

Town of Hartland, Maine

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Year Ended June 30, 2019

CONTENTS

	Statement	Page
Independent Auditor's Report		4-5
Required Supplementary Information		
Management's Discussion and Analysis		6-12
Basic Financial Statements		
Government-wide Financial Statements		
Statement of net position	1	13
Statement of activities	2	14
Fund Financial Statements		
Balance sheet – governmental funds	3	15
Reconciliation of the governmental funds balance sheet to the statement of net position	3A	16
Statement of revenues, expenditures and changes in fund balances – governmental funds	4	17
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	4A	18
Statement of net position – proprietary fund	5	19
Statement of revenues, expenses and changes in fund balances – proprietary fund	6	20
Statement of cash flows – proprietary fund	7	21
Statement of fiduciary net position – fiduciary funds	8	22
Statement of changes in fiduciary net position – fiduciary funds	9	23
Notes to basic financial statements		24-43
	Exhibit	
Required Supplementary Information		
Budget and actual (with variances) – general fund	1	44
Schedule of the Town's proportionate share of net pension liability – Participating Local Districts Plan	2	45
Schedule of Town pension contributions – Participating Local Districts Plan	3	46

CONTENTS

	Exhibit	Page
Schedule of changes in total health plan OPEB liability and related ratios	4	47
	Schedule	
Other Supplementary Information		
Taxes receivable, tax liens receivable, and tax acquired property	1	48
Other Reports and Schedules		
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 <i>Government Auditing Standards</i>		49-50
Independent auditor's report on compliance for each major program and on internal control over compliance required by the <i>Uniform Guidance</i>		51-52
Schedule of expenditures of federal awards		53
Notes to the schedule of expenditures of federal awards		54
Schedule of findings and questioned costs		55-56



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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartland, Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hartland, Maine, as of June 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of the Town of Hartland, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hartland, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hartland, Maine's internal control over financial reporting and compliance.

Bartrur Shiodian & Associates

Bangor, Maine
June 3, 2020

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, 2019. The report is presented in a manner that fairly represents the Town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town's financial position, and the data is correct to the best of our knowledge and belief.

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

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

FINANCIAL INFORMATION

The Town also owns and operates a pollution control facility and landfill that primarily serves the Town's most significant industry, Tasman Leather Group, LLC and in town sewer users. The Town currently pays 6% of the HPCF budget and Tasman pays 94%. Debt service is split the same percentage. In November of 2015, the landfill became stand alone and Tasman Leather Group pays for service by the ton.

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, 2019 was \$2,430,070.
- The Town's governmental activities net position increased by a total of \$383,411 and business-type met position by \$2,372,858.
- The Town's general fund's fund balance increased by \$11,453, from \$2,690,167 at June 30, 2018 to \$2,701,620 at June 30, 2019.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

General Fund

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

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

Sewer Treatment Plant (HPCF) and Landfill Proprietary Funds

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

Private Purpose Trust Funds

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,756,714 as of June 30, 2019.

Net Position for the Period Ending June 30, 2019 and 2018

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>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$2,920,087	\$2,898,175	\$ 1,855,737	\$ 730,140	\$ 4,775,824	\$ 3,628,315
Capital assets, net	<u>2,530,875</u>	<u>2,177,999</u>	<u>8,239,327</u>	<u>4,885,311</u>	<u>10,770,202</u>	<u>7,063,310</u>
Total Assets	<u>5,450,962</u>	<u>5,076,174</u>	<u>10,095,064</u>	<u>5,615,451</u>	<u>15,546,026</u>	<u>10,691,625</u>
Deferred outflows of resources	<u>100,367</u>	<u>190,632</u>	-	-	<u>100,367</u>	<u>190,632</u>
Current liabilities	29,740	42,450	2,007,487	304,955	2,037,227	347,405
Noncurrent liabilities	<u>328,329</u>	<u>350,924</u>	<u>6,476,250</u>	<u>6,047,308</u>	<u>6,804,579</u>	<u>6,398,232</u>
Total Liabilities	<u>358,069</u>	<u>93,374</u>	<u>8,483,737</u>	<u>6,352,263</u>	<u>8,841,806</u>	<u>6,745,637</u>
Deferred inflows of resources	<u>47,873</u>	<u>95,972</u>	-	-	<u>47,873</u>	<u>95,972</u>
Net Position						
Net investment in capital assets	2,375,760	1,997,771	6,680,679	4,787,484	9,056,439	6,785,555
Restricted	-	-	150,000	-	150,000	-
Unrestricted	<u>2,769,627</u>	<u>2,779,689</u>	<u>(5,219,352)</u>	<u>(5,524,594)</u>	<u>(2,449,725)</u>	<u>(2,744,905)</u>
Total Net Position	<u>\$ 5,145,387</u>	<u>\$ 4,777,460</u>	<u>\$ 1,611,327</u>	<u>\$ (736,810)</u>	<u>\$ 6,756,714</u>	<u>\$ 4,040,650</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 \$110,328 in its governmental activities and added fixed assets of \$463,204 for the year ended June 30, 2019.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2019 and 2018.

