditures	1,047,144	226,854	(540,945)	733,053
Other Financing Sources/(Uses):				
Issuance of Long-term Debt	0	0	275,000	275,000
Proceeds from Sale of Equipment	0	0	3,000	3,000
Transfers In	0	0	688,622	688,622
Transfers Out	(668,114)	0	(20,508)	(688,622)
Total Other Financing Sources/(Uses)	(668,114)	0	946,114	278,000
Net Change in Fund Balances	379,030	226,854	405,169	1,011,053
Fund Balances - July 1, 2020	810,988	689,016	917,575	2,417,579
Fund Balances - June 30, 2021	\$ 1,190,018	\$ 915,870	\$ 1,322,744	\$ 3,428,632

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, 2021

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)	\$	1,011,053
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$671,053) is allocated over their estimated useful lives and reported as depreciation expense (\$474,463). This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
		196,590
<p>The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to decrease net position.</p>		
		(13,000)
<p>The issuance of long-term debt (\$275,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$52,295) 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.</p>		
		(222,705)
<p>The issuance of loans receivable (\$40,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$69,287) 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.</p>		
		(29,287)
<p>Governmental funds report employer pension contributions as expenditures (\$90,853). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$237,923) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.</p>		
		(147,070)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(6,913)
<p>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.</p>		
		<u>(8,227)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>780,441</u></u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Current Assets:			
Receivables (Net of Allowance for Uncollectibles)	\$ 91,382	\$ 138,106	\$ 229,488
Due from Other Funds	612,839	241,225	854,064
Inventory	<u>5,350</u>	<u>3,271</u>	<u>8,621</u>
Total Current Assets	<u>709,571</u>	<u>382,602</u>	<u>1,092,173</u>
Noncurrent Assets:			
Land	42,246	38,495	80,741
Construction in Progress	0	129,946	129,946
Buildings and Building Improvements	73,292	13,457	86,749
Vehicles, Machinery and Equipment	74,134	155,670	229,804
Distribution and Collection Systems	4,170,673	5,922,740	10,093,413
Less: Accumulated Depreciation	<u>(935,209)</u>	<u>(4,762,805)</u>	<u>(5,698,014)</u>
Total Noncurrent Assets	<u>3,425,136</u>	<u>1,497,503</u>	<u>4,922,639</u>
Total Assets	<u>4,134,707</u>	<u>1,880,105</u>	<u>6,014,812</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>16,892</u>	<u>16,892</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>16,892</u>	<u>16,892</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	3,261	12,760	16,021
Accrued Payroll and Benefits Payable	0	2,146	2,146
Unearned Revenue	1,658	0	1,658
Accrued Interest Payable	792	712	1,504
General Obligation Bonds Payable - Current Portion	<u>40,084</u>	<u>2,300</u>	<u>42,384</u>
Total Current Liabilities	<u>45,795</u>	<u>17,918</u>	<u>63,713</u>
Noncurrent Liabilities:			
Compensated Absences Payable	0	3,010	3,010
Net Pension Liability	0	41,678	41,678
General Obligation Bonds Payable - Noncurrent Portion	<u>1,136,675</u>	<u>39,100</u>	<u>1,175,775</u>
Total Noncurrent Liabilities	<u>1,136,675</u>	<u>83,788</u>	<u>1,220,463</u>
Total Liabilities	<u>1,182,470</u>	<u>101,706</u>	<u>1,284,176</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>1,179</u>	<u>1,179</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>1,179</u>	<u>1,179</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,248,377	1,456,103	3,704,480
Unrestricted	<u>703,860</u>	<u>338,009</u>	<u>1,041,869</u>
Total Net Position	<u>\$ 2,952,237</u>	<u>\$ 1,794,112</u>	<u>\$ 4,746,349</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, 2021

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 298,068	\$ 437,570	\$ 735,638
Penalties and Interest	5,834	8,715	14,549
Other Income	0	1,000	1,000
Total Operating Revenues	303,902	447,285	751,187
Operating Expenses:			
Administration Salaries	78,066	78,066	156,132
Salaries and Benefits	56,692	157,033	213,725
Administrative Charge	10,468	10,468	20,936
Administrative Supplies	2,438	2,294	4,732
Insurances	1,182	5,246	6,428
Town Equipment Charge	10,000	10,000	20,000
Legal/Audit	6,000	6,000	12,000
Communications	1,814	2,527	4,341
Utilities	30,757	40,232	70,989
Repairs and Maintenance	63,178	20,723	83,901
Permits and Testing	4,703	8,753	13,456
Chemicals	0	19,509	19,509
Sludge Disposal	0	206,992	206,992
Depreciation	82,849	76,591	159,440
Other Operating Expenses	813	3,819	4,632
Total Operating Expenses	348,960	648,253	997,213
Operating Income/(Loss)	<u>(45,058)</u>	<u>(200,968)</u>	<u>(246,026)</u>
Non-Operating Revenues/(Expenses):			
Investment Income	1,963	860	2,823
Interest Expense	<u>(10,496)</u>	<u>(1,716)</u>	<u>(12,212)</u>
Total Non-Operating Revenues/(Expenses)	(8,533)	(856)	(9,389)
Net Income/(Loss) Before Capital Contributions	(53,591)	(201,824)	(255,415)
Capital Contributions	<u>12,627</u>	<u>0</u>	<u>12,627</u>
Change in Net Position	(40,964)	(201,824)	(242,788)
Net Position - July 1, 2020	<u>2,993,201</u>	<u>1,995,936</u>	<u>4,989,137</u>
Net Position - June 30, 2021	<u>\$ 2,952,237</u>	<u>\$ 1,794,112</u>	<u>\$ 4,746,349</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, 2021

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 293,013	\$ 431,956	\$ 724,969
Payments for Goods and Services	(112,240)	(314,387)	(426,627)
Payments for Interfund Services	(153,146)	(153,146)	(306,292)
Payments for Wages and Benefits	(2,080)	(96,773)	(98,853)
Net Cash Provided/(Used) by Operating Activities	<u>25,547</u>	<u>(132,350)</u>	<u>(106,803)</u>
Cash Flows From Noncapital Financing Activities:			
Decrease/(Increase) in Due from Other Funds	<u>11,905</u>	<u>277,648</u>	<u>289,553</u>
Net Cash Provided by Noncapital Financing Activities	<u>11,905</u>	<u>277,648</u>	<u>289,553</u>
Cash Flows From Capital and Related Financing Activities:			
Issuance of Long-term Debt	42,096	0	42,096
Acquisition and Construction of Capital Assets	(31,927)	(142,103)	(174,030)
Principal Paid on Long-term Debt	(39,880)	(2,300)	(42,180)
Interest Paid on Long-term Debt	(9,704)	(1,755)	(11,459)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(39,415)</u>	<u>(146,158)</u>	<u>(185,573)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	<u>1,963</u>	<u>860</u>	<u>2,823</u>
Net Cash Provided by Investing Activities	<u>1,963</u>	<u>860</u>	<u>2,823</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2020	<u>0</u>	<u>0</u>	<u>0</u>
Cash - June 30, 2021	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ (45,058)	\$ (200,968)	\$ (246,026)
Depreciation	82,849	76,591	159,440
(Increase)/Decrease in Receivables	(7,998)	(15,329)	(23,327)
(Increase)/Decrease in Inventory	0	(506)	(506)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(7,370)	(7,370)
Increase/(Decrease) in Accounts Payable	(1,355)	2,214	859
Increase/(Decrease) in Accrued Payroll and Benefits Payable	0	(732)	(732)
Increase/(Decrease) in Unearned Revenue	(2,891)	0	(2,891)
Increase/(Decrease) in Compensated Absences Payable	0	(928)	(928)
Increase/(Decrease) in Net Pension Liability	0	14,269	14,269
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>409</u>	<u>409</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 25,547</u>	<u>\$ (132,350)</u>	<u>\$ (106,803)</u>

The Water Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$12,627.

