

Town of Hartland, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2022

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674 Mt Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

Independent Auditor's Report

Board of Selectmen
Town of Hartland, Maine

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Hartland, Maine, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Hartland, Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town of Hartland, Maine's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Hartland, Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 7 through 13 and pages 46 through 49 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.

Supplementary 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 and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 1-2 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 15, 2023, 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.

Charter Hibodan & Associates

Bangor, Maine
June 15, 2023

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, 2022. 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 in town sewer users. The Town currently pays 100% of the HPCF budget including debt service. The landfill is owned and operated by the Town has been stand alone for several years and the capacity of phase III is about 750 cubic yards. This area is expected to be full by the end of the year.

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, 2022 was \$3,641,110.
- The Town's governmental activities net position increased by a total of \$819,835.
- The Town's general fund's fund balance increased by \$476,197, from \$3,374,182 at June 30, 2021 to \$3,850,379 at June 30, 2022.
- The Town's business-type activities net position increased by a total of \$687,601.

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 24-45.

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 46.

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 \$8,345,786 as of June 30, 2022.

Net Position for the Period Ending June 30, 2022 and 2021

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>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$4,145,722	\$3,661,310	\$ 1,958,685	\$ 1,079,029	\$ 6,104,407	\$ 4,740,339
Capital assets, net	<u>2,840,977</u>	<u>2,546,649</u>	<u>10,455,382</u>	<u>9,863,813</u>	<u>39,396,359</u>	<u>12,410,462</u>
Total Assets	<u>6,986,699</u>	<u>6,207,959</u>	<u>12,414,067</u>	<u>10,942,842</u>	<u>45,500,766</u>	<u>17,150,801</u>
Deferred outflows of resources	<u>106,054</u>	<u>57,558</u>	<u>-</u>	<u>-</u>	<u>106,054</u>	<u>57,558</u>
Current liabilities	49,455	71,597	11,227	34,731	60,682	106,328
Noncurrent liabilities	<u>168,346</u>	<u>418,917</u>	<u>10,629,323</u>	<u>9,831,195</u>	<u>10,797,669</u>	<u>10,241,112</u>
Total Liabilities	<u>217,801</u>	<u>490,514</u>	<u>10,640,550</u>	<u>9,856,926</u>	<u>10,858,351</u>	<u>10,347,440</u>
Deferred inflows of resources	<u>302,683</u>	<u>22,569</u>	<u>-</u>	<u>-</u>	<u>302,683</u>	<u>22,569</u>
Net Position						
Net investment in capital assets	2,702,332	2,422,555	8,512,479	7,998,160	11,214,811	10,420,715
Restricted	182,293	-	766,075	281,260	948,368	281,260
Unrestricted(deficit)	<u>3,687,644</u>	<u>3,329,879</u>	<u>(7,505,037)</u>	<u>(7,193,504)</u>	<u>(3,817,393)</u>	<u>(3,863,625)</u>
Total Net Position	<u>\$ 6,572,269</u>	<u>\$ 5,752,434</u>	<u>\$ 1,773,517</u>	<u>\$ 1,085,916</u>	<u>\$ 8,345,786</u>	<u>\$ 6,838,350</u>

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

As a result of applying GASB 34, the Town recorded depreciation expense of \$104,850 in its governmental activities and added fixed assets of \$378,717 for the year ended June 30, 2022.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2022 and 2021.

	Governmental Activities		Business-type Activities	
	2022	2021	2022	2021
REVENUES				
<i>Program Revenues:</i>				
Charges for services and other	\$ 28,423	\$ 35,829	\$ 911,265	\$ 1,188,948
Operating grants and contributions	208,026	66,232	-	-
Capital grants and contributions	277,918	737,531	1,285,814	1,130,242
<i>General Revenues:</i>				
Property Taxes	2,625,588	2,670,302	-	-
Excise and miscellaneous taxes	300,918	314,350	-	-
Grants and contributions not restricted to specific purpose	614,277	463,723	-	-
Unrestricted investment income	46,210	44,931	1,372	3,260
Interest and lien costs	26,329	28,977	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>\$4,127,689</u>	<u>\$4,361,875</u>	<u>\$ 2,198,451</u>	<u>\$ 2,322,450</u>
EXPENSES				
General government	\$ 238,996	\$ 283,857	\$ -	\$ -
Public safety	266,153	257,320	-	-
Public works	463,676	348,050	-	-
Sanitation	159,852	154,463	-	-
Health and human services	4,626	6,733	-	-
Leisure services	81,456	76,861	-	-
Public service	54,694	21,776	-	-
County tax	316,906	325,854	-	-
Education	1,535,512	1,530,680	-	-
Interest on long-term debt	-	-	-	-
Special grants and contributions	190,771	714,935	-	-
Capital reserves	-	3,156	-	-
Business-type expenses	-	-	1,510,850	1,613,835
Total expenses	<u>\$3,312,642</u>	<u>\$ 3,723,685</u>	<u>\$ 1,510,850</u>	<u>\$ 1,613,835</u>
Excess (deficiency) before contributions to permanent fund principal, special items, and transfers	815,047	638,190	687,601	708,615
Inter-fund transfers	-	-	-	-
Special item – sale of assets	<u>4,788</u>	<u>17,928</u>	-	-
Change in net position	819,835	656,118	687,601	708,615
Net position, beginning of year	<u>5,752,434</u>	<u>5,096,316</u>	<u>1,085,916</u>	<u>377,301</u>
Net position, end of year	<u>\$ 6,572,269</u>	<u>\$ 5,752,434</u>	<u>\$ 1,773,517</u>	<u>\$ 1,085,916</u>

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

Governmental Activities

For the year ended June 30, 2022, the Town's net position for governmental activities increased by \$819,835.

Expenses of governmental activities include depreciation expense of \$104,850. 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, 2022 totaled \$3,613,322. Of this amount, \$2,926,506 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, 2022, the Town's net position from business-type activities increased by \$687,601.

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 \$3,850,379, \$476,197 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 \$2,588,550. Excise taxes and other taxes accounted for \$300,918 in total revenue and intergovernmental revenues totaled \$1,076,851.