	Governmental Activities		Business-type Activities	
	2019	20118	2019	2018
REVENUES				
<i>Program Revenues:</i>				
Charges for services and other	\$ 23,761	\$ 17,821	\$ 1,562,114	\$ 1,442,780
Operating grants and contributions	44,085	27,310	-	-
Capital grants and contributions	23,476	-	2,117,194	-
<i>General Revenues:</i>				
Property Taxes	2,708,986	2,690,461	-	-
Excise and miscellaneous taxes	270,301	252,904	-	-
Grants and contributions not restricted to specific purpose	274,011	641,209	-	-
Unrestricted investment income	23,754	-	1,871	1,116
Interest and lien costs	32,517	31,116	-	-
Miscellaneous	-	36,873	-	-
Total Revenues	<u>\$3,400,891</u>	<u>\$3,697,694</u>	<u>\$ 3,681,179</u>	<u>\$ 1,443,896</u>
EXPENSES				
General government	\$ 240,519	\$ 241,117	\$ -	\$ -
Public safety	225,403	198,055	-	-
Public works	397,770	335,550	-	-
Sanitation	124,472	124,748	-	-
Health and human services	7,217	6,485	-	-
Culture and recreation	63,655	60,533	-	-
Public service	21,905	21,337	-	-
County tax	329,122	322,627	-	-
Education	1,500,029	1,445,322	-	-
Interest on long-term debt	1,263	1,464	-	-
Special grants and contributions	84,310	28,864	-	-
Depreciation	-	87,576	-	-
Business-type expenses	-	-	1,334,024	1,223,684
Total expenses	<u>\$2,995,565</u>	<u>\$ 2,873,678</u>	<u>\$ 1,334,024</u>	<u>\$ 1,223,684</u>
Excess (deficiency) before contributions to permanent fund principal, special items, and transfers	405,326	824,016	2,347,155	220,212
Transfers of grants	-	(417,858)	-	417,858
Inter-fund transfers	(25,703)	372,917	25,703	(372,917)
Special item – sale of assets	<u>3,788</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	383,411	779,073	2,372,858	265,153
Net position, beginning of year	<u>4,777,460</u>	<u>3,795,303</u>	<u>(736,811)</u>	<u>(798,879)</u>
Restatement of beginning balance	<u>(15,484)</u>	<u>203,084</u>	<u>(24,720)</u>	<u>(203,084)</u>
Net position, end of year	<u>\$ 5,145,387</u>	<u>\$4,777,460</u>	<u>\$1,611,327</u>	<u>\$ (736,810)</u>

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

Governmental Activities

For the year ended June 30, 2019, the Town's net position for governmental activities increased by \$383,411.

Expenses of governmental activities include depreciation expense of \$110,328. 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, 2019 totaled \$3,309,569. Of this amount, \$2,979,287 was from local property and excise taxes.

Business-type Activities

As previously mentioned, the Town's business-type activities consist of its sewer fund.

During the year ended June 30, 2019, the Town's net position from business-type activities decreased by \$2,372,858, mostly resulting from a capital grant.

Financial Analysis of the Town's Funds

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

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, its governmental funds reported a combined fund balance of \$2,702,346, \$7,667 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 \$2,701,308. Excise taxes and other taxes accounted for \$270,301 in total revenue.

Total governmental fund expenditures for the year were \$3,363,630 and are broken down as follows:

General government	\$ 233,134
Public safety	201,373
Public works	607,388
Sanitation	124,472
Health and welfare	7,217
Culture and recreation	63,655
County tax	329,122
Education	1,500,029
Public services	21,905
Principal	25,112
Interest and other charges	1,263
Capital outlay	<u>248,960</u>
Total Governmental Funds Expenditures	<u>\$ 3,363,630</u>

The Town paid \$248,960 in governmental capital outlays appropriations during the year. A portion of this was capitalized and is reflected in the \$463,204 total added to capital assets as of June 30, 2019.

FIDUCIARY NON-TOWN ACCOUNTS

The Town acts as the fiduciary for non-expendable trust funds, the income of which may be used for cemetery maintenance. The balance in those funds is approximately \$50,125.

Capital Asset and Debt Administration

Capital Assets

	<u>Balance 6/30/18</u>	<u>Additions/ Completions</u>	<u>Retirement/ Restatement</u>	<u>Balance 6/30/19</u>
Governmental Activities				
Buildings and Improvements	\$ 2,237,811	\$ -	\$ -	\$ 2,237,811
Equipment, furniture and vehicles	658,013	197,250	(1,800)	853,263
Infrastructure	<u>848,719</u>	<u>265,954</u>	<u>-</u>	<u>1,114,673</u>
Total capital assets	3,744,543	463,204	(1,800)	4,205,747
Less accumulated depreciation	<u>(1,566,544)</u>	<u>(110,328)</u>	<u>1,800</u>	<u>(1,675,072)</u>
Total capital assets, net	<u>\$ 2,177,999</u>	<u>\$ 352,876</u>	<u>\$ -</u>	<u>\$ 2,530,875</u>
Business-Type Activities				
Treatment plant	\$ 9,260,082	\$ 3,604,784	\$ -	\$ 12,864,866
Equipment	118,264	-	-	118,264
Landfill	<u>1,623,263</u>	<u>-</u>	<u>-</u>	<u>1,623,263</u>
Total capital assets	11,001,609	3,604,784	-	14,606,393
Less accumulated Depreciation	<u>(6,116,297)</u>	<u>(250,769)</u>	<u>-</u>	<u>(6,367,066)</u>
Total capital assets, net	<u>\$ 4,885,312</u>	<u>\$3,354,015</u>	<u>\$ -</u>	<u>\$ 8,239,327</u>

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

Debt Administration

The Town's debt consists of several bonds, notes and capital leases. A summary of the Town's debt activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Total Interest Paid</u>
Governmental Activities					
Bonds and notes payable	\$ 38,406	\$ -	\$ (19,203)	\$ 19,203	\$ 19,203
Capital lease obligations	141,821		(5,909)	135,912	5,909
Net OPEB liability	17,808	3,714	(84)	21,438	N/A
Net Pension liability	<u>195,809</u>	<u>-</u>	<u>(44,033)</u>	<u>151,776</u>	
Total governmental activities	<u>\$ 393,844</u>	<u>\$ 3,714</u>	<u>\$ (69,229)</u>	<u>\$ 328,329</u>	<u>\$ 25,112</u>
Business-Type Activities					
Bonds and notes payable	\$ 220,799	\$400,000	\$ (7,258)	\$ 613,541	\$ 17,147
Capital lease obligations	<u>97,528</u>	<u>-</u>	<u>(26,469)</u>	<u>71,059</u>	<u>22,718</u>
Total	<u>\$4,512,352</u>	<u>\$400,000</u>	<u>\$ (33,727)</u>	<u>\$ 684,600</u>	<u>\$ 39,865</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 \$194,229. Most of this variance resulted from under budgeted excise tax revenues, sales of salt and sand, contributions, and interest and investment earnings.

Budgeted expenditures were higher than actual expenditures by \$110,481 with the utilization of designated carry-forward balances.

ECONOMIC FACTORS AND FUTURE BUDGETS

The Town will be forced to be more financially responsive at a local level with the loss of a significant rate payer and potential reductions in state funding. These factors along with the general economic climate as a whole make it very challenging.

