

TOWN OF HARDWICK, VERMONT
AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2012

TOWN OF HARDWICK, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2012

	<u>Page #</u>
Independent Auditor's Report	1-3
Basic Financial Statements:	
Statement of Net Assets	Exhibit A 4
Statement of Activities	Exhibit B 5
Governmental Funds:	
Balance Sheet	Exhibit C 6
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 8
Proprietary Funds:	
Statement of Net Assets	Exhibit F 9
Statement of Revenues, Expenses and Changes in Fund Net Assets	Exhibit G 10
Statement of Cash Flows	Exhibit H 11
Notes to the Financial Statements	12-32

TOWN OF HARDWICK, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2012

	<u>Page #</u>
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - (Budgetary Basis) - General Fund	Schedule 1 33-37
Financial Statements of Individual Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	Schedule 2 38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	Schedule 3 39
Combining Balance Sheet - Special Revenue Funds	Schedule 4 40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	Schedule 5 41
Combining Balance Sheet - Permanent Funds	Schedule 6 42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Permanent Funds	Schedule 7 43
Statement of Revenues and Expenses - Budget (Non GAAP Budgetary Basis) and Actual - Water Fund	Schedule 8 44-45
Statement of Revenues and Expenses - Budget (Non GAAP Budgetary Basis) and Actual - Sewer Fund	Schedule 9 46-47
Schedule of Expenditures of Federal Awards	Schedule 10 48
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"	49-50
Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51-52
Schedule of Prior Findings and Deficiencies in Internal Control	53-54
Schedule of Findings and Deficiencies in Internal Control	55

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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

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, 2012, which collectively comprise the Town of Hardwick, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Hardwick, Vermont's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, because of the omission of the Electric Fund, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the business-type activities and the Electric Fund of the Town of Hardwick, Vermont as of June 30, 2012 or the changes in financial position and cash flows thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, the Revolving Loan Fund, the Capital Fund, the Water Fund, the Sewer Fund, and the aggregate remaining fund information of the Town of Hardwick, Vermont as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Town of Hardwick, Vermont has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is required to supplement the basic financial statements.

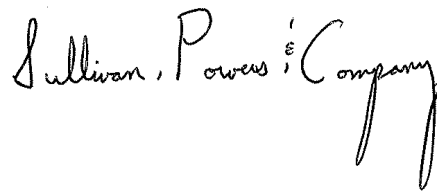
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on Schedule 1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Our audit was conducted for the purpose of forming our opinion 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 express no opinion on them.

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

In accordance with "Government Auditing Standards", we have also issued our report dated August 8, 2013 on our consideration of the Town of Hardwick, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 conducted in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

August 8, 2013
Montpelier, Vermont
Vt Lic. #92-000180

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,685,095	\$ 100	\$ 1,685,195
Investments	50,466	0	50,466
Receivables (Net of Allowance for Uncollectibles)	180,089	88,349	268,438
Loans Receivable	299,820	0	299,820
Internal Balances	(667,821)	667,821	0
Prepaid Expenses	3,892	0	3,892
Inventories	10,969	9,482	20,451
Capital Assets			
Land	129,977	46,432	176,409
Construction in Progress	339,181	13,701	352,882
Other Capital Assets, (Net of Accumulated Depreciation)	4,597,813	3,334,620	7,932,433
	<u>6,629,481</u>	<u>4,160,505</u>	<u>10,789,986</u>
Total Assets			
	<u>6,629,481</u>	<u>4,160,505</u>	<u>10,789,986</u>
 <u>LIABILITIES</u>			
Accounts Payable	24,158	39,134	63,292
Accrued Payroll and Benefits Payable	18,353	1,009	19,362
Accrued Interest Payable	628	1,067	1,695
Deferred Revenue	25,398	389	25,787
Noncurrent Liabilities:			
Due within One Year	52,749	17,078	69,827
Due in More than One Year	238,367	134,863	373,230
	<u>359,653</u>	<u>193,540</u>	<u>553,193</u>
Total Liabilities			
	<u>359,653</u>	<u>193,540</u>	<u>553,193</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	4,837,256	3,247,470	8,084,726
Restricted	581,060	0	581,060
Unrestricted	851,512	719,495	1,571,007
	<u>6,269,828</u>	<u>3,966,965</u>	<u>10,236,793</u>
Total Net Assets			
	<u>\$ 6,269,828</u>	<u>\$ 3,966,965</u>	<u>\$ 10,236,793</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, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	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	\$ 414,030	\$ 38,511	\$ 19,356	\$ 0	\$ (356,163)	\$ 0	\$ (356,163)
Public Safety	893,293	158,377	154,548	5,376	(574,992)	0	(574,992)
Highways & Streets	836,577	0	145,213	339,953	(351,411)	0	(351,411)
Community Development	174,417	16,095	163,682	0	5,360	0	5,360
Culture and Recreation	162,120	2,073	11,306	6,236	(142,505)	0	(142,505)
Interest on Long-term Debt	11,252	0	0	0	(11,252)	0	(11,252)
Total Governmental Activities	2,491,689	215,056	494,105	351,565	(1,430,963)	0	(1,430,963)
Business-type Activities:							
Water	202,120	269,534	0	159,579	0	226,993	226,993
Sewer	427,506	378,738	0	0	0	(48,768)	(48,768)
Total Business-Type Activities	629,626	648,272	0	159,579	0	178,225	178,225
Total Primary Government	\$ 3,121,315	\$ 863,328	\$ 494,105	\$ 511,144	(1,430,963)	178,225	(1,252,738)
General Revenues:							
Property Taxes					1,628,056	0	1,628,056
Interest and Penalties on Delinquent Taxes					21,532	0	21,532
Unrestricted Investment Earnings					5,101	3,021	8,122
General State Grants					155,957	0	155,957
Gain on Sale of Equipment					2,200	0	2,200
Other Revenues					405	0	405
Transfers In/(Out)					(6,109)	6,109	0
Total General Revenues and Transfers In/(Out)					1,807,142	9,130	1,816,272
Change in Net Assets					376,179	187,355	563,534
Net Assets - July 1, 2011					5,893,649	3,779,610	9,673,259
Net Assets - June 30, 2012					\$ 6,269,828	\$ 3,966,965	\$ 10,236,793

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

TOWN OF HARDWICK, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Revolving Loan Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,461,741	\$ 221,727	\$ 0	\$ 1,627	\$ 1,685,095
Investments	0	0	0	50,466	50,466
Receivables (Net of Allowance for Uncollectibles)	135,053	0	43,616	1,420	180,089
Loans Receivable	0	299,820	0	0	299,820
Due from Other Funds	0	0	462,343	199,702	662,045
Prepaid Expenses	3,892	0	0	0	3,892
Inventory	10,969	0	0	0	10,969
Total Assets	\$ 1,611,655	\$ 521,547	\$ 505,959	\$ 253,215	\$ 2,892,376
<u>LIABILITIES</u>					
Liabilities:					
Accounts Payable	\$ 18,969	\$ 0	\$ 4,410	\$ 779	\$ 24,158
Accrued Payroll and Benefits Payable	17,653	0	0	700	18,353
Due to Other Funds	1,328,550	0	0	1,316	1,329,866
Deferred Revenue	36,594	299,820	3,750	14,304	354,468
Total Liabilities	1,401,766	299,820	8,160	17,099	1,726,845
Fund Balances:					
Nonspendable	14,861	0	0	36,245	51,106
Restricted	382	221,727	0	22,886	244,995
Assigned	15,428	0	497,799	176,985	690,212
Unassigned	179,218	0	0	0	179,218
Total Fund Balances	209,889	221,727	497,799	236,116	1,165,531
Total Liabilities and Fund Balances	\$ 1,611,655	\$ 521,547	\$ 505,959	\$ 253,215	

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.

5,066,971

Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.

329,070

Long-Term and Accrued Liabilities are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.