Total governmental fund expenditures for the years were ended June 30, 2022 and 2021 are broken down as follows:

	2022	2021
General government	\$ 273,152	\$ 250,338
Public safety	255,335	224,316
Public works	741,483	640,328
Sanitation	159,852	154,463
Health and welfare	4,626	6,733
Culture and recreation	81,456	76,861
County tax	316,906	325,854
Education	1,535,512	1,530,680
Public services	54,694	21,776
Principal	5,909	5,909
Interest and other charges	-	-
Grant program	190,771	714,935
Capital outlay	-	3,156
Total Governmental Funds Expenditures	<u>\$3,619,696</u>	<u>\$3,955,349</u>

The Town paid \$378,717 in governmental capital outlays capitalized and is reflected in the total added to capital assets as of June 30, 2022.

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 \$53,766.

Capital Asset and Debt Administration

Capital Assets

	Balance 6/30/21	Additions/ Completions	Retirement/ Restatement	Balance 6/30/22
Governmental Activities				
Buildings and Improvements	\$ 1,935,275	\$ -	\$ -	\$ 1,935,275
Equipment, furniture and vehicles	896,463	43,000	-	939,463
Infrastructure	<u>1,575,345</u>	<u>335,717</u>	-	<u>1,911,062</u>
Total capital assets	4,407,083	378,717	-	4,785,800
Less accumulated depreciation	<u>(1,860,434)</u>	<u>(104,850)</u>	-	<u>(1,964,884)</u>
Total capital assets, net	<u>\$ 2,546,649</u>	<u>\$ 273,867</u>	<u>\$ -</u>	<u>\$ 2,820,516</u>
Business-Type Activities				
Treatment plant	\$ 15,529,235	\$ 784,370	\$ -	\$ 16,313,605
Infrastructure	78,165	-	-	78,165
Equipment	156,259	536,000	-	692,259
Landfill	<u>1,623,263</u>	<u>-</u>	-	<u>1,623,263</u>
Total capital assets	17,386,922	1,320,370	-	18,707,292
Less accumulated Depreciation	<u>(7,813,363)</u>	<u>(437,947)</u>	-	<u>(8,251,910)</u>
Total capital assets, net	<u>\$ 9,572,959</u>	<u>\$ 882,423</u>	<u>\$ -</u>	<u>\$ 10,455,382</u>

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

Debt and Other Long Term Obligations Administration

A summary of the Town's debt activity for the year ended June 30, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Total Interest Paid</u>
Governmental Activities					
Financed purchase obligations	124,094	-	(5,909)	118,185	-
Net OPEB liability	49,073	1,288	(200)	50,161	N/A
Net Pension liability(asset)	<u>245,750</u>	<u>-</u>	<u>(266,210)</u>	<u>(20,460)</u>	N/A
Total governmental activities	<u>\$ 418,917</u>	<u>\$ 1,288</u>	<u>\$ (272,319)</u>	<u>\$ 147,886</u>	<u>\$ -</u>
Business-Type Activities					
Bonds and notes payable	\$1,748,717	\$ 1,119,519	\$ (699,120)	\$ 2,169,116	\$ 34,805
Financed purchase obligations	<u>24,668</u>	<u>536,000</u>	<u>(126,478)</u>	<u>434,190</u>	<u>6,411</u>
Total Business-Type	<u>\$ 1,773,385</u>	<u>\$ 1,655,519</u>	<u>\$ (825,598)</u>	<u>\$ 2,603,306</u>	<u>\$ 41,216</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 \$487,919. Most of this variance resulted from under budgeted excise tax and intergovernmental revenues.

Budgeted expenditures were higher than actual expenditures by \$152,765 with the utilization of designated carry-forward balances.

ECONOMIC FACTORS AND FUTURE BUDGETS

The Town will be considering an adjustment to values in an effort to increase our sales ratio to be able to declare a 100% certified ratio which will allow a maximum reimbursement from the State on Homestead exemptions and Veteran exemptions and allow citizens with those exemptions to deduct 100% of the exemption allowance. The Town approved borrowing \$3,000,000 dollars to develop 5.3 acres of new area at the Landfill with a goal of creating partnerships to minimize taxation for long term Landfill costs. The HPCF is still a challenge both for its size and in maintaining a budget. We continue to look for partners for the HPCF with a goal of increasing revenues. A second 30-unit housing project at the old school site which will increase our HPCF customer base. Despite the challenges of our largest industry leaving the Town continues to try to minimize the mil rate to the best of our ability.

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, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,641,110	\$ -	\$ 3,641,110
Investments	1,193,473	-	1,193,473
Taxes receivable, net	272,720	-	272,720
Accounts receivable	-	18,491	18,491
Due from Maine Bond Bank	-	978,613	978,613
Interfund balances	(961,581)	961,581	-
Net pension asset	20,460	-	20,460
Capital assets being depreciated, net	2,820,517	10,455,382	13,275,899
	<u>6,986,699</u>	<u>12,414,067</u>	<u>19,400,766</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	93,337	-	93,337
Deferred outflows related to OPEB	12,717	-	12,717
	<u>106,054</u>	<u>-</u>	<u>106,054</u>
LIABILITIES			
Accounts payable and accrued expenses	48,985	7,650	56,635
Due to other governmental agencies	470	3,577	4,047
Long-term liabilities			
Due within one year			
Financed purchase obligation	5,909	104,021	109,930
Notes and bonds payable	-	49,975	49,975
Due in more than one year			
Financed purchase obligation	112,276	330,169	442,445
Notes and bonds payable	-	2,096,348	2,096,348
Estimated landfill closure costs	-	6,327,001	6,327,001
Estimated post-closure and leachate costs	-	1,721,809	1,721,809
Net OPEB liability	50,161	-	50,161
	<u>217,801</u>	<u>10,640,550</u>	<u>10,858,351</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	280,333	-	280,333
Deferred inflows related to OPEB	9,881	-	9,881
Prepaid taxes	12,469	-	12,469
	<u>302,683</u>	<u>-</u>	<u>302,683</u>
NET POSITION			
Net investment in capital assets	2,702,332	8,512,479	11,214,811
Restricted, expendable for			
Debt service	-	281,260	281,260
Capital project	-	484,815	484,815
Grant fund - ARPA	182,293	-	182,293
Unrestricted (deficit)	3,687,644	(7,505,037)	(3,817,393)
	<u>\$ 6,572,269</u>	<u>\$ 1,773,517</u>	<u>\$ 8,345,786</u>