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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,576,751	\$ 853,319	\$ 2,430,070
Investments	1,084,271	-	1,084,271
Taxes receivable, net	253,521	-	253,521
Accounts receivable	-	89,336	89,336
Due from other governmental agencies	-	903,488	903,488
Interfund balances	(9,594)	9,594	-
Prepaid expenses	15,138	-	15,138
Capital assets being depreciated, net	2,530,875	8,239,327	10,770,202
Total assets	5,450,962	10,095,064	15,546,026
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	98,582	-	98,582
Deferred outflows related to OPEB	1,785	-	1,785
Total deferred outflows of resources	100,367	-	100,367
LIABILITIES			
Accounts payable and accrued expenses	29,620	919,898	949,518
Due to other governmental agencies	120	-	120
Bond anticipation note payable	-	1,087,589	1,087,589
Long-term liabilities			
Due within one year			
Capital lease obligations	5,909	22,718	28,627
Bonds and notes payable	19,203	17,147	36,350
Due in more than one year			
Capital lease obligations	130,003	48,341	178,344
Bonds and notes payable	-	596,394	596,394
Estimated landfill closure costs	-	4,131,650	4,131,650
Estimated post-closure and leachate costs	-	1,660,000	1,660,000
Net pension liability	151,776	-	151,776
Net OPEB liability	21,438	-	21,438
Total liabilities	358,069	8,483,737	8,841,806
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	38,348	-	38,348
Deferred inflows related to OPEB	1,727	-	1,727
Prepaid taxes	7,798	-	7,798
Total deferred inflows of resources	47,873	-	7,798
NET POSITION			
Net investment in capital assets	2,375,760	6,680,679	9,056,439
Restricted, expendable for			
Debt service	-	150,000	150,000
Unrestricted (deficit)	2,769,627	(5,219,352)	(2,449,725)
Total net position	\$ 5,145,387	\$ 1,611,327	\$ 6,756,714

**Town of Hartland, Maine
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 240,519	\$ 15,807	\$ 3,018	\$ -	\$ (221,694)	\$ -	\$ (221,694)
Health and welfare	7,217	-	-	-	(7,217)	-	(7,217)
Public safety	225,403	-	-	-	(225,403)	-	(225,403)
Public works	397,770	-	-	23,476	(374,294)	-	(374,294)
Sanitation	124,472	-	-	-	(124,472)	-	(124,472)
Education	1,500,029	-	-	-	(1,500,029)	-	(1,500,029)
Leisure services	63,655	-	2,721	-	(60,934)	-	(60,934)
County tax	329,122	-	-	-	(329,122)	-	(329,122)
Cemeteries	-	2,725	-	-	2,725	-	2,725
Public services	21,905	-	15,429	-	(6,476)	-	(6,476)
Interest and other charges on long-term debt	1,263	-	-	-	(1,263)	-	(1,263)
Capital outlay reserves	84,210	-	22,917	-	(61,293)	-	(61,293)
Total governmental activities	<u>2,995,565</u>	<u>23,761</u>	<u>44,085</u>	<u>23,476</u>	<u>(2,904,243)</u>	<u>-</u>	<u>(2,904,243)</u>
Business-type activities							
HPCF - Sewer fund	934,064	1,168,563	-	2,117,194	-	2,351,693	2,351,693
Landfill fund	399,960	393,551	-	-	-	(6,409)	(6,409)
Total business-type activities	<u>1,334,024</u>	<u>1,562,114</u>	<u>-</u>	<u>2,117,194</u>	<u>-</u>	<u>2,345,284</u>	<u>2,345,284</u>
Total government	<u>\$ 4,329,589</u>	<u>\$ 1,585,875</u>	<u>\$ 44,085</u>	<u>\$ 2,140,670</u>	<u>(2,904,243)</u>	<u>2,345,284</u>	<u>(558,959)</u>
General revenues							
Taxes							
Property taxes					2,708,986	-	2,708,986
Excise taxes, permits, licenses and other fees					270,301	-	270,301
Interest and lien costs					32,517	-	32,517
Grants and contributions not restricted to specific programs					274,011	-	274,011
Unrestricted investment earnings and interest					23,754	1,871	25,625
<i>Special item - gain on disposal of assets</i>					3,788	-	3,788
Transfers					(25,703)	25,703	-
Total general revenues, special item and transfers					<u>3,287,654</u>	<u>27,574</u>	<u>3,315,228</u>
Change in net position					<u>383,411</u>	<u>2,372,858</u>	<u>2,756,269</u>
NET POSITION - BEGINNING					<u>4,777,460</u>	<u>(736,811)</u>	<u>4,040,649</u>
Restatement of long term debt for prior year error (Note 13)					-	(24,720)	(24,720)
Restatement of beginning balance for OPEB reporting (Note 13)					(15,484)	-	(15,484)
NET POSITION - BEGINNING, RESTATED					<u>4,761,976</u>	<u>(761,531)</u>	<u>4,000,445</u>
NET POSITION - ENDING					<u>\$ 5,145,387</u>	<u>\$ 1,611,327</u>	<u>\$ 6,756,714</u>

See accompanying notes to
basic financial statements.

Town of Hartland, Maine
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Other Governmental Fund- Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,576,025	\$ 726	\$ 1,576,751
Investments	1,084,271	-	1,084,271
Taxes receivable, net	253,521	-	253,521
Prepaid expenses	15,138	-	15,138
Total assets	<u>\$ 2,928,955</u>	<u>\$ 726</u>	<u>\$ 2,929,681</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 17,473	\$ -	\$ 17,473
Due to other funds	9,594	-	9,594
Payable to other governments	120	-	120
Accrued payroll liabilities	12,146	-	12,146
Total liabilities	<u>39,333</u>	<u>-</u>	<u>39,333</u>
Deferred inflows of resources			
Prepaid taxes	7,798	-	7,798
Unavailable property taxes	180,204	-	180,204
Total deferred inflows of resources	<u>188,002</u>	<u>-</u>	<u>188,002</u>
Fund balances			
Nonspendable for			
Prepaid expenses	15,138	-	15,138
Committed for			
Capital projects	-	726	726
Other purposes	823,131	-	823,131
Unassigned	1,863,351	-	1,863,351
Total fund balances	<u>2,701,620</u>	<u>726</u>	<u>2,702,346</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,928,955</u>	<u>\$ 726</u>	<u>\$ 2,929,681</u>

See accompanying notes to
basic financial statements.

