

Town of Hartland, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2020

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Independent Auditor's Report

Board of Selectmen
Town of Hartland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartland, Maine as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartland, Maine, as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and OPEB information on pages 6 through 12 and pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hartland, Maine's basic financial statements. The other supplementary information on Schedules 1-2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information on Schedules 1-2 and the schedule of expenditures of federal awards is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2021, on our consideration of the Town of Hartland, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Hartland, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hartland, Maine's internal control over financial reporting and compliance.

Bartrur Shiodian & Associates

Bangor, Maine
June 16, 2021

Town of Hartland, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hartland's fiscal activity for the year ending June 30, 2020. The report is presented in a manner that fairly represents the Town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town's financial position, and the data is correct to the best of our knowledge and belief.

The report includes funds and accounts that the Town of Hartland is required, either by legal or fiduciary duty, to maintain in the operation of all services. The use of the additional financial statements is encouraged to better understand the report.

The financial information of the Town includes all town departments. All town departments include municipal departments consisting of Public Works, Protection, Administration, HPCF Sewer, Landfill and others. The combination of these gives the true financial status of the Town of Hartland.

FINANCIAL INFORMATION

The Town also owns and operates a pollution control facility and landfill that primarily serves the Town's most significant industry, Tasman Leather Group, LLC and in town sewer users. The Town currently pays 6% of the HPCF budget and Tasman pays 94%. Debt service is split the same percentage. The landfill is stand alone and Tasman Leather Group pays for service by the ton up until 2020.

The Town Administration is responsible for the accounting structure of the community. This structure includes the establishment of financial controls that protect the Town from loss and misuse. All accounting information is maintained and reported using generally accepted accounting principles (GAAP). Further, the administration performs constant review of all services to promote and assure optimum utilization of resources to provide the services requested by the community.

The following is a summary of the financial highlights of the Town for the fiscal year:

- The balance of the Town's cash assets as of June 30, 2020 was \$2,154,705.
- The Town's governmental activities net position increased by a total of \$79,399.
- The Town's general fund's fund balance increased by \$272,790, from \$2,701,620 at June 30, 2019 to \$2,974,410 at June 30, 2020.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is an introduction to the Town's basic financial statements. The basic financial statements are prepared and are part of the Town's annual audit. The MD&A serves as a subjective explanation by the Town of the data contained in the audit. The three areas that the financial statements are broken into include: 1. Government-wide statements, 2. fund financial statements, and 3. Notes to the financial statements. Subjective analyses of the statements and other supplementary information are also made to better explain the statements.

Government-Wide Financial Statements

The government-wide statements are a total overview of the Town's financial status. They include all assets, liabilities, and activities in a manner similar to private sector accounting. The purpose is to show Town finances in a format that is familiar to the common person.

The statement of net position is used to express the financial data required for the government-wide financials. This shows the total assets which now include land, buildings, inventory, and other capital assets. These are then reduced by the liabilities which now include total bonds and leases due over their entire lives. The result is the net position of the Town.

Government-wide statements distinguish business-type activities from governmental activities. Business-type activities are those that are funded in part through user fees or user-based revenue, whereas governmental activities are those that are primarily funded through taxes and governmental fees. The business-type activity in Hartland is the sewer treatment plant and landfill.

Fund Financial Statements

The Town segregates its activities into several funds. Each fund is determined to separate information in order to accurately report specific account activities. The determination of various funds is based upon accounting standards and legal requirements. The funds for the Town are the general fund (primary fund), the permanent fund, the special revenue fund, the Sewer proprietary fund, and private purpose trust funds. Separate statements are presented for governmental, proprietary, and fiduciary activities. The governmental and proprietary statements present each major fund as a separate column on the fund financial statements. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

General Fund

The general fund covers essentially the same data as included in the government-wide statements. The difference is that fund financials focus on yearly inflows and outflows to determine a specific year's accessible resources. Capital assets and depreciation are not included because they do not exemplify a specific year's transactions.

A budgetary comparison exhibit is provided to show budgeted amounts as compared to the actual activity. This information is useful to determine future budgets and community planning.

Sewer Treatment Plant (HPCF) and Landfill Proprietary Funds

This fund accounts for the activities of the Town's sewer and landfill department.

Private Purpose Trust Funds

These funds account for assets held by the Town pursuant to a fiduciary agreement, for the benefit of individuals and entities outside the government.

Notes to Financial Statements

The notes to the financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by Town administration. The reason they are monitored is that they provide additional insight into activities of the Town. These can show areas of strength and weakness for continued success and improvement. The notes to the financial statements are included on pages 24-43.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance (budget and actual with variances) which can be found on page 44.

GOVERNMENT-WIDE ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,473,617 as of June 30, 2020.

Net Position for the Period Ending June 30, 2020 and 2019

The current year’s government-wide financial statements are compared with prior year as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$3,203,167	\$2,920,087	\$ 1,566,977	\$ 1,855,737	\$ 4,770,144	\$ 4,775,824
Capital assets, net	<u>2,280,360</u>	<u>2,530,875</u>	<u>8,958,646</u>	<u>8,239,327</u>	<u>11,239,006</u>	<u>10,770,202</u>
Total Assets	<u>5,483,527</u>	<u>5,450,962</u>	<u>10,525,623</u>	<u>10,095,064</u>	<u>16,009,150</u>	<u>15,546,026</u>
Deferred outflows of resources	<u>50,758</u>	<u>100,367</u>	<u>-</u>	<u>-</u>	<u>50,758</u>	<u>100,367</u>
Current liabilities	46,400	29,740	326,337	2,007,487	372,737	2,037,227
Noncurrent liabilities	<u>331,483</u>	<u>328,329</u>	<u>9,821,985</u>	<u>6,476,250</u>	<u>10,153,468</u>	<u>6,804,579</u>
Total Liabilities	<u>377,883</u>	<u>358,069</u>	<u>10,148,322</u>	<u>8,483,737</u>	<u>10,526,205</u>	<u>8,841,806</u>
Deferred inflows of resources	<u>60,086</u>	<u>47,873</u>	<u>-</u>	<u>-</u>	<u>60,086</u>	<u>47,873</u>
Net Position						
Net investment in capital assets	2,150,357	2,375,760	7,320,049	6,680,679	9,470,406	9,056,439
Restricted	-	-	281,260	150,000	281,260	150,000
Unrestricted(deficit)	<u>2,945,659</u>	<u>2,769,627</u>	<u>(7,224,008)</u>	<u>(5,219,352)</u>	<u>(4,278,049)</u>	<u>(2,449,725)</u>
Total Net Position	<u>\$ 5,096,316</u>	<u>\$ 5,145,387</u>	<u>\$ 377,301</u>	<u>\$ 1,611,327</u>	<u>\$ 5,473,617</u>	<u>\$ 6,756,714</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position:

The Town restated its’ beginning governmental activities capital assets and net position by (\$128,470) to reflect corrections to the valuation of the assets and depreciation recorded in prior years. The Town also restated its proprietary fund capital assets and net position by (\$761,968) to reflect a correction of accumulated depreciation.

As a result of applying GASB 34, the Town recorded depreciation expense of \$259,742 in its governmental activities and added fixed assets of \$298,167 for the year ended June 30, 2020.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2020 and 2019.

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
REVENUES				
<i>Program Revenues:</i>				
Charges for services and other	\$ 25,824	\$ 23,761	\$ 1,637,074	\$ 1,562,114
Operating grants and contributions	52,899	44,085	-	-
Capital grants and contributions	24,088	23,476	1,550,882	2,117,194
<i>General Revenues:</i>				
Property Taxes	2,745,835	2,708,986	-	-
Excise and miscellaneous taxes	270,552	270,301	-	-
Grants and contributions not restricted to specific purpose	400,254	274,011	-	-
Unrestricted investment income	43,619	23,754	3,400	1,871
Interest and lien costs	34,536	32,517	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>\$3,597,607</u>	<u>\$3,400,891</u>	<u>\$ 3,191,356</u>	<u>\$ 3,681,179</u>
EXPENSES				
General government	\$ 333,995	\$ 240,519	\$ -	\$ -
Public safety	264,440	225,403	-	-
Public works	722,290	397,770	-	-
Sanitation	148,576	124,472	-	-
Health and human services	8,530	7,217	-	-
Leisure services	95,564	63,655	-	-
Public service	24,639	21,905	-	-
County tax	319,271	329,122	-	-
Education	1,533,577	1,500,029	-	-
Interest on long-term debt	1,061	1,263	-	-
Special grants and contributions	88,602	84,310	-	-
Business-type expenses	-	-	3,663,414	1,334,024
Total expenses	<u>\$3,540,545</u>	<u>\$ 2,995,565</u>	<u>\$ 3,663,414</u>	<u>\$ 1,334,024</u>
Excess (deficiency) before contributions to permanent fund principal, special items, and transfers	57,062	405,326	(472,058)	2,347,155
Inter-fund transfers	-	(25,703)	-	25,703
Special item – sale of assets	<u>22,337</u>	<u>3,788</u>	<u>-</u>	<u>-</u>
Change in net position	79,399	383,411	(472,058)	2,372,858
Net position, beginning of year	<u>5,145,387</u>	<u>4,777,460</u>	<u>1,611,327</u>	<u>(736,811)</u>
Restatement of beginning balance	<u>(128,470)</u>	<u>(15,484)</u>	<u>(761,968)</u>	<u>(24,720)</u>
Net position, end of year	<u>\$ 5,096,316</u>	<u>\$ 5,145,387</u>	<u>\$ 377,301</u>	<u>\$1,611,327</u>

The narrative that follows considers the operations of governmental and business-type activities separately.