Town of Hartland, Maine
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 238,996	\$ 20,298	\$ 1,547	\$ -	\$ (217,151)	\$ -	\$ (217,151)
Health and welfare	4,626	-	-	-	(4,626)	-	(4,626)
Public safety	266,153	-	-	-	(266,153)	-	(266,153)
Public works	463,676	-	-	24,728	(438,948)	-	(438,948)
Sanitation	159,852	-	8,328	62,874	(88,650)	-	(88,650)
Education	1,535,512	-	-	-	(1,535,512)	-	(1,535,512)
Leisure services	81,456	-	6,335	-	(75,121)	-	(75,121)
County tax	316,906	-	-	-	(316,906)	-	(316,906)
Cemeteries	-	8,125	-	-	8,125	-	8,125
Public services	54,694	-	9,523	-	(45,171)	-	(45,171)
Grant program expenses	190,771	-	182,293	190,316	181,838	-	181,838
Total governmental activities	3,312,642	28,423	208,026	277,918	(2,798,275)	-	(2,798,275)
Business-type activities							
HPCF - Sewer fund	767,870	457,560	-	1,285,814	-	975,504	975,504
Landfill fund	742,980	453,705	-	-	-	(289,275)	(289,275)
Total business-type activities	1,510,850	911,265	-	1,285,814	-	686,229	686,229
Total government	4,823,492	939,688	208,026	1,563,732	(2,798,275)	686,229	(2,112,046)
General revenues							
Taxes							
Property taxes					2,625,588		2,625,588
Excise taxes, permits, licenses and other fees					300,918		300,918
Interest and lien costs					26,329		26,329
Grants and contributions not restricted to specific programs					614,277		614,277
Unrestricted investment earnings and interest					46,210	1,372	47,582
Special item - gain on disposal of assets					4,788		4,788
Total general revenues and special item					3,618,110	1,372	3,619,482
Change in net position					819,835	687,601	1,507,436
NET POSITION - BEGINNING					5,752,434	1,085,916	6,838,350
NET POSITION - ENDING					\$ 6,572,269	\$ 1,773,517	\$ 8,345,786

**Town of Hartland, Maine
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General Fund</u>	<u>Other Governmental Fund - Special Revenues</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,636,215	\$ 4,895	\$ 3,641,110
Investments	1,193,473	-	1,193,473
Taxes receivable, net	272,720	-	272,720
Total assets	<u>\$ 5,102,408</u>	<u>\$ 4,895</u>	<u>\$ 5,107,303</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 48,763	\$ -	\$ 48,763
Due to other funds	961,581	-	961,581
Payable to other governments	470	-	470
Accrued payroll liabilities	222	-	222
Total liabilities	<u>1,011,036</u>	<u>-</u>	<u>1,011,036</u>
Deferred inflows of resources			
Prepaid taxes	12,469	-	12,469
Unavailable property taxes	228,524	-	228,524
Total deferred inflows of resources	<u>240,993</u>	<u>-</u>	<u>240,993</u>
Fund balances			
Restricted for			
Grant funds- ARPA	182,293	-	182,293
Committed for			
Capital projects	-	4,895	4,895
Other purposes	941,118	-	941,118
Unassigned	2,726,968	-	2,726,968
Total fund balances	<u>3,850,379</u>	<u>4,895</u>	<u>3,855,274</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,102,408</u>	<u>\$ 4,895</u>	<u>\$ 5,107,303</u>

Town of Hartland, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Total fund balance, governmental funds	\$	3,855,274
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.		2,820,517
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		228,524
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		(290,214)
Deferred outflows of resources		106,054
Some liabilities, (such as Capital Lease Contract Payable, Net Pension Asset/Liability, Other Postemployment Benefit Obligation, and Bonds, Notes Payable and Financed Purchase Obligations), 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.		(147,886)
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>6,572,269</u></u>

Town of Hartland, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Other Governmental Fund - Special Revenues</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 2,588,550	\$ -	\$ 2,588,550
Excise and miscellaneous taxes	300,918	-	300,918
Interest and lien costs	26,329	-	26,329
Intergovernmental	886,535	190,316	1,076,851
Charges for services	36,751	-	36,751
Investment and interest earnings	46,210	-	46,210
Contributions and reimbursements	3,969	-	3,969
Miscellaneous	11,072	-	11,072
	<u>3,900,334</u>	<u>190,316</u>	<u>4,090,650</u>
EXPENDITURES			
Current			
General government	273,152	-	273,152
Public safety	255,335	-	255,335
Public works	741,483	-	741,483
Sanitation	159,852	-	159,852
Recreation	81,456	-	81,456
Education	1,535,512	-	1,535,512
County tax	316,906	-	316,906
Health and welfare	4,626	-	4,626
Public services	54,694	-	54,694
Grant program expenses	-	190,771	190,771
Debt service			
Principal	5,909	-	5,909
	<u>3,428,925</u>	<u>190,771</u>	<u>3,619,696</u>
Excess (deficiency) of revenues over expenditures	471,409	(455)	470,954
SPECIAL ITEM			
Proceeds from sale of property	4,788	-	4,788
Net change in fund balances	476,197	(455)	475,742
FUND BALANCES - BEGINNING	<u>3,374,182</u>	<u>5,350</u>	<u>3,379,532</u>
FUND BALANCES - ENDING	<u>\$ 3,850,379</u>	<u>\$ 4,895</u>	<u>\$ 3,855,274</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, 2022

Net change in fund balances - total governmental funds: \$ 475,742

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	\$ 378,717	
Depreciation	<u>(104,850)</u>	273,867

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. 37,038

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		48,496
Deferred inflows related to pension and OPEB		<u>(286,340)</u>

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		5,909
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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>265,123</u>
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Change in net position of governmental activities		<u><u>\$ 819,835</u></u>
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Town of Hartland, Maine
Statement of Net Position
Proprietary Funds
June 30, 2022