Town of Hartland, Maine
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balance, governmental funds	\$ 2,702,346
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.	2,530,875
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	180,204
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	(40,076)
Deferred outflows of resources	100,367
Some liabilities, (such as Accrued interest, Capital Lease Contract Payable, Net Pension Liability, Other Postemployment Benefit Obligation, and Bonds and Notes Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(328,329)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 5,145,387</u>

Town of Hartland, Maine
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Other Governmental Fund- Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 2,701,308	\$ -	\$ 2,701,308
Excise and miscellaneous taxes	270,301	-	270,301
Interest and lien costs	32,517	-	32,517
Intergovernmental	300,207	-	300,207
Charges for services	23,675	-	23,675
Investment and interest earnings (loss)	23,754	-	23,754
Sale of tax acquired property	3,788	-	3,788
Contributions and reimbursements	22,917	-	22,917
Miscellaneous	18,533	-	18,533
	<u>3,397,000</u>	<u>-</u>	<u>3,397,000</u>
EXPENDITURES			
Current			
General government	233,134	-	233,134
Public safety	201,373	-	201,373
Public works	607,388	-	607,388
Sanitation	124,472	-	124,472
Recreation	63,655	-	63,655
Education	1,500,029	-	1,500,029
County tax	329,122	-	329,122
Health and welfare	7,217	-	7,217
Public services	21,905	-	21,905
Debt service			
Principal	25,112	-	25,112
Interest and loan fees	1,263	-	1,263
Capital outlay and committed funds	245,174	3,786	248,960
	<u>3,359,844</u>	<u>3,786</u>	<u>3,363,630</u>
Excess of revenues over expenditures	<u>37,156</u>	<u>(3,786)</u>	<u>33,370</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(25,703)	-	(25,703)
	<u>(25,703)</u>	<u>-</u>	<u>(25,703)</u>
Net change in fund balances	11,453	(3,786)	7,667
FUND BALANCES - BEGINNING	<u>2,690,167</u>	<u>4,512</u>	<u>2,694,679</u>
FUND BALANCES - ENDING	<u>\$ 2,701,620</u>	<u>\$ 726</u>	<u>\$ 2,702,346</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, 2019

Net change in fund balances - total governmental funds: \$ 7,667

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	\$ 463,204	
Depreciation	<u>(110,328)</u>	352,876

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. 7,678

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	(92,589)
Deferred inflows related to pension and OPEB	42,264

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

Debt payments	25,112
---------------	--------

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>40,403</u>
--	---------------

Change in net position of governmental activities	<u><u>\$ 383,411</u></u>
---	--------------------------

Town of Hartland, Maine
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	HPCF Sewer		
	Fund	Landfill	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 796,323	\$ 56,996	\$ 853,319
Accounts receivable, net	64,789	24,547	89,336
Due from other funds	9,594	-	9,594
Grants receivables from other governments	903,488	-	903,488
Total current assets	<u>1,774,194</u>	<u>81,543</u>	<u>1,855,737</u>
Non-current assets			
Property, plant and equipment	14,488,129	118,264	14,606,393
Less accumulated depreciation	<u>(6,339,471)</u>	<u>(27,595)</u>	<u>(6,367,066)</u>
Total non-current assets	<u>8,148,658</u>	<u>90,669</u>	<u>8,239,327</u>
Total assets	<u>9,922,852</u>	<u>172,212</u>	<u>10,095,064</u>
LIABILITIES			
Current liabilities			
Accounts payable	9,636	6,774	16,410
Capital grant project payables	903,488	-	903,488
Bond anticipation note payable	1,087,589	-	1,087,589
Bonds and notes payable	<u>9,744</u>	<u>7,403</u>	<u>17,147</u>
Total current liabilities	<u>2,010,457</u>	<u>36,895</u>	<u>2,047,352</u>
Noncurrent liabilities			
Estimated landfill closure costs	-	4,131,650	4,131,650
Estimated post-closure and leachate costs	-	1,660,000	1,660,000
Note payable- USDA	390,256	206,138	596,394
Lease payable - bulldozer	-	48,341	48,341
Total non-current liabilities	<u>390,256</u>	<u>6,046,129</u>	<u>6,436,385</u>
Total liabilities	<u>2,400,713</u>	<u>6,083,024</u>	<u>8,483,737</u>
NET POSITION			
Net investment in capital assets	6,661,069	19,610	6,680,679
Restricted for debt service	150,000	-	150,000
Unrestricted (deficit)	<u>711,070</u>	<u>(5,930,422)</u>	<u>(5,219,352)</u>
Total net position	<u>\$ 7,522,139</u>	<u>\$ (5,910,812)</u>	<u>\$ 1,611,327</u>

Town of Hartland, Maine
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Enterprise Funds		
	HPCF Sewer		
	Fund	Landfill	Total
REVENUES			
Tasman Leather Group, LLC	\$ 913,023	\$ -	\$ 913,023
Town of Hartland	176,946	-	176,946
Fees	78,469	389,681	468,150
Miscellaneous revenue	125	3,870	3,995
Total operating revenues	<u>1,168,563</u>	<u>393,551</u>	<u>1,562,114</u>
OPERATING EXPENSES			
Plant maintenance and operations	706,948	367,991	1,074,939
Depreciation	227,116	23,653	250,769
Total operating expenses	<u>934,064</u>	<u>391,644</u>	<u>1,325,708</u>
Operating income	<u>234,499</u>	<u>1,907</u>	<u>236,406</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,837	34	1,871
Capital grants and contributions	2,117,194	-	2,117,194
Interest expense	-	(8,316)	(8,316)
Total net non-operating revenues (expenses)	<u>2,119,031</u>	<u>(8,282)</u>	<u>2,110,749</u>
Income before contributions and transfers	2,353,530	(6,375)	2,347,155
Transfers in	-	25,703	25,703
Change in net position	2,353,530	19,328	2,372,858
TOTAL NET POSITION - BEGINNING (DEFICIT)	5,168,609	(5,905,420)	(761,531)
Restatement of beginning long term debt (Note 13)	-	(24,720)	(24,720)
TOTAL NET POSITION - BEGINNING - RESTATED	<u>5,168,609</u>	<u>(5,930,140)</u>	<u>(786,251)</u>
TOTAL NET POSITION - ENDING (DEFICIT)	<u>\$ 7,522,139</u>	<u>\$ (5,910,812)</u>	<u>\$ 1,611,327</u>

