

TOWN OF HARTLAND, MAINE
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS

JUNE 30, 2018

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Maine Municipal Audit Services, PA

Mindy J. Cyr, CPA

Independent Auditors' Report

To the Board of Selectmen
Town of Hartland
Hartland, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information of Town of Hartland, Maine, as of and for the year ended June 30, 2018, 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 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. 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, business-type activities, and the aggregate remaining fund information of the Town of Hartland, Maine, as of June 30, 2018, and the respective changes in financial position 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 on pages 5-7 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.

The budgetary comparison information on page 33 is required by accounting principles generally accepted in the United States of America. This 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. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

Other Information

The other supplemental information section is the responsibility of management and the schedules were derived from and relate 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 to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maine Municipal Audit Services, PA

Levant, Maine
October 30, 2018

Town of Hartland

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Christopher Littlefield, Town Manager

Selectman: Judith Alton

Harold Buker

Shirley Humphrey

Management Discussion and Analysis Period Ending June 30, 2018

As management of the Town of Hartland, this narrative provides an overview and analysis of our financial activities for the fiscal year ended June 30, 2018. This is in compliance with implementation of the Governmental Accounting Standards Board statement No. 34 (GASB 34). This information should be read in conjunction with the financial statements.

Financial Highlights

The Town provides services for highways and streets, protection, sanitation, public improvements, education, and health and welfare. The Town operates on a fiscal year, July-June.

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's budget for 2017-18 totaled as follows:

Municipal	\$1,399,933
RSU #19	\$1,445,322
County	<u>\$ 322,630</u>
TOTAL	\$3,167,885

The pollution control facility and landfill enterprise funds have assets of \$5,615,452 as of June 30, 2018, but liabilities of \$6,352,262. The largest liability is the unfunded amount of estimated landfill closure costs of \$4,131,650 and post-closure costs estimated at \$1,660,000. The Town has begun setting money aside for this liability. Net position is \$(736,810).

Overview of the Financial Statements

The Town of Hartland's basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

GOVERNMENT WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hartland's finances in a manner similar to a private sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town of Hartland's financial position is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets change during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash requirements. This means that revenue and expenses are reported in this statement even if the resulting cash related movement does not occur until future fiscal periods (e.g. uncollected taxes).

The statements distinguish between activities of the Town of Hartland that are principally supported by taxes and intergovernmental revenue (governmental activity) and those activities that are intended to recover all or a significant portion of their costs through user fees (e.g. the treatment plant). Governmental activities include Administration, Education, County Tax, Fire, Public Works, Highways, Solid Waste, Recreation, Cemetery Care, Charitable Aid, Debt Service and Capital Maintenance.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Hartland, like other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. All of the funds of the town can be divided into these categories: government funds, proprietary funds and fiduciary funds.

GOVERNMENTAL FUNDS are used to account for essentially the same functions as are reported in the government-wide financial statements. However, the fund financial statements focus on near-term cash flows as well as balances of spendable resources. This type of accounting is called modified accrual, which means it focuses on cash and all other financial assets that can readily be converted to cash.

To allow the reader to better understand the fund financial statements in relation to the government-wide financial statements, reconciliations are provided between the two.

PROPRIETARY FUNDS are used to report activities that are supported primarily through charges to customers for services provided by the town. Proprietary funds are reported in the Statement of Net Position and the Statement of Activities. The Treatment Plant and Landfill activities are reflected in the Proprietary Funds.

FIDUCIARY FUNDS are used to account for monies held for the benefit of parties outside the town. Fiduciary funds are found in our financial statements as cemetery trust funds and as funds that are to be turned over to outside organizations.

Financial Analysis

TOWN AS A WHOLE

The Town's net position is increasing every year due to the reorganizing of our debt and monitoring spending.

The net assets were:

Town	\$ 4,777,460
HPCF & Landfill	\$ (736,810)
Total	\$ 4,040,650

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Town's capital assets totaled \$2,177,999 in its governmental activities as of June 30, 2018. These assets are primarily buildings and equipment because most of Town infrastructure (Roads, Bridges, Sewer Lines, Sidewalks) are not included in the assets. The Town will include all new infrastructure in future financial statements.