	Enterprise Funds		
	HPCF Sewer Fund	Landfill	Total
ASSETS			
Current assets			
Accounts receivable, net	\$ 5,461	\$ 13,030	\$ 18,491
Interfund advances receivable - current	1,105,103	-	1,105,103
Due from Maine Bond Bank	978,613	-	978,613
Total current assets	<u>2,089,177</u>	<u>13,030</u>	<u>2,102,207</u>
Non-current assets			
Land and improvements	-	78,165	78,165
Property, plant and equipment	17,936,867	654,265	18,591,132
Equipment, vehicles and furniture	37,995	-	37,995
Less accumulated depreciation	(8,122,649)	(129,261)	(8,251,910)
Total non-current assets	<u>9,852,213</u>	<u>603,169</u>	<u>10,455,382</u>
Total assets	<u>11,941,390</u>	<u>616,199</u>	<u>12,557,589</u>
LIABILITIES			
Current liabilities			
Accounts payable	7,650	3,577	11,227
Due to other funds	-	143,522	143,522
Financed purchase obligation	-	104,021	104,021
Bonds and notes payable	42,119	7,856	49,975
Total current liabilities	<u>49,769</u>	<u>258,976</u>	<u>308,745</u>
Noncurrent liabilities			
Estimated landfill closure costs	-	6,304,208	6,304,208
Estimated post-closure and leachate costs	-	1,721,809	1,721,809
Bonds and notes payable	1,936,113	183,028	2,119,141
Financed purchase obligation	-	330,169	330,169
Total non-current liabilities	<u>1,936,113</u>	<u>8,539,214</u>	<u>10,475,327</u>
Total liabilities	<u>1,985,882</u>	<u>8,798,190</u>	<u>10,784,072</u>
NET POSITION			
Net investment in capital assets	8,343,500	168,979	8,512,479
Restricted for debt service	281,260	-	281,260
Restricted for capital projects	484,815	-	484,815
Unrestricted (deficit)	845,933	(8,350,970)	(7,505,037)
Total net position	<u>\$ 9,955,508</u>	<u>\$ (8,181,991)</u>	<u>\$ 1,773,517</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, 2022

	Enterprise Funds		
	HPCF Sewer		
	Fund	Landfill	Total
REVENUES			
Fees	\$ 457,560	\$ 446,513	904,073
Miscellaneous revenue	-	7,192	7,192
Total operating revenues	<u>457,560</u>	<u>453,705</u>	<u>911,265</u>
OPERATING EXPENSES			
Plant maintenance and operations	347,523	684,163	1,031,686
Depreciation	385,541	52,407	437,948
Total operating expenses	<u>733,064</u>	<u>736,570</u>	<u>1,469,634</u>
Operating income (loss)	<u>(275,504)</u>	<u>(282,865)</u>	<u>(558,369)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,262	110	1,372
Capital grants and contributions	635,814	-	635,814
Loan forgiveness	650,000	-	650,000
Interest expense	(34,805)	(6,411)	(41,216)
Total net non-operating revenues (expenses)	<u>1,252,271</u>	<u>(6,301)</u>	<u>1,245,970</u>
Change in net position	976,767	(289,166)	687,601
TOTAL NET POSITION - BEGINNING (DEFICIT)	<u>8,978,741</u>	<u>(7,892,825)</u>	<u>1,085,916</u>
TOTAL NET POSITION - ENDING (DEFICIT)	<u>\$ 9,955,508</u>	<u>\$ (8,181,991)</u>	<u>\$ 1,773,517</u>

Town of Hartland, Maine
Statement of Cash Flows - Proprietary Fund
For the Year ended June 30, 2022

	Enterprise Funds		
	HPCF	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 459,331	\$ 596,488	\$ 1,055,819
Payments to suppliers for goods and services	(350,305)	(712,535)	(1,062,840)
Interfund activity	(814,249)	143,522	(670,727)
Net cash (used) provided by operating activities	<u>(705,223)</u>	<u>27,475</u>	<u>(677,748)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital expenditures	(776,721)	(536,000)	(1,312,721)
Interest payments	(34,805)	(6,411)	(41,216)
Receivable from Maine Bond Bank	(978,613)	-	(978,613)
Proceeds from bond	1,119,519	-	1,119,519
Proceeds from financed purchased obligation	-	536,000	536,000
Proceeds from grants	635,814	-	635,814
Payments for post closure costs payable	-	(22,793)	(22,793)
Debt payments	(41,417)	(134,180)	(175,597)
Net cash used by capital and related financing activities	<u>(76,223)</u>	<u>(163,384)</u>	<u>(239,607)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	1,262	110	1,372
NET CHANGE IN CASH AND CASH EQUIVALENTS	(780,184)	(135,799)	(915,983)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>780,184</u>	<u>135,799</u>	<u>915,983</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ (0)</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (275,504)	\$ (282,865)	\$ (558,369)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	385,541	52,407	437,948
(Increase) decrease in the following assets			
Accounts receivable	1,771	142,783	144,554
Interfund activity	(814,249)	-	(814,249)
Increase (decrease) in the following liabilities			
Accounts payable	(2,782)	(28,372)	(31,154)
Interfund activity	-	143,522	143,522
Total adjustments to income	<u>(429,719)</u>	<u>310,340</u>	<u>(119,379)</u>
Net cash provided (used) by operating activities	<u>\$ (705,223)</u>	<u>\$ 27,475</u>	<u>\$ (677,748)</u>

See accompanying notes to basic financial statements.

**Town of Hartland, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022**

	Private Purpose Trust Funds
ASSETS	
Investments	\$ 53,766
Total assets	\$ 53,766
NET POSITION	
Non-spendable	23,336
Restricted	30,430
Total net position	\$ 53,766

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022**

	Private Purpose Trust Funds
ADDITIONS	
Income	
Interest and investment income	\$ -
NET POSITION - BEGINNING	53,766
NET POSITION - ENDING	\$ 53,766

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, bonds payable and financed purchased leases obligations net current portion of notes, bonds and financed purchased leases obligations 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, 2022.