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

TOWN OF HARDWICK, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2021

	Custodial Fund Education Tax Fund
<u>ASSETS</u>	
Assets:	\$ <u>0</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Net Position:	\$ <u><u>0</u></u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>2,757,581</u>
Total Additions	<u>2,757,581</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>2,757,581</u>
Total Deductions	<u>2,757,581</u>
Change in Net Position	0
Net Position - July 1, 2020	<u>0</u>
Net Position - June 30, 2021	\$ <u><u>0</u></u>

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular 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, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

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

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

The Town reports on the following major enterprise funds:

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

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

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.

Additionally, the Town reports the following fund type:

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

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C. Measurement Focus

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

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

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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. New Pronouncement – Fiduciary Activities

Effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a General Fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in a Custodial Fund.

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

1. Cash

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

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

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.

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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.

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

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. 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.

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.

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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.

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.

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Loans receivable differences arise because governmental funds report the issuance of loans receivable as expenditures and repayments of loans receivable as revenues, whereas government-wide statements report those transactions as increases and decreases in assets, 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, 2021 consisted of the following:

Restricted Cash:	
Deposits Held by Investment Company	\$ <u>275,000</u>
Unrestricted Cash:	
Deposits with Financial Institutions	3,481,635
Cash on Hand	<u>400</u>
Total Unrestricted Cash	<u>3,482,035</u>
Total Cash	<u>3,757,035</u>
Investments:	
Certificates of Deposit	<u>592,311</u>
Total Cash and Investments	<u>\$4,349,346</u>

The Town has six (6) certificates of deposit ranging from \$1,158 to \$527,400 with interest rates ranging from 0.25% to 0.40%. All certificates of deposit will mature by fiscal year 2024.

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Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC/SIPC	\$ 509,233	\$ 509,270
Uninsured, Collateralized by Irrevocable Stand-by Letter of Credit by the Federal Home Loan Bank of Boston	3,814,713	3,823,144
Uninsured, Uncollateralized	<u>25,000</u>	<u>25,000</u>
Total	<u>\$4,348,946</u>	<u>\$4,357,414</u>

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

\$25,000 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

The book balance is comprised of the following:

Restricted Cash – Deposits Held by Investment Company	\$ 275,000
Unrestricted Cash – Deposits with Financial Institutions	3,481,635
Investments – Certificates of Deposit	<u>592,311</u>
Total	<u>\$4,348,946</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.

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.

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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.

Restricted Cash

In 2021, the Town received a \$275,000 bond from the Vermont Municipal Bond Bank for the purchase of a fire truck. Unspent bond proceeds and the interest earned are restricted for the related purchase or may be used to pay down the bond. The amount restricted as of June 30, 2021 is \$275,000.

B. Receivables

Receivables as of June 30, 2021, 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 Receivable	\$ 95,373	\$ 0	\$ 95,373
Penalties and Interest Receivable	9,954	0	9,954
Tax Sale Receivable	1,478	0	1,478
Grants Receivable	16,356	0	16,356
Accounts Receivable	6,573	0	6,573
Billed Services	0	239,488	239,488
Allowance for Doubtful Accounts - Water/Sewer	0	(10,000)	(10,000)
Total	\$ 129,734	\$ 229,488	\$ 359,222

C. Loans Receivable

Loans receivable as of June 30, 2021 are 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

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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, 10 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>299,126</u>
Total	1,711,946
Less: Allowance for Doubtful Loans Receivable	<u>(1,412,820)</u>
Reported Value at June 30, 2021	\$ <u>299,126</u>

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

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments/ Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>
\$ <u>1,741,233</u>	\$ <u>40,000</u>	\$ <u>69,287</u>	\$ <u>1,711,946</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 272,677	\$ 0	\$ 0	\$ 272,677
Construction in Progress	425,729	345,360	0	771,089
Total Capital Assets, Not Being Depreciated	<u>698,406</u>	<u>345,360</u>	<u>0</u>	<u>1,043,766</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,803,975	0	0	1,803,975
Vehicles	2,498,714	180,557	301,625	2,377,646
Machinery and Equipment	420,761	29,936	0	450,697
Roads, Bridges and Sidewalks	5,915,962	145,200	0	6,061,162
Totals	<u>10,639,412</u>	<u>355,693</u>	<u>301,625</u>	<u>10,693,480</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	563,030	41,401	0	604,431
Vehicles	1,161,925	157,981	258,625	1,061,281
Machinery and Equipment	267,377	28,868	0	296,245
Roads, Bridges and Sidewalks	1,808,029	246,213	0	2,054,242
Totals	<u>3,800,361</u>	<u>474,463</u>	<u>258,625</u>	<u>4,016,199</u>
Total Capital Assets, Being Depreciated	<u>6,839,051</u>	<u>(118,770)</u>	<u>43,000</u>	<u>6,677,281</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,537,457</u>	<u>\$ 226,590</u>	<u>\$ 43,000</u>	<u>\$ 7,721,047</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 80,741	\$ 0	\$ 0	\$ 80,741
Construction in Progress	441,462	148,046	459,562	129,946
Total Capital Assets, Not Being Depreciated	522,203	148,046	459,562	210,687
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	86,749	0	0	86,749
Vehicles, Machinery and Equipment	203,820	25,984	0	229,804
Distribution and Collection Systems	9,633,851	459,562	0	10,093,413
Totals	9,924,420	485,546	0	10,409,966
Less Accumulated Depreciation for:				
Buildings and Building Improvements	44,230	3,256	0	47,486
Vehicles, Machinery and Equipment	80,492	13,051	0	93,543
Distribution and Collection Systems	5,413,852	143,133	0	5,556,985
Totals	5,538,574	159,440	0	5,698,014
Total Capital Assets, Being Depreciated	4,385,846	326,106	0	4,711,952
Business-type Activities Capital Assets, Net	\$ 4,908,049	\$ 474,152	\$ 459,562	\$ 4,922,639

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 25,031	Water	\$ 82,849
Public Safety	74,585	Sewer	76,591
Highways and Streets	350,938		
Culture and Recreation	23,909		
Total Depreciation Expense - Governmental Activities	\$ 474,463	Total Depreciation Expense - Business-type Activities	\$ 159,440

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2021 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 2,691,125
Jeudevine Building Fund	918,165	0
Non-Major Governmental Funds	1,116,332	197,436
Water Fund	612,839	0
Sewer Fund	241,225	0
Total	\$ 2,888,561	\$ 2,888,561

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Interfund transfers during the year ended June 30, 2021 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Jeudevine Memorial Library Fund	\$ 117,191	Appropriation
General Fund	Conservation Commission Fund	500	Appropriation
General Fund	Capital Fund	120,000	Appropriation
General Fund	Capital Fund	5,000	Fund Recreation Capital Expenses
General Fund	Equipment Replacement Fund	240,423	Appropriation
General Fund	Capital Roads Fund	185,000	Appropriation
Capital Fund	Restoration Fund	<u>20,508</u>	Breakout Restoration to New Fund
Total		<u>\$ 688,622</u>	

F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$96,074 from the difference between the expected and actual experience, \$102,028 from the difference between the projected and actual investment earnings, \$143,021 from changes in assumptions and \$359 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 \$90,853 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$432,335.

Deferred outflows of resources in the business-type activities and Sewer Fund consists of \$3,754 from the difference between the expected and actual experience, \$3,986 from the difference between the projected and actual investment earnings, \$5,587 from changes in assumptions, \$14 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 \$3,551 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities and Sewer Fund is \$16,892.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$9,573 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$2,831 of prepaid property taxes. It also includes \$3,161 from the difference between the expected and actual experience and \$27,009 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 \$33,001.