Town of Hartland, Maine
Statement of Cash Flows - Proprietary Fund
For the Year ended June 30, 2019

	Enterprise Funds		Total
	HPCF	Landfill	
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$1,112,850	\$389,698	\$ 1,502,548
Payments to suppliers for goods and services	(664,911)	(361,215)	(1,026,126)
Interfund activity	(9,594)	-	(9,594)
Net cash provided by operating activities	<u>438,345</u>	<u>28,483</u>	<u>466,828</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital expenditures	(3,005,373)	-	(3,005,373)
Interest payments	-	(8,316)	(8,316)
Proceeds from loans	1,487,589	-	1,487,589
Proceeds from grants	1,480,989	-	1,480,989
Contributions from governmental funds	-	25,703	25,703
Bond and note payments and restatements	-	(29,058)	(29,058)
Net cash used by capital and related financing activities	<u>(36,795)</u>	<u>(11,671)</u>	<u>(48,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>1,837</u>	<u>34</u>	<u>1,871</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>403,387</u>	<u>16,846</u>	<u>420,233</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>392,936</u>	<u>40,150</u>	<u>433,086</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 796,323</u>	<u>\$ 56,996</u>	<u>\$ 853,319</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 234,499	\$ 1,907	\$ 236,406
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	227,115	23,653	250,768
(Increase) Decrease in the following assets			
Accounts receivable	(55,713)	(3,851)	(59,564)
Due from other funds	(9,594)	-	(9,594)
Increase (decrease) in the following liabilities			
Accounts payable	<u>42,038</u>	<u>6,774</u>	<u>48,812</u>
Total adjustments to income	<u>203,846</u>	<u>26,576</u>	<u>230,422</u>
Net cash provided by operating activities	<u>\$ 438,345</u>	<u>\$ 28,483</u>	<u>\$ 466,828</u>

See accompanying notes to basic financial statements.

Town of Hartland, Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Private Purpose Trust Funds
ASSETS	
Investments	\$ 50,125
Total assets	50,125
NET POSITION	
Non-spendable	23,336
Restricted	26,789
Total net position	\$ 50,125

Town of Hartland, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Private Purpose Trust Funds
ADDITIONS	
Income	
Interest and investment income	\$ -
Total additions	-
DEDUCTIONS	
Benefits	586
Change in net position	(586)
NET POSITION - BEGINNING	50,711
NET POSITION - ENDING	\$ 50,125

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Capital Assets (Continued)

Estimated useful lives are as follows:

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

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

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

5. Long-term Debt and Liabilities

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

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

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

6. Compensated Absences

Vacation and sick pay benefits are substantially non-vesting and are not material. Therefore, no liability has been recorded in the financial statements for the year ended June 30, 2019.

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, 2019

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 Town Charter.

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, 2019

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, 2018 and were due in full or in installments on September 15, 2018 and April 30, 2019. Interest was charged at 7% per annum on amounts not paid by the due date. Upon the expiration of eight months, and within one year from the date of the original commitment, a tax lien is recorded for all delinquent taxes on real estate.

For purposes of the fund financial statements, property taxes assessed and collected during the year ended June 30, 2019, and during the first sixty days of the next fiscal year are recognized as revenue in 2019. 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	\$ 115,810,214
Personal property	<u>4,009,335</u>
	119,819,549
Tax rate (per \$1,000)	<u>22.60</u>
Commitment	2,707,922
Less: collections and abatements	<u>(2,528,618)</u>
Receivable at June 30, 2019	<u>\$ 179,304</u>
Collection rate	93%

11. Recent and Future Governmental Accounting Standards

During the year ended June 30, 2019, the Town implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of this statement at June 30, 2019 resulted in a restatement of beginning net position of \$15,484.

During the year ended June 30, 2019, the Town implemented GASB Statement No. 85, *Omnibus 2017*. This statement improves financial reporting by enhancing consistency in the application of accounting and financial reporting requirements related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Consistent reporting will improve the usefulness of information for users of state and local government financial statements

During the year ended June 30, 2019, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement improves financial reporting by improving the consistency of the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

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, 2019, the Town reported deposits of \$2,430,070 with bank balances of \$2,554,425. Of the Town's total bank balance of \$2,554,425, \$2,053,694 was exposed to custodial credit risk. Of the exposed amount, \$1,750,000 was collateralized by underlying securities held by the related bank, which were not in the Town's name, and \$303,694 was uncollateralized.

Deposits in the primary government have been reported as follows:

Reported in governmental funds	\$1,576,751
Reported in proprietary funds	<u>853,319</u>
Total deposits	<u>\$2,430,070</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, 2019 are as follows:

	Fair Value Level 1
Negotiable certificate of deposits	\$1,084,271
Annuity life insurance policy	<u>50,125</u>
Total investments	<u>\$ 1,134,396</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, 2019

NOTE 3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Restate- ment/ Additions	Disposals	Balance June 30, 2019
Governmental activities				
<i>Capital assets being depreciated</i>				
Buildings	\$ 2,237,811	\$ -	\$ -	\$ 2,237,811
Machinery, equipment & vehicles	658,013	197,250	(1,800)	853,263
Infrastructure roads	848,719	265,954	-	1,114,673
Total	<u>3,744,543</u>	<u>463,204</u>	<u>(1,800)</u>	<u>4,205,747</u>
<i>Less accumulated depreciation for</i>				
Buildings	(1,032,714)	(50,823)	-	(1,083,537)
Machinery, equipment, vehicles	(476,424)	(33,666)	1,800	(508,290)
Infrastructure	(57,406)	(25,839)	-	(83,245)
Total accumulated depreciation	<u>(1,566,544)</u>	<u>(110,328)</u>	<u>1,800</u>	<u>(1,675,072)</u>
Total capital assets being depreciated, net	<u>2,177,999</u>	<u>352,876</u>	<u>-</u>	<u>2,530,875</u>
Total governmental activities, net	<u>\$ 2,177,999</u>	<u>\$ 352,876</u>	<u>\$ -</u>	<u>\$ 2,530,875</u>
Business-type activities				
<i>Capital assets being depreciated</i>				
Treatment plant	\$ 9,260,082	\$3,604,784	\$ -	\$12,864,866
Equipment	118,264	-	-	118,264
Landfill	1,623,263	-	-	1,623,263
Total	<u>11,001,609</u>	<u>3,604,784</u>	<u>-</u>	<u>14,606,393</u>
<i>Less accumulated depreciation for</i>				
Treatment plant	(5,522,330)	(195,529)	-	(5,717,859)
Equipment	(3,942)	(23,653)	-	(27,595)
Landfill	(590,025)	(31,587)	-	(621,612)
Total accumulated depreciation	<u>(6,116,297)</u>	<u>(250,769)</u>	<u>-</u>	<u>(6,367,066)</u>
Total capital assets being depreciated, net	<u>4,885,312</u>	<u>3,354,015</u>	<u>-</u>	<u>8,239,327</u>
Total business-type activities, net	<u>\$ 4,885,312</u>	<u>\$ 3,354,015</u>	<u>\$ -</u>	<u>\$ 8,239,327</u>