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, 2022

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, 2022

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, 2021 and were due in full or in installments on September 15, 2021 and March 1, 2021. Interest was charged at 6% 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, 2022, and during the first sixty days of the next fiscal year are recognized as revenue in 2022. 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	\$ 118,460,781
Personal property	<u>2,548,658</u>
	121,009,439
Tax rate (per \$1,000)	<u>21.80</u>
Commitment	2,637,776
Less: collections and abatements	<u>(2,456,697)</u>
 Receivable at June 30, 2022	 <u>\$ 181,079</u>
 Collection rate	 94%

11. Recent Governmental Accounting Standards

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 effective for periods beginning after June 15, 2021. There was no effect of this Statement on the Town's financial statements at this time.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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, 2022, the Town reported deposits of \$3,641,110 with bank balances of \$3,666,486. Of the Town's total bank balance of \$3,666,486, \$3,303,674 was exposed to custodial credit risk. Of the exposed amount, \$3,303,674 was collateralized by underlying insurance held by the related bank.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	<u>\$3,641,110</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, 2022 are as follows:

	<u>Fair Value Level 1</u>
Negotiable certificate of deposits	\$1,193,473
Annuity life insurance policy	<u>53,766</u>
Total investments	<u>\$1,247,239</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, 2022

NOTE 3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Disposals	Balance June 30, 2022
Governmental activities				
<i>Capital assets being depreciated</i>				
Buildings	\$ 1,935,275	\$ -	\$ -	\$ 1,935,275
Machinery, equipment & vehicles	896,463	43,000	-	939,463
Infrastructure roads	1,575,345	335,717	-	1,911,062
Total	<u>4,407,083</u>	<u>378,717</u>	-	<u>4,785,800</u>
<i>Less accumulated depreciation for</i>				
Buildings	(1,097,505)	(22,612)	-	(1,120,117)
Machinery, equipment, vehicles	(615,156)	(41,570)	-	(656,726)
Infrastructure	(147,373)	(40,668)	-	(188,041)
Total accumulated depreciation	<u>(1,860,434)</u>	<u>(104,850)</u>	-	<u>(1,964,884)</u>
Total capital assets being depreciated, net	<u>2,546,649</u>	<u>273,867</u>	-	<u>2,820,516</u>
Total governmental activities, net	<u>\$ 2,546,649</u>	<u>\$ 273,867</u>	<u>\$ -</u>	<u>\$ 2,820,516</u>
Business-type activities				
<i>Capital assets being depreciated</i>				
Treatment plant	\$ 15,529,235	\$ 784,370	\$ -	\$16,313,605
Infrastructure roads	78,165	-	-	78,165
Equipment	156,259	536,000	-	692,259
Landfill	1,623,263	-	-	1,623,263
Total	<u>17,386,922</u>	<u>1,320,370</u>	-	<u>18,707,292</u>
<i>Less accumulated depreciation for</i>				
Treatment plant	(7,068,711)	(377,371)	-	(7,446,082)
Equipment	(90,099)	(58,622)	-	(148,721)
Landfill	(655,153)	(1,954)	-	(657,107)
Total accumulated depreciation	<u>(7,813,963)</u>	<u>(437,947)</u>	-	<u>(8,251,910)</u>
Total capital assets being depreciated, net	<u>9,572,959</u>	<u>882,423</u>	-	<u>10,455,382</u>
Total business-type activities, net	<u>\$ 9,572,959</u>	<u>\$ 882,423</u>	<u>\$ -</u>	<u>\$10,455,382</u>

Depreciation was charged to the following activities as follows:

<i>Governmental activities:</i>	
Public safety	\$ 19,076
Public works	82,910
General government	<u>2,864</u>
Total depreciation expense – Governmental activities	<u>\$104,850</u>
<i>Business-type activities</i>	
HPCF and landfill fund	<u>\$437,947</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2022:

	Balance June 30, 2021	Increases	Forgiveness/ Decreases	Balance June 30, 2022	Portion due within one year
Governmental Fund-Type Liabilities					
Financed purchases obligations					
Maine Water Company lease 2012, due annually to April 2042, 0.00%	\$ 124,094	\$ -	\$ (5,909)	\$ 118,185	\$ 5,909
Net pension liability (asset)	245,750	-	(266,210)	(20,460)	N/A
Net OPEB liability	<u>49,073</u>	<u>1,288</u>	<u>(200)</u>	<u>50,161</u>	<u>N/A</u>
Total governmental long-term liabilities and (asset)	<u>\$ 418,917</u>	<u>\$ 1,288</u>	<u>\$ (272,319)</u>	<u>\$ 147,886</u>	<u>\$ 5,909</u>
Proprietary Fund Liabilities					
Bond and Notes payable					
Maine Municipal Bond Bank, Issued 2022, due in annual principal and interest payments to 2041. interest rate at 1.0%	\$ -	\$ 1,119,519	\$ (650,000)	\$ 469,519	\$ -
Rural Development Loan, Issued 2012, due in annual principal and interest payments to 2042. interest rate at 2.0%	198,586	-	(7,702)	190,884	7,856
Rural Development Loan, Issued 2019, due in annual principal and interest payments to 2048. interest rate at 2.375%	380,281	-	(10,213)	370,068	10,455
Rural Development Loan, Issued 2020, due in annual principal and interest payments to 2049. interest rate at 2.125%	<u>1,169,850</u>	<u>-</u>	<u>(31,205)</u>	<u>1,138,645</u>	<u>31,664</u>
Total bond and notes payable	<u>1,748,717</u>	<u>1,119,519</u>	<u>(699,120)</u>	<u>2,169,116</u>	<u>49,975</u>
Financed purchases obligations					
Shredder lease for 5 years, \$114,889 due annually, interest at 2.76%	-	536,000	(101,810)	434,190	104,021
Bulldozer lease for 5 years, \$25,703 due annually, interest at 4.2%	<u>24,668</u>	<u>-</u>	<u>(24,668)</u>	<u>-</u>	<u>-</u>
Total capital leases	<u>24,668</u>	<u>536,000</u>	<u>(126,478)</u>	<u>434,190</u>	<u>104,021</u>
Total proprietary fund long-term liabilities	<u>\$1,773,385</u>	<u>\$ 1,655,519</u>	<u>\$ (825,598)</u>	<u>\$2,603,306</u>	<u>\$ 153,996</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

General obligation bond and notes payable

Future maturities of general obligation bond and notes are as follows:

	<u>Proprietary Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 49,975	\$ 36,803	\$ 86,778
2024	51,053	47,529	98,582
2025	77,630	38,362	115,992
2026	79,011	39,446	118,457
2027	80,417	38,039	118,456
2028-2032	424,177	168,108	592,285
2033-2037	463,725	128,560	592,285
2038-2042	477,147	83,458	560,605
2043-2047	339,215	36,306	375,521
2048-2049	126,766	3,899	130,665
	<u>\$ 2,169,116</u>	<u>\$ 620,510</u>	<u>\$ 2,789,626</u>

Overlapping Debt

Town is contingently responsible for a proportionate share of the overlapping debt of RSU 19's debt. At June 30, 2022, the Town's share of the total debt outstanding was \$74,247. In addition, the Town is contingently liable for a proportionate share of the overlapping debt of Somerset County. At June 30, 2022, the County had debt outstanding of \$10,040,000, of which the Town share was approximately 2.46% for a total of \$247,273.