Deferred inflows of resources in the business-type activities and Sewer Fund consists of \$124 from the difference between the expected and actual experience and \$1,055 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 business-type activities and Sewer Fund is \$1,179.

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Deferred inflows of resources in the General Fund consists of \$71,000 of delinquent property taxes, penalties and interest on those taxes and \$11,543 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 \$2,831 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$85,374.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$299,126 of loans receivable as these 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 low and 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 and proprietary fund financial statements.

TOWN OF HARDWICK, VERMONT
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Long-term liabilities outstanding as of June 30, 2021 were as follows:

Governmental Activities:

	<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, Interest Ranging from 0.513% to 3.653% Payable on May 15 and November 15, Due November, 2029	\$266,665	\$ 0	\$26,667	\$239,998
Bond Payable, Vermont Municipal Bond Bank, Mackville Road Improvements, Principal Payments of \$15,000 Payable on November 1 Annually, Interest Ranging from 0.83% to 4.16% Payable on May 1 and November 1, Due November, 2035	240,000	0	15,000	225,000
Bond Payable, Vermont Municipal Bond Bank, Fire Truck, Principal Payments of \$18,333 Payable on November 1 Annually, Interest Ranging from 0.450% to 2.609% Payable on May 1 and November 1, Due November, 2036	0	275,000	0	275,000
Note Payable, Union Bank, Loader, Principal and Interest Payments of \$11,708 Payable on May 15 Annually, Interest at 2.4%, Due May, 2024	<u>44,130</u>	<u>0</u>	<u>10,628</u>	<u>33,502</u>
Total Governmental Activities	<u>\$550,795</u>	<u>\$275,000</u>	<u>\$52,295</u>	<u>\$773,500</u>

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Reservoir and Water Meter Projects, Principal Payments of \$33,081 Payable on June 1 Annually, 0% Interest, Due June, 2047	\$ 893,172	\$ 0	\$33,081	\$ 860,091

TOWN OF HARDWICK, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Bridgman Hill Reservoir, Authorized to \$462,096 but Eligible for \$138,629 Principal Forgiveness, Principal and Interest Payments of \$16,503 Payable on June 1 Annually, 1% Interest, 2% Administrative Fee, Due June, 2050. The Town Recognized \$12,627 of the Principal Forgiveness during the Year.	\$ 293,998	\$42,096	\$19,426	\$ 316,668
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>43,700</u>	<u>0</u>	<u>2,300</u>	<u>41,400</u>
Total Business-type Activities	<u>\$1,230,870</u>	<u>\$42,096</u>	<u>\$54,807</u>	<u>\$1,218,159</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 506,665	\$ 275,000	\$ 41,667	\$ 739,998	\$ 60,000
Notes Payable	44,130	0	10,628	33,502	10,904
Compensated Absences Payable	85,197	6,665	0	91,862	0
Net Pension Liability	<u>760,210</u>	<u>306,560</u>	<u>0</u>	<u>1,066,770</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 1,396,202</u>	<u>\$ 588,225</u>	<u>\$ 52,295</u>	<u>\$ 1,932,132</u>	<u>\$ 70,904</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 1,230,870	\$ 42,096	\$ 54,807	\$ 1,218,159	\$ 42,384
Compensated Absences Payable	3,938	0	928	3,010	0
Net Pension Liability	<u>27,409</u>	<u>14,269</u>	<u>0</u>	<u>41,678</u>	<u>0</u>
Total Business-type Activities					
Long-term Liabilities	<u>\$ 1,262,217</u>	<u>\$ 56,365</u>	<u>\$ 55,735</u>	<u>\$ 1,262,847</u>	<u>\$ 42,384</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 70,904	\$ 20,087	\$ 42,384	\$ 11,208
2023	71,166	18,643	42,594	10,903
2024	71,432	17,083	42,810	10,592
2025	60,000	15,428	43,032	10,274
2026	60,000	13,974	43,263	9,949
2027-2031	273,333	45,883	220,003	44,633
2032-2036	166,665	14,541	226,869	35,394
2037-2041	0	0	230,227	25,160
2042-2046	0	0	232,554	15,364
2047-2050	0	0	94,423	4,669
Total	\$ <u>773,500</u>	\$ <u>145,639</u>	\$ <u>1,218,159</u>	\$ <u>178,146</u>

J. Fund Balances

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

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

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

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

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The Town does have a minimum fund balance policy which is to maintain a minimum balance of no less than the equivalent of 10% of annual budgeted expenditures in its unassigned fund balance, with a goal of 20%. The unassigned fund balance is \$1,066,310 which is 30% of the 2021 budgeted expenditures.

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Items	\$ 221
Nonspendable Inventory	<u>22,587</u>
Total General Fund	<u>22,808</u>

Non-Major Funds

Special Revenue Funds:

Nonspendable Prepaid Items	51
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Permanent Funds:

Nonspendable Cemetery Fund Principal	<u>8,861</u>
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Total Non-Major Funds	<u>8,912</u>
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Total Nonspendable Fund Balances	<u>\$31,720</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

General Fund:

Restricted for Equity Committee Expenses by Donations (Source of Revenue is Donations)	\$ <u>900</u>
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Jeudevine Building Fund:

Restricted for Jeudevine Building Expenditures by Donations (Source of Revenue is Donations)	<u>915,870</u>
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TOWN OF HARDWICK, VERMONT
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Non-Major Funds

Special Revenue Funds:

Restricted for Restoration of Records by State Statute (Source of Revenue is Recording Fees)	\$ 25,857
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	276,717
Restricted for Fire Department Special Fund Expenses by Donations (Source of Revenue is Donations)	<u>1,976</u>
Total Special Revenue Funds	<u>304,550</u>

Capital Projects Funds:

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)	4,920
Restricted for Recreation Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	10,000
Restricted for Fire Truck Expenditures by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	275,000
Restricted for Highway Expenditures by State Statute (Source of Revenue is Highway Property Taxes) – Designated for Capital Roads Expenditures	<u>91,974</u>
Total Capital Projects Funds	<u>403,644</u>

Permanent Fund:

Restricted for Cemetery Fund by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	<u>51,043</u>
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Total Non-Major Funds	<u>759,237</u>
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Total Restricted Fund Balances	<u>\$1,676,007</u>
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The fund balances in the following funds are committed as follows:

Non-Major Funds

Special Revenue Funds:

Committed for Jeudevine Memorial Library Expenses by the Voters	\$ 8,999
Committed for Conservation Commission Expenses by the Voters	<u>1,742</u>
Total Special Revenue Funds	<u>10,741</u>

TOWN OF HARDWICK, VERMONT
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Capital Projects Funds:	
Committed for Capital Expenditures by the Voters	\$387,272
Committed for Equipment Replacement Expenditures by the Voters	<u>219,305</u>
Total Capital Projects Funds	<u>606,577</u>
Permanent Fund:	
Committed for Cemetery Expenditures by the Voters	<u>8,200</u>
Total Committed Fund Balances	<u>\$625,518</u>

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

Major Fund

General Fund:	
Assigned for Pedestrian Bridge Project Expenditures	<u>\$100,000</u>

Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	121,387
Capital Projects Funds:	
Assigned for Recreation Capital Expenditures	<u>5,000</u>
Total Non-Major Funds	<u>126,387</u>
Total Assigned Fund Balances	<u>\$226,387</u>

The unassigned deficit of \$197,310 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
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K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2021 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by State Statute	\$ 22,587
Restricted for Equity Committee Expenses by Donations	900
Restricted for Jeudevine Building Expenditures by Donations	915,870
Restricted for Restoration of Records by State Statute	25,857
Restricted for Community Development by Grant Agreements	575,843
Restricted for Fire Department Special Fund Expenses by Donations	1,976
Restricted for Depot Roof Replacement by Donations	20,000
Restricted for Town House Painting by Donations	1,750
Restricted for Trails Expenditures by Donations	4,920
Restricted for Recreation Expenditures by Grant Agreement	10,000
Restricted for Highway Expenditures by State Statute	91,974
Restricted for Cemetery Fund by Trust Agreement – Non-Expendable Portion	8,861
Restricted for Cemetery Fund by Trust Agreement – Expendable Portion	<u>51,043</u>
Total Governmental Activities	<u>\$1,731,581</u>

The designated net position of the Town as of June 30, 2021 consisted of the following:

Business-type Activities:

Water Fund:	
Designated for Well Replacement	\$115,757
Designated for Water Capital	<u>440,947</u>
Total Water Fund	<u>556,704</u>
Sewer Fund:	
Designated for Sewer Capital	<u>319,002</u>
Total Business-type Activities	<u>\$875,706</u>

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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	\$ 115,398	\$ 464,873	\$ 579,537
Interest Earnings	359	1,436	860
Transfer In From Operations	0	92,000	94,000
Capital Purchases/Expenses	0	(117,362)	(355,395)
Ending Balance	\$ 115,757	\$ 440,947	\$ 319,002

V. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2020, the measurement date selected by the State of Vermont, the retirement system consisted of 353 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.