Depreciation was charged to the following activities as follows:

<i>Governmental activities:</i>	
Public safety	\$ 18,133
Public works	51,995
Landfill	36,841
General government	<u>3,359</u>
Total depreciation expense – Governmental activities	<u>\$110,328</u>
 <i>Business-type activities</i>	
HPCF and landfill fund	<u>\$250,769</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2019:

	Balance		Balance	Portion due
	Restated	Increases		
	June 30,	Increases	June 30,	within one
	2018	Decreases	2019	year
Governmental Fund-Type Liabilities				
General Obligation Bond				
Maine Bond Bank, issued 2009 due 2019, principal and interest due annually. Interest rate at 1.0%	\$ 38,406	\$ -	\$ (19,203)	\$ 19,203
Capital lease payable				
Maine Water Company lease 2012, due annually to April 2042, 0.00%	141,821	-	(5,909)	5,909
Net pension liability	195,809		(44,033)	N/A
Net OPEB liability	<u>17,808</u>	<u>3,714</u>	<u>(84)</u>	<u>N/A</u>
Total governmental long-term liabilities	<u>\$ 393,844</u>	<u>\$ 3,714</u>	<u>\$ (69,229)</u>	<u>\$ 25,112</u>
Proprietary Fund Liabilities				
Notes payable				
Rural Development Loan, Issued 2012, due in annual principal and interest payments to 2042. interest rate at 2.0%	\$ 220,799	\$ -	\$ (7,258)	\$ 7,403
Rural Development Loan, Issued 2019, due in annual principal and interest payments to 2048. interest rate at 2.375%	-	400,000		9,744
Capital lease payable				
Bulldozer lease for 5 years, \$25,703 due annually, interest at 4.2%	<u>97,528</u>	<u>-</u>	<u>(26,469)</u>	<u>22,718</u>
Total proprietary fund long-term liabilities	<u>\$ 318,327</u>	<u>\$ 400,000</u>	<u>\$ (33,727)</u>	<u>\$ 39,865</u>

Overlapping Debt

Town is contingently responsible for a proportionate share of the overlapping debt of RSU 19's debt. At June 30, 2019, the Town's share of the total debt outstanding of share was \$106,764.

In addition, the Town is contingently liable for a proportionate share of the overlapping debt of Somerset County. At June 30, 2019, the County had debt outstanding of \$12,975,000, of which the Town share was approximately 2.57% for a total of \$333,736.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 4. LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds and notes payable

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

Governmental Activities			
Fiscal year ended	Principal	Interest	Total
2020	<u>\$ 19,203</u>	<u>\$ 1,162</u>	<u>\$ 20,365</u>
Proprietary Activities			
2020	\$ 17,147	\$ 13,771	\$ 30,918
2021	17,527	13,391	30,918
2022	17,914	13,003	30,917
2023	18,311	12,607	30,918
2024	18,717	12,201	30,918
2025-2029	99,988	54,602	154,590
2030-2034	111,570	43,020	154,590
2035-2039	124,503	30,087	154,590
2040-2044	115,361	15,881	131,242
2045-2048	<u>72,503</u>	<u>4,351</u>	<u>76,854</u>
	<u>\$ 613,541</u>	<u>\$ 212,914</u>	<u>\$ 826,455</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.

Capital Leases Payable

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

As of June 30, 2019, the Town had recorded \$118,264 in governmental activities equipment related to outstanding capital leases. Amortization of these assets is included with depreciation expense. Accumulated depreciation for these assets at June 30, 2019 is \$27,595.

Minimum future lease payments under capital leases as of June 30, 2019 are:

	Governmental Activities	Proprietary Funds
2020	\$ 5,909	\$ 25,703
2021	5,909	25,703
2022	5,909	25,702
2023	5,909	-
2024	5,909	-
Thereafter	<u>106,367</u>	<u>-</u>
	135,912	77,108
Less amount representing interest	<u>(-)</u>	<u>(6,049)</u>
Present value of minimum lease payments	<u>\$135,912</u>	<u>\$ 71,059</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 5. MUNICIPAL SOLID WASTE LANDFILL CLOSURE 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 \$5,791,650 based on Phase II, Phase III, and the remaining undeveloped licensed area, estimated at 5.3 acres.

NOTE 6. 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, 2019 arising from these transactions were as follows:

	Due from	Due to	Transfers in	Transfers out
General fund	\$ -	\$ 9,594	\$ -	\$ 25,703
Proprietary funds	<u>9,594</u>	<u>-</u>	<u>25,703</u>	<u>-</u>
	<u>\$ 9,594</u>	<u>\$ 9,594</u>	<u>\$ 25,703</u>	<u>\$ 25,703</u>

Transfers were made from the general fund to the proprietary fund to make a payment on a note payable.