Governmental Activities

For the year ended June 30, 2020, the Town’s net position for governmental activities increased by \$79,399 after restatement of beginning net position.

Expenses of governmental activities include depreciation expense of \$259,742. Depreciation expense has been allocated and is included in various function/program expenses of the Town. General revenues consist of all revenues that are not considered to be program revenues or charges for services. General revenues for the year ended June 30, 2020 totaled \$3,494,796. Of this amount, \$3,016,787 was from local property and excise taxes.

Business-type Activities

As previously mentioned, the Town’s business-type activities consist of its sewer and solid waste treatment plant and its’ landfill funds.

During the year ended June 30, 2020, the Town’s net position from business-type activities decreased by \$472,058, mostly resulting from a \$2,257,160 adjustment to accrued liability for closure and post-closure care costs of the landfill.

Financial Analysis of the Town’s Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

The focus of the Town’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town’s financing requirements. As the Town completed the year, its governmental funds reported a combined fund balance of \$2,974,916, \$272,570 higher than the previous year. An analysis of transactions affecting the change in the combined fund balance of the Town’s governmental funds is as follows:

Revenues include property taxes totaling \$2,754,390. Excise taxes and other taxes accounted for \$270,552 in total revenue.

Total governmental fund expenditures for the years were ended June 30, 2020 and 2019 are broken down as follows:

	2020	2019
General government	\$ 249,772	\$ 233,134
Public safety	209,898	201,373
Public works	608,325	607,388
Sanitation	148,576	124,472
Health and welfare	8,530	7,217
Culture and recreation	95,564	63,655
County tax	319,271	329,122
Education	1,533,577	1,500,029
Public services	24,639	21,905
Principal	25,112	25,112
Interest and other charges	1,061	1,263
Capital outlay	<u>131,602</u>	<u>248,960</u>
Total Governmental Funds Expenditures	<u>\$ 3,355,927</u>	<u>\$ 3,363,630</u>

The Town paid \$131,602 in governmental capital outlays appropriations during the year. A portion of this was capitalized and is reflected in the \$137,696 total added to capital assets as of June 30, 2020.

FIDUCIARY NON-TOWN ACCOUNTS

The Town acts as the fiduciary for non-expendable trust funds, the income of which may be used for cemetery maintenance. The balance in those funds is approximately \$50,758.

Capital Asset and Debt Administration

Capital Assets

	Restated Balance 6/30/19	Additions/ Completions	Retirement/ Restatement	Balance 6/30/20
Governmental Activities				
Buildings and Improvements	\$ 1,935,275	\$ -	\$ -	\$ 1,935,275
Equipment, furniture and vehicles	853,463	43,000	-	896,463
Infrastructure	<u>1,114,673</u>	<u>94,696</u>	-	<u>1,209,369</u>
Total capital assets	3,903,411	137,696	-	4,041,107
Less accumulated depreciation	<u>(1,501,005)</u>	<u>(259,742)</u>	-	<u>(1,760,747)</u>
Total capital assets, net	<u>\$ 2,402,406</u>	<u>\$ (122,046)</u>	<u>\$ -</u>	<u>\$ 2,280,360</u>
Business-Type Activities				
Treatment plant	\$ 12,864,866	\$ 1,663,293	\$ -	\$ 12,864,866
Infrastructure	-	78,165	-	78,165
Equipment	118,264	37,995	-	156,259
Landfill	<u>1,623,263</u>	-	-	<u>1,623,263</u>
Total capital assets	14,606,393	1,779,453	-	16,385,846
Less accumulated depreciation	<u>(7,129,033)</u>	<u>(298,167)</u>	-	<u>(7,427,200)</u>
Total capital assets, net	<u>\$ 7,477,360</u>	<u>\$ 1,481,286</u>	<u>\$ -</u>	<u>\$ 8,958,646</u>

Additional information on the Town's capital assets can be found in Note 3.

The Town restated its' beginning governmental activities capital assets and net position by (\$128,470) to reflect corrections to the valuation of the assets and depreciation recorded in prior years. The Town also restated its proprietary fund capital assets and net position by (\$761,968) to reflect a correction of accumulated depreciation.

Debt Administration

The Town's debt consists of several bonds, notes and capital leases. A summary of the Town's debt activity for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Total Interest Paid</u>
Governmental Activities					
Bonds payable	\$ 19,203	\$ -	\$ (19,203)	\$ -	\$ 1,061
Capital lease obligations	135,912	-	(5,909)	130,003	-
Net OPEB liability	21,438	16,806	(92)	38,152	N/A
Net Pension liability	<u>151,776</u>	<u>17,461</u>	<u>-</u>	<u>169,237</u>	
Total governmental activities	<u>\$ 328,329</u>	<u>\$ 34,267</u>	<u>\$ (25,204)</u>	<u>\$ 337,392</u>	<u>\$ 1,061</u>
Business-Type Activities					
Bonds and notes payable	\$ 613,541	\$1,200,000	\$ (17,148)	\$1,796,393	\$ 9,500
Capital lease obligations	<u>71,059</u>	<u>-</u>	<u>(22,718)</u>	<u>48,341</u>	<u>7,255</u>
Total Business-Type	<u>\$ 684,600</u>	<u>\$1,200,000</u>	<u>\$ (39,866)</u>	<u>1,844,734</u>	<u>\$ 16,755</u>

Additional information on the Town's long-term debt can be found in the Note 4 to the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund Budgetary Highlights

During the year, actual revenues exceeded budgeted revenues by \$312,061. Most of this variance resulted from under budgeted excise tax and intergovernmental revenues.

Budgeted expenditures were higher than actual expenditures by \$170,606 with the utilization of designated carry-forward balances.

ECONOMIC FACTORS AND FUTURE BUDGETS

The Town has been forced to be more financially responsive at a local level with the loss of Tasman Leather Group, LLC. as the largest employer and a significant rate payer. The Town will experience a reduction in the Homestead Exemption and Veteran Exemption amounts due to our sales ratio dropping. These factors along with the general economic climate as a whole make it very challenging. These conditions will require us to continue to look for partners/customers for the Landfill operations and the Hartland Pollution Control Facility operations. Projections from the County show a reduction in costs and the RSU #19 show a slight increase.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Manager, at 21 Elm St., Hartland, Maine 04943 or call (207) 938-4401.