LONG TERM DEBT

The Town's long term Bond Debt is as follows as of June 30, 2018

Bond Bank (Landfill Closure)	\$ 38,406	1%	2019
Maine Water Company (salt shed)	\$141,821	0%	2042
USDA (Landfill)	\$191,410	2.0%	2043
Bulldozer lease	\$97,528	4.2%	2023

ECONOMIC FACTORS AND FUTURE BUDGETS

The Federal and State government continues to cut funding, which forces the town to be more financially responsive at a local level. These factors along with the general economic climate as a whole make it very challenging to maintain the mil rate.

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 \$50,711.

Respectfully submitted,

Christopher Littlefield
Town Manager

Town of Hartland, Maine
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 1,610,637.87	\$ 433,086.21	\$ 2,043,724.08
Investments	1,065,727.54	-	1,065,727.54
Accounts receivable	-	29,771.30	29,771.30
Grant receivable	-	267,283.00	267,283.00
Tax acquired property	5,954.44	-	5,954.44
Taxes receivable	197.08	-	197.08
Tax liens receivable	215,658.48	-	215,658.48
<i>Total current assets</i>	<u>2,898,175.41</u>	<u>730,140.51</u>	<u>3,628,315.92</u>
<i>Non-current assets:</i>			
Capital assets, net of accumulated depreciation	2,177,998.76	4,885,311.80	7,063,310.56
<i>Total non-current assets</i>	<u>2,177,998.76</u>	<u>4,885,311.80</u>	<u>7,063,310.56</u>
TOTAL ASSETS	5,076,174.17	5,615,452.31	10,691,626.48
DEFERRED OUTFLOWS OF RESOURCES:			
Defined benefit pension plan	190,632.00	-	190,632.00
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>190,632.00</u>	<u>-</u>	<u>190,632.00</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,266,806.17</u>	<u>\$ 5,615,452.31</u>	<u>\$ 10,882,258.48</u>
LIABILITIES:			
<i>Current liabilities:</i>			
Accounts payable	\$ 17,337.34	\$ 4,391.12	\$ 21,728.46
Grant funds payable	-	267,283.00	267,283.00
Current portion of long-term debt	25,112.40	33,280.61	58,393.01
<i>Total current liabilities</i>	<u>42,449.74</u>	<u>304,954.73</u>	<u>347,404.47</u>
<i>Non-current liabilities:</i>			
<i>Non-current portion of long-term debt:</i>			
Bonds payable	19,203.20	179,736.00	198,939.20
Long-term lease payable	135,911.60	75,921.68	211,833.28
Net pension liability	195,809.00	-	195,809.00
Estimated landfill closure costs	-	4,131,650.00	4,131,650.00
Estimated post-closure and leachate costs	-	1,660,000.00	1,660,000.00
<i>Total non-current liabilities</i>	<u>350,923.80</u>	<u>6,047,307.68</u>	<u>6,398,231.48</u>
TOTAL LIABILITIES	393,373.54	6,352,262.41	6,745,635.95
DEFERRED INFLOWS OF RESOURCES:			
Defined benefit pension plan	82,339.00	-	82,339.00
Prepaid property taxes	13,633.45	-	13,633.45
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>95,972.45</u>	<u>-</u>	<u>95,972.45</u>
NET POSITION:			
Invested in capital assets, net of related debt	1,997,771.56	4,787,783.51	6,785,555.07
Unrestricted	2,779,688.62	(5,524,593.61)	(2,744,904.99)
TOTAL NET POSITION	<u>4,777,460.18</u>	<u>(736,810.10)</u>	<u>4,040,650.08</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,266,806.17</u>	<u>\$ 5,615,452.31</u>	<u>\$ 10,882,258.48</u>

The accompanying notes are an integral part of this statement.