NOTE 7. 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, 2019:

	Governmental Activities	Business- type Activities
Capital assets	\$ 4,205,747	\$ 14,606,393
Accumulated depreciation	(1,675,072)	(6,367,066)
Related bonds and leases payable	<u>(154,915)</u>	<u>(1,558,648)</u>
Total balance	<u>\$ 2,375,760</u>	<u>\$ 6,680,679</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 8. FUND BALANCE – GENERAL FUND – COMMITTED

At June 30, 2019, the Town maintained committed fund balances for the following purposes:

Pool	\$ 8,778
Roads	47,148
CDBG loans	49,446
Property sales	32,570
Equipment	9,787
Landfill post monitoring	35,503
Landfill cell opening	108,117
Landfill cell closing	126,832
Landfill intermediate cover	16,807
Sewer upgrades	52,500
200 th Birthday celebration	30,000
Fire department	30,000
Perpetual care	8,873
HPCF	250,770
Transfer station study	<u>16,000</u>
 Total	 <u>\$ 823,131</u>

NOTE 9. 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, 2019

NOTE 9. DEFINED BENEFIT PENSION PLAN (Continued)

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

Contributions

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

Contributions - PLD Plan

Participating employees are required to contribute 8.0% of their annual salary to the Plan by State Statute. The Town is required to pay 10.0% of members' compensation, as determined on an annual basis by the Plan's actuaries. The contribution requirements of plan members and the Town are established by and may be amended by the State legislature. The Town had covered payroll of \$338,689 for the year ended June 30, 2019.

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

Net Pension Liability

The collective net pension liability measured as of June 30, 2018 was as follows:

	PLD Plan
Plan collective total pension liability	\$ 3,089,857,220
Less plan net position	<u>(2,816,179,855)</u>
Plan collective net pension liability	<u>\$ 273,677,365</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

At June 30, 2019, the Town reported a liability of \$151,776 for its proportionate share of the net pension liability.

The net pension liability for the Town was measured as of June 30, 2018, and the total collective pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Town's proportionate share percentage of the collective net pension liability for the PLD Plan was 0.055457%, allocated based on adjusted contributions to the plan for the year ended June 30, 2018. This percentage was 0.047824% at the prior measurement date of June 30, 2017.

Pension Expense

For the year ended June 30, 2019, the Town recognized pension expense change of \$34,813 related to the PLD Plan, made up of the Town's proportionate share of plan pension expense \$(28,398), pension expense related to specific liabilities of individual employers (\$321), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$63,532.

Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan – Town	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 475	\$ 1,667
Changes of assumptions	24,225	-
Net difference between projected and actual investment earnings on pension plan investments	-	36,648
Changes in proportion and differences between employer contributions and proportionate share of contributions	73,882	33
Employer's contributions to plan subsequent to measurement date of collective net pension liability	-	-
Total	<u>\$ 98,582</u>	<u>\$ 38,348</u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Year ended June 30	PLD Plan Town
2020	\$ 83,445
2021	11,194
2022	(24,931)
2023	(9,474)
	<u>\$ 60,234</u>

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

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

NOTE 10. OTHER POST RETIREMENT BENEFIT PLAN

Plan Description

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

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

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

Benefits Provided

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

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST RETIREMENT BENEFIT PLAN (CONTINUED)

Employees Covered by Benefit Terms – At June 30, 2019, 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>6</u>
Total	<u><u>6</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 \$21,438 was measured as of January 1, 2019, 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, 2018	<u>\$ 17,808</u>
Changes for the year:	
Service Cost	5,011
Interest	783
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(2,072)
Benefit payments	<u>(92)</u>
Net changes	<u>3,630</u>
Balance at June 30, 2019	<u><u>\$ 21,438</u></u>

Change in assumptions reflects a change in the discount rate from 3.44% to 4.10% 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, 2019, The Town recognized OPEB expense of \$5,889 related to the Health Plan. At June 30, 2019, 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	\$ -	\$ 1,727
Changes in assumptions or other inputs	<u>1,785</u>	-
Total	<u><u>\$ 1,785</u></u>	<u><u>\$ 1,727</u></u>

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST RETIREMENT BENEFIT PLAN (CONTINUED)

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

Year ended June 30:	
2020	\$ 103
2021	103
2022	103
2023	103
2024	-
Thereafter	(347)

Actuarial Assumptions - Health Plan - The total OPEB liability in the January 1, 2019 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary increases	2.75% per annum
Discount rate	4.10% per annum
Healthcare cost trend rates	8.27% for 2018, decreasing to 4.00% for 2032
Retirees' share of the benefit related costs	100% of projected health insurance premiums

Mortality rates for the Health Plan were based on the RP2014 Total Dataset Healthy Annuity Mortality Table, for males and females.

The actuarial assumptions used in the January 1, 2019 valuation for the Health Plan were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - Health Plan - The rate used to measure the total OPEB liability for the Health plan was 3.44% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

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 4.10%, 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 (3.10%) or 1 percentage-point higher (5.10%) than the current rate:

	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB Liability	\$ 24,687	\$ 21,438	\$ 18,749
Plan Fiduciary Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>\$ 24,687</u>	<u>\$ 21,438</u>	<u>\$ 18,749</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 15.2%. A one percent increase in the discount rate decreases the NOL by approximately 12.5%.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 10. OTHER POST RETIREMENT BENEFIT PLAN (CONTINUED)

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 of 8.27%, 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 (7.27%) or 1 percentage-point higher (9.27%) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	<u>\$ 18,376</u>	<u>\$ 21,438</u>	<u>\$ 25,192</u>

A one percent decrease in the healthcare trend rate decreases the NOL by approximately 14.3%. A one percent increase in the healthcare trend rate increases the NOL by approximately 17.5%.

NOTE 11. 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 12. 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 13. RESTATEMENT OF NET POSITION

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*, the Town restated its beginning net position on the government-wide statements by (\$15,484), to record net OPEB liability of (\$17,808) and deferred outflows of \$2,324

The Town restated its Landfill fund net position by (\$24,720) and long term debt by \$24,720 to correct an error in the prior year balance.

Town of Hartland, Maine
Notes to Basic Financial Statements
June 30, 2019

NOTE 14. COMMITMENTS

At June 30, 2019 the Town was committed to \$4,831,930 for a sewer project to complete during the fiscal year ending June 30, 2020

NOTE 15. 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 16. EVALUATION OF SUBSEQUENT EVENTS

On May 4th, 2020 Tasman Leather Group, LLC presented a Warn Act due to COVID-19. They will be shutting down systematically throughout the summer of 2020. The LLC is the largest employer in the Town. At this time the financial impact is unmeasurable, however the impact could be on the Town's budget as Tasman's share will reduce tax collections. In addition, the two largest impacts will be to the Hartland Pollution Control Facility with a 94% loss of revenue and absorbing future payments of debt service of approximately \$2,250,000 that the town secured on behalf of the LLC. The Town is working on strategies to try to minimize the financial burden to the Town.