(291,744)

Net Assets of Governmental Activities

\$ 6,269,828

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, 2012

	General Fund	Revolving Loan Fund	Capital Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,630,556	\$ 0	\$ 0	\$ 0	\$ 1,630,556
Penalties & Interest	21,532	0	0	0	21,532
Intergovernmental Revenues	422,493	0	332,145	232,564	987,202
Charges for Services	378,285	0	0	0	378,285
Licenses and Permits	29,678	0	0	0	29,678
Loan Interest Income	0	15,995	0	0	15,995
Loan Repayments	0	141,814	0	0	141,814
Investment Income	1,561	523	2,036	981	5,101
Other	15,027	100	0	4,434	19,561
Total Revenues	2,499,132	158,432	334,181	237,979	3,229,724
Expenditures:					
General Government	510,987	0	10,945	0	521,932
Public Safety	774,772	0	0	57,342	832,114
Highways and Streets	682,252	0	8,750	3,662	694,664
Community Development	0	138,416	0	163,682	302,098
Culture & Recreation	130,179	0	12,217	0	142,396
Capital Outlay:					
General Government	3,882	0	0	0	3,882
Public Safety	27,324	0	0	2,255	29,579
Highways and Streets	15,217	0	457,407	185,364	657,988
Culture & Recreation	8,815	0	23,602	0	32,417
Debt Service:					
Principal	20,370	0	0	22,899	43,269
Interest	2,947	0	0	8,461	11,408
Total Expenditures	2,176,745	138,416	512,921	443,665	3,271,747
Excess/(Deficiency) of Revenues Over Expenditures	322,387	20,016	(178,740)	(205,686)	(42,023)
Other Financing Sources/(Uses):					
Proceeds from Sale of Equipment	0	0	0	1,000	1,000
Proceeds from Sale of Vehicles	1,200	0	0	0	1,200
Transfers In	189	0	149,000	140,000	289,189
Transfers Out	(295,109)	0	0	(189)	(295,298)
Total Other Financing Sources/ (Uses)	(293,720)	0	149,000	140,811	(3,909)
Net Change in Fund Balances	28,667	20,016	(29,740)	(64,875)	(45,932)
Fund Balances - July 1, 2011	181,222	201,711	527,539	300,991	1,211,463
Fund Balances - June 30, 2012	\$ 209,889	\$ 221,727	\$ 497,799	\$ 236,116	\$ 1,165,531

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, 2012

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)	\$	(45,932)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$723,866) is allocated over their estimated useful lives and reported as depreciation expense (\$322,037). This is the amount by which capital outlays exceeded depreciation in the current period.		401,829
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$43,269) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		43,269
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,250
The issuance of loans receivable (\$137,681) consumes current financial resources from governmental funds while the repayment of the principal of loans receivable (\$141,814) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of loans receivable. In addition, \$10,000 was added to the provision for doubtful accounts.		(14,133)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(10,104)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>376,179</u></u>

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

<u>ASSETS</u>	Water Fund	Sewer Fund	Total
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Receivables (Net of Allowance for Uncollectible Accounts)	59,888	28,461	88,349
Due from Other Funds	234,130	433,691	667,821
Inventory	7,150	2,332	9,482
Total Current Assets	<u>301,218</u>	<u>464,534</u>	<u>765,752</u>
Noncurrent Assets:			
Capital Assets			
Land	7,937	38,495	46,432
Construction Work in Progress	2,980	10,721	13,701
Buildings and Building Improvements	64,792	0	64,792
Vehicles, Machinery and Equipment	12,271	82,205	94,476
Distribution/Collection Systems	1,583,536	5,690,910	7,274,446
Less Accumulated Depreciation	<u>(492,712)</u>	<u>(3,606,382)</u>	<u>(4,099,094)</u>
Total Noncurrent Assets	<u>1,178,804</u>	<u>2,215,949</u>	<u>3,394,753</u>
Total Assets	<u>\$ 1,480,022</u>	<u>\$ 2,680,483</u>	<u>\$ 4,160,505</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 34,193	\$ 4,941	\$ 39,134
Accrued Payroll	0	1,009	1,009
Accrued Interest Payable	0	1,067	1,067
Deferred Revenue	389	0	389
General Obligation Bonds Payable - Current Portion	<u>9,100</u>	<u>17,078</u>	<u>26,178</u>
Total Current Liabilities	<u>43,682</u>	<u>24,095</u>	<u>67,777</u>
Noncurrent Liabilities			
Compensated Absences Payable	0	4,658	4,658
General Obligation Bonds - Noncurrent Portion	<u>31,749</u>	<u>89,356</u>	<u>121,105</u>
Total Noncurrent Liabilities	<u>31,749</u>	<u>94,014</u>	<u>125,763</u>
Total Liabilities	<u>75,431</u>	<u>118,109</u>	<u>193,540</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt Unrestricted	<u>1,137,955</u> <u>266,636</u>	<u>2,109,515</u> <u>452,859</u>	<u>3,247,470</u> <u>719,495</u>
Total Net Assets	<u>1,404,591</u>	<u>2,562,374</u>	<u>3,966,965</u>
Total Liabilities and Net Assets	<u>\$ 1,480,022</u>	<u>\$ 2,680,483</u>	<u>\$ 4,160,505</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 264,788	\$ 371,638	\$ 636,426
Penalties & Interest	4,746	7,100	11,846
	<u> </u>	<u> </u>	<u> </u>
Total Operating Revenues	269,534	378,738	648,272
	<u> </u>	<u> </u>	<u> </u>
Operating Expenses:			
Administrative Salaries	56,725	56,725	113,450
Salaries and Wages	34,533	81,121	115,654
Benefits	15	19,027	19,042
Insurances	1,856	12,181	14,037
Administrative Charges	8,434	8,434	16,868
Administrative Expenses	1,389	1,786	3,175
Legal/Audit	5,000	5,000	10,000
Communications	1,298	759	2,057
Maintenance	8,289	22,229	30,518
Utilities	40,836	38,369	79,205
Chemicals	113	17,156	17,269
Depreciation	28,936	145,033	173,969
Other Operating Expenses	5,696	8,117	13,813
Equipment Charge	9,000	9,000	18,000
	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	202,120	424,937	627,057
	<u> </u>	<u> </u>	<u> </u>
Operating Income/(Loss)	67,414	(46,199)	21,215
	<u> </u>	<u> </u>	<u> </u>
Nonoperating Revenues/(Expenses):			
Investment Income	1,051	1,970	3,021
Interest Expense	0	(2,569)	(2,569)
	<u> </u>	<u> </u>	<u> </u>
Total Nonoperating Revenues/(Expenses)	1,051	(599)	452
	<u> </u>	<u> </u>	<u> </u>
Net Income/(Loss) Before Capital Contributions and Transfers In/(Out)	68,465	(46,798)	21,667
	<u> </u>	<u> </u>	<u> </u>
Capital Contributions	159,579	0	159,579
Transfers In	0	8,193	8,193
Transfers Out	(2,084)	0	(2,084)
	<u> </u>	<u> </u>	<u> </u>
Change in Net Assets	225,960	(38,605)	187,355
	<u> </u>	<u> </u>	<u> </u>
Net Assets - July 1, 2011	1,178,631	2,600,979	3,779,610
	<u> </u>	<u> </u>	<u> </u>
Net Assets - June 30, 2012	\$ 1,404,591	\$ 2,562,374	\$ 3,966,965
	<u> </u>	<u> </u>	<u> </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, 2012