TOWN OF HARDWICK, VERMONT
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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.52% and had a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position liability of \$252,974,064. As of June 30, 2021, the Town's proportionate share of this was 0.4382% resulting in a net pension liability of \$1,108,448. The net pension liability was measured as of June 30, 2020, 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 0.4382% was a decrease of 0.0158 from its proportion measured as of the prior year.

For the year ended June 30, 2021, the Town recognized pension expense of \$248,782.

As of June 30, 2021, 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	\$ 99,828	\$ 3,285
Difference between projected and actual investment earnings on pension assets	106,014	0
Changes in assumptions	148,608	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	373	28,064
Town's required employer contributions made subsequent to the measurement date	94,404	0
	\$ 449,227	\$ 31,349

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$94,404 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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>	
2022	\$ 90,211
2023	94,000
2024	81,118
2025	58,145
Total	\$323,474

TOWN OF HARDWICK, VERMONT
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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.

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”.

TOWN OF HARDWICK, VERMONT
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Disability Retirement Allowance:

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

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

Death Benefit:

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

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 – 3.00%. Group B – 5.375%. Group C – 10.50%. Group D – 11.85%.

Employer Contributions – Group A – 4.50%. Group B – 6.00%. Group C – 7.75%. Group D – 10.35%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation, a decrease from 7.50% in the prior year.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

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Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

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

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, 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: 2.30%

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, 2020 are summarized in the following table:

TOWN OF HARDWICK, VERMONT
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	7.07%
US Equity – Large Cap	4%	6.19%
US Equity – Small/Mid Cap	3%	6.93%
Non-US Equity – Large Cap	5%	7.01%
Non-US Equity – Small Cap	2%	7.66%
Emerging Markets Debt	4%	3.66%
Core Bond	20%	0.39%
Private & Alternate Credit	10%	6.03%
US TIPS	3%	(0.20)%
Core Real Estate	5%	4.06%
Non-Core Real Estate	3%	6.43%
Private Equity	10%	11.27%
Infrastructure/Farmland	2%	5.44%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%, a decrease from 7.50% in the prior year. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. 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 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$1,693,483	\$1,108,448	\$627,087

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.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2021

Deferred Compensation Plan

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

B. Risk Management

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

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

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 2021 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.6441	.6441
Highway	.6413	.6413
Local Agreement	.0107	.0107
Education	<u>1.8112</u>	<u>1.7078</u>
Total	<u>3.1073</u>	<u>3.0039</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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-, \$-0-, \$2,243 and \$25,024 during fiscal years 2021, 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, 2021 is \$40,408.

E. Contingent Liabilities

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

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

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 Northern Boarder Regional Commission (NBRC) grant to purchase the building, another \$1M Northern Boarder Regional Commission (NBRC) grant, as well as other smaller grants totaling \$168,418 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 was \$32,100.

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, 2021 was \$41,696.

H. Subsequent Events

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. As of June 30, 2021, the Town has not had any borrowings related to this project.

Subsequent to year end, the Town approved a loan with the State of Vermont Environmental Revolving Fund for sewer system improvements in the amount of \$109,325 with \$54,662 eligible for forgiveness.

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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,419,702	\$ 2,409,849	\$ (9,853)
School Tax Administration Fee	6,000	6,339	339
PILOT	72,235	77,491	5,256
Current Use	159,147	169,108	9,961
Delinquent Late Charges	25,000	27,522	2,522
Trailer Lease Revenue	100	0	(100)
Tax Sale Interest	150	747	597
Zoning Permits	2,500	3,010	510
Licenses and Fees	2,500	3,018	518
Recording Fees	26,400	25,271	(1,129)
Dog License	3,100	1,187	(1,913)
DMV Fees	600	216	(384)
State Aid to Highways	143,000	187,804	44,804
Grant-in-Aid Grant Income	0	10,329	10,329
Copying Fees	4,500	6,739	2,239
Greensboro Police Contract	267,938	267,938	0
COPS Grant	58,152	27,804	(30,348)
Hardwick PD Ticket Revenue	7,500	8,921	1,421
PD Outside Services Revenues	550	950	400
Investment Income	1,500	7,353	5,853
Miscellaneous	2,000	1,218	(782)
Water and Sewer Charges	303,758	306,292	2,534
Fireworks Donations	1,750	0	(1,750)
Miscellaneous Donations	0	1,300	1,300
Room Rent	250	0	(250)
Police Department - Vest Grant Income	649	0	(649)
Government Highway Safety Grant Income	0	2,035	2,035
LGER COVID Grant Income	0	4,096	4,096
Town Meeting Grant Income	0	6,139	6,139
Greenup Day Grant Income	400	400	0
Total Revenues	3,509,381	3,563,076	53,695
Expenditures:			
Office Expenditures:			
Town Manager - Salary	84,000	92,767	(8,767)
Payroll Administrator - Salary	42,630	39,018	3,612
Town Clerk - Salary	50,624	50,843	(219)
Town Clerk Aides - Salary	36,957	38,852	(1,895)
Business Manager - Salary	51,231	51,448	(217)
Social Security	20,937	20,996	(59)
Retirement	15,608	16,299	(691)
Worker's Compensation	1,342	1,122	220
Unemployment Insurance	280	447	(167)
VLCT/PACIF	1,303	1,492	(189)

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Office Expenditures/(Cont'd):			
Health Insurance	\$ 80,609	\$ 78,802	\$ 1,807
Dental/Vision/Life/Disability Insurances	4,765	4,374	391
Town Manager's Office Supplies	5,000	5,445	(445)
Town Clerk's Office Supplies	3,500	3,586	(86)
Town Report	1,900	2,265	(365)
Conferences/Dues	1,800	268	1,532
Tax Billing/Collection Expense	1,500	1,419	81
Telephone	3,000	3,019	(19)
Advertising	1,200	3,264	(2,064)
Copier	750	0	750
Election Expense	1,500	6,985	(5,485)
Computer Services	4,200	3,788	412
Website Maintenance	75	0	75
Equipment Purchases	4,000	2,505	1,495
Lister Supplies	3,000	2,172	828
Health Officer Supplies	50	0	50
Education/Training	3,000	195	2,805
Zoning	2,500	1,854	646
	<u>427,261</u>	<u>433,225</u>	<u>(5,964)</u>
Total Office Expenditures			
Payroll (Other):			
Listers	2,100	4,853	(2,753)
Zoning Administrator	22,475	22,615	(140)
Zoning and Planning Board	2,500	2,400	100
Board of Civil Authority	100	24	76
Moderator	50	50	0
Selectboard	5,000	5,000	0
Social Security	5,805	2,834	2,971
Public Officers Liability	3,945	3,482	463
Election Officials	2,000	306	1,694
Energy Coordinator	50	0	50
Website Coordinator	600	600	0
Community Development Coordinator	28,000	9,068	18,932
Solid Waste Representative	500	500	0
TEC Conferences	100	158	(58)
Part-Time Labor	500	500	0
Town Service Officer	100	100	0
Health Officer	600	600	0
	<u>74,425</u>	<u>53,090</u>	<u>21,335</u>
Total Payroll (Other)			