Town of Hartland, Maine
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,155,211	\$ 957,821	\$ 3,113,032
Investments	1,119,579	-	1,119,579
Taxes receivable, net	218,731	-	218,731
Accounts receivable	-	70,874	70,874
Due from other governmental agencies	-	247,428	247,428
Interfund balances	(290,854)	290,854	-
Prepaid expenses	500	-	500
Capital assets being depreciated, net	2,280,360	8,958,646	11,239,006
Total assets	5,483,527	10,525,623	16,009,150
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	38,929	-	38,929
Deferred outflows related to OPEB	11,829	-	11,829
Total deferred outflows of resources	50,758	-	50,758
LIABILITIES			
Accounts payable and accrued expenses	40,491	254,778	295,269
Long-term liabilities			
Due within one year			
Capital lease obligations	5,909	23,672	29,581
Notes payable	-	47,887	47,887
Due in more than one year			
Capital lease obligations	124,094	24,669	148,763
Notes payable	-	1,748,506	1,748,506
Estimated landfill closure costs	-	6,327,001	6,327,001
Estimated post-closure and leachate costs	-	1,721,809	1,721,809
Net pension liability	169,237	-	169,237
Net OPEB liability	38,152	-	38,152
Total liabilities	377,883	10,148,322	10,526,205
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	42,593	-	42,593
Deferred inflows related to OPEB	1,382	-	1,382
Prepaid taxes	16,111	-	16,111
Total deferred inflows of resources	60,086	-	60,086
NET POSITION			
Net investment in capital assets	2,150,357	7,320,049	9,470,406
Restricted, expendable for			
Debt service	-	281,260	281,260
Unrestricted (deficit)	2,945,959	(7,224,008)	(4,278,049)
Total net position	\$ 5,096,316	\$ 377,301	\$ 5,473,617

**Town of Hartland, Maine
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 333,995	\$ 19,849	\$ 3,214	\$ -	\$ (310,932)	\$ -	\$ (310,932)
Health and welfare	8,530	-	-	-	(8,530)	-	(8,530)
Public safety	264,440	-	-	-	(264,440)	-	(264,440)
Public works	722,290	-	-	24,088	(698,202)	-	(698,202)
Sanitation	148,576	-	5,008	-	(143,568)	-	(143,568)
Education	1,533,577	-	-	-	(1,533,577)	-	(1,533,577)
Leisure services	95,564	-	37,032	-	(58,532)	-	(58,532)
County tax	319,271	-	-	-	(319,271)	-	(319,271)
Cemeteries	-	5,975	-	-	5,975	-	5,975
Public services	24,639	-	7,645	-	(16,994)	-	(16,994)
Interest and other charges on long-term debt	1,061	-	-	-	(1,061)	-	(1,061)
Capital outlay reserves	88,602	-	-	-	(88,602)	-	(88,602)
Total governmental activities	<u>3,540,545</u>	<u>25,824</u>	<u>52,899</u>	<u>24,088</u>	<u>(3,437,734)</u>	<u>-</u>	<u>(3,437,734)</u>
Business-type activities							
HPCF - Sewer fund	959,373	1,114,076	-	1,550,882	-	1,705,585	1,705,585
Landfill fund	2,704,041	522,998	-	-	-	(2,181,043)	(2,181,043)
Total business-type activities	<u>3,663,414</u>	<u>1,637,074</u>	<u>-</u>	<u>1,550,882</u>	<u>-</u>	<u>(475,458)</u>	<u>(475,458)</u>
Total government	<u>\$ 7,203,959</u>	<u>\$ 1,662,898</u>	<u>\$ 52,899</u>	<u>\$ 1,574,970</u>	<u>(3,437,734)</u>	<u>(475,458)</u>	<u>(3,913,192)</u>
General revenues							
Taxes							
Property taxes					2,745,835	-	2,745,835
Excise taxes, permits, licenses and other fees					270,552	-	270,552
Interest and lien costs					34,536	-	34,536
Grants and contributions not restricted to specific programs					400,254	-	400,254
Unrestricted investment earnings and interest					43,619	3,400	47,019
<i>Special item - gain on disposal of assets</i>					22,337	-	22,337
Total general revenues and special item					<u>3,517,133</u>	<u>3,400</u>	<u>3,520,533</u>
Change in net position					<u>79,399</u>	<u>(472,058)</u>	<u>(392,659)</u>
NET POSITION - BEGINNING					5,145,387	1,611,327	6,756,714
Restatement of beginning fixed assets (Note 3)					<u>(128,470)</u>	<u>(761,968)</u>	<u>(890,438)</u>
NET POSITION - BEGINNING, RESTATED					<u>5,016,917</u>	<u>849,359</u>	<u>5,866,276</u>
NET POSITION - ENDING					<u>\$ 5,096,316</u>	<u>\$ 377,301</u>	<u>\$ 5,473,617</u>

See accompanying notes to
basic financial statements.

Town of Hartland, Maine
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>Other Governmental Fund- Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,154,705	\$ 506	\$ 2,155,211
Investments	1,119,579	-	1,119,579
Taxes receivable, net	218,731	-	218,731
Prepaid expenses	500	-	500
Total assets	<u>\$ 3,493,515</u>	<u>\$ 506</u>	<u>\$ 3,494,021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 34,231	\$ -	\$ 34,231
Due to other funds	290,854	-	290,854
Accrued payroll liabilities	6,260	-	6,260
Total liabilities	<u>331,345</u>	<u>-</u>	<u>331,345</u>
Deferred inflows of resources			
Prepaid taxes	16,111	-	16,111
Unavailable property taxes	171,649	-	171,649
Total deferred inflows of resources	<u>187,760</u>	<u>-</u>	<u>187,760</u>
Fund balances			
Nonspendable for			
Prepaid expenses	500	-	500
Committed for			
Capital projects	-	506	506
Other purposes	824,752	-	824,752
Assigned for roads	36,315	-	36,315
Unassigned	2,112,843	-	2,112,843
Total fund balances	<u>2,974,410</u>	<u>506</u>	<u>2,974,916</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,493,515</u>	<u>\$ 506</u>	<u>\$ 3,494,021</u>

See accompanying notes to
basic financial statements.

Town of Hartland, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total fund balance, governmental funds	\$	2,974,916
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		2,280,360
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		
Deferred inflows related to property taxes		171,649
Certain deferred outflows of resources and deferred inflows of resources related to pensions are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
Deferred inflows of resources		(43,975)
Deferred outflows of resources		50,758
Some liabilities, (such as Capital Lease Contract Payable, Net Pension Liability, Other Postemployment Benefit Obligation, and Bonds and Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		<u>(337,392)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>5,096,316</u></u>

Town of Hartland, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Other Governmental Fund- Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 2,754,390	\$ -	\$ 2,754,390
Excise and miscellaneous taxes	270,552	-	270,552
Interest and lien costs	34,536	-	34,536
Intergovernmental	428,148	-	428,148
Charges for services	30,762	-	30,762
Investment and interest earnings (loss)	43,619	-	43,619
Contributions and reimbursements	33,225	-	33,225
Miscellaneous	10,928	-	10,928
	<u>3,606,160</u>	<u>-</u>	<u>3,606,160</u>
EXPENDITURES			
Current			
General government	249,772	-	249,772
Public safety	209,898	-	209,898
Public works	608,325	-	608,325
Sanitation	148,576	-	148,576
Recreation	95,564	-	95,564
Education	1,533,577	-	1,533,577
County tax	319,271	-	319,271
Health and welfare	8,530	-	8,530
Public services	24,639	-	24,639
Debt service			
Principal	25,112	-	25,112
Interest and loan fees	1,061	-	1,061
Capital outlay and committed funds	131,382	220	131,602
	<u>3,355,707</u>	<u>220</u>	<u>3,355,927</u>
Excess (deficiency) of revenues over expenditures	250,453	(220)	250,233
SPECIAL ITEM			
Proceeds from sale of property	22,337	-	22,337
Net change in fund balances	272,790	(220)	272,570
FUND BALANCES - BEGINNING	<u>2,701,620</u>	<u>726</u>	<u>2,702,346</u>
FUND BALANCES - ENDING	<u>\$ 2,974,410</u>	<u>\$ 506</u>	<u>\$ 2,974,916</u>

See accompanying notes to
basic financial statements.

Town of Hartland, Maine
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds: \$ 272,570

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlays	\$ 137,696	
Depreciation	<u>(259,742)</u>	(122,046)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes. (8,555)

Some deferred outflows of resources and deferred inflows of resources related to pensions reported in the statement of activities do not require the use of current financial resources and these are not reported in governmental funds:

Deferred outflows related to pension and OPEB		(49,609)
Deferred inflows related to pension and OPEB		(3,900)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.