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 253,952	\$ 378,419	\$ 632,371
Payments to Suppliers	(34,826)	(100,885)	(135,711)
Payments for Interfund Services	(17,434)	(17,434)	(34,868)
Payments for Wages and Benefits	(91,273)	(156,070)	(247,343)
Net Cash Provided by Operating Activities	<u>110,419</u>	<u>104,030</u>	<u>214,449</u>
Cash Flows From Noncapital Financing Activities:			
(Increase)/Decrease in Due from Other Funds	42,825	(83,785)	(40,960)
Transfers Received from Other Funds	0	8,193	8,193
Transfers Paid to Other Funds	(2,084)	0	(2,084)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>40,741</u>	<u>(75,592)</u>	<u>(34,851)</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(311,790)	(10,721)	(322,511)
Capital Contributions	159,579	0	159,579
Principal Paid on General Obligation Bonds	0	(17,078)	(17,078)
Interest Paid General Obligation Bonds	0	(2,609)	(2,609)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(152,211)</u>	<u>(30,408)</u>	<u>(182,619)</u>
Cash Flows From Investing Activities:			
Receipt of Interest & Dividends	<u>1,051</u>	<u>1,970</u>	<u>3,021</u>
Net Cash Provided by Investing Activities	<u>1,051</u>	<u>1,970</u>	<u>3,021</u>
Net Increase/(Decrease) in Cash	0	0	0
Cash - July 1, 2011	<u>50</u>	<u>50</u>	<u>100</u>
Cash - June 30, 2012	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 100</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	67,414	(46,199)	21,215
Depreciation	28,936	145,033	173,969
(Increase)/Decrease in Receivables	(15,971)	(319)	(16,290)
(Increase)/Decrease in Inventory	61	188	249
Increase/(Decrease) in Accounts Payable	29,590	4,524	34,114
Increase/(Decrease) in Accrued Payroll	0	837	837
Increase/(Decrease) in Compensated Absences Payable	0	(34)	(34)
Increase/(Decrease) in Deferred Revenue	389	0	389
Net Cash Provided by Operating Activities	<u>\$ 110,419</u>	<u>\$ 104,030</u>	<u>\$ 214,449</u>

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Hardwick.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

This report should include all of the funds of the Town of Hardwick, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. 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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

The Town reports on the following major governmental funds:

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

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

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

The Town reports on the following major enterprise funds:

Water Fund ó This fund accounts for the operations of the Water Department of the Town.

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

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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

C. Measurement Focus

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

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) 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 assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

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

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

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 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.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 assets 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.

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities 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 to/from 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 financial statements. Unrealized gains and losses are included in revenue.

3. Receivables

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

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

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 due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

5. Inventories and Prepaid Expenses

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

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

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

6. Capital Assets

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

Depreciable 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:

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 incurred.

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and comp time benefits. The Town also pays accumulated sick time up to 240 hours at retirement if the employee has at least ten (10) years of service. The Town evaluates all employees who have reached seven (7) years of service and, depending on the accrued leave time at that point, determines if they will likely meet the eligibility threshold. The accrual for unused compensated absences time, 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 type financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

8. Long-term Liabilities

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as compensated absences. 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 funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

9. Fund Equity

Fund Balances and Net Assets are 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 assets in the government-wide and proprietary fund type 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 fund type financial statements 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:

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 operating expenses (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 another financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

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

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 changes during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Jeudevine Memorial Library or Recreation Committee activity that is included with the General Fund.

B. Budgeted Deficits

The Town elected to budget cash disbursements in excess of cash receipts by \$12,000 in the General Fund in order to reduce prior years' surplus. This is reflected as a current year's budgeted deficiency of cash receipts over cash disbursements in Schedule 1.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments at June 30, 2012 consisted of the following:

Cash:		
Deposits with Financial Institutions		\$1,684,595
Cash on Hand		<u> 600</u>
Total Cash		<u>1,685,195</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Investments:		
Stock	\$	1,630
Certificates of Deposit		<u>48,836</u>
Total Investments		<u>50,466</u>
Total Cash and Investments		<u>\$1,735,661</u>

The Town has seven (7) certificates of deposit at various banks ranging from \$1,124 to \$21,481 with interest rates ranging from 0.25% to 1.85%. All certificates of deposit will mature by fiscal year 2017.

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 Town's common stock is in the name of the Town and is not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 298,836	\$ 298,836
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank's Name	1,250,000	1,250,000
Uninsured, Uncollateralized	<u>184,595</u>	<u>228,393</u>
Total Cash Deposits	<u>\$ 1,733,431</u>	<u>\$ 1,777,229</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year-end.

Deposits are comprised of the following:

Deposits with Financial Institutions	\$1,684,595
Certificates of Deposit	<u>48,836</u>
	<u>\$1,733,431</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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's certificates of deposit and common stock are exempt from the credit risk analysis. The Town does not have any policy to limit the exposure to credit risk.

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 has 100% of their stock invested in the Royal Bank of Canada.

B. Receivables

Receivables at June 30, 2012, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Delinquent Taxes	\$ 84,835	\$ 0	\$ 84,835
Penalties and Interest	10,709	0	10,709
Billed Services	1,056	30,326	31,382
Unbilled Services	0	15,700	15,700
Grants	83,079	41,690	124,769
Miscellaneous	2,910	1,633	4,543
Allowance for Doubtful Accounts	<u>(2,500)</u>	<u>(1,000)</u>	<u>(3,500)</u>
	<u>\$ 180,089</u>	<u>\$ 88,349</u>	<u>\$ 268,438</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

C. Loans Receivable

Loans Receivable at June 30, 2012 consists of a number of loans for community development as follows:

Note Receivable, Hardwick Housing Partnership, Payable on Demand on and after January 8, 2033, 2% Interest, Secured by a Second Mortgage	\$ 530,000
Note Receivable, Highland Hill Housing Limited Partnership, Payable on Demand on and After August 29, 2018, 0% Interest, Secured by Second Mortgage	327,820
Note Receivable, Bemis Block Housing Limited Partnership, Payable on Demand on and After June 5, 2037, 0% Interest, Secured by Second Mortgage	215,000
Notes Receivable, 16 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 3.0% to 8.0%, Various Due Dates, All Secured by Business Assets.	<u>320,820</u>
Total	1,393,640
Plus: Accrued Interest on Note	193,274
Less: Discount on Notes Receivable and Accrued Interest	(207,775)
Less: Allowance for Doubtful Notes Receivable and Accrued Interest	<u>(1,079,319)</u>
Reported Value at June 30, 2012	\$ <u>299,820</u>

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

<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2012</u>
\$ <u>1,397,773</u>	\$ <u>137,681</u>	\$ <u>141,814</u>	\$ <u>1,393,640</u>

Accrued interest on the Hardwick Housing Partnership loan totals \$193,274.

A discount of \$207,775 has been recorded to accurately reflect the present value of the two notes receivable that have a 0% interest rate and the accrued interest receivable. The Town has imputed a 3% interest rate on these notes and accrued interest which was the average market rate at the time the loans were issued.

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 129,977	\$ 0	\$ 0	\$ 129,977
Construction in Progress	22,994	316,187	0	339,181
Total Capital Assets, Not Being Depreciated	<u>152,971</u>	<u>316,187</u>	<u>0</u>	<u>469,158</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	961,474	0	0	961,474
Vehicles	1,920,395	185,364	34,147	2,071,612
Machinery and Equipment	289,788	44,036	0	333,824
Roads, Bridges and Sidewalks	2,894,000	178,279	0	3,072,279
Totals	<u>6,065,657</u>	<u>407,679</u>	<u>34,147</u>	<u>6,439,189</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	273,545	23,827	0	297,372
Vehicles	796,156	138,184	34,147	900,193
Machinery and Equipment	136,504	21,243	0	157,747
Roads, Bridges and Sidewalks	347,281	138,783	0	486,064
Totals	<u>1,553,486</u>	<u>322,037</u>	<u>34,147</u>	<u>1,841,376</u>
Total Capital Assets, Being Depreciated	<u>4,512,171</u>	<u>85,642</u>	<u>0</u>	<u>4,597,813</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,665,142</u>	<u>\$ 401,829</u>	<u>\$ 0</u>	<u>\$ 5,066,971</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 46,432	\$ 0	\$ 0	\$ 46,432
Construction in Progress	23,134	322,511	331,944	13,701
Total Capital Assets, Not Being Depreciated	<u>69,566</u>	<u>322,511</u>	<u>331,944</u>	<u>60,133</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	64,792	0	0	64,792
Vehicles, Machinery, Equipment and Furniture	94,476	0	0	94,476
Distribution and Collection Systems	6,942,502	331,944	0	7,274,446
Totals	<u>7,101,770</u>	<u>331,944</u>	<u>0</u>	<u>7,433,714</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	16,500	2,160	0	18,660
Vehicles, Machinery, Equipment and Furniture	67,652	4,938	0	72,590
Distribution and Collection Systems	3,840,973	166,871	0	4,007,844
Totals	<u>3,925,125</u>	<u>173,969</u>	<u>0</u>	<u>4,099,094</u>
Total Capital Assets, Being Depreciated	<u>3,176,645</u>	<u>157,975</u>	<u>0</u>	<u>3,334,620</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,246,211</u>	<u>\$ 480,486</u>	<u>\$ 331,944</u>	<u>\$ 3,394,753</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:			
General Government	\$	16,417	Water	\$	28,936
Public Safety		63,550	Sewer		<u>145,033</u>
Highways and Streets		222,803			
Culture and Recreation		<u>19,267</u>			
Total Depreciation Expense - Governmental Activities			Total Depreciation Expense - Business-Type Activities		
	\$	<u>322,037</u>		\$	<u>173,969</u>