Town of Hartland, Maine
Statement of Activities
For the year ended June 30, 2018

	Program Revenues		Net (Expense) revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
<i>Governmental activities:</i>						
General government	\$ 241,117.09	\$ 17,820.85	\$ -	\$ (223,296.24)	\$ -	\$ (223,296.24)
Protection	198,054.61	-	-	(198,054.61)	-	(198,054.61)
Health and welfare	6,485.12	-	2,823.52	(3,661.60)	-	(3,661.60)
Public works	335,550.62	-	23,672.00	(311,878.62)	-	(311,878.62)
Sanitation	124,747.91	-	-	(124,747.91)	-	(124,747.91)
Recreation	60,533.08	-	814.26	(59,718.82)	-	(59,718.82)
Public service	21,336.79	-	-	(21,336.79)	-	(21,336.79)
County tax	322,626.64	-	-	(322,626.64)	-	(322,626.64)
Education	1,445,321.92	-	-	(1,445,321.92)	-	(1,445,321.92)
Interest expense	1,464.26	-	-	(1,464.26)	-	(1,464.26)
Special projects	28,864.15	-	-	(28,864.15)	-	(28,864.15)
Depreciation	87,575.65	-	-	(87,575.65)	-	(87,575.65)
Total Government Activities	2,873,677.84	17,820.85	27,309.78	(2,828,547.21)	-	(2,828,547.21)
<i>Business Type Activities:</i>						
HPCF	930,342.02	1,094,622.12	-	-	164,280.10	164,280.10
Landfill	293,341.77	348,157.59	-	-	54,815.82	54,815.82
Total Business Type Activities	1,223,683.79	1,442,779.71	-	-	219,095.92	219,095.92
Total Primary Government	4,097,361.63	1,460,600.56	27,309.78	(2,828,547.21)	219,095.92	(2,609,451.29)
<i>General revenues:</i>						
Property taxes, levied for general purposes				2,690,460.64	-	2,690,460.64
Excise taxes				252,904.48	-	252,904.48
Interest on taxes and lien fees				31,116.52	-	31,116.52
<i>Grants and contributions not restricted to specific programs:</i>						
State revenue sharing				99,528.49	-	99,528.49
Homestead exemption				92,015.00	-	92,015.00
Grant proceeds				417,858.00	-	417,858.00
Other				31,807.80	-	31,807.80
Unrestricted investment earnings				-	1,115.92	1,115.92
Miscellaneous revenues				36,871.11	-	36,871.11
Transfer of grant funds				(417,858.00)	417,858.00	-
Interfund transfers				372,916.74	(372,916.74)	-
Total general revenues and transfers				3,607,620.78	46,057.18	3,653,677.96
<i>Changes in net position</i>				779,073.57	265,153.10	1,044,226.67
NET POSITION - BEGINNING				3,795,302.61	(798,879.20)	2,996,423.41
Beginning balance adjustment - see footnotes				203,084.00	(203,084.00)	-
NET POSITION - ENDING				\$ 4,777,460.18	\$ (736,810.10)	\$ 4,040,650.08

The accompanying notes are an integral part of this statement.

Statement 3

Town of Hartland, Maine
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,606,126.29	\$ 4,511.58	\$ 1,610,637.87
Investments	1,065,727.54	-	1,065,727.54
Tax acquired property	5,954.44	-	5,954.44
Taxes receivable, net	197.08	-	197.08
Tax liens receivable	215,658.48	-	215,658.48
TOTAL ASSETS	\$ 2,893,663.83	\$ 4,511.58	\$ 2,898,175.41
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 17,337.34	\$ -	\$ 17,337.34
<i>Total liabilities</i>	<i>17,337.34</i>	<i>-</i>	<i>17,337.34</i>
<i>Deferred inflows of resources:</i>			
Prepaid property taxes	13,633.45	-	13,633.45
Deferred property tax revenue	172,526.00	-	172,526.00
<i>Total deferred inflows of resources</i>	<i>186,159.45</i>	<i>-</i>	<i>186,159.45</i>
<i>Fund balances:</i>			
Assigned	111,200.00	-	111,200.00
Committed	806,555.33	4,511.58	811,066.91
Unassigned	1,772,411.71	-	1,772,411.71
<i>Total fund balances</i>	<i>2,690,167.04</i>	<i>4,511.58</i>	<i>2,694,678.62</i>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,893,663.83	\$ 4,511.58	
<i>Amounts reported for governmental activities in the statement of net position (Stmt. 1) are different because:</i>			
Depreciable and non-depreciable capital assets as reported in Stmt. 1			2,177,998.76
Long-term liabilities, including bonds payable, as reported on Stmt. 1			(180,227.20)
Deferred property taxes not reported on Stmt. 1			172,526.00
Net pension liability, as reported on Stmt. 1			(195,809.00)
Deferred outflows related to pension plans			190,632.00
Deferred inflows related to pension plans			(82,339.00)
NET POSITION OF GOVERNMENTAL ACTIVITIES			\$ 4,777,460.18

The accompanying notes are an integral part of this statement.