Debt payments		25,112
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Change in net pension and OPEB liability		<u>(34,173)</u>
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Change in net position of governmental activities		<u><u>\$ 79,399</u></u>
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Town of Hartland, Maine
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds		
	HPCF Sewer		
	Fund	Landfill	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 908,760	\$ 49,061	\$ 957,821
Accounts receivable, net	46,622	24,252	70,874
Interfund advances receivable - current	290,854	-	290,854
Grants receivables from other governments	247,428	-	247,428
Total current assets	<u>1,493,664</u>	<u>73,313</u>	<u>1,566,977</u>
Non-current assets			
Land and improvements	-	78,165	78,165
Property, plant and equipment	16,151,421	118,265	16,269,686
Equipment, vehicles and furniture	37,995	-	37,995
Less accumulated depreciation	<u>(7,375,952)</u>	<u>(51,248)</u>	<u>(7,427,200)</u>
Total non-current assets	<u>8,813,464</u>	<u>145,182</u>	<u>8,958,646</u>
Total assets	<u>10,307,128</u>	<u>218,495</u>	<u>10,525,623</u>
LIABILITIES			
Current liabilities			
Accounts payable	336	7,014	7,350
Capital grant project payables	247,428	-	247,428
Capital lease obligation	-	23,672	23,672
Bonds and notes payable	40,336	7,551	47,887
Total current liabilities	<u>288,100</u>	<u>38,237</u>	<u>326,337</u>
Noncurrent liabilities			
Estimated landfill closure costs	-	6,327,001	6,327,001
Estimated post-closure and leachate costs	-	1,721,809	1,721,809
Bonds and notes payable	1,549,920	198,586	1,748,506
Lease payable - bulldozer	-	24,669	24,669
Total non-current liabilities	<u>1,549,920</u>	<u>8,272,065</u>	<u>9,821,985</u>
Total liabilities	<u>1,838,020</u>	<u>8,310,302</u>	<u>10,148,322</u>
NET POSITION			
Net investment in capital assets	7,223,208	96,841	7,320,049
Restricted for debt service	281,260	-	281,260
Unrestricted (deficit)	964,640	(8,188,648)	(7,224,008)
Total net position	<u>\$ 8,469,108</u>	<u>\$(8,091,807)</u>	<u>\$ 377,301</u>

See accompanying notes to basic financial statements.

Town of Hartland, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds		
	HPCF Sewer Fund	Landfill	Total
REVENUES			
Tasman Leather Group, LLC	\$ 880,672	\$ -	\$ 880,672
Town of Hartland	180,212	-	180,212
Fees	52,719	522,303	575,022
Miscellaneous revenue	473	695	1,168
Total operating revenues	<u>1,114,076</u>	<u>522,998</u>	<u>1,637,074</u>
OPERATING EXPENSES			
Plant maintenance and operations	675,359	415,973	1,091,332
Depreciation	274,514	23,653	298,167
Total operating expenses	<u>949,873</u>	<u>439,626</u>	<u>1,389,499</u>
Operating income	<u>164,203</u>	<u>83,372</u>	<u>247,575</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	3,352	48	3,400
Capital grants and contributions	1,550,882	-	1,550,882
Post landfill closure care costs	-	(2,257,160)	(2,257,160)
Interest expense	(9,500)	(7,255)	(16,755)
Total net non-operating revenues (expenses)	<u>1,544,734</u>	<u>(2,264,367)</u>	<u>(719,633)</u>
Change in net position	1,708,937	(2,180,995)	(472,058)
TOTAL NET POSITION - BEGINNING (DEFICIT)	7,522,139	(5,910,812)	1,611,327
Restatement of beginning accumulated depreciation (Note 3)	<u>(761,968)</u>	<u>-</u>	<u>(761,968)</u>
TOTAL NET POSITION - BEGINNING - RESTATED	<u>6,760,171</u>	<u>(5,910,812)</u>	<u>849,359</u>
TOTAL NET POSITION - ENDING (DEFICIT)	<u>\$ 8,469,108</u>	<u>\$ (8,091,807)</u>	<u>\$ 377,301</u>

Town of Hartland, Maine
Statement of Cash Flows - Proprietary Fund
For the Year ended June 30, 2020

	Enterprise Funds		
	HPCF	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 1,132,243	\$ 523,293	\$ 1,655,536
Payments to suppliers for goods and services	(721,452)	(415,733)	(1,137,185)
Interfund activity	(281,260)	-	(281,260)
Net cash provided by operating activities	<u>129,531</u>	<u>107,560</u>	<u>237,091</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital expenditures	(2,320,555)	(78,165)	(2,398,720)
Interest payments	(9,500)	(7,255)	(16,755)
Proceeds from loans	102,667	-	102,667
Proceeds from grants	2,206,942	-	2,206,942
Bond and note payments and restatements	-	(30,123)	(30,123)
Net cash used by capital and related financing activities	<u>(20,446)</u>	<u>(115,543)</u>	<u>(135,989)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>3,352</u>	<u>48</u>	<u>3,400</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	112,437	(7,935)	104,502
CASH AND CASH EQUIVALENTS, BEGINNING	<u>796,323</u>	<u>56,996</u>	<u>853,319</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 908,760</u>	<u>\$ 49,061</u>	<u>\$ 957,821</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 164,203	\$ 83,372	\$ 247,575
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	274,514	23,653	298,167
(Increase) Decrease in the following assets			
Accounts receivable	18,167	295	18,462
Due from other funds	(281,260)	-	(281,260)
Increase (decrease) in the following liabilities			
Accounts payable	(46,093)	240	(45,853)
Total adjustments to income	<u>(34,672)</u>	<u>24,188</u>	<u>(10,484)</u>
Net cash provided by operating activities	<u>\$ 129,531</u>	<u>\$ 107,560</u>	<u>\$ 237,091</u>

See accompanying notes to basic financial statements.

Town of Hartland, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust Funds
ASSETS	
Investments	\$ 50,758
Total assets	50,758
NET POSITION	
Non-spendable	23,336
Restricted	27,422
Total net position	\$ 50,758

Town of Hartland, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Income	
Interest and investment income	<u>\$ 633</u>
Total additions	633
NET POSITION - BEGINNING	<u>50,125</u>
NET POSITION - ENDING	<u><u>\$ 50,758</u></u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hartland, Maine was incorporated in 1820 under the laws of the State of Maine. The Town operates under a town meeting – selectmen form of government and provides the following services: general government, public safety, sanitation, sewer, public works, town property maintenance, leisure services, and education.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the Town are described below.

A. FINANCIAL REPORTING ENTITY

In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the Town. Additionally, the Town is required to consider other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information of all the activities of the Town, except for fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The business-type activities of the Town include the wastewater treatment plant (HPCF) and a related landfill.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program; and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental, proprietary, and fiduciary activities. The governmental and proprietary statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column, when applicable. The fiduciary statements aggregate and present each fund type as a separate column on the fund financial statements.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

1. Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major governmental fund:

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

2. Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting, in essentially the same manner as a private entity. The accounting objectives are determinations of net income, financial position and cash flow.

The Town has presented the following major proprietary funds:

Enterprise Fund –Wastewater Treatment Plant and Landfill

The enterprise fund is used to account for the operations of the waste water treatment plant and the landfill. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The costs of providing treatment services to Tasman Leather Group, LLC and the general public and operating the landfill are financed through user fees. Fees paid by users are recorded as revenues by the enterprise fund since they provide funds necessary to operate the facility. The measurement of financial activity focuses on net income similar to the private sector. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the funds. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (CONTINUED)

3. Fiduciary Funds (not included in government-wide statements)

The Town has presented the following fiduciary fund:

Private Purpose Trust Funds

Private purpose funds are funds held by the Town in a trustee capacity and are accounted for in essentially the same manner as a private entity. Capital maintenance of private purpose funds is critical. The Town accounts for the activities of endowments whose purpose benefits individuals or entities outside the government using this fund type.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and the fund financial statements for proprietary funds and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net position and the operating statements present increases, revenues, and decreases, expenses, in net total position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures and compensated absence expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, intergovernmental revenues, and charges for services. All other governmental fund revenues are recognized when received.

E. BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the selectmen level, since individual department heads do not exist. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Board of Selectmen or required by law.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS

1. Cash, Cash Equivalents and Investments

For purposes of the statements of net position and cash flows, the Town consider all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents include certificates of deposits with a longer maturity. Additional information is presented in Note 2.

Investments are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Additional information, including the composition of investments, is presented in Note 2.

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statement of net position. Any residual balances between the governmental activities and fiduciary funds are reported in the statement of net position as "due to/from fiduciary funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

3. Interfund Transfers

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of the governmental funds on the fund financial statements. For the purposes of the government-wide statement of activities, all interfund transfers between individual funds within governmental activities and individual funds within business-type activities have been eliminated.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of over \$5,000 and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Capital Assets (Continued)

Estimated useful lives are as follows:

Buildings and improvements	25-50 years
Machinery and equipment	3-20 years
Treatment plant	50 years
Infrastructure	20-50 years

The Town elected to utilize the infrastructure transition option in the implementation of GASB Statement #34 which does not require the Town to retroactively capitalize certain infrastructure assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Long-term Debt and Liabilities

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes and bonds payable, leases payable net current portion of notes, bonds and leases and net pension and OPEB liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

6. Compensated Absences

Vacation and sick pay benefits are substantially non-vesting and are not material. Therefore, no liability has been recorded in the financial statements for the year ended June 30, 2020.

7. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

8. Government-wide Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

9. Governmental Fund Balances

Fund balance represents the difference between assets and liabilities in the fund financial statements. Fund balance must be properly reported within one of the five fund balance categories listed below:

Nonspendable such as fund balances associated with inventories or prepaid expenses. The nonspendable fund balance may also include amounts that are required to be maintained intact, such as the corpus of an endowment fund.

Restricted fund balance classification includes amounts that can be used only for the specific purposes stipulated by constitution, grantors or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, which is a Selectmen vote in the Board of Selectmen-manager form of government.

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Selectmen is authorized to assign amounts for a particular purpose under authority granted by the Maine state law.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Town has formally adopted a fund balance policy that addresses the requirements of GASB 54. For expenditures that qualify for multiple categories, amounts will be first spent from restricted fund balance, followed by committed fund balance, then assigned fund balance, and finally unassigned fund balance. The Town has not adopted a minimum fund balance.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

10. Revenue Recognition - Property Taxes

Property taxes were levied on assessed values of April 1, 2019 and were due in full or in installments on September 15, 2019 and April 30, 2020. Interest was charged at 7% per annum on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate.

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2020, and during the first sixty days of the next fiscal year are recognized as revenue in 2020. Receivables estimated to be collectible after the sixty-day period are recorded as deferred inflows of resources in the general fund.

Assessed value	
Real estate	\$ 117,808,250
Personal property	<u>4,028,454</u>
	121,836,704
Tax rate (per \$1,000)	<u>22.60</u>
Commitment	2,753,510
Less: collections and abatements	<u>(2,603,876)</u>
Receivable at June 30, 2020	<u>\$ 149,634</u>
Collection rate	95%

11. Recent and Future Governmental Accounting Standards

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*. This statement improves financial reporting by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The statement was originally issued to be effective for periods beginning after December 15, 2018 but in May of 2020, the Governmental Accounting Standards Board postponed the effective date of this Statement to periods beginning after December 15, 2019. The effect of this Statement on the Town's financial statements is not known at this time.

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This statement improves financial reporting by increasing the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The statement was originally issued to be effective for periods beginning after December 15, 2019 but in May of 2020, the Governmental Accounting Standards Board postponed the effective date of this Statement to periods beginning after June 15, 2021. The effect of this Statement on the Town's financial statements is not known at this time.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2020, the Town reported deposits of \$3,113,032 with bank balances of \$3,227,201. Of the Town's total bank balance of \$3,227,201, \$2,761,717 was exposed to custodial credit risk. Of the exposed amount, \$1,750,000 was collateralized by underlying securities held by the related bank, which were not in the Town's name, and \$1,011,717 was uncollateralized.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	\$2,155,211
Reported in proprietary funds	<u>957,821</u>
Total deposits	<u>\$3,113,032</u>

Investments

Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, and other available bank investments. In addition, the Town can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments of the Town reported in the governmental and fiduciary funds as of June 30, 2020 are as follows:

	Fair Value Level 1
Negotiable certificate of deposits	\$1,119,579
Annuity life insurance policy	<u>50,758</u>
Total investments	<u>\$ 1,170,337</u>

Concentration of Credit Risk: The Town does not have any investments that meet the criteria to be classified as a concentration of credit risk investment.

Interest Rate Risk: The Town does not have a policy related to investment rate risk.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2020, was as follows:

	Balance- Restated June 30, 2019	Additions	Disposals	Balance June 30, 2020
Governmental activities				
<i>Capital assets being depreciated</i>				
Buildings	\$ 1,935,275	\$ -	\$ -	\$ 1,935,275
Machinery, equipment & vehicles	853,463	43,000	-	896,463
Infrastructure roads	<u>1,114,673</u>	<u>94,696</u>	-	<u>1,209,369</u>
Total	<u>3,903,411</u>	<u>137,696</u>	-	<u>4,041,107</u>
<i>Less accumulated depreciation for</i>				
Buildings	(909,471)	(165,422)	-	(1,074,893)
Machinery, equipment, vehicles	(508,290)	(63,746)	-	(572,036)
Infrastructure	<u>(83,244)</u>	<u>(30,574)</u>	-	<u>(113,818)</u>
Total accumulated depreciation	<u>(1,501,005)</u>	<u>(259,742)</u>	-	<u>(1,760,747)</u>
Total capital assets being depreciated, net	<u>2,402,406</u>	<u>(122,046)</u>	-	<u>2,280,360</u>
Total governmental activities, net	<u>\$ 2,402,406</u>	<u>\$ (122,046)</u>	<u>\$ -</u>	<u>\$ 2,280,360</u>
Business-type activities				
<i>Capital assets being depreciated</i>				
Treatment plant	\$ 12,864,866	\$ 1,663,293	\$ -	\$ 14,528,159
Infrastructure roads	-	78,165	-	78,165
Equipment	118,264	37,995	-	156,259
Landfill	<u>1,623,263</u>	<u>-</u>	-	<u>1,623,263</u>
Total	<u>14,606,393</u>	<u>1,779,453</u>	-	<u>16,385,846</u>
<i>Less accumulated depreciation for</i>				
Treatment plant	(6,479,826)	(235,328)	-	(6,715,154)
Equipment	(27,595)	(31,252)	-	(58,847)
Landfill	<u>(621,612)</u>	<u>(31,587)</u>	-	<u>(653,199)</u>
Total accumulated depreciation	<u>(7,129,033)</u>	<u>(298,167)</u>	-	<u>(7,427,200)</u>
Total capital assets being depreciated, net	<u>7,477,360</u>	<u>1,481,286</u>	-	<u>8,958,646</u>
Total business-type activities, net	<u>\$ 7,477,360</u>	<u>\$ 1,481,286</u>	<u>\$ -</u>	<u>\$ 8,958,646</u>

Depreciation was charged to the following activities as follows:

<i>Governmental activities:</i>	
Public safety	\$ 48,217
Public works	76,755
Landfill	131,906
General government	<u>2,864</u>
Total depreciation expense – Governmental activities	<u>\$259,742</u>
Business-type activities	
HPCF and landfill fund	<u>\$298,167</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 3. CAPITAL ASSETS (CONTINUED)

The Town restated its' beginning governmental activities capital assets and net position by (\$128,470) to reflect corrections to the valuation of the assets and depreciation recorded in prior years. The Town also restated its proprietary fund capital assets and net position by (\$761,968) to reflect a correction of accumulated depreciation.

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2020:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Portion due within one year
Governmental Fund-Type Liabilities					
General Obligation Bond					
Maine Bond Bank, issued 2009 due 2019, principal and interest due annually. Interest rate at 1.0%	\$ 19,203	\$ -	\$ (19,203)	\$ -	\$ -
Capital lease payable					
Maine Water Company lease 2012, due annually to April 2042, 0.00%	135,912	-	(5,909)	130,003	5,909
Net pension liability	151,776	17,461	-	169,237	N/A
Net OPEB liability	<u>21,438</u>	<u>16,806</u>	<u>(92)</u>	<u>38,152</u>	<u>N/A</u>
Total governmental long-term liabilities	<u>\$ 328,329</u>	<u>\$ 34,267</u>	<u>\$ (25,204)</u>	<u>\$ 337,392</u>	<u>\$ 5,909</u>
Proprietary Fund Liabilities					
Notes payable					
Rural Development Loan, Issued 2012, due in annual principal and interest payments to 2042. interest rate at 2.0%	\$ 213,541	\$ -	\$ (7,403)	\$ 206,138	\$ 7,551
Rural Development Loan, Issued 2019, due in annual principal and interest payments to 2048. interest rate at 2.375%	400,000	-	(9,745)	390,255	9,976
Rural Development Loan, Issued 2020, due in annual principal and interest payments to 2049. interest rate at 2.125%	-	1,200,000	-	1,200,000	30,360
Total notes payable	<u>713,541</u>	<u>1,200,000</u>	<u>(17,148)</u>	<u>1,796,393</u>	<u>47,887</u>
Capital lease payable					
Bulldozer lease for 5 years, \$25,703 due annually, interest at 4.2%	<u>71,059</u>	<u>-</u>	<u>(22,718)</u>	<u>48,341</u>	<u>23,672</u>
Total proprietary fund long-term liabilities	<u>\$ 684,600</u>	<u>\$ 1,200,000</u>	<u>\$ (39,866)</u>	<u>\$ 1,844,734</u>	<u>\$ 71,559</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