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Memorial Building:			
Custodian Salary	\$ 9,500	\$ 9,779	\$ (279)
Custodian Social Security	773	702	71
VLCT/PACIF	3,270	2,868	402
Operating Expenses/Supplies	3,000	3,819	(819)
Building Repairs/Maintenance	4,500	963	3,537
Utilities	5,800	5,073	727
Fuel Oil	10,000	5,067	4,933
Elevator	1,500	1,890	(390)
Generator	500	0	500
Total Memorial Building	<u>38,843</u>	<u>30,161</u>	<u>8,682</u>
Public Safety Building:			
VLCT/PACIF	3,500	3,034	466
Operating Supplies	1,000	1,533	(533)
Building Repairs/Maintenance	3,500	1,124	2,376
Utilities	2,500	2,689	(189)
Fuel Oil	5,000	2,296	2,704
Custodial Salary	6,136	5,277	859
Social Security	490	404	86
Total Public Safety Building	<u>22,126</u>	<u>16,357</u>	<u>5,769</u>
Fire Station:			
VLCT/PACIF	3,095	2,675	420
Utilities	2,800	2,456	344
Fuel Oil	7,500	4,007	3,493
Building Repairs/Maintenance	2,000	532	1,468
Total Fire Station	<u>15,395</u>	<u>9,670</u>	<u>5,725</u>
Town House:			
VLCT/PACIF	1,840	1,566	274
Building Repairs/Maintenance	2,000	402	1,598
Utilities	315	226	89
Total Town House	<u>4,155</u>	<u>2,194</u>	<u>1,961</u>
Historical Depot:			
VLCT/PACIF	187	167	20
Building Repairs/Maintenance	400	333	67
Total Historical Depot	<u>587</u>	<u>500</u>	<u>87</u>
Town Property:			
Town Property - Carey Road	156	137	19
Total Town Property	<u>156</u>	<u>137</u>	<u>19</u>

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Old Senior Center Building:			
VLCT/PACIF	\$ 176	\$ 147	\$ 29
Total Old Senior Center Building	<u>176</u>	<u>147</u>	<u>29</u>
Yellow Barn:			
VLCT/PACIF	200	159	41
Building Repairs/Maintenance	0	174	(174)
Utilities	<u>0</u>	<u>200</u>	<u>(200)</u>
Total Yellow Barn	<u>200</u>	<u>533</u>	<u>(333)</u>
Police Department:			
Base Payroll	466,464	399,152	67,312
Overtime	60,000	58,253	1,747
Part-Time Officers	10,000	19,179	(9,179)
Social Security	41,903	37,564	4,339
Retirement	53,994	46,214	7,780
Worker's Compensation	42,503	35,738	6,765
Unemployment Insurance	500	612	(112)
VLCT/PACIF	21,460	17,147	4,313
Health Insurance	96,589	69,101	27,488
Dental/Vision/Life/Disability Insurances	8,350	4,832	3,518
Operating Supplies	7,000	8,098	(1,098)
Training	5,000	4,860	140
Memberships	400	520	(120)
Legal	1,000	810	190
Internet Communication	5,000	4,606	394
Dispatch Services	35,723	31,784	3,939
Telephone	5,000	4,132	868
Cruiser Repairs and Maintenance	7,500	7,763	(263)
Advertising	200	805	(605)
Radio Service	1,000	670	330
Investigation Expense	1,500	894	606
Uniforms - Cleaning	1,600	530	1,070
Uniforms - Purchases	5,000	4,398	602
Fuel	15,000	9,998	5,002
Tires	3,000	3,518	(518)
Education	500	0	500
Equipment	7,500	6,398	1,102
Government Highway Safety Grant Expenses	0	1,636	(1,636)
COPS Grant Expenses	77,537	77,383	154
COVID Grant Expenses	0	6,939	(6,939)
VLCT Grant Expenses	600	0	600
Vest Grant Expenses	<u>1,200</u>	<u>978</u>	<u>222</u>
Total Police Department	<u>983,023</u>	<u>864,512</u>	<u>118,511</u>

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Labor	\$ 9,000	\$ 6,400	\$ 2,600
Social Security	680	473	207
Worker's Compensation	1,249	1,299	(50)
Liability Insurance	4,168	3,763	405
Operating Supplies	2,500	1,752	748
Telephone	1,100	1,503	(403)
Gasoline	100	20	80
Diesel	750	375	375
Dispatch Services	15,162	13,622	1,540
Equipment Purchases	8,100	7,069	1,031
Equipment Repairs	5,500	2,626	2,874
Training	500	0	500
	<hr/>	<hr/>	<hr/>
Total Fire Department	48,809	38,902	9,907
Highway/Garage/Equipment:			
Salaries	289,852	285,607	4,245
Overtime	33,500	17,352	16,148
Sewer Operator	5,053	520	4,533
Social Security	25,868	21,454	4,414
Retirement	19,027	18,687	340
Worker's Compensation	29,472	24,525	4,947
Unemployment Insurance	350	333	17
VLCT/PACIF	14,579	10,818	3,761
Health Insurance	125,325	117,187	8,138
Dental/Vision/Life/Disability Insurances	8,150	8,172	(22)
Summer Gravel	35,000	29,759	5,241
Ditch Stone	8,000	4,104	3,896
Hydro seeding	3,500	2,104	1,396
Mud Season Maintenance	10,000	2,976	7,024
Chloride	22,000	22,601	(601)
East Hardwick Sidewalks	600	599	1
Mowing Contract	5,000	4,950	50
Summer Paving	4,000	4,827	(827)
Guardrails	0	25	(25)
Brush Cutting	5,000	2,600	2,400
Downtown Beauty	2,000	806	1,194
Street Sweeping	4,400	4,000	400
Winter Sand	33,000	21,248	11,752
Winter Salt	90,000	76,969	13,031
Operating Supplies	19,000	18,367	633
Permits/Fees	3,000	4,821	(1,821)
Telephone	1,600	1,397	203
Low Band Radio	1,100	0	1,100

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment/(Cont'd):			
Culverts	\$ 4,000	\$ 3,004	\$ 996
Uniforms	6,000	5,259	741
Sidewalk/Line Painting	2,000	1,306	694
Streetscape	1,500	1,041	459
Storm Drainage	2,000	541	1,459
Road Signs	500	1,323	(823)
Safety/Training	1,500	717	783
Building Repairs	500	1,094	(594)
Equipment Repairs/Maintenance	72,000	57,503	14,497
Fuel	3,000	2,845	155
Diesel Fuel	47,500	35,415	12,085
Utilities	5,000	4,183	817
Fuel Oil	7,500	4,367	3,133
COVID Grant Expenses	0	493	(493)
Grant-in-Aid Grant Expenses	0	11,543	(11,543)
Total Highway/Garage/Equipment	<u>951,376</u>	<u>837,442</u>	<u>113,934</u>
Appropriations:			
Restorative Justice	3,000	0	3,000
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
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
Craftsbury Community Cares	1,500	1,500	0
Hardwick Area Food Pantry	5,000	5,000	0
Area Agency	4,500	4,500	0
Total Appropriations	<u>44,261</u>	<u>41,261</u>	<u>3,000</u>
Rescue Squad Pro-Rated Share:	<u>44,599</u>	<u>45,501</u>	<u>(902)</u>
County Tax:	<u>22,966</u>	<u>22,000</u>	<u>966</u>