E. Interfund Balances and Activity

The composition of interfund balances at June 30, 2012 is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 1,328,550
Capital Fund	462,343	0
Other Governmental Funds	199,702	1,316
Water Fund	234,130	0
Sewer Fund	<u>433,691</u>	<u>0</u>
Total	<u>\$ 1,329,866</u>	<u>\$ 1,329,866</u>

Interfund transfers during the year ended June 30, 2012 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Fund	\$ 149,000	Annual Subsidy
General Fund	Equipment Replacement Fund	137,000	Annual Subsidy
General Fund	Jeudevine Memorial Library Fund	82,864 *	Annual Subsidy
General Fund	Recreation Committee Fund	18,450 *	Annual Subsidy
General Fund	Sewer Fund	6,109	Cost Allocation
General Fund	Restorative Justice Fund	3,000	Annual Subsidy
Water Fund	Sewer Fund	2,084	Cost Allocation
Library Endowment Fund	Jeudevine Memorial Library Fund	<u>189 *</u>	Transfer of Interest Income
Total		<u>\$ 398,696</u>	

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$25,500 of delinquent property taxes and penalty and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities, \$313 of fiscal year 2013 taxes received in advance, and \$10,781 of grant revenue received in advance. The revenue will be recognized as delinquent taxes are collected, fiscal year 2012 taxes are billed, and as expenses are incurred for the grants. Total Deferred Revenue in the General Fund is \$36,594.

Deferred Revenue in the Revolving Loan Fund consists of \$299,820 of net loans receivable. Total deferred revenue in the Revolving Loan Fund is \$299,820.

Deferred Revenue in the Capital Fund consists of \$3,750 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Other Governmental Funds consists of \$14,304 of grant revenue received in advance. Total deferred revenue in the Other Governmental Funds is \$14,304.

G. 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 projects and purchases through local banks.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenue and in the business-type activities if the debt is expected to be repaid from proprietary fund revenue.

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

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

It is the policy of the Town that all earned vacation time must be used by June 30 unless a carry-over is approved by the Town Manager. Employees with at least 10 years of service to the Town will be paid the value of their unused sick leave up to 240 hours at their current rate of pay upon retirement, termination or death. The accrual for compensated absences, based on current rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Long-term liabilities outstanding as of June 30, 2012 were as follows:

Bonds, Notes and Capital Leases Payable:

Governmental Activities:

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Note Payable, Union Bank, Fire Truck Purchase, Principal and Interest Payments of \$24,760 Payable on May 15 Annually, Interest at 2.5%, Due May 15, 2015	\$ 87,861	\$ 0	\$20,370	\$ 67,491
Capital Lease Payable, John Deere Credit, Grader and Loader, Principal and Interest Payments of \$31,360 Payable on June 20 Annually, Interest at 4.5%, Due June 20, 2018	<u>185,123</u>	<u>0</u>	<u>22,899</u>	<u>162,224</u>
Total Governmental Activities	<u>\$272,984</u>	<u>\$ 0</u>	<u>\$43,269</u>	<u>\$229,715</u>

Business-Type Activities:

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Sewer Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal Payments of \$14,778 Payable on April 1 Annually, 0% Interest, Due April 1, 2015	\$ 59,112	\$ 0	\$14,778	\$ 44,334
Sewer Bond Payable, U.S. Department of Agriculture, Mill Street Project, Principal Payments of \$2,300 Payable August 1 Annually, Interest at 4.125% Payable February 1 and August 1, Due August 1, 2038	64,400	0	2,300	62,100

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Water Note Payable, State of Vermont Special Environmental Revolving Fund, Water Supply Planning, Principal Payments of \$9,100 Starting December 1, 2013, 0% Interest, Due December 1, 2017	\$ <u>40,849</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>40,849</u>
Total Business-Type Activities	\$ <u>164,361</u>	\$ <u>0</u>	\$ <u>17,078</u>	\$ <u>147,283</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Notes Payable	\$ 87,861	\$ 0	\$ 20,370	\$ 67,491	\$ 21,389
Capital Leases Payable	185,123	0	22,899	162,224	31,360
Compensated Absences	<u>51,141</u>	<u>10,260</u>	<u>0</u>	<u>61,401</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	\$ <u>324,125</u>	\$ <u>10,260</u>	\$ <u>43,269</u>	\$ <u>291,116</u>	\$ <u>52,749</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 123,512	\$ 0	\$ 17,078	\$ 106,434	\$ 17,078
Notes Payable	40,849	0	0	40,849	0
Compensated Absences	<u>4,692</u>	<u>0</u>	<u>34</u>	<u>4,658</u>	<u>0</u>
Total Business-type Activities Long-Term Liabilities	\$ <u>169,053</u>	\$ <u>0</u>	\$ <u>17,112</u>	\$ <u>151,941</u>	\$ <u>17,078</u>

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

Debt service requirements to maturity are as follows:

Year Ending <u>June 30</u>	Governmental Activities			Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Capital Leases</u>	<u>Principal</u>	<u>Interest</u>
2013	21,389	3,371	31,360	17,078	2,419
2014	22,458	2,302	31,360	26,178	2,324
2015	23,644	1,184	31,360	26,178	2,230
2016	0	0	31,360	11,400	2,135
2017	0	0	31,360	11,400	2,040
2018-2022	0	0	31,360	15,949	8,775
2023-2027	0	0	0	11,500	6,405
2028-2032	0	0	0	11,500	4,032
2033-2037	0	0	0	11,500	1,660
2038-2042	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,600</u>	<u>47</u>
Total	67,491	6,857	188,160	147,283	32,067
Less: Imputed Interest	<u>0</u>	<u>0</u>	<u>(25,936)</u>	<u>0</u>	<u>0</u>
Total	\$ <u>67,491</u>	\$ <u>6,857</u>	\$ <u>162,224</u>	\$ <u>147,283</u>	\$ <u>32,067</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

H. Fund Balances

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 3,892
Nonspendable Inventories	<u>10,969</u>
Total General Fund	<u>14,861</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	\$ 8,861
Nonspendable Library Endowment Fund Principal	<u>27,384</u>
Total Permanent Funds	<u>36,245</u>
Total Nonspendable Fund Balances	<u>\$51,106</u>

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

Major Funds

General Fund:

Restricted for Library Programs by Donations and Grant Agreements	\$ <u>382</u>
--	---------------

Revolving Loan Fund:

Restricted for Community Development by Grant Agreement	<u>221,727</u>
--	----------------

Non-Major Funds

Special Revenue Funds:

Restricted for Dare/Drug Seizure Expenses by Grant Agreements	292
Restricted for Restorative Justice Expenses by Grant Agreements	2,390
Restricted for Fire Department Expenses by Grant Agreements	<u>4,648</u>
Total Special Revenue Funds	<u>7,330</u>

Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements - Expendable Portion	1,479
Restricted for Library Endowment by Trust Agreements - Expendable Portion	<u>14,077</u>
Total Permanent Funds	<u>15,556</u>
Total Non-Major Funds	<u>22,886</u>
Total Restricted Fund Balances	<u>\$244,995</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

The Fund Balances in the following Funds are assigned follows:

Major Funds

General Fund:		
	Assigned for Recreation Committee Expenses	\$ 5,530
	Assigned for Library Expenses	<u>9,898</u>
	Total General Fund	<u>15,428</u>

Capital Fund:		
	Assigned for Capital Expenses	<u>497,799</u>

Non-Major Funds

Special Revenue Funds:		
	Assigned for Reappraisal Expenses	106,827

Capital Projects Funds:		
	Assigned for Equipment Replacement Expenditures	<u>70,158</u>