General obligation notes payable

Future maturities of general obligation notes are as follows:

	<u>Proprietary Activities</u>		
2021	\$ 47,887	\$ 38,891	\$ 86,778
2022	48,920	37,858	86,778
2023	49,975	36,803	86,778
2024	51,053	35,725	86,778
2025	52,155	34,623	86,778
2026-2030	278,153	155,737	433,890
2031-2035	309,499	124,391	433,890
2036-2040	344,390	89,500	433,890
2041-2045	347,496	51,372	398,868
2046-2049	<u>266,865</u>	<u>13,998</u>	<u>280,863</u>
	<u>\$ 1,796,393</u>	<u>\$ 618,898</u>	<u>\$ 2,415,291</u>

Overlapping Debt

Town is contingently responsible for a proportionate share of the overlapping debt of RSU 19's debt. At June 30, 2020, the Town's share of the total debt outstanding of share was \$85,339. In addition, the Town is contingently liable for a proportionate share of the overlapping debt of Somerset County. At June 30, 2020, the County had debt outstanding of \$11,505,000, of which the Town share was approximately 2.51% for a total of \$288,207.

Capital Leases Payable

The Town is the lessee of a bulldozer and a sand/salt building under capital leases expiring in 2022 and 2042. The liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair market value of the asset acquired.

As of June 30, 2020, the Town had recorded \$118,264 in governmental activities equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2020 is \$51,248.

Minimum future lease payments under capital leases as of June 30, 2020 are:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
2021	\$ 5,909	\$ 25,703
2022	5,909	25,703
2023	5,909	-
2024	5,909	-
2025	5,909	-
Thereafter	<u>100,458</u>	<u>-</u>
	130,003	51,406
Less amount representing interest	<u>(-)</u>	<u>(3,065)</u>
Present value of minimum lease payments	<u>\$130,003</u>	<u>\$ 48,341</u>

In accordance with Maine law, no municipality shall incur debt for specific purposes in excess of certain percentages of State valuation of such municipality. The Town was in compliance with these limitations.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

Municipal Solid Waste Landfill Closing Costs

The Town of Hartland operates a secure sludge landfill. At present, one section of the landfill, about one-fifth of the available capacity, is in use. As each section reaches capacity, the top and part of the slope are closed and another section is opened next to it.

State and federal laws and regulations require that the Town place a cover on each section of the landfill when it is closed and perform certain maintenance and monitoring functions on each section for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on future closure and post-closure care costs that will be incurred near or after the time when the currently active section of the landfill no longer accepts waste. The recognition of these landfill closure and post-closure costs is based on the portion of this section used during the year. The estimated liability for closure, post-closure, and leachate costs has a balance of \$8,048,810 based on Phase II, Phase III, and the remaining undeveloped licensed area, estimated at 5.3 acres. The balance was increased by \$2,257,160 during the year ended June 30, 2020.

NOTE 5. INTERFUND TRANSACTIONS

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers.

Individual fund transfers at June 30, 2020 arising from these transactions were as follows:

	Due from	Due to
General fund	\$ -	\$ 290,854
Proprietary funds	<u>290,854</u>	<u>-</u>
	<u>\$290,854</u>	<u>\$290,854</u>

NOTE 6. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and leases payable, adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2020:

	Governmental Activities	Business- type Activities
Capital assets	\$ 4,041,107	\$ 16,385,846
Accumulated depreciation	(1,760,747)	(7,427,200)
Related bonds and leases payable	<u>(130,003)</u>	<u>(1,638,597)</u>
Total balance	<u>\$ 2,150,357</u>	<u>\$ 7,320,049</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 7. FUND BALANCE – GENERAL FUND – COMMITTED FOR OTHER PURPOSES

At June 30, 2020, the Town maintained committed fund balances for the following purposes:

Pool	\$ 5,128
Roads	24,088
CDBG loans	49,446
Property sales	45,693
Equipment	6,564
Landfill post monitoring	35,503
Landfill cell opening	148,117
Landfill cell closing	126,832
Landfill intermediate cover	16,807
Sewer upgrades	52,500
200 th Birthday celebration	38,077
Fire department	40,000
Perpetual care	12,228
HPCF	207,769
Transfer station study	<u>16,000</u>
 Total	 <u>\$ 824,752</u>

NOTE 8. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System – Town

Eligible employees participate in the Maine Public Employees Retirement System's Participating Local District (PLD) Plan. The PLD plan is a multiple-employer cost sharing defined benefit plan. Eligible employers (districts) are defined in Maine statute.

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

Contributions

Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Contributions - PLD Plan

Participating employees are required to contribute 8.0% of their annual salary to the Plan by State Statute. The Town is required to pay 10.0% of members' compensation, as determined on an annual basis by the Plan's actuaries. The contribution requirements of plan members and the Town are established by and may be amended by the State legislature. The Town had covered payroll of \$400,035 for the year ended June 30, 2020.

	Year ended 6/30/20		Year ended 6/30/19	
	Amount	Percentage	Amount	Percentage
Town				
Employer	\$ 33,819	10.00%	\$ 33,869	10.00%
Employee	32,003	8.00	27,095	8.00

Net Pension Liability

The collective net pension liability measured as of June 30, 2019 was as follows:

	PLD Plan
Plan collective total pension liability	\$ 3,258,819,605
Less plan net position	<u>(2,953,156,096)</u>
Plan collective net pension liability	<u>\$ 305,663,509</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2020, the Town reported a liability of \$169,237 for its proportionate share of the net pension liability.

The net pension liability for the Town was measured as of June 30, 2019, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Town's proportionate share percentage of the collective net pension liability for the PLD Plan was 0.55367%, allocated based on adjusted contributions to the plan for the year ended June 30, 2019. This percentage was 0.055457% at the prior measurement date of June 30, 2018.

Pension Expense

For the year ended June 30, 2020, the Town recognized pension expense change of \$115,230 related to the PLD Plan, made up of the Town's proportionate share of plan pension expense \$51,941, pension expense related to specific liabilities of individual employers (\$174), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$63,463.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan – Town	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 20,038	\$ -
Changes of assumptions	8,571	-
Net difference between projected and actual investment earnings on pension plan investments	-	42,390
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,320	203
Employer's contributions to plan subsequent to measurement date of collective net pension liability	-	-
Total	<u>\$ 38,929</u>	<u>\$ 42,593</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended June 30	PLD Plan Town
2021	\$ 17,698
2022	(18,385)
2023	(2,951)
2024	(26)
	\$ (3,664)

Actuarial Assumptions, Discount Rate, and Pension Plan Fiduciary Net Position

Information on the pension plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net pension liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and Pension Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at [www.mainebers.org/Publications/Publications.htm#Annual Reports](http://www.mainebers.org/Publications/Publications.htm#Annual%20Reports).

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description

The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees (hereafter referred to as the Health Plan). The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Board of Selectmen has the authority to establish and amend the benefit terms and financing requirements.

No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Changes in the discount rate affect the measurement of the Total OPEB Liability (TOL). Lower discount rates produce higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the TOL to the discount rate.

Benefits Provided

Under the Health Plan, MMEHT provides healthcare and life insurance benefits for retirees and their dependents. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Employees Covered by Benefit Terms – At June 30, 2020, the following employees were covered by the Health Plan benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employee entitled to but not yet receiving benefits	-
Active employees	<u>8</u>
Total	<u><u>8</u></u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Town's total Health Plan OPEB liability of \$38,152 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total Health Plan OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ <u>21,438</u>
Changes for the year:	
Service Cost	4,624
Interest	1,067
Changes of benefit terms	(754)
Differences between expected and actual experience	3,895
Changes in assumptions or other inputs	7,978
Benefit payments	<u>(96)</u>
Net changes	<u>16,714</u>
Balance at June 30, 2020	\$ <u><u>38,152</u></u>

Change in assumptions reflects a change in the discount rate from 4.10% to 2.74% and also a change in valuation method from Projected Unit Credit funding to the Entry Age Normal funding method.