Town of Hartland, Maine
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts			Actual	Variance with Final Budget - Positive (Negative)
	Original	Changes*	Final		
REVENUES					
Property taxes	\$ 2,707,922	\$ (6,000)	\$ 2,701,922	\$ 2,701,308	\$ (614)
Excise and miscellaneous taxes	223,000	-	223,000	270,301	47,301
Interest and lien costs	-	-	-	32,517	32,517
Intergovernmental	259,349	-	259,349	300,207	40,858
Charges for services	-	-	-	23,675	23,675
Investment and interest earnings (oss)	-	-	-	23,754	23,754
Sale of tax acquired property	-	-	-	3,788	3,788
Contributions and reimbursements	-	-	-	22,917	22,917
Miscellaneous	18,500	-	18,500	18,533	33
Total revenues	3,208,771	(6,000)	3,202,771	3,397,000	194,229
EXPENDITURES					
Current					
General government	285,800	(6,000)	279,800	233,134	46,666
Protection	229,800	-	229,800	201,373	28,427
Public works	611,500	-	611,500	607,388	4,112
Sanitation	143,875	-	143,875	124,472	19,403
Recreation	64,670	-	64,670	63,655	1,015
Education	1,500,030	-	1,500,030	1,500,029	1
County tax	329,125	-	329,125	329,122	3
Health and welfare	13,100	-	13,100	7,217	5,883
Public service	22,340	-	22,340	21,905	435
Debt service	-	-	-	-	-
Principal	29,647	-	29,647	25,112	4,535
Interest and other charges	1,263	-	1,263	1,263	-
Capital outlay and committed funds	-	245,175	245,175	245,174	1
Total expenditures	3,231,150	239,175	3,470,325	3,359,844	110,481
Excess (deficiency) of revenues over expenditures	(22,379)	(245,175)	(267,554)	37,156	304,710
OTHER FINANCING SOURCES (USES)					
Use of carryover unrestricted and committed fund balance	50,000	270,878	320,878	-	(320,878)
Overlay	(27,621)	-	(27,621)	-	27,621
Transfers out	-	(25,703)	(25,703)	(25,703)	-
Total other financing sources and (uses)	22,379	245,175	267,554	(25,703)	(293,257)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	11,453	<u>\$ 11,453</u>
FUND BALANCES - BEGINNING				<u>2,690,167</u>	
FUND BALANCES - ENDING				<u>\$ 2,701,620</u>	

* includes carryover accounts and reclassification

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

	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability	0.055458%	0.047824%
Town's proportionate share of the net pension liability	\$ 151,776	\$ 195,809
Town's covered-employee payroll***	\$ 282,309	\$ 250,130
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.76%	78.28%
Plan fiduciary net position as a percentage of the total pension liability**	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 Town 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>2019</u>	<u>2018</u>
Contractually required contribution	\$ 22,585	\$ 20,010
Contributions in relation to the contractually required contribution**	<u>(22,585)</u>	<u>(20,010)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll***	\$ 282,309	\$ 250,130
Contributions as a percentage of covered-employee payroll	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 FY2019

Changes in Benefit Assumptions: There were no changes in benefit assumptions in FY 2019

Town of Hartland, Maine
Postretirement Employee Healthcare Plan -
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

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

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>	
2019	3.4	4.10%
2018	3.7	3.44%

Town of Hartland, Maine
Taxes Receivable, Tax Liens and Tax Acquired Property
General Fund
June 30, 2019

Taxes receivable	
2019	\$ 179,304
2018	<u>152</u>
Total taxes receivable	<u>179,456</u>
Tax liens and tax acquired property	
2018	<u>68,111</u>
Tax acquired	<u>5,954</u>
Total tax liens and tax acquired property	<u>74,065</u>
Total taxes receivable, tax liens and tax acquired property	<u>\$ 253,521</u>



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, 2019, 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 3, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Hartland, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Hartland, Maine's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency which is described in the accompanying schedule of findings and questioned costs as item #2019-001.

Compliance and Other Matters

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

We noted a certain other matter that we have reported to management of the Town of Hartland, Maine, in a separate letter dated June 3, 2020.

Town of Hartland, Maine's Response to Findings

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

Purpose of this Report

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

Brantner Whibodian & Associates

June 3, 2020

**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, 2019. 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, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Brantley Shibodan & Associates

June 3, 2020

Town of Hartland, Maine
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Disbursements/ Expenditures
<i>U.S. Department of Agriculture</i>			
<i>Direct</i>			
Water and waste disposal systems for rural communities loan fund	10.760	23-013-016000197	\$ 400,000
Water and waste disposal systems for rural communities	10.760	23-013-016000197	<u>1,200,000</u>
<i>Total U.S. Department of Agriculture</i>			<u>\$ 1,600,000</u>
Water and waste disposal systems for rural communities loan balance			<u>\$ 400,000</u>

Town of Hartland, Maine
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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, 2019. 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. WATER AND WASTE DISPOSAL SYSTEMS LOAN FUND

The Town had \$400,000 outstanding loan payable which is funded by federal awards at June 30, 2019.

**Town of Hartland, Maine
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

Section I — Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting

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

Noncompliance material to financial statements noted? - yes no

Federal Awards

Internal control over major programs

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

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

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

Identification of major programs

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

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

Auditee qualified as low-risk auditee? - yes no

**Town of Hartland, Maine
 Schedule of Findings and Questioned Costs (Continued)
 Year ended June 30, 2019**

Section II — Financial Statement Findings

	#2019-001
<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 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.
<i>Context</i>	The overall year-end financial closing process and reconciliations to financial statements are now being performed timely and additionally the Town maintain independent accounting records, however, additional 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 reconciliations and analysis of the overall reporting requirements including a lack of maintaining appropriate subsidiary records for year-end adjusting entries.
<i>Recommendation</i>	The Town should establish a system of control and records at year end as well as throughout the years 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 problematic areas.</i>

Section III — Federal Award Findings and Questioned Costs

None noted