Total Non-Major Funds 176,985

Total Assigned Fund Balances \$690,212

I. Restricted and Designated Net Assets

The restricted net assets of the Town as of June 30, 2012 consisted of the following:

Governmental Activities:		
	Restricted for Library Programs by Donations and Grant Agreements	\$ 382
	Restricted for Dare/Drug Seizure Expenses by Grant Agreements	292
	Restricted for Restorative Justice Expenses by Grant Agreement	2,390
	Restricted for Fire Department Expenses by Grant Agreement	4,648
	Restricted for Cemetery Fund by Trust Agreement	10,340
	Restricted for Library Endowment Fund by Trust Agreement	41,461
	Restricted for Community Development by Grant Agreements	<u>521,547</u>
	Total Governmental Activities	<u>\$581,060</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

The designated net assets of the Town as of June 30, 2012 consisted of the following:

Business-type Activities:

Water Fund:

Designated for Well Replacement	\$ 66,768
Designated for Water Capital Projects	115,007
Designated for Water Operations	<u>84,861</u>
Total Water Fund	<u>266,636</u>

Sewer Fund:

Designated for Sewer Capital Projects	411,692
Designated for Sewer Operations	<u>41,167</u>
Total Sewer Fund	<u>452,859</u>

Total Business-type Activities \$719,495

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

	<u>Well Replacement Account</u>	<u>Water Capital Account</u>	<u>Sewer Capital Account</u>
Beginning Balance	\$ 61,438	\$ 213,747	\$350,235
Interest Earnings	330	721	1,900
Transfer In From Water Operating Fund	5,000	66,000	0
Transfer In From Sewer Operating Fund	0	0	71,500
Capital Purchases/Expenses	<u>0</u>	<u>(165,461)</u>	<u>(11,943)</u>
Ending Balance	<u>\$ 66,768</u>	<u>\$ 115,007</u>	<u>\$411,692</u>

TOWN OF HARDWICK, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

V. OTHER INFORMATION

A. BENEFIT PLANS

All applicable employees of the Town of Hardwick are covered under the State of Vermont Municipal Employees' Retirement Plan. Employees in Group B contribute 4.5% of their gross salary and the Town contributes 5%. Employees in Group D contribute 11% of their gross salary and the Town contributes 9.5%.

The Town of Hardwick pays all costs accrued each year for the plan. The premise of this plan is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available.

Total payroll for the year was \$1,101,346 while covered payroll was \$881,671. Pension expense for the years ended June 30, 2012, 2011 and 2010 were \$58,447, \$61,829 and \$60,666, respectively.

Additional information regarding the State of Vermont Municipal Employees Retirement System is available upon request from the State of Vermont.

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 of Hardwick 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 of Hardwick 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 of Hardwick. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

TOWN OF HARDWICK, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

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

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Taxes are due and payable on May 10 and become delinquent on May 11. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2012 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.4275	1.5014
Local Agreement	.0059	.0059
Highway	.4500	.4500
General Town	<u>.5593</u>	<u>.5593</u>
 Total Tax Rate/per \$100 of Assessed Valuation	 <u>2.4427</u>	 <u>2.5166</u>

D. 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.

E. RELATED PARTY TRANSACTIONS

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

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,635,782	\$ 1,630,556	\$ (5,226)
School Tax Administration Fee	4,100	4,527	427
PILOT	66,000	71,907	5,907
Current Use	84,050	84,050	0
Delinquent Late Charge	23,000	21,532	(1,468)
Zoning Permits	3,000	3,635	635
Licenses and Fees	26,000	25,116	(884)
DMV Fees	1,200	927	(273)
State Aid to Highways	135,779	135,659	(120)
Copier Fees	5,600	4,306	(1,294)
Greensboro Police Contract	150,869	150,869	0
Police Fines and Miscellaneous Revenues	7,500	7,508	8
Gas Tax Rebate	500	0	(500)
Investment Income	4,500	1,413	(3,087)
Interest on Cemetery Fund - Transfer In	45	0	(45)
Water and Sewer Transfers	217,382	217,383	1
Single Audit Reimbursement	4,000	4,480	480
FEMA - Flood	0	9,554	9,554
K-9 Donation	0	5	5
Homeland Security Grant - Toughbook	0	6,669	6,669
Homeland Security Grant - LPR	0	23,725	23,725
Downtown Beautification Grant	0	4,058	4,058
Fireworks Donations	1,000	1,645	645
Police Department - Vest Grant	1,600	299	(1,301)
COPS Grant	68,700	70,786	2,086
Sale of Vehicle	0	1,200	1,200
Miscellaneous	1,000	405	(595)
Total Revenues	2,441,607	2,482,214	40,607
Expenditures:			
Office Expenditures:			
Town Manager - Salary	65,000	65,250	(250)
Office Manager - Salary	44,282	44,965	(683)
Town Clerk - Salary	39,146	39,303	(157)
Administrative Assistant	38,021	38,696	(675)
Town Clerk Aides	23,340	24,176	(836)
Secretary	0	361	(361)
Social Security Expense	16,049	15,270	779
Health/Dental/Life/Disability Insurances	45,166	45,614	(448)
Retirement Expense	10,489	10,253	236
Town Manager's Office Supplies	4,000	4,342	(342)
Town Clerk's Office Supplies	4,000	3,321	679
Town Report Expense	2,500	2,500	0
Conferences/Dues	900	923	(23)
Tax Billing/Collection Expense	2,000	1,114	886
Telephone	1,800	1,189	611
Advertising	700	545	155
Copier	800	1,170	(370)
Election Expense	500	25	475
Computer Services	2,400	2,207	193
Capital Outlay	4,650	4,479	171
Lister Supplies	3,000	2,744	256

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Office Expenditures/(Cont'd):			
Health Officer Supplies	\$ 200	\$ 0	\$ 200
Education Reimbursement	250	275	(25)
Zoning	1,800	892	908
Staff Enrichment	1,200	693	507
Worker's Compensation	2,248	1,742	506
Unemployment Insurance	2,434	2,263	171
VLCT PACIF	4,820	4,934	(114)
Total Office Expenditures	321,695	319,246	2,449
Payroll (Other):			
Listers	7,680	10,580	(2,900)
Zoning Administrator	17,482	17,550	(68)
Zoning and Planning Board	1,500	1,475	25
Board of Civil Authority	200	0	200
Moderator	50	50	0
Selectboard	5,000	5,000	0
Social Security Expense	2,476	2,681	(205)
Public Officers Liability	7,200	7,372	(172)
Election Officials	825	1,068	(243)
Energy Coordinator	50	50	0
Solid Waste Representative	500	500	0
TEC Conferences	500	40	460
Town Service Officer	50	0	50
Total Payroll (Other)	43,513	46,366	(2,853)
Memorial Building:			
Custodian	7,583	6,985	598
Social Security Expense	580	525	55
Operating Supplies	2,500	2,405	95
Repairs/Maintenance to Building	2,000	1,056	944
Utilities	6,558	6,470	88
Fuel Oil	11,200	14,335	(3,135)
Worker's Compensation	613	349	264
Unemployment Insurance	97	45	52
VLCT PACIF	4,289	4,708	(419)
Town House Repair	1,000	190	810
Town House - PACIF	2,470	1,665	805
Electric	600	757	(157)
Fuel	2,000	929	1,071
Generator	400	0	400
Elevator	2,400	5,842	(3,442)
Total Memorial Building	44,290	46,261	(1,971)
Administration Building:			
VLCT	1,500	0	1,500
Operating Supplies	2,000	0	2,000
Maintenance to Building	2,000	236	1,764
Utilities	2,138	812	1,326
Fuel	6,800	4,757	2,043
Rent	3,600	3,600	0
Total Administration Building	18,038	9,405	8,633