Town of Hartland, Maine
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 2,688,341.64	\$ -	\$ 2,688,341.64
Excise taxes	252,904.48	-	252,904.48
Intergovernmental revenue	250,661.07	-	250,661.07
Charges for services	17,820.85	-	17,820.85
Interest on taxes and liens	31,116.52	-	31,116.52
Other revenue	36,871.11	-	36,871.11
<i>Total revenues</i>	<u>3,277,715.67</u>	<u>-</u>	<u>3,277,715.67</u>
EXPENDITURES:			
General government	214,376.09	-	214,376.09
Protection	198,054.61	-	198,054.61
Health and welfare	6,485.12	-	6,485.12
Public works	714,867.62	-	714,867.62
Sanitation	124,747.91	-	124,747.91
Recreation	60,533.08	-	60,533.08
Public service	21,336.79	-	21,336.79
County tax	322,626.64	-	322,626.64
Education	1,445,321.92	-	1,445,321.92
Debt service	26,576.66	-	26,576.66
Reserve funds	230,124.65	-	230,124.65
Capital projects	-	1,378.50	1,378.50
<i>Total expenditures</i>	<u>3,365,051.09</u>	<u>1,378.50</u>	<u>3,366,429.59</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(87,335.42)</u>	<u>(1,378.50)</u>	<u>(88,713.92)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers (out)	372,916.74	-	372,916.74
Received from grants	417,858.00	-	417,858.00
Grant funds transferred to HPCF	(417,858.00)	-	(417,858.00)
<i>Total other financing sources (uses)</i>	<u>372,916.74</u>	<u>-</u>	<u>372,916.74</u>
<i>Net change in fund balances</i>	285,581.32	(1,378.50)	284,202.82
FUND BALANCES - BEGINNING	1,799,494.48	610,981.32	2,410,475.80
Beginning balance adjustment - see footnotes	605,091.24	(605,091.24)	-
FUND BALANCES - ENDING	<u>\$ 2,690,167.04</u>	<u>\$ 4,511.58</u>	<u>\$ 2,694,678.62</u>

The accompanying notes are an integral part of this statement.

(Continued)

**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, 2018**

Net change in fund balances - total governmental funds (Statement 4)	\$	284,202.82
<i>Amounts reported for governmental activities in the Statement of Activities (Stmt. 2) are different due to the following items:</i>		
Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on governmental funds		(87,575.65)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.		165,311.40
Capital outlays expensed on the Governmental Funds report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)		441,757.00
Revenues in the Statement of Activities (Stmt 2) 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.		2,119.00
Expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Specifically, this represents the change in deferred pension liability and changes in deferred inflows/outflows related to pensions		(26,741.00)
<hr/>		
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (STMT. 2)	\$	779,073.57
<hr/>		

The accompanying notes are an integral part of this statement.

Town of Hartland, Maine
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type activities Enterprise Funds	
	<i>HPCF</i>	<i>LANDFILL</i>
ASSETS:		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 392,935.72	\$ 40,150.49
Grant receivable	267,283.00	-
Accounts receivable	9,075.00	20,696.30
<i>Total current assets</i>	<u>669,293.72</u>	<u>60,846.79</u>
<i>Non-current assets:</i>		
<i>Capital assets:</i>		
Property, plant, and equipment	10,883,345.75	118,264.00
Less accumulated depreciation	(6,112,355.95)	(3,942.00)
<i>Total non-current assets</i>	<u>4,770,989.80</u>	<u>114,322.00</u>
TOTAL ASSETS	<u>\$ 5,440,283.52</u>	<u>\$ 175,168.79</u>
LIABILITIES:		
<i>Current liabilities:</i>		
Accounts payable	\$ 4,391.12	\$ -
Grant funds payable	267,283.00	-
Current portion of long-term debt	-	33,280.61
<i>Total current liabilities</i>	<u>271,674.12</u>	<u>33,280.61</u>
<i>Non-current liabilities:</i>		
Estimated landfill closure costs	-	4,131,650.00
Estimated post-closure and leachate costs	-	1,660,000.00
Note payable - USDA	-	179,736.00
Long-term lease payable - bulldozer	-	75,921.68
<i>Total non-current liabilities</i>	<u>-</u>	<u>6,047,307.68</u>
TOTAL LIABILITIES	<u>271,674.12</u>	<u>6,080,588.29</u>
NET POSITION:		
Invested in capital assets, net of related debt	4,770,989.80	16,793.71
Unrestricted	397,619.60	(5,922,213.21)
TOTAL NET POSITION	<u>5,168,609.40</u>	<u>(5,905,419.50)</u>
TOTAL NET POSITION OF BUSINESS-TYPE ACTIVITIES	<u>\$ 5,440,283.52</u>	<u>\$ 175,168.79</u>

The accompanying notes are an integral part of this statement.