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Expenses:			
Auditing	\$ 18,500	\$ 12,000	\$ 6,500
Fireworks	3,000	0	3,000
Animal Control Officer	3,000	3,431	(431)
Professional Services	7,500	4,625	2,875
NVDA	2,363	2,258	105
VLCT	4,500	4,823	(323)
Jeudevine Memorial Library	117,191	117,191	0
Memorial Day	500	464	36
Caspian Lake	3,250	3,250	0
Cemeteries	19,000	17,323	1,677
Transfer to Capital Roads Fund	185,000	185,000	0
Transfer to Capital Fund	120,000	120,000	0
Tax Mapping	4,000	3,900	100
Solid Waste District	2,956	1,434	1,522
Streetlights	22,600	22,083	517
Memorial Park Electricity	320	130	190
Employment Practices Insurance	8,175	6,349	1,826
VLCT Community Crime Insurance	1,893	1,459	434
Town Service Officer Expense	250	336	(86)
Hazard Mitigation Fund	7,500	0	7,500
Tax Sale Expense	2,000	753	1,247
Insurance Deductibles	2,000	0	2,000
Conservation Commission	500	500	0
Lister Professional Services	18,750	18,750	0
Transfer to Equipment Replacement Fund	240,423	240,423	0
Miscellaneous	0	416	(416)
	<u>795,171</u>	<u>766,898</u>	<u>28,273</u>
Total Other Expenses			
Recreation Department:			
Recreation Coordinator Salary	6,240	1,410	4,830
Social Security	440	108	332
Worker's Compensation	350	241	109
Unemployment Insurance	45	44	1
VLCT/PACIF	106	89	17
Youth Programs	11,600	6,109	5,491
Holiday Program	1,500	190	1,310
Green-Up Day	700	1,001	(301)
Senior Trotters	2,200	0	2,200
Supplies and Advertising	500	66	434
Sports Program	800	0	800
Maintenance	2,000	1,103	897
Training	310	0	310
Mileage	262	0	262
Transfer to Capital Fund	0	5,000	(5,000)
	<u>27,053</u>	<u>15,361</u>	<u>11,692</u>
Total Recreation Department			

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Trails Department:			
Worker's Compensation	\$ 195	\$ 178	\$ 17
Unemployment Insurance	35	35	0
VLCT/PACIF	365	246	119
Salaries	3,215	3,137	78
Social Security	289	240	49
Programs and Activities	1,000	1,018	(18)
Advertising	400	173	227
Equipment Repair	1,800	610	1,190
Repair and Construction	800	233	567
Gas, Oil, Diesel	700	285	415
Total Trails Department	<u>8,799</u>	<u>6,155</u>	<u>2,644</u>
Total Expenditures	<u>3,509,381</u>	<u>3,184,046</u>	<u>325,335</u>
Excess of Revenues Over Expenditures	\$ <u>0</u>	379,030	\$ <u>379,030</u>
Fund Balance - July 1, 2020		<u>810,988</u>	
Fund Balance - June 30, 2021		<u>\$ 1,190,018</u>	

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TOWN OF HARDWICK, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 252,974,064	\$ 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	0.4382%	0.4540%	0.4660%	0.4786%	0.4757%	0.5194%	0.5411%
Town's Proportionate Share of the Net Pension Liability	\$ 1,108,448	\$ 787,619	\$ 655,525	\$ 579,855	\$ 612,181	\$ 400,422	\$ 49,382
Town's Covered Employee Payroll	\$ 1,228,035	\$ 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	90.2619%	64.1717%	54.9753%	50.9681%	56.4782%	40.3883%	4.8238%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2020 valuation date:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows:
 - Pre-Retirement:
 - Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.
 - Group D - PubG-2010 General Employee above-median, with generational projection using scale MP-2019.
 - Healthy Post-Retirement - Retirees:
 - Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.
 - Group D - PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.
 - Healthy Post-Retirement - Beneficiaries:
 - Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.
 - Group D - Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.
 - Disabled Retirees:
 - All Groups - PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
 - Group A: Decreased the rates throughout all ages.
 - Group B: For females, slightly decreased the rates at younger ages and then increased the rates at later ages. For males, slightly decreased the rates at most ages.
 - Group C: Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
 - Group D: For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability loan of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members, and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were updated as follows:
 - Simplified female rates to one set of slightly reduced rates for all females.

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

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TOWN OF HARDWICK, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 94,404	\$ 90,812	\$ 87,225	\$ 81,620	\$ 78,160	\$ 72,296	\$ 72,602
Contributions in Relation to the Actuarially Determined Contributions	<u>94,404</u>	<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>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,228,035	\$ 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	7.687%	7.399%	7.315%	7.174%	7.211%	7.292%	7.092%

Notes to Schedule

Valuation Date: June 30, 2020

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

TOWN OF HARDWICK, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total
<u>ASSETS</u>				
Cash	\$ 76,458	\$ 0	\$ 0	\$ 76,458
Restricted Cash	0	275,000	0	275,000
Investments	0	0	64,607	64,607
Receivables	1,691	126	0	1,817
Loans Receivable (Net of Allowance for Uncollectibles)	299,126	0	0	299,126
Due from Other Funds	372,614	740,221	3,497	1,116,332
Prepaid Items	51	0	0	51
Total Assets	<u>\$ 749,940</u>	<u>\$ 1,015,347</u>	<u>\$ 68,104</u>	<u>\$ 1,833,391</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 669	\$ 0	\$ 0	\$ 669
Accrued Payroll and Benefits Payable	3,843	0	0	3,843
Due to Other Funds	0	197,436	0	197,436
Unearned Revenue	9,573	0	0	9,573
Total Liabilities	<u>14,085</u>	<u>197,436</u>	<u>0</u>	<u>211,521</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Loans Receivable	299,126	0	0	299,126
Total Deferred Inflows of Resources	<u>299,126</u>	<u>0</u>	<u>0</u>	<u>299,126</u>
<u>FUND BALANCES</u>				
Nonspendable	51	0	8,861	8,912
Restricted	304,550	403,644	51,043	759,237
Committed	10,741	606,577	8,200	625,518
Assigned	121,387	5,000	0	126,387
Unassigned/(Deficit)	0	(197,310)	0	(197,310)
Total Fund Balances	<u>436,729</u>	<u>817,911</u>	<u>68,104</u>	<u>1,322,744</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 749,940</u>	<u>\$ 1,015,347</u>	<u>\$ 68,104</u>	<u>\$ 1,833,391</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total
Revenues:				
Intergovernmental	\$ 39,179	\$ 153,480	\$ 0	\$ 192,659
Permits, Licenses and Fees	9,028	0	0	9,028
Loan Repayments	69,287	0	0	69,287
Loan Interest Income	9,331	0	0	9,331
Investment Income	1,243	2,108	2,135	5,486
Donations	1,312	4,635	0	5,947
Other	2,883	0	0	2,883
Total Revenues	<u>132,263</u>	<u>160,223</u>	<u>2,135</u>	<u>294,621</u>
Expenditures:				
General Government	19,050	0	0	19,050
Public Safety	0	3,538	0	3,538
Highways and Streets	0	50,127	0	50,127
Culture and Recreation	122,674	0	0	122,674
Community Development	40,345	10,942	0	51,287
Capital Outlay:				
Public Safety	7,000	28,156	0	35,156
Highways and Streets	0	370,768	0	370,768
Culture and Recreation	0	113,797	0	113,797
Debt Service:				
Principal	0	52,295	0	52,295
Interest	0	16,874	0	16,874
Total Expenditures	<u>189,069</u>	<u>646,497</u>	<u>0</u>	<u>835,566</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(56,806)</u>	<u>(486,274)</u>	<u>2,135</u>	<u>(540,945)</u>
Other Financing Sources/(Uses):				
Issuance of Long-term Debt	0	275,000	0	275,000
Proceeds from Sale of Equipment	0	3,000	0	3,000
Transfers In	138,199	550,423	0	688,622
Transfers Out	0	(20,508)	0	(20,508)
Total Other Financing Sources/(Uses)	<u>138,199</u>	<u>807,915</u>	<u>0</u>	<u>946,114</u>
Net Change in Fund Balances	<u>81,393</u>	<u>321,641</u>	<u>2,135</u>	<u>405,169</u>
Fund Balances - July 1, 2020	<u>355,336</u>	<u>496,270</u>	<u>65,969</u>	<u>917,575</u>
Fund Balances - June 30, 2021	<u>\$ 436,729</u>	<u>\$ 817,911</u>	<u>\$ 68,104</u>	<u>\$ 1,322,744</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2021