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department:			
Base Payroll	\$ 360,929	\$ 266,372	\$ 94,557
Overtime	22,500	40,775	(18,275)
Special Officers	30,000	27,574	2,426
Social Security Expense	31,627	25,022	6,605
Health/Dental/Life and Disability Insurances	104,437	81,618	22,819
Retirement Expense	36,426	27,764	8,662
K-9 Expense	1,000	925	75
Operating Supplies	4,200	5,360	(1,160)
Memberships	500	300	200
Training	4,000	3,483	517
Internet Communication	3,900	3,865	35
Dispatch Services	30,951	30,951	0
Telephone	4,100	4,043	57
Cruiser Repairs and Maintenance	3,750	7,190	(3,440)
Advertising	200	1,067	(867)
Radio Service	1,250	864	386
Homeland Security Grant Expenses - Toughbook	0	6,669	(6,669)
Homeland Security Grant Expenses - LPR	0	23,725	(23,725)
Investigation Expense	1,500	925	575
Uniforms - Cleaning	1,500	775	725
Uniforms Purchases	3,000	3,686	(686)
Vest Grant	1,315	599	716
Gas	16,500	22,303	(5,803)
Utilities	2,798	2,798	0
Tires	1,500	951	549
COPS Grant Expenses	0	70,786	(70,786)
Education	500	0	500
Equipment	4,000	3,869	131
Workers Compensation	20,745	18,452	2,293
VLCT PACIF	30,696	32,945	(2,249)
Unemployment Insurance	4,448	3,291	1,157
	<u>728,272</u>	<u>718,947</u>	<u>9,325</u>
Total Police Department			
Fire Department:			
Labor	15,977	12,510	3,467
Social Security Expense	1,222	958	264
Operating Supplies	3,000	3,702	(702)
Telephone	1,300	919	381
Repeater Electricity	275	147	128
Gasoline	200	187	13
Utilities	3,224	2,459	765
Fuel Oil	7,600	8,757	(1,157)
Diesel	1,000	2,241	(1,241)
Radio/Dispatch	13,265	13,265	0
Equipment Purchases	3,500	887	2,613
Clothing	2,500	1,235	1,265
Repairs and Maintenance to Fire Station	2,000	437	1,563
Equipment Repairs	4,250	6,899	(2,649)
Training	500	167	333
Worker's Compensation	2,789	694	2,095
VLCT PACIF	9,637	10,995	(1,358)
Fire Truck Debt Payment	24,760	23,317	1,443
	<u>96,999</u>	<u>89,776</u>	<u>7,223</u>
Total Fire Department			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/Garage/Equipment:			
Payroll	\$ 235,289	\$ 227,480	\$ 7,809
Overtime	20,000	25,109	(5,109)
Sewer Operator	6,109	6,109	0
Social Security Expense	19,530	18,223	1,307
Health/Dental/Life and Disability Insurances	77,881	66,926	10,955
Retirement Expense	12,764	11,788	976
Summer Gravel	13,500	12,950	550
Summer Chloride	15,000	12,480	2,520
Mowing Contract	6,000	6,000	0
Summer Paving	4,500	5,086	(586)
Downtown Improvement	0	4,058	(4,058)
Street Sweeping	3,900	3,400	500
Winter Sand	6,750	6,450	300
Winter Salt	46,800	50,883	(4,083)
Worker's Compensation	22,225	20,093	2,132
Unemployment Insurance	2,961	2,463	498
VLCT PACIF	18,932	20,320	(1,388)
Operating Supplies	16,000	17,840	(1,840)
Telephone	1,300	724	576
Low Band Radio	2,884	2,868	16
Culverts	0	201	(201)
Uniforms	5,500	5,987	(487)
Sidewalk Expense	600	823	(223)
Radio Service	500	0	500
Streetscape	1,000	590	410
Road Signs	2,000	3,049	(1,049)
Safety/Training	2,400	3,301	(901)
Building Repairs	1,600	1,166	434
Equipment Expense	25,000	22,573	2,427
Equipment Maintenance Expense	25,000	34,291	(9,291)
Gasoline	4,000	2,119	1,881
Diesel Fuel	41,250	57,074	(15,824)
Utilities	4,895	4,374	521
Storm Damage	0	13,457	(13,457)
	<u>646,070</u>	<u>670,255</u>	<u>(24,185)</u>
Total Highway/Garage/Equipment			
Appropriations:			
Senior Citizens Center	2,500	2,500	0
Restorative Justice	3,000	3,000	0
C.H.H.C.A., Inc.	2,600	2,600	0
Northeast Kingdom Mental Health Service	3,190	3,190	0
Northeast Kingdom Learning	250	250	0
A.W.A.R.E.	3,000	3,000	0
Area Agency on Aging	4,500	4,500	0
Lamoille Family Center	1,200	1,200	0
N.K.Y. Services	600	600	0
NCAL	1,300	1,300	0
Greensboro Nursing	3,000	3,000	0
Railroad Depot	3,000	3,000	0
HCVT	2,500	2,500	0
Rural Community Transportation	3,400	3,400	0
Hardwick Food Shelf	2,200	2,200	0
H.A.C.C.	3,000	3,000	0
	<u>39,240</u>	<u>39,240</u>	<u>0</u>
Total Appropriations			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Rescue Squad Pro-Rated Share:	\$ 14,597	\$ 14,597	\$ 0
County Tax:	<u>14,649</u>	<u>14,649</u>	<u>0</u>
Other Expenses:			
Auditing	18,000	15,314	2,686
Dog Control	2,000	2,093	(93)
Professional Services	7,000	7,883	(883)
Recreation Department	18,450	18,450	0
NVDA	1,333	1,333	0
VLCT	3,817	3,818	(1)
Judevine Memorial Library	82,864	82,864	0
Memorial Day	1,200	701	499
Caspian Lake	2,050	2,050	0
Cemeteries	12,000	12,705	(705)
Solid Waste District	6,414	6,364	50
Streetlights	37,031	33,323	3,708
Employment Practices Insurance	5,335	5,740	(405)
Flexible Benefits	250	250	0
Hardwick/Woodbury Trail Expense	500	500	0
Fireworks	3,000	4,645	(1,645)
Insurance Deductibles	1,000	2,000	(1,000)
Transfer to Equipment Replacement Fund	135,000	135,000	0
Transfer to Capital Improvement Fund	<u>149,000</u>	<u>149,000</u>	<u>0</u>
Total Other Expenses	<u>486,244</u>	<u>484,033</u>	<u>2,211</u>
Total Expenditures	<u>2,453,607</u>	<u>2,452,775</u>	<u>832</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(12,000)</u>	29,439	\$ <u>41,439</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the GAAP Basis of Accounting:			
Library Income		10,787	
Library Transfers In		189	
Library Appropriation		82,864	
Library Expenses		(96,123)	
Recreation Income		7,331	
Recreation Appropriation		18,450	
Recreation Expenses		<u>(24,270)</u>	
Net Change in Fund Balance		\$ <u>28,667</u>	

The reconciling items are due to combining two (2) funds with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds	Capital Project Fund <u>Equipment Replacement Fund</u>	Permanent Funds	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 292	\$ 0	\$ 1,335	\$ 1,627
Investments	0	0	50,466	50,466
Receivables (Net of Allowance for Uncollectibles)	1,420	0	0	1,420
Due from Other Funds	<u>129,544</u>	<u>70,158</u>	<u>0</u>	<u>199,702</u>
TOTAL ASSETS	\$ <u>131,256</u>	\$ <u>70,158</u>	\$ <u>51,801</u>	\$ <u>253,215</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 779	\$ 0	\$ 0	\$ 779
Accrued Payroll and Benefits Payable	700	0	0	700
Due to Other Funds	1,316	0	0	1,316
Deferred Revenue	<u>14,304</u>	<u>0</u>	<u>0</u>	<u>14,304</u>
Total Liabilities	<u>17,099</u>	<u>0</u>	<u>0</u>	<u>17,099</u>
Fund Balances:				
Nonspendable	0	0	36,245	36,245
Restricted	7,330	0	15,556	22,886
Assigned	<u>106,827</u>	<u>70,158</u>	<u>0</u>	<u>176,985</u>
Total Fund Balances	<u>114,157</u>	<u>70,158</u>	<u>51,801</u>	<u>236,116</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>131,256</u>	\$ <u>70,158</u>	\$ <u>51,801</u>	\$ <u>253,215</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Project Fund Equipment Replacement Fund	Permanent Funds	Total
Revenues:				
Intergovernmental Revenues	\$ 232,564	\$ 0	\$ 0	\$ 232,564
Investment Income	507	300	174	981
Donations	3,639	0	0	3,639
Other	795	0	0	795
Total Revenues	237,505	300	174	237,979
Expenditures:				
Public Safety	57,342	0	0	57,342
Highways and Streets	0	3,662	0	3,662
Community Development	163,682	0	0	163,682
Capital Outlay:				
Public Safety	2,255	0	0	2,255
Highways and Streets	0	185,364	0	185,364
Debt Service:				
Principal	0	22,899	0	22,899
Interest	0	8,461	0	8,461
Total Expenditures	223,279	220,386	0	443,665
Excess/(Deficiency) of Revenues Over Expenditures	14,226	(220,086)	174	(205,686)
Other Financing Sources/(Uses):				
Proceeds from Sale of Equipment	0	1,000	0	1,000
Transfers In	3,000	137,000	0	140,000
Transfers Out	0	0	(189)	(189)
Total Other Financing Sources/(Uses)	3,000	138,000	(189)	140,811
Net Change in Fund Balances	17,226	(82,086)	(15)	(64,875)
Fund Balances - July 1, 2011	96,931	152,244	51,816	300,991
Fund Balances - June 30, 2012	\$ 114,157	\$ 70,158	\$ 51,801	\$ 236,116