Financed Purchases Obligations Payable

The Town is the lessee of a shredder and a sand/salt building under financed purchased leases expiring in 2041 and 2042, respectively. The liabilities under financed purchased 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, 2022, the Town had recorded \$536,000 in governmental activities equipment related to outstanding financed purchased leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2022 is \$26,800.

Lease payments under financed purchased leases as of June 30, 2022 are:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>	
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 5,909	\$104,021	\$10,868
2024	5,909	106,982	7,907
2025	5,909	110,027	4,862
2026	5,909	113,159	1,729
2027	5,909	-	-
Thereafter	88,640	-	-
Total payments	<u>\$118,185</u>	<u>\$434,190</u>	<u>\$25,366</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, 2022

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 \$8,026,017 based on Phase II, Phase III, and the remaining undeveloped licensed area, estimated at 5.3 acres. The balance was not changed during the year ended June 30, 2022.

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, 2022 arising from these transactions were as follows:

	Due from	Due to
General fund	\$ -	\$ 961,581
Proprietary funds	<u>961,581</u>	<u>-</u>
	<u>\$961,581</u>	<u>\$961,581</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, 2022:

	Governmental Activities	Business- type Activities
Capital assets	\$ 4,785,800	\$ 18,707,292
Accumulated depreciation	(1,964,884)	(8,251,910)
Related bonds and leases payable	<u>(118,584)</u>	<u>(1,942,903)</u>
Total balance	<u>\$ 2,702,332</u>	<u>\$ 8,512,479</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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

At June 30, 2022, the Town maintained committed fund balances for the following purposes:

Pool	\$ 5,128
Roads	34,220
CDBG loans	49,446
Property sales	62,410
Equipment	11,624
Interest account	8,415
Landfill post monitoring	35,503
Landfill cell opening	240,990
Landfill cell closing	126,831
Landfill intermediate cover	16,807
Sewer upgrades	52,500
200 th Birthday celebration	1,394
Fire department	60,000
Perpetual care	7,912
HPCF	211,938
Transfer station study	<u>16,000</u>
 Total	 <u>\$ 941,118</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, 2022

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 0.93%.

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

For the year ended June 30, 2022 participating employees contributed 7.05% of their annual salary to the Plan by State Statute. The Town is required to pay 10.30% 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 \$412,837 for the year ended June 30, 2022.

	Year ended 6/30/22		Year ended 6/30/21		Year ended 6/30/20	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Town						
Employer	\$ 42,522	10.30%	\$ 40,755	10.00%	\$ 33,819	10.00%
Employee	29,105	7.05	34,502	8.00	32,003	8.00

Net Pension Liability (Asset)

The collective net pension liability (asset) measured as of June 30, 2021 was as follows:

	PLD Plan
Plan collective total pension liability	\$ 3,719,016,414
Less plan net position	<u>(3,751,152,623)</u>
Plan collective net pension liability (Asset)	<u>\$ (32,136,209)</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Asset) (Continued)

At June 30, 2022, the Town reported \$(20,460) for its proportionate share of the net pension liability (asset).

The net pension liability (asset) for the Town was measured as of June 30, 2021, and the total collective pension liability used to calculate the net pension liability (asset) was determined by actuarial valuations as of that date. The Town's proportionate share percentage of the collective net pension liability (asset) for the PLD Plan was 0.063667%, allocated based on adjusted contributions to the plan for the year ended June 30, 2021. This percentage was 0.061853% at the prior measurement date of June 30, 2020.

Actuarial Methods and Assumptions

The collective total pension liability (asset) for the Plans was determined by an actuarial valuation as of June 30, 2021, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each member is the product of a member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

**Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 are as follows:

Investment Rate of Return	6.50% per annum, compounded annually
Inflation Rate	2.75%
Annual Salary Increases, Including Inflation	2.75% - 11.48%
Cost of Living Benefit Increases	1.91%
Mortality Rates	Based on the 2010 Public Plan General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	6.0%
US Government	2.3
Private Equity	7.6
Real Assets:	
Real Estate	5.2
Infrastructure	5.3
Natural Resources	5.0
Traditional Credit	3.0
Alternative Credit	7.2
Diversifiers	5.9

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2021 for the Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability (asset) as of June 30, 2021 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
SET Plan	\$ 457,316,812	\$ (32,136,209)	\$ (436,978,368)

Pension Expense

For the year ended June 30, 2022, the Town recognized pension expense of \$(20,460) related to the PLD Plan, made up of the Town's proportionate share of plan pension expense \$(2,611), pension expense related to specific liabilities of individual employers (\$57), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$9,206.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 13,235	\$ 1,391
Changes of assumptions	68,702	-
Net difference between projected and actual investment earnings on pension plan investments	11,400	278,874
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	68
Employer's contributions to plan subsequent to measurement date of collective net pension liability	-	-
Total	\$ 93,337	\$280,333

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

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

Year ended June 30	PLD Plan Amount
2023	\$ (21,808)
2024	(24,212)
2025	(63,482)
2026	<u>(77,494)</u>
	<u><u>\$ (186,996)</u></u>

Further Information Available

Further information, schedules, as well as the actuarial valuation reports for each of the Maine Public Employee Retirement System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.maineopers.org/Publications/Publications.htm#Annual Reports

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.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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

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.