Town of Hartland, Maine
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2018

	Business-type activities	
	Enterprise Funds	
	<u>HPCF</u>	<u>LANDFILL</u>
Operating revenues:		
Tasman Leather Group, LLC	\$ 886,148.80	\$ -
Town of Hartland	169,260.12	-
Fees	39,213.00	343,468.14
Miscellaneous	0.20	4,689.45
<i>Total operating revenues</i>	1,094,622.12	348,157.59
Operating expenses:		
Operations	748,287.11	289,399.77
Depreciation expense	182,054.91	3,942.00
<i>Total operating expenses</i>	930,342.02	293,341.77
<i>Operating income (loss)</i>	164,280.10	54,815.82
Non-operating revenues (expenses):		
Transfers (to) from general fund	(372,916.74)	-
Transfer from general fund (grant funds)	417,858.00	-
Interest income	1,082.89	33.03
<i>Total non-operating revenues (expenses)</i>	46,024.15	33.03
<i>Net income (loss)</i>	210,304.25	54,848.85
NET POSITION - BEGINNING	4,958,305.15	(5,757,184.35)
Beginning balance adjustment - see footnotes	-	(203,084.00)
NET POSITION - BEGINNING - RESTATED	4,958,305.15	(5,960,268.35)
NET POSITION - ENDING	\$ 5,168,609.40	\$ (5,905,419.50)

The accompanying notes are an integral part of this statement.

Town of Hartland, Maine
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2018

	Business-type activities Enterprise Funds	
	HPCF	LANDFILL
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 1,085,638.32	\$ 344,023.62
Payments to suppliers	(756,538.27)	(307,156.74)
<i>Net cash provided by operating activities</i>	329,100.05	36,866.88
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond repayments	-	(32,409.71)
Issuance of long-term debt	-	118,264.00
<i>Net cash provided (used) in non-capital financing activities</i>	-	85,854.29
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers to other funds	(372,916.74)	-
<i>Net cash (used) in non-capital financing activities</i>	(372,916.74)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	1,082.89	33.03
Acquisition of capital assets	(417,858.00)	(118,264.00)
Transfer of grant funds from general fund	417,858.00	-
<i>Net cash provided by investing activities</i>	1,082.89	(118,230.97)
 <i>Net increase (decrease) in cash and cash equivalents</i>	 (42,733.80)	 4,490.20
CASH BALANCE - BEGINNING OF YEAR	435,669.52	35,660.29
CASH BALANCE - END OF YEAR	\$ 392,935.72	\$ 40,150.49
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 164,280.10	\$ 54,815.82
<i>Adjustments to reconcile operating income to net cash provided (used) in operating activities:</i>		
Depreciation expense	182,054.91	3,942.00
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in accounts receivable	(8,983.80)	(4,133.97)
Increase/(decrease) in accounts payable	(8,251.16)	(17,756.97)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 329,100.05	\$ 36,866.88

The accompanying notes are an integral part of this statement.

Town of Hartland Maine
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Trust Fund	
Assets:		
Investments	\$	50,710.53
TOTAL ASSETS	\$	50,710.53
Net position:		
Non-spendable	\$	23,335.60
Restricted		27,374.93
NET POSITION - FIDUCIARY FUNDS	\$	50,710.53

The accompanying notes are an integral part of this statement.

Town of Hartland, Maine
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2018

	Non-Expendable Trust Fund
Additions:	
Investment income	\$ 1,465.73
	1,465.73
Change in Net Assets	1,465.73
NET POSITION - BEGINNING OF YEAR	49,244.80
NET POSITION - END OF YEAR	\$ 50,710.53

The accompanying notes are an integral part of this statement.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Hartland, Maine (the Town) was incorporated in 1820. The Town of Hartland, Maine operates under a town meeting – selectmen form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The more significant of the government’s accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town’s financial statements.