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 JUNE 30, 2012

	<u>Dare/ Drug Seizure Fund</u>	<u>Grant Fund</u>	<u>Reappraisal Fund</u>	<u>Restorative Justice Fund</u>	<u>Fire Department Special Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash	\$ 292	\$ 0	\$ 0	\$ 0	\$ 0	\$ 292
Receivables (Net of Allowance for Uncollectibles)	0	1,420	0	0	0	1,420
Due from Other Funds	<u>0</u>	<u>0</u>	<u>106,827</u>	<u>17,542</u>	<u>5,175</u>	<u>129,544</u>
TOTAL ASSETS	\$ <u>292</u>	\$ <u>1,420</u>	\$ <u>106,827</u>	\$ <u>17,542</u>	\$ <u>5,175</u>	\$ <u>131,256</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 252	\$ 527	\$ 779
Accrued Payroll and Benefits Payable	0	104	0	596	0	700
Due to Other Funds	0	1,316	0	0	0	1,316
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,304</u>	<u>0</u>	<u>14,304</u>
Total Liabilities	<u>0</u>	<u>1,420</u>	<u>0</u>	<u>15,152</u>	<u>527</u>	<u>17,099</u>
Fund Balances:						
Restricted	292	0	0	2,390	4,648	7,330
Assigned	<u>0</u>	<u>0</u>	<u>106,827</u>	<u>0</u>	<u>0</u>	<u>106,827</u>
Total Fund Balances	<u>292</u>	<u>0</u>	<u>106,827</u>	<u>2,390</u>	<u>4,648</u>	<u>114,157</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>292</u>	\$ <u>1,420</u>	\$ <u>106,827</u>	\$ <u>17,542</u>	\$ <u>5,175</u>	\$ <u>131,256</u>

TOWN OF HARDWICK, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Dare/ Drug Seizure Fund	Grant Fund	Reappraisal Fund	Restorative Justice Fund	Fire Department Special Fund	Total
Revenues:						
Intergovernmental Revenues	\$ 0	\$ 184,706	\$ 14,876	\$ 32,982	\$ 0	\$ 232,564
Investment Income	0	0	483	0	24	507
Donations	0	0	0	2,964	675	3,639
Other	0	200	0	100	495	795
Total Revenues	0	184,906	15,359	36,046	1,194	237,505
Expenditures:						
Public Safety	0	18,969	0	37,339	1,034	57,342
Community Development	0	163,682	0	0	0	163,682
Capital Outlay:						
Public Safety	0	2,255	0	0	0	2,255
Total Expenditures	0	184,906	0	37,339	1,034	223,279
Excess/(Deficiency) of Revenues Over Expenditures	0	0	15,359	(1,293)	160	14,226
Other Financing Sources:						
Transfers In	0	0	0	3,000	0	3,000
Total Other Financing Sources	0	0	0	3,000	0	3,000
Net Change in Fund Balances	0	0	15,359	1,707	160	17,226
Fund Balances - July 1, 2011	292	0	91,468	683	4,488	96,931
Fund Balances - June 30, 2012	\$ 292	\$ 0	\$ 106,827	\$ 2,390	\$ 4,648	\$ 114,157

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING BALANCE SHEET
 PERMANENT FUNDS
 JUNE 30, 2012

	<u>Cemetery Fund</u>	<u>Library Endowment Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 1,335	\$ 0	\$ 1,335
Investments	<u>9,005</u>	<u>41,461</u>	<u>50,466</u>
TOTAL ASSETS	<u>\$ 10,340</u>	<u>\$ 41,461</u>	<u>\$ 51,801</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Nonspendable	8,861	27,384	36,245
Restricted	<u>1,479</u>	<u>14,077</u>	<u>15,556</u>
Total Fund Balances	<u>10,340</u>	<u>41,461</u>	<u>51,801</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,340</u>	<u>\$ 41,461</u>	<u>\$ 51,801</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment Income	\$ <u> 47</u>	\$ <u> 127</u>	\$ <u> 174</u>
Total Revenues	<u> 47</u>	<u> 127</u>	<u> 174</u>
Expenditures:	<u> 0</u>	<u> 0</u>	<u> 0</u>
Excess of Revenues Over Expenditures	<u> 47</u>	<u> 127</u>	<u> 174</u>
Other Financing Sources/(Uses):			
Transfers Out	<u> 0</u>	<u> (189)</u>	<u> (189)</u>
Total Other Financing Sources/(Uses)	<u> 0</u>	<u> (189)</u>	<u> (189)</u>
Net Change in Fund Balances	47	(62)	(15)
Fund Balances - July 1, 2011	<u> 10,293</u>	<u> 41,523</u>	<u> 51,816</u>
Fund Balances - June 30, 2012	<u> \$ 10,340</u>	<u> \$ 41,461</u>	<u> \$ 51,801</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Water Rents	\$ 253,406	\$ 264,788	\$ 11,382
Penalties & Interest	4,500	4,746	246
Investment Income	350	330	(20)
Total Revenues	258,256	269,864	11,608
Expenses:			
Administration Salaries	56,725	56,725	0
Public Works Salaries	34,533	34,533	0
Administrative Charge	8,434	8,434	0
Administrative Supplies	2,000	1,389	611
Sewer Fund Transfer	1,221	2,084	(863)
VLCT PACIF	1,551	1,856	(305)
Worker's Compensation	0	15	(15)
Insurance Deductible	500	0	500
Town Equipment Charge	9,000	9,000	0
Legal/Audit	5,000	5,000	0
Communications	1,500	1,298	202
Professional Services	1,500	60	1,440
Training and Safety	1,200	699	501
Utilities	35,092	40,836	(5,744)
Line Maintenance	13,500	7,731	5,769
Reservoir Maintenance	1,000	0	1,000
Pumphouse Maintenance	3,000	558	2,442
Generator - Wolcott Street	1,000	0	1,000
Hydrants	5,000	0	5,000
Water Testing	1,200	1,031	169

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenses/(Cont'd):			
Chlorination	\$ 800	\$ 113	\$ 687
Permit Fees	2,500	3,906	(1,406)
Minor Repair & Maintenance	1,000	0	1,000
Capital Fund Transfer	71,000	71,000	0
Total Expenses	258,256	246,268	11,988
Net Income	\$ 0	23,596	\$ 23,596
Adjustments to Reconcile to GAAP Basis Statements:			
STAG Grant Income		159,579	
Capital Fund Transfers		71,000	
Capital Fund Interest		721	
Depreciation		(28,936)	
Change in Net Assets - Exhibit G		\$ 225,960	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Sewer Charges	\$ 363,959	\$ 371,638	\$ 7,679
Penalties & Interest	6,500	7,100	600
Investment Income	1,000	70	(930)
Transfer In	5,232	8,193	2,961
Total Revenues	376,691	387,001	10,310
Expenses:			
Administration	56,725	56,725	0
Salaries - Sewer Fund	40,685	46,588	(5,903)
Public Works Salaries	34,533	34,533	0
Health Insurance	15,350	13,490	1,860
Social Security	3,112	3,309	(197)
Retirement	2,034	2,228	(194)
VLCT PACIF	9,893	8,460	1,433
Worker's Compensation	2,718	3,279	(561)
Insurance Deductible	500	1	499
Unemployment Insurance	407	441	(34)
Administrative Charge	8,376	8,434	(58)
Administrative Expenses	1,500	1,786	(286)
Equipment Charge	9,000	9,000	0
Legal and Accounting	5,500	5,000	500
Communications	1,000	759	241
Uniforms	900	726	174
Training	700	454	246
Safety	650	566	84
Utilities - Plant	27,800	25,273	2,527
Utilities - Lift Station	6,000	5,050	950