	Reappraisal Fund	Restoration Fund	Revolving Loan Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Conservation Commission Fund	Total
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 76,458	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,458
Receivables	0	0		0	0	586	1,105	1,691
Loans Receivable (Net of Allowance for Uncollectibles)	0	0	299,126	0	0	0	0	299,126
Due from Other Funds	121,387	25,857	200,259	9,573	1,976	12,925	637	372,614
Prepaid Items	0	0	0	0	0	51	0	51
Total Assets	\$ <u>121,387</u>	\$ <u>25,857</u>	\$ <u>575,843</u>	\$ <u>9,573</u>	\$ <u>1,976</u>	\$ <u>13,562</u>	\$ <u>1,742</u>	\$ <u>749,940</u>
<u>LIABILITIES</u>								
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 669	\$ 0	\$ 669
Accrued Payroll and Benefits Payable	0	0	0	0	0	3,843	0	3,843
Unearned Revenue	0	0	0	9,573	0	0	0	9,573
Total Liabilities	0	0	0	9,573	0	4,512	0	14,085
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Unavailable Loans Receivable	0	0	299,126	0	0	0	0	299,126
Total Deferred Inflows of Resources	0	0	299,126	0	0	0	0	299,126
<u>FUND BALANCES</u>								
Nonspendable	0	0	0	0	0	51	0	51
Restricted	0	25,857	276,717	0	1,976	0	0	304,550
Committed	0	0	0	0	0	8,999	1,742	10,741
Assigned	121,387	0	0	0	0	0	0	121,387
Total Fund Balances	121,387	25,857	276,717	0	1,976	9,050	1,742	436,729
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>121,387</u>	\$ <u>25,857</u>	\$ <u>575,843</u>	\$ <u>9,573</u>	\$ <u>1,976</u>	\$ <u>13,562</u>	\$ <u>1,742</u>	\$ <u>749,940</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Reappraisal Fund	Restoration Fund	Revolving Loan Fund	Restorative Justice Fund	Fire Department Special Fund	Jeudevine Memorial Library Fund	Conservation Commission Fund	Total
Revenues:								
Intergovernmental	\$ 14,611	\$ 15,250	\$ 0	\$ 0	\$ 0	\$ 8,213	\$ 1,105	\$ 39,179
Permits, Licenses and Fees	0	9,028	0	0	0	0	0	9,028
Loan Repayments	0	0	69,287	0	0	0	0	69,287
Loan Interest Income	0	0	9,331	0	0	0	0	9,331
Investment Income	463	21	693	0	10	56	0	1,243
Donations	0	0	0	0	1,100	212	0	1,312
Other	0	0	50	0	0	2,833	0	2,883
Total Revenues	<u>15,074</u>	<u>24,299</u>	<u>79,361</u>	<u>0</u>	<u>1,110</u>	<u>11,314</u>	<u>1,105</u>	<u>132,263</u>
Expenditures:								
General Government	0	18,950	0	0	0	0	100	19,050
Culture and Recreation	0	0	0	0	0	122,674	0	122,674
Community Development	0	0	40,345	0	0	0	0	40,345
Capital Outlay:								
Public Safety	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>0</u>	<u>0</u>	<u>7,000</u>
Total Expenditures	<u>0</u>	<u>18,950</u>	<u>40,345</u>	<u>0</u>	<u>7,000</u>	<u>122,674</u>	<u>100</u>	<u>189,069</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>15,074</u>	<u>5,349</u>	<u>39,016</u>	<u>0</u>	<u>(5,890)</u>	<u>(111,360)</u>	<u>1,005</u>	<u>(56,806)</u>
Other Financing Sources:								
Transfers In	<u>0</u>	<u>20,508</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,191</u>	<u>500</u>	<u>138,199</u>
Total Other Financing Sources	<u>0</u>	<u>20,508</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,191</u>	<u>500</u>	<u>138,199</u>
Net Change in Fund Balances	15,074	25,857	39,016	0	(5,890)	5,831	1,505	81,393
Fund Balances - July 1, 2020	<u>106,313</u>	<u>0</u>	<u>237,701</u>	<u>0</u>	<u>7,866</u>	<u>3,219</u>	<u>237</u>	<u>355,336</u>
Fund Balances - June 30, 2021	<u>\$ 121,387</u>	<u>\$ 25,857</u>	<u>\$ 276,717</u>	<u>\$ 0</u>	<u>\$ 1,976</u>	<u>\$ 9,050</u>	<u>\$ 1,742</u>	<u>\$ 436,729</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2021

	<u>Capital Fund</u>	<u>Equipment Replacement Fund</u>	<u>Capital Roads Fund</u>	<u>Yellow Barn Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Restricted Cash	\$ 0	\$ 275,000	\$ 0	\$ 0	\$ 275,000
Receivables	0	0	0	126	126
Due from Other Funds	<u>428,942</u>	<u>219,305</u>	<u>91,974</u>	<u>0</u>	<u>740,221</u>
Total Assets	<u>\$ 428,942</u>	<u>\$ 494,305</u>	<u>\$ 91,974</u>	<u>\$ 126</u>	<u>\$ 1,015,347</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to Other Funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ 197,436	\$ 197,436
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>197,436</u>	<u>197,436</u>
Fund Balances:					
Restricted	36,670	275,000	91,974	0	403,644
Committed	387,272	219,305	0	0	606,577
Assigned	5,000	0	0	0	5,000
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(197,310)</u>	<u>(197,310)</u>
Total Fund Balances	<u>428,942</u>	<u>494,305</u>	<u>91,974</u>	<u>(197,310)</u>	<u>817,911</u>
Total Liabilities and Fund Balances	<u>\$ 428,942</u>	<u>\$ 494,305</u>	<u>\$ 91,974</u>	<u>\$ 126</u>	<u>\$ 1,015,347</u>

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TOWN OF HARDWICK, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Capital Fund	Equipment Replacement Fund	Capital Roads Fund	Yellow Barn Fund	Total
Revenues:					
Intergovernmental	\$ 138,480	\$ 0	\$ 0	\$ 15,000	\$ 153,480
Investment Income	1,260	598	250	0	2,108
Donations	4,635	0	0	0	4,635
Total Revenues	144,375	598	250	15,000	160,223
Expenditures:					
Public Safety	3,538	0	0	0	3,538
Highways and Streets	12,800	197	37,130	0	50,127
Community Development	0	0	0	10,942	10,942
Capital Outlay:					
Public Safety	28,156	0	0	0	28,156
Highways and Streets	75,011	150,557	145,200	0	370,768
Culture and Recreation	113,797	0	0	0	113,797
Debt Service:					
Principal	0	37,295	15,000	0	52,295
Interest	0	9,248	7,626	0	16,874
Total Expenditures	233,302	197,297	204,956	10,942	646,497
Excess/(Deficiency) of Revenues Over Expenditures	(88,927)	(196,699)	(204,706)	4,058	(486,274)
Other Financing Sources/(Uses):					
Issuance of Long-term Debt	0	275,000	0	0	275,000
Proceeds from Sale of Equipment	0	3,000	0	0	3,000
Transfers In	125,000	240,423	185,000	0	550,423
Transfers Out	(20,508)	0	0	0	(20,508)
Total Other Financing Sources/(Uses)	104,492	518,423	185,000	0	807,915
Net Change in Fund Balances	15,565	321,724	(19,706)	4,058	321,641
Fund Balances/(Deficit) - July 1, 2020	413,377	172,581	111,680	(201,368)	496,270
Fund Balances/(Deficit) - June 30, 2021	\$ <u>428,942</u>	\$ <u>494,305</u>	\$ <u>91,974</u>	\$ <u>(197,310)</u>	\$ <u>817,911</u>