For the year ended June 30, 2020, The Town recognized OPEB expense of \$6,524 related to the Health Plan. At June 30, 2020, The Town reported deferred outflows of resources and deferred inflows of resources related to the Health Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,482	\$ -
Changes in assumptions or other inputs	8,251	1,382
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>96</u>	<u>-</u>
Total	<u><u>\$ 11,829</u></u>	<u><u>\$ 1,382</u></u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Deferred outflows of resources and deferred inflows of resources related to the Health Plan will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ 1,587
2022	1,587
2023	1,587
2024	1,137
2025	1,484
Thereafter	<u>2,969</u>
Total	<u>\$ 10,351</u>

Actuarial Assumptions - Health Plan - The total OPEB liability in the January 1, 2020 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, based on the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007, and version 2020_b, applied to all periods included in the measurement, unless otherwise specified:

Rate of Inflation	2.00%
Rate of Growth in Real Income/GDP per capital 2029+	1.50%
Extra Trend due to Taste/Technology 2029+	1.20%
Expected Health Share of GDP 2029	20.00%
Health Share of GDP Resistance Point	25.00%
Year for Limiting Cost Growth to GDP Growth	2040

Rates of mortality are based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% of ages 111-120, and convergence to the ultimate rate in the year 2020.

As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2016.

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Health plan was 2.74% per annum. The discount rate determination is based upon high quality AA/Aa or higher bond yields in effect for 20-year, tax exempt general obligation municipal bonds using the Bond Buyer index.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Total Health Plan OPEB Liability to Changes in the Discount Rate - The following presents the Town's total OPEB liability related to the Health Plan calculated using the discount rate of 2.74%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage-point higher (3.74%) than the current rate:

	1% Decrease 1.74%	Discount Rate 2.74%	1% Increase 3.74%
Total OPEB Liability	\$ 44,190	\$ 38,152	\$ 33,198
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 44,190</u>	<u>\$ 38,152</u>	<u>\$ 33,198</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the discount rate increases the Net OPEB Liability (NOL) by approximately 15.8%. A one percent increase in the discount rate decreases the NOL by approximately 13.0%.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The table below Presents the Town's total OPEB liability related to the Health Plan calculated using the healthcare cost trend rates, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 32,716	\$ 38,152	\$ 44,902
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 32,716</u>	<u>\$ 38,152</u>	<u>\$ 44,902</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 14.2%. A one percent increase in the healthcare trend rate increases the NOL by approximately 17.7%.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2020

NOTE 10. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The Town is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The Town maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the Town's exposure to losses.

The Town is also a member of the Maine Municipal Association - Property and Casualty Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. There were no deductible claims for the fiscal year.

The Town also a member of the Maine Municipal Association - Workers Compensation Fund ("Fund"). The fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for workers compensation coverage and develop a comprehensive loss control program.

NOTE 11. TAX ABATEMENT TAX INCREMENT FINANCING AGREEMENT

The Town has a property tax abatement or tax increment financing agreement with the Kennebec Regional Development Authority (KRDA) which operates FirstPark, a business park located in the Town. Under this agreement, taxes generated by a base valuation of \$178,000 is retained by the Town for their property. The remainder of the valuation on the property is transferred to KRDA. However, this agreement does not result in any net loss of tax revenue for the Town.

NOTE 12. COMMITMENTS

At June 30, 2020 the Town was committed to \$6,103,107 for a sewer project to complete during the fiscal year ending June 30, 2021.

NOTE 13. CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time. The Town believes there are no significant contingent liabilities relating to compliance or pending legal claims or lawsuits at this time.

NOTE 14. EVALUATION OF SUBSEQUENT EVENTS

On April 6, 2021 the town voted to approve expanding the capacity of the municipal landfill through the authorization of borrowing not to exceed \$3,533,000. The debt proceeds will finance the construction of the remaining permitted capacity of the landfill.

Town of Hartland, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Property taxes	\$ 2,753,510	\$ (6,000)	\$ 2,747,510	\$ 2,754,390	\$ 6,880
Excise and miscellaneous taxes	203,000	-	203,000	270,552	67,552
Interest and lien costs	7,000	-	7,000	34,536	27,536
Intergovernmental	316,589	-	316,589	428,148	111,559
Charges for services	-	-	-	30,762	30,762
Investment and interest earnings (oss)	20,000	-	20,000	43,619	23,619
Contributions and reimbursements	-	-	-	33,225	33,225
Miscellaneous	-	-	-	10,928	10,928
Total revenues	3,300,099	(6,000)	3,294,099	3,606,160	312,061
EXPENDITURES					
Current					
General government	327,880	(6,000)	321,880	249,772	72,108
Protection	250,210	-	250,210	209,898	40,312
Public works	607,380	40,000	647,380	608,325	39,055
Sanitation	159,575	-	159,575	148,576	10,999
Recreation	79,470	18,108	97,578	95,564	2,014
Education	1,533,577	-	1,533,577	1,533,577	-
County tax	319,271	-	319,271	319,271	-
Health and welfare	13,100	-	13,100	8,530	4,570
Public service	25,450	-	25,450	24,639	811
Debt service	-	-	-	-	-
Principal	25,112	-	25,112	25,112	-
Interest and other charges	1,798	-	1,798	1,061	737
Capital outlay and committed funds	-	131,382	131,382	131,382	-
Total expenditures	3,342,823	183,490	3,526,313	3,355,707	170,606
Excess (deficiency) of revenues over expenditures	(42,724)	(189,490)	(232,214)	250,453	482,667
OTHER FINANCING SOURCES (USES)					
Use of carryover unrestricted and committed fund balance	75,000	189,490	264,490	-	(264,490)
Overlay	(32,276)	-	(32,276)	-	32,276
Total other financing sources and (uses)	42,724	189,490	232,214	-	(232,214)
SPECIAL ITEM					
Proceeds from sale of tax acquired property	-	-	-	22,337	(22,337)
Net change in fund balances	\$ -	\$ -	\$ -	272,790	\$ 272,790
FUND BALANCES - BEGINNING				2,701,620	
FUND BALANCES - ENDING				\$ 2,974,410	

* includes carryover accounts and reclassification

Town of Hartland, Maine
Schedule of the Town's Proportionate Share of the Net Pension Liability
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability	0.055367%	0.055458%	0.047824%
Town's proportionate share of the net pension liability	\$ 169,237	\$ 151,776	\$ 195,809
Town's covered-employee payroll***	\$ 338,689	\$ 282,309	\$ 250,130
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	49.97%	53.76%	78.28%
Plan fiduciary net position as a percentage of the total pension liability**	90.62%	91.14%	86.43%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

** Plan net position and collective net pension liability reflect only the employees' group portion of the PLD plan

*** Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the Plan, as distinct from the statutorily required contributions.

*** The Town's covered payroll is defined by GASB 82, Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the pension plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Town of Hartland, Maine
Schedule of Town Pension Contributions
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 27,095	\$ 22,585	\$ 20,010
Contributions in relation to the contractually required contribution**	<u>(27,095)</u>	<u>(22,585)</u>	<u>(20,010)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll***	\$ 338,689	\$ 282,309	\$ 250,130
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	8.00%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

**Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the Plan, as distinct from the statutorily required contributions

***The Town's covered payroll is defined by GASB 82, Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the pension plan are based. For System employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

Notes to Schedule:

Changes of Benefit Terms: There were no changes of benefit terms in FY2020

Changes in Benefit Assumptions: There were no changes in benefit assumptions in FY 2020

Town of Hartland, Maine
Postretirement Employee Healthcare Plan -
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

	Year Ended June 30, 2020 Actuarial Valuation Date January 1, 2020	Year Ended June 30, 2019 Actuarial Valuation Date January 1, 2019	Year Ended June 30, 2018 Actuarial Valuation Date January 1, 2018
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 4,624	\$ 5,011	\$ 2,567
Interest (includes interest on service cost)	1,067	783	552
Changes of benefit terms	(754)	-	-
Differences between expected and actual experience	3,895	-	149
Changes in assumptions	7,978	(2,072)	2,539
Benefit payments, including refunds of member contributions	(96)	(92)	(84)
Net change in total OPEB liability	\$ 16,714	\$ 3,630	\$ 5,723
Total OPEB liability - beginning	\$ 21,438	\$ 17,808	\$ 12,085
Total OPEB liability - ending	\$ 38,152	\$ 21,438	\$ 17,808
<u>Plan fiduciary net position</u>			
Contributions - employer	96	92	84
Contributions - member	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(96)	(92)	(84)
Administrative expense	-	-	-
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending	-	-	-
Net OPEB liability - ending	\$ 38,152	\$ 21,438	\$ 17,808
Covered employee payroll	\$ 302,120	\$ 208,820	\$ 208,820
Net OPEB liability as a percentage of covered employee payroll	<u>12.6%</u>	<u>10.3%</u>	<u>8.5%</u>