Employees Covered by Benefit Terms – At January 1, 2022, 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 \$50,161 was measured as of January 1, 2022, 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, 2021	\$ 49,073
Changes for the year:	
Service Cost	8,030
Interest	1,208
Changes of benefit terms	-
Differences between expected and actual experience	2,858
Changes in assumptions or other inputs	(10,720)
Benefit payments	<u>(288)</u>
Net changes	<u>1,088</u>
Balance at June 30, 2022	<u><u>\$ 50,161</u></u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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

Change in assumptions reflects a change in the discount rate from 2.12% to 2.06% 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, 2022, The Town recognized OPEB expense of \$10,063 related to the Health Plan. At June 30, 2022, 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	\$ 4,908	\$ -
Changes in assumptions or other inputs	7,576	9,881
Employer's contributions to plan subsequent to measurement date of collective net pension liability	<u>233</u>	<u>-</u>
Total	<u>\$ 12,717</u>	<u>\$ 9,881</u>

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:	
2023	\$ 825
2024	375
2025	722
2026	722
2027	723
Thereafter	<u>(764)</u>
Total	<u>\$ 2,603</u>

Actuarial Assumptions - Health Plan - The total OPEB liability in the January 1, 2022 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 2022_f4 , applied to all periods included in the measurement, unless otherwise specified:

Rate of Inflation	2.40%
Rate of Growth in Real Income/GDP per capital 2029+	1.10%
Extra Trend due to Taste/Technology 2029+	1.00%
Expected Health Share of GDP 2029	19.00%
Health Share of GDP Resistance Point	20.00%
Year for Limiting Cost Growth to GDP Growth	2042

Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Mortality Table, respectively for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages under 80 and under, grading down to 0.05% at age 95, and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale.

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.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Health plan was 2.06% 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.

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 2.06%, 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 (1.06%) or 1 percentage-point higher (3.06%) than the current rate:

	1% Decrease 1.06%	Discount Rate 2.06%	1% Increase 3.06%
Total OPEB Liability	\$ 57,759	\$ 50,161	\$ 43,876
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 57,759</u>	<u>\$ 50,161</u>	<u>\$ 43,876</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 15.1%. A one percent increase in the discount rate decreases the NOL by approximately 12.5%.

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	\$ 43,185	\$ 50,161	\$ 58,773
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 43,185</u>	<u>\$ 50,161</u>	<u>\$ 58,773</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 13.9%. A one percent increase in the healthcare trend rate increases the NOL by approximately 17.2%.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2022

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, 2022 the Town was committed to \$5,522,720 for a sewer project to complete during the fiscal year ending June 30, 2022.

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

Management has evaluated subsequent events through June 15, 2023, the date on which the financial statements were available to be issued.

Town of Hartland, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Property taxes	\$ 2,637,776	\$ -	\$ 2,637,776	\$ 2,588,550	\$ (49,226)
Excise and miscellaneous taxes	250,000	-	250,000	300,918	50,918
Interest and lien costs	-	-	-	26,329	26,329
Intergovernmental	499,639	-	499,639	886,535	386,896
Charges for services	-	-	-	36,751	36,751
Investment and interest earnings	25,000	-	25,000	46,210	21,210
Contributions and reimbursements	-	-	-	3,969	3,969
Miscellaneous	-	-	-	11,072	11,072
Total revenues	3,412,415	-	3,412,415	3,900,334	487,919
EXPENDITURES					
Current					
General government	328,855	-	328,855	273,152	55,703
Protection	255,775	18,000	273,775	255,335	18,440
Public works	632,000	169,000	801,000	741,483	59,517
Sanitation	166,575	-	166,575	159,852	6,723
Recreation	81,150	-	81,150	81,456	(306)
Education	1,535,512	-	1,535,512	1,535,512	-
County tax	316,906	-	316,906	316,906	-
Health and welfare	12,072	-	12,072	4,626	7,446
Public service	21,538	38,397	59,935	54,694	5,241
Debt service	-	-	-	-	-
Principal	5,910	-	5,910	5,909	1
Total expenditures	3,356,293	225,397	3,581,690	3,428,925	152,765
Excess (deficiency) of revenues over expenditures	56,122	(225,397)	(169,275)	471,409	640,684
OTHER FINANCING SOURCES (USES)					
Use of carryover fund balances	-	225,397	225,397	-	(225,397)
Overlay	(56,122)	-	(56,122)	-	56,122
Total other financing sources and (uses)	(56,122)	225,397	169,275	-	(169,275)
SPECIAL ITEM					
Proceeds from sale of tax acquired property	-	-	-	4,788	4,788
Net change in fund balances	\$ -	\$ -	\$ -	476,197	\$ 476,197
FUND BALANCES - BEGINNING				3,374,182	
FUND BALANCES - ENDING				\$ 3,850,379	

* includes carryover accounts and reclassification

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

	2022	2021	2020	2019	2018
Town's proportion of the net pension liability	0.063667%	0.061853%	0.055367%	0.055458%	0.047824%
Town's proportionate share of the net pension liability (asset)	\$ (20,460)	\$ 245,750	\$ 169,237	\$ 151,776	\$ 195,809
Town's covered-employee payroll***	\$ 431,270	\$ 400,035	\$ 338,689	\$ 282,309	\$ 250,130
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-4.74%	61.43%	49.97%	53.76%	78.28%
Plan fiduciary net position as a percentage of the total pension liability**	92.12%	88.35%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 34,502	\$ 32,003	\$ 27,095	\$ 22,585	\$ 20,010
Contributions in relation to the contractually required contribution**	<u>(34,502)</u>	<u>(32,003)</u>	<u>(27,095)</u>	<u>(22,585)</u>	<u>(20,010)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll***	\$ 431,270	\$ 400,035	\$ 338,689	\$ 282,309	\$ 250,130
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	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 FY 2022

Changes in Benefit Assumptions: There were no changes in benefit assumptions in FY 2022

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

	2022 Actuarial Valuation Date January 1, 2022	2021 Actuarial Valuation Date January 1, 2021	2020 Actuarial Valuation Date January 1, 2020	2019 Actuarial Valuation Date January 1, 2019
Total OPEB Liability				
Service cost (BOY)	\$ 8,030	\$ 7,076	\$ 4,624	\$ 5,011
Interest (includes interest on service cost)	1,208	1,235	1,067	783
Changes of benefit terms	-	-	(754)	-
Differences between expected and actual experience	2,858	-	3,895	-
Changes in assumptions	(10,720)	2,887	7,978	(2,072)
Benefit payments, including refunds of member contributions	(288)	(277)	(96)	(92)
Net change in total OPEB liability	\$ 1,088	\$ 10,921	\$ 16,714	\$ 3,630
Total OPEB liability - beginning	\$ 49,073	\$ 38,152	\$ 21,438	\$ 17,808
Total OPEB liability - ending	\$ 50,161	\$ 49,073	\$ 38,152	\$ 21,438
Plan fiduciary net position				
Contributions - employer	288	277	96	92
Contributions - member	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of member contributions	(288)	(277)	(96)	(92)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-
Net OPEB liability - ending	\$ 50,161	\$ 49,073	\$ 38,152	\$ 21,438
Covered employee payroll	\$ 330,720	\$ 302,120	\$ 208,820	\$ 208,820
Net OPEB liability as a percentage of covered employee payroll	15.2%	16.2%	18.3%	10.3%