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
STATEMENT OF REVENUES AND EXPENSES
BUDGET (NON GAAP BUDGETARY BASIS) AND ACTUAL
SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Expenses/(Cont'd):			
Fuel Oil	\$ 5,000	\$ 5,016	\$ (16)
Water Charge	2,280	3,030	(750)
Process Chemicals	20,000	17,156	2,844
Lab Operations	4,500	5,107	(607)
Lift Station Maintenance	3,800	2,234	1,566
Plant Operations	6,000	7,004	(1,004)
Sewer Line Cleaning	6,000	6,571	(571)
Sewer Line Maintenance	7,000	4,603	2,397
Grit Disposal	900	593	307
Professional Services	1,500	0	1,500
Licenses & Fees	950	1,266	(316)
Mill Street Bond and Interest	5,100	4,869	231
Bond and Interest	14,778	14,778	0
Capital Fund Transfer	<u>71,500</u>	<u>71,500</u>	<u>0</u>
 Total Expenses	 <u>376,691</u>	 <u>369,829</u>	 <u>6,862</u>
 Net Income	 <u>\$ 0</u>	 17,172	 <u>\$ 17,172</u>
 Adjustments to Reconcile to GAAP Basis Statements:			
Principal Payments on Bonds		17,078	
Depreciation		(145,033)	
Sewer Capital Fund Transfer		71,500	
Sewer Capital Fund Interest		1,900	
Sewer Capital Fund Expenses		<u>(1,222)</u>	
 Change in Net Assets - Exhibit G		 <u>\$ (38,605)</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grant Title Pass-Through Grantor/ Federal Grant/Program Title	CFDA Number	Grant Number	Grant Amount	Expenditures
<u>U.S. Department of Housing & Urban Development</u>				
Passed through Vermont Agency of Commerce and and Community Development				
Community Development Block Grants	14.228	07110-IG08-08(13)	800,000	\$ <u>163,682</u>
Total U.S. Department of Housing & Urban Development				<u>163,682</u>
<u>U.S. Department of Justice</u>				
Edward Bryne Memorial Justice Assistance Grant (JAG) Program - ARRA	16.804	2009-F5613-VT-SB	29,651	4,691
Bulletproof Vest Partnership Program	16.607	2006-BUBX06133138	2,630	299
Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0855	214,256	<u>70,786</u>
Total U.S. Department of Justice				<u>75,776</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction Grants	20.205	VT 11-2	276,350	<u>249,007</u>
Total U.S. Department of Transportation				<u>249,007</u>
<u>U.S. Environmental Protection Agency</u>				
Congressionally Mandated Projects	66.202	EM-97194601	477,000	<u>159,578</u>
Total U.S. Environmental Protection Agency				<u>159,578</u>
<u>U.S. Department of Homeland Security</u>				
Passed through the Vermont Department of Public Safety				
Crisis Counseling	97.032	FEMA-4022-DRVT	10,057	10,057
Homeland Security Grant Program	97.067	02140-78252-048	7,531	6,669
Homeland Security Grant Program	97.067	02140-79252-027	23,725	<u>23,725</u>
Total U.S. Department of Homeland Security				<u>40,451</u>
Total Federal Awards				<u>\$ 688,494</u>

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

Subrecipients:

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.228	\$ 159,201

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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
P.O. Box 523
Hardwick, Vermont 05843

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, 2012 and have issued our report thereon dated August 8, 2013. The report on the business-type activities was adverse because of the omission of the Electric Fund. 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.

Internal Control Over Financial Reporting

Management of the Town of Hardwick, Vermont is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing the audit, we considered the Town of Hardwick, Vermont's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Hardwick, Vermont's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined previously.

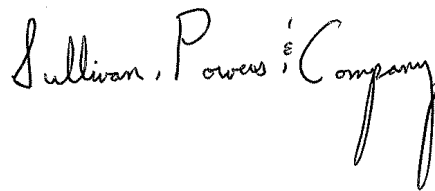
Compliance and Other Matters

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

However, we noted certain other matters that we reported to the management of the Town of Hardwick, Vermont in a separate letter dated August 8, 2013.

This report is intended solely for the information and use of management, the Selectboard, others within the Town, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 8, 2013
Montpelier, Vermont
Vt Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.

Sullivan,Powers & Co.,P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance with Requirements
That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Town of Hardwick, Vermont with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Town of Hardwick, Vermont's major federal programs for the year ended June 30, 2012. The Town of Hardwick, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Town of Hardwick, Vermont's management. Our responsibility is to express an opinion on the Town of Hardwick, Vermont's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Hardwick, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Hardwick, Vermont's compliance with those requirements.

In our opinion the Town of Hardwick, Vermont complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

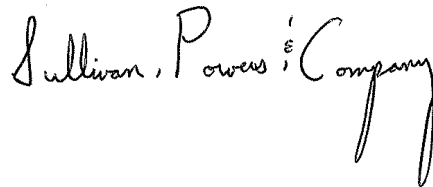
The management of the Town of Hardwick, Vermont is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Hardwick, Vermont's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Hardwick, Vermont's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined previously.

This report is intended solely for the information and use of management, the Selectboard, others within the Town, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 8, 2013
Montpelier, Vermont
Vt Lic. #92-000180

Handwritten signature of Sullivan, Powers & Company in cursive script.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF PRIOR FINDINGS
AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

FINANCIAL STATEMENT FINDINGS:

Deficiencies in Internal Control:

Material Weaknesses:

11-1 Controls Over Capital Grant Revenues and Expenses

Criteria:

Internal controls should be in place that provides reasonable assurance that all grant revenue and expenses are properly recorded.

Condition:

Internal controls over recording grant revenue and expenses were inadequately designed. The Town did not record all of their grant revenue and expenses in the Grant Fund. They did not record grant revenue and expenses of \$36,507.

Cause:

Unknown.

Effect:

An adjustment was required to record additional grant revenues and expenses that were not recorded in the general ledger.

Recommendation:

We recommend that the Town implement procedures to ensure that all grant revenues and expenses are reported in the general ledger.

Corrective Action:

Corrective action was taken.

Significant Deficiencies:

11-2 Controls over Grant Revenue and Deferred Revenue

Criteria:

Internal controls should be in place to ensure grant revenue and expenditure recognition is in accordance with generally accepted accounting principles (GAAP). GAAP requires that funds received in advanced and not spent be recorded as deferred revenue.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF PRIOR FINDINGS
AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

Condition:

Internal controls over recording grant revenue and deferred revenue were inadequately designed. The Town received two (2) grants in advance, however at year-end the Town did not record the unspent portion as deferred revenue.

Cause:

Unknown.

Effect:

An adjustment was required to record additional grant revenues and expenses that were not recorded in the general ledger.

Recommendation:

We recommend that the Town implement procedures to ensure that all grant revenues received in advance are recorded as deferred revenue at the end of the fiscal year.

Corrective Action:

Corrective action was taken.

TOWN OF HARDWICK, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2012

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:
Adverse for the business-type activities.

Unqualified for the governmental activities, the General Fund, the Revolving Loan Fund, the Capital Fund, the Water Fund, the Sewer Fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
No.
Significant Deficiencies identified not considered to be material weaknesses:
No.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
No.
Significant Deficiencies identified not considered to be material weaknesses:
No.

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

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

Major Programs:

<u>CFDA #</u>	<u>Program</u>
20.205	U.S. Department of Transportation's Highway Planning and Construction Grants
14.228	U.S. Department of Housing and Urban Development - Community Development Block Grant

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

The auditee did not qualify as a low risk auditee.