B. Basis of Presentation

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues. The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

C. Measurement Focus and Basis of Accounting

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds - Capital projects funds are used to account for financial resources to be used for the acquisitions or construction of major capital facilities.

Proprietary Fund Type

Enterprise Funds – These funds are used to account for operations of the wastewater treatment plant (HPCF) and a related landfill (Landfill) along with a closed dumpsite that are operated in a manner similar to a private business. 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.

Fiduciary Fund Type (Not included in government-wide statements)

Expendable Trust Fund – This fund accounts for transactions related to assets held by the Town in a trustee capacity.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the Government-wide financial statements.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. 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.

E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-50
Infrastructure	25-50
Treatment plant	50
Machinery and Equipment	3-20

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the Town’s total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

Non-spendable – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).

Committed - Funds that are constrained for specific purposes that are determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified or rescinded only through a Town meeting vote.

Assigned – Funds intended to be used for specific purposes set by the Board of Selectmen.

Unassigned – Funds available for any purpose.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenue arises when resources are received by the Town before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes for the current year were committed on July 24, 2017, on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Payment of taxes was due September 15, 2017, and March 1, 2018, with interest at 7% on all tax bills unpaid as of the due date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$33,208.54 for the year ended June 30, 2018.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

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, 2018.

Risk Management

The Town pays insurance premiums to Maine Municipal Association to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk of deposits 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.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. At June 30, 2018, cash deposits had a carrying value of \$2,043,724.08. Of the deposited amounts, \$250,000 per bank was protected by depository insurance, plus pledged securities with the financial institution. Accordingly, the Town was not exposed to custodial credit risk at June 30, 2018.

TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. DEPOSITS AND INVESTMENTS

Investments

The Town does not have a written investment policy, but follows state statutes. At June 30, 2018 the Town had funds invested with a Bangor Savings Bank certificate of deposit in the amount of \$586.49, equities with Symetra in the amount of \$50,124.04, and a certificate of deposit with Maine Savings Federal Credit Union in the amount of \$1,065,727.54. All invested funds were protected by federal deposit insurance or Securities Investor Protection Corporation.

3. CAPITAL ASSETS

Governmental activities:	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
Machinery, equipment & vehicles	\$ 620,013.00	\$ 38,000.00	\$ -	\$ 658,013.00
Building	1,977,806.00	260,005.00	-	2,237,811.00
Construction in progress	260,005.00	-	(260,005.00)	-
Roads	444,962.00	403,757.00	-	848,719.00
<i>Total capital assets being depreciated</i>	<i>3,302,786.00</i>	<i>667,562.00</i>	<i>(260,005.00)</i>	<i>3,744,543.00</i>
<i>Less accumulated depreciation:</i>				
Machinery, equip & vehicles	(458,736.00)	(17,688.00)	-	(476,424.00)
Buildings	(981,635.00)	(51,079.00)	-	(1,032,714.00)
Roads	(38,598.00)	(18,808.00)	-	(57,406.00)
<i>Total accumulated depreciation</i>	<i>(1,478,969.00)</i>	<i>(87,575.00)</i>	<i>-</i>	<i>(1,566,544.00)</i>
Governmental activities Capital assets, net	\$ 1,823,817.00	\$ 579,987.00	\$ (260,005.00)	\$ 2,177,999.00

Depreciation expense is broken down by department as follows:

Public works	\$ 24,331.00
Public safety	22,788.00
Town wide	40,456.00

Business-type activities:	Balance 7/1/17	Additions	Deletions	Balance 6/30/18
Treatment plant	\$ 8,842,224.00	\$ 417,858.00	\$ -	\$ 9,260,082.00
Equipment	-	118,264.00	-	118,264.00
Landfill	1,623,263.00	-	-	1,623,263.00
<i>Total capital assets being depreciated</i>	<i>10,465,487.00</i>	<i>536,122.00</i>	<i>-</i>	<i>11,001,609.00</i>
<i>Less accumulated depreciation</i>				
Treatment plant	(5,371,862.00)	(150,468.00)	-	(5,522,330.00)
Equipment	-	(3,942.00)	-	(3,942.00)
Landfill	(558,438.00)	(31,587.00)	-	(590,025.00)
<i>Total accumulated depreciation</i>	<i>(5,930,300.00)</i>	<i>(185,997.00)</i>	<i>-</i>	<i>(6,116,297.00)</i>
Business – type activities Capital assets, net	\$ 4,535,187.00	\$ 350,125.00	\$ -	\$ 4,885,312.00