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>
2022	2.06%
2021	2.12%
2020	2.74%
2019	4.10%
2018	3.44%

**Town of Hartland, Maine
Taxes and Tax Liens Receivable
General Fund
June 30, 2022**

Taxes receivable 2022	<u>\$ 181,079</u>
Tax liens 2021 and prior	<u>91,642</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 272,721</u>

**Town of Hartland, Maine
Schedule of Departmental Operations
For the Year Ended June 30, 2022**

	Balance 7/1/2021	Appropriations	Additional/ And Changes to Budget	Total Available	Expenditures	Balances Lapsed	Carried
GENERAL GOVERNMENT							
Administration	\$ -	\$ 257,480	\$ -	\$ 257,480	\$ 222,506	\$ 34,974	\$ -
Town office	-	40,375	-	40,375	30,698	9,677	-
Assessing	-	16,000	-	16,000	15,634	366	-
Contingency and abatements	-	15,000	-	15,000	4,314	10,686	-
Total	-	328,855	-	328,855	273,152	55,703	-
PROTECTION							
Fire protection	-	29,225	18,000	47,225	47,056	169	-
Street lights	-	20,500	-	20,500	11,876	8,624	-
Dam	-	3,000	-	3,000	249	2,751	-
Hydrant rental	-	112,600	-	112,600	111,450	1,150	-
Animal control	-	7,450	-	7,450	5,434	2,016	-
Insurance	-	83,000	-	83,000	79,270	3,730	-
Total	-	255,775	18,000	273,775	255,335	18,440	-
HEALTH AND WELFARE							
General assistance	-	9,072	-	9,072	2,226	6,846	-
Donations	-	3,000	-	3,000	2,400	600	-
Total	-	12,072	-	12,072	4,626	7,446	-
PUBLIC WORKS AND ROADS							
Town road improvements	-	342,500	169,000	511,500	500,408	11,092	-
Snow removal & sanding	-	247,000	-	247,000	219,369	27,631	-
Town truck	-	6,000	-	6,000	713	5,287	-
Cemeteries	-	36,500	-	36,500	20,993	15,507	-
Total	-	632,000	169,000	801,000	741,483	59,517	-
RECREATION							
I.T.C.C.	-	10,000	-	10,000	10,000	-	-
Library	-	54,000	-	54,000	54,000	-	-
Pool	-	17,150	-	17,150	17,456	(306)	-
Total	-	81,150	-	81,150	81,456	(306)	-
SPECIAL ASSESSMENTS							
Education	-	1,535,512	-	1,535,512	1,535,512	-	-
County tax	-	316,906	-	316,906	316,906	-	-
Total	-	1,852,418	-	1,852,418	1,852,418	-	-
PUBLIC SERVICE							
Total	-	21,538	38,397	59,935	54,694	5,241	-
SANITATION							
Transfer station	-	157,575	-	157,575	151,637	5,938	-
Health officer and CEO	-	9,000	-	9,000	8,215	785	-
Total	-	166,575	-	166,575	159,852	6,723	-
DEBT SERVICE							
Salt shed	-	5,910	-	5,910	5,909	1	-
Total	-	5,910	-	5,910	5,909	1	-
TOTAL EXPENDITURES	\$ -	\$ 3,356,293	\$ 225,397	\$ 3,581,690	\$ 3,428,925	\$ 152,765	\$ -

Town of Hartland, Maine
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant/Pass-through Grantor Number	Disbursements/ Expenditures	Pass- through to subrecipients
<i>U.S. Department of Agriculture</i>				
<i>Direct</i>				
Water and waste disposal systems for rural communities	10.760	23-013-016000197	\$ 444,901	
<i>U.S. Department of Environmental Protection</i>				
<i>Direct</i>				
Drinking Water State Revolving Loan Fund Program	66.468	N/A	154,820	
<i>U.S. Department of Treasury</i>				
<i>Passed through State of Maine Department of Environmental Protection</i>				
Coronavirus state and local fiscal recovery funds -American Rescue Plan	21.027	06A 202203142082	44,084	
<i>Northern Border Regional Development</i>	90.601	NBRC18GME03	157,535	
<i>U.S. Department of Housing and Urban Development</i>				
<i>Passed through State of Maine Department of Economic and Community Development</i>				
Community development block grant 2019 housing assistance grant	14.228	2020112000	190,316	190,316
<i>Total expenditures of federal awards</i>			<u>\$ 991,656</u>	<u>\$ 190,316</u>
Supplemental disclosure:				
Drinking Water State Revolving Loan Fund Program				
Loan beginning balance			\$ -	
Loan proceeds			1,119,519	
Loan payments			<u>(650,000)</u>	
Loan ending balance			<u>\$ 469,519</u>	

Town of Hartland, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

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, 2022. 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.

5. CLEAN WATER STATE REVOLVING LOAN FUND- DEP

The Town had \$469,519 outstanding on a \$1,119,519 bond payable which is funded by federal awards at June 30, 2022. Of this total, \$978,613 is bond proceeds held by the Maine Municipal Bond Bank to be drawn down as the funds are expended.



674 Mt Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

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, 2022, 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 15, 2023.

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. 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 material weakness which is described in the accompanying schedule of findings and questioned costs as item #2022-001 that we consider to be a material weakness.

Report on 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 15, 2023.

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.

Brantley Whibodan & Associates

Bangor, Maine
June 15, 2023



674 Mt Hope Avenue • Suite 1 • Bangor, ME 04401-5662 • (207) 947-3325 • FAX (207) 945-3400
Email: bta@btacpa.com

**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, 2022. 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, 2022.

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.

Brentner Hibbard & Associates

Bangor, Maine
June 15, 2023

**Town of Hartland, Maine
Schedule of Findings and Questioned Costs
Year ended June 30, 2022**

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

Noncompliance material to financial statements noted? - yes X no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? - yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? - yes X 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 X 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? - X yes no

**Town of Hartland, Maine
 Schedule of Findings and Questioned Costs (Continued)
 Year ended June 30, 2022**

Section II — Financial Statement Findings

	#2022-001
<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 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 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, 2022

#2021-001

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

No change