Notes to Schedule

Changes of Benefit Terms - None

Changes of Assumptions - Under the Health Plan, changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2020	2.74%
2019	4.10%
2018	3.44%

Town of Hartland, Maine
Taxes Receivable, Tax Liens and Tax Acquired Property
General Fund
June 30, 2020

Taxes receivable 2020	<u>\$ 149,634</u>
Tax liens 2019 and 2018	<u>63,143</u>
Tax acquired	<u>5,954</u>
 Total taxes receivable, tax liens and tax acquired property	 <u><u>\$ 218,731</u></u>

Town of Hartland, Maine
Schedule of Departmental Operations
For the Year Ended June 30, 2020

	Balance 7/1/2019	Appropriations	Additional/ And Changes to Budget	Total Available	Expenditures	Balances Lapsed	Carried
GENERAL GOVERNMENT							
Administration	\$ -	\$ 256,580	\$ -	\$ 256,580	\$ 205,608	\$ 50,972	\$ -
Town office	-	39,300	-	39,300	30,018	9,282	-
Assessing	-	16,000	-	16,000	13,532	2,468	-
Contingency and abatements	-	16,000	(6,000)	10,000	614	9,386	-
Total	-	327,880	(6,000)	321,880	249,772	72,108	-
PROTECTION							
Fire protection	-	28,750	-	28,750	25,801	2,949	-
Street lights	-	20,500	-	20,500	16,662	3,838	-
Dam	-	3,000	-	3,000	1,137	1,863	-
Hydrant rental	-	109,310	-	109,310	105,783	3,527	-
Animal control	-	7,450	-	7,450	5,326	2,124	-
Insurance	-	81,200	-	81,200	55,189	26,011	-
Total	-	250,210	-	250,210	209,898	40,312	-
HEALTH AND WELFARE							
General assistance	-	10,400	-	10,400	5,766	4,634	-
Donations	-	2,700	-	2,700	2,764	(64)	-
Total	-	13,100	-	13,100	8,530	4,570	-
PUBLIC WORKS AND ROADS							
Town road improvements	40,000	329,580	16,606	386,186	386,186	-	-
Snow removal & sanding	-	245,500	(16,606)	228,894	192,579	-	36,315
Town truck	-	6,000	-	6,000	3,706	2,294	-
Cemeteries	-	26,300	-	26,300	25,854	446	-
Total	40,000	607,380	-	647,380	608,325	2,740	36,315
RECREATION							
I.T.C.C.	-	10,000	-	10,000	10,000	-	-
Library	-	54,570	-	54,570	54,570	-	-
School closing recreation funding	-	-	18,108	18,108	18,108	-	-
Pool	-	14,900	-	14,900	12,886	2,014	-
Total	-	79,470	18,108	97,578	95,564	2,014	-
SPECIAL ASSESSMENTS							
Education	-	1,533,577	-	1,533,577	1,533,577	-	-
County tax	-	319,271	-	319,271	319,271	-	-
Total	-	1,852,848	-	1,852,848	1,852,848	-	-
PUBLIC SERVICE							
	-	25,450	-	25,450	24,639	811	-
SANITATION							
Transfer station	-	150,575	-	150,575	140,404	10,171	-
CEO	-	9,000	-	9,000	8,172	828	-
Total	-	159,575	-	159,575	148,576	10,999	-
DEBT SERVICE							
Maine Bond Bank	-	21,000	-	21,000	20,264	736	-
Salt shed	-	5,910	-	5,910	5,909	1	-
Total	-	26,910	-	26,910	26,173	737	-
CAPITAL OUTLAY							
	-	-	131,382	131,382	131,382	-	-
TOTAL EXPENDITURES	\$ 40,000	\$ 3,342,823	\$ 143,490	\$ 3,526,313	\$ 3,355,707	\$ 134,291	\$ 36,315

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

To the Board of Selectmen
Town of Hartland, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartland, Maine, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Hartland, Maine's basic financial statements and have issued our report thereon dated June 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Hartland, Maine's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Hartland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Hartland, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency which is described in the accompanying schedule of findings and questioned costs as item #2020-001.

Compliance and Other Matters

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

We noted a certain other matter that we have reported to management of the Town of Hartland, Maine, in a separate letter dated June 16, 2021.

Town of Hartland, Maine's Response to Findings

Town of Hartland, Maine's response to the finding identified in our audit is described in the separate letter to management. Town of Hartland, Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Brantner Whibodian & Associates

June 16, 2021

**Independent Auditor's Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Selectmen
Town of Hartland, Maine

Report on Compliance for Each Major Federal Program

We have audited Town of Hartland, Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Town of Hartland, Maine's major federal programs for the year ended June 30, 2020. Town of Hartland, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Hartland, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to 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 Town of Hartland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Hartland, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Hartland, Maine, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Town of Hartland, Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Hartland, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Hartland, Maine's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brantley Shiodian & Associates

June 16, 2021

Town of Hartland, Maine
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Disbursements/ Expenditures
<i>U.S. Department of Agriculture</i>			
<i>Direct</i>			
Water and waste disposal systems for rural communities	10.760	23-013-016000197	\$ 1,550,881
<i>Total U.S. Department of Agriculture</i>			<u>\$ 1,550,881</u>

Town of Hartland, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

PURPOSE OF THE SCHEDULE

The Uniform Guidance requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

The accompanying schedule includes all federal award programs of the Town for the fiscal year ended June 30, 2020. The reporting entity is defined in the Notes to the Financial Statements of Town of Hartland, Maine.

2. BASIS OF PRESENTATION

The information in this schedule is presented in accordance with the requirements of requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

- a. Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
- b. The Uniform Guidance establishes the level of expenditures to be used in defining major federal financial award programs. Major programs for the Town have been identified in the Schedule of Findings and Questioned Costs

3. BASIS OF ACCOUNTING

The information presented in the Schedule of Expenditures of Federal Awards is presented on a basis consistent with the Town's general-purpose financial statements. The grants included are all accounted for on a modified accrual basis of accounting which is described in the notes to the general-purpose financial statements.

4. INDIRECT COST RATE

The Town has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Town of Hartland, Maine
Schedule of Findings and Questioned Costs
Year ended June 30, 2020**

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP - *Unmodified opinion*

Internal control over financial reporting

- Material weakness(es) identified? - yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? - yes none reported

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? - yes none reported

Type of auditor’s report issued on compliance for major programs - *Unmodified opinion*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? - yes no

Identification of major programs

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs - \$750,000

Auditee qualified as low-risk auditee? - yes no

Town of Hartland, Maine
Schedule of Findings and Questioned Costs (Continued)
Year ended June 30, 2020

Section II — Financial Statement Findings

	#2020-001
<i>Criteria or specific requirement</i>	Internal control over financial reporting and closing process.
<i>Condition</i>	The Town needs to implement additional controls over the HPCF fund year end closing procedures and the preparation of the financial statement. The lack of which results in significant audit adjustments.
<i>Context</i>	The overall year-end financial closing process and reconciliations to financial statements for the HPCF fund are not being matched to supporting activity maintained by the Town. While appropriate and accurate records are maintained year-end adjustments were needed to reconcile these sets of records.
<i>Effect</i>	The Town may not be able to identify an error or misstatement in the financial statements.
<i>Cause</i>	Lack of year-end adjustments and analysis of the overall reporting requirements.
<i>Recommendation</i>	The Town should establish a system of control and records at year end as well as throughout the year to ensure these records are in agreement and financial statements are adjusted appropriately. The Town will need to take additional time in the year end closing process to identify any errors or misstatements in its own financial statements.
<i>Management's response</i>	<i>The Town will put in place a process for more accurate year-end closing and financial statement preparation. Management will work with the auditor to identify and correct the problematic areas.</i>

Section III — Federal Award Findings and Questioned Costs

None noted

Town of Hartland, Maine
Summary Schedule of Prior Audit Findings
Year ended June 30, 2020

#2019-001

Condition

The Town needs to implement additional controls over year end closing procedures and the preparation of the financial statement. The lack of which results in significant audit adjustments. Reconciliations required for financial statement preparation and information required for and other adjusting entries are not always being performed appropriately and effectively.

Current Status

The Town improved on the finding on most of the overall financial statements.