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Base Revenue	\$ 227,344	\$ 219,958	\$ (7,386)
Water Usage Revenue	77,700	76,610	(1,090)
Penalties and Interest	4,500	5,834	1,334
Investment Income	2,652	168	(2,484)
Water Connection Fees	0	1,500	1,500
Total Revenues	312,196	304,070	(8,126)
Expenses:			
Administration Salaries	78,066	78,066	0
Public Works Salaries	54,612	54,612	0
Sewer Operator Salaries and Benefits	3,950	2,080	1,870
Administrative Charge	10,468	10,468	0
Administrative Supplies	1,900	2,438	(538)
VLCT/PACIF	1,500	1,182	318
Town Equipment Charge	10,000	10,000	0
Legal/Audit	5,700	6,000	(300)
Communications	1,200	1,814	(614)
Professional Services	200	300	(100)
Training and Safety	1,000	513	487
Utilities	30,000	30,424	(424)
Line Maintenance	8,000	2,330	5,670
Reservoir Maintenance	500	0	500
Pumphouse Maintenance	3,000	6,115	(3,115)
Generators	850	0	850
Hydrants	1,000	0	1,000
Depreciation Expense	100	0	100
Water Testing	2,000	1,450	550
Chlorination	650	0	650
Permit Fees	3,500	3,253	247
Truck Repair and Maintenance	1,000	551	449
Minor Repair and Maintenance	500	231	269
Gasoline	500	333	167
Bridgman Hill Reservoir	0	9,704	(9,704)
Capital Account Transfer	92,000	92,000	0
Total Expenses	312,196	313,864	(1,668)
Net Income/(Loss)	\$ 0	(9,794)	\$ (9,794)
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(82,849)	
Debt Forgiveness		12,627	
Change in Accrued Interest Payable		(792)	
Well Replacement Account Investment Income		359	
Capital Account Investment Income		1,436	
Capital Account Expenses		(53,951)	
Capital Account Transfer In		92,000	
Change in Net Position - Exhibit G		\$ (40,964)	

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Base Revenue	\$ 331,058	\$ 307,855	\$ (23,203)
Sewer Usage Revenue	120,208	127,715	7,507
Penalties and Interest	5,000	8,715	3,715
Investment Income	3,143	0	(3,143)
Sewer Connection Fees	0	2,000	2,000
Miscellaneous	0	1,000	1,000
Transfers In	4,124	2,600	(1,524)
Total Revenues	463,533	449,885	(13,648)
Expenses:			
Administration Salaries	78,066	78,066	0
Public Works Salaries	54,612	54,612	0
Sewer Operator Salary	52,020	52,014	6
Assistant Sewer Operator Salary	500	1,140	(640)
Sewer Operator Overtime	10,500	9,647	853
Administrative Charge	10,467	10,468	(1)
Administrative Supplies	2,000	2,294	(294)
Health Insurance	21,698	22,184	(486)
Dental Insurance	1,275	1,164	111
Vision Insurance	130	127	3
Life Insurance	245	241	4
Social Security	4,100	4,229	(129)
Retirement	3,750	3,551	199
VLCT/PACIF	7,000	5,246	1,754
Worker's Compensation	4,300	4,253	47
Insurance Deductible	1,000	0	1,000
Unemployment Insurance	120	91	29
Town Equipment Charge	10,000	10,000	0
Legal/Audit	5,700	6,000	(300)
Communications	1,350	2,527	(1,177)
Uniforms	1,000	1,063	(63)
Professional Services	500	625	(125)
Training	1,200	275	925
Safety	1,100	992	108
Utilities - Plant	32,500	33,226	(726)
Utilities - Lift Station	3,300	3,436	(136)
Fuel Oil	3,500	2,949	551
Alarms	800	864	(64)
Water Charge	350	288	62
Lab Operations	7,500	7,640	(140)
Lift Station Maintenance	2,500	0	2,500
Sewer Line Cleaning	5,000	6,000	(1,000)
Sewer Line Maintenance	4,000	3,136	864
Grit Disposal	950	0	950
Plant Maintenance	5,000	4,736	264
Process Chemicals	26,000	19,509	6,491
Licenses and Fees	2,000	1,113	887
Equipment Maintenance	1,000	551	449

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TOWN OF HARDWICK, VERMONT
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenses/(Cont'd):			
Gasoline/Diesel	\$ 500	\$ 333	\$ 167
Mill Street Bond and Interest	2,000	1,755	245
Capital Account Transfer	94,000	94,000	0
Total Expenses	463,533	450,345	13,188
Net Income/(Loss)	\$ 0	(460)	\$ (460)
Adjustments to Reconcile to GAAP Basis Statements:			
Depreciation		(76,591)	
Change in Accrued Interest Payable		39	
Change in Compensated Absences Payable		928	
Change in Net Pension Liability - GASB 68		(7,308)	
Capital Account Investment Income		860	
Capital Account Expenses		(213,292)	
Capital Account Transfer In		94,000	
Change in Net Position - Exhibit G		\$ (201,824)	

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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VT Lic. #92-000180

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont as of and for the year ended June 30, 2021, 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 28, 2022. 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) as a basis for designing 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.

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 2021-01 to be a material weakness.

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 financial statements. 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 28, 2022.

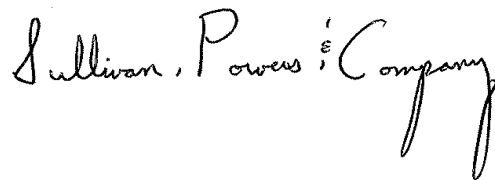
Town of Hardwick, Vermont's Response to Deficiency in Internal Control

The Town of Hardwick, Vermont's response to the deficiency 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 28, 2022
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2021

Deficiencies in Internal Control:

Material Weaknesses:

2021-01 Reconciliation of Balance Sheet Accounts

Criteria:

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

Condition:

The Town did not have internal controls in place to provide for the reconciliation of all balance sheet account to supporting documentation.

Cause:

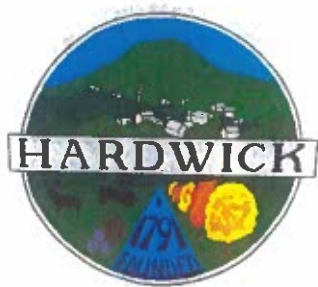
Unknown.

Effect:

A number of balance sheet accounts such as cash, receivables, property, plant and equipment, accumulated depreciation, deferred outflows of resources, accounts payable, bonds payable, net pension liability and deferred inflows of resources were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenue and expenses.

Recommendation:

We recommend the Town implement internal controls to ensure that all balance sheet accounts are reconciled to supporting documentation at least annually in order to detect and correct errors.



**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 20, 2022

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

Dear Sullivan & Powers & Co., P.C.,

Our response to the material weakness is as follows:

2021-01 Reconciliation of Balance Sheet Accounts

The Business Manager will work with a consultant at our existing audit firm (one that is not involved in our actual audit) or from another firm if necessary, at year end to ensure that all balance sheet account balances are correct.

Sincerely,

Casey Rowell

Casey Rowell
Business Manager

**Hardwick Town Manager
Hardwick Town Clerk
Hardwick Public Works Director**

**David Upson
Alberta Miller
Tom Fadden**

**(802) 472-6120
(802) 472-5971
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