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

4. LONG-TERM DEBT

	Balance 7/1/17	Issued	Retired	Balance 6/30/18
MMBB, 1.33% dated 10/27/1997, \$1,215,500, due annually \$60,775 through 10/27/2017	\$ 60,775.02	\$ -	\$ (60,775.02)	\$ -
MMBB 2009SR, 1.0% due annually \$19,203 through 2019	57,609.60	-	(19,203.20)	38,406.40
Lease/purchase agreement – bulldozer, 5 years, \$25,702.80 annually, 4.2%	-	118,264.00	(20,735.71)	97,528.29
USDA, 2% due annually \$11,674, 30 years, dated 5/16/2012	203,084.00	-	(11,674.00)	191,410.00
Maine Water Company lease, due annually to April 2042, 0.00%, dated 8/15/2012	147,730.00	-	(5,909.20)	141,820.80
Lease/purchase agreement – Carroll Hardy – new town office. 4/13/17, due \$1,000 monthly till 4/2018, \$50k payment due 4/2018, 5-year note 6%	140,199.00	-	(140,199.00)	-
Totals	\$ 609,397.62	\$ 118,264.00	\$ (258,496.13)	\$ 469,165.49

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2018, is as follows:

Year ending June 30,	Principal due
2019	\$ 58,393.01
2020	59,300.49
2021	41,042.88
2022	42,028.19
2023	23,086.12
2024-2028	87,916.00
2029-2033	87,916.00
2034-2039	45,846.00
2040-2042	23,636.80
	<u><u>\$ 469,165.49</u></u>

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 4.5 acres.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

6. COMMITMENTS AND CONTINGENCIES

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

7. FUND BALANCES

ASSIGNED FUND BALANCES:

Roads	\$ 75,200.00
Town office roof	20,000.00
Study @ transfer station/landfill	<u>16,000.00</u>
	<u>\$ 111,200.00</u>

COMMITTED FUND BALANCES:

Pool	\$ 8,777.76
Roads	23,672.00
CDBG	49,446.12
Property sales	34,832.05
Equipment sales	9,786.97
Perpetual care	4,175.00
Landfill post monitoring	50,502.80
Landfill cell opening	119,616.82
Landfill intermediate cover	22,537.21
Landfill equipment	19,972.20
Sewer upgrades	52,500.00
200 th birthday celebration	30,000.00
Fire department reserve	20,000.00
Landfill	126,831.93
Reserve interest	6,051.62
HPCF upgrades	<u>227,852.85</u>

\$ 806,555.33

COMMITTED FUND BALANCES:

Capital Project Fund:

Redevelopment	\$ 3,013.79
Annex redevelopment	<u>1,497.79</u>
	<u>\$ 4,511.58</u>

8. SUBSEQUENT EVENTS

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**TOWN OF HARTLAND, MAINE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

9. BEGINNING BALANCE ADJUSTMENT

A beginning balance adjustment to reallocate long-term debt from the Governmental Funds to the Enterprise Funds was required for the year ended June 30, 2018. The result of the adjustment is an increase in the Governmental Funds and a decrease in the Enterprise Funds of \$203,084.00.

A beginning balance adjustment to reclassify Special Revenue Funds to the General Fund was required due to the accounts not meeting the criteria to be classified as Special Revenue under GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The result of this adjustment is an increase to the General Fund and a decrease to the Special Revenue Fund of \$605,091.24.

10. DEFINED BENEFIT PENSION PLAN

Plan Description

Full-time Town employees are eligible to participate in the Maine Public Employees Retirement System (MainePERS), a cost sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title V of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.maineopers.org or by contacting the System at (800) 451-9800

Benefits Provided

The MainePERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (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 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. For PLD members, normal retirement age is 60. 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 his/her normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

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 5%.

**TOWN OF HARTLAND, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule. The Town's participants contributed 8.0% of their wages to the plan for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2018, the Town reported a liability of \$195,809.00 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Town's proportion was 0.047824%, which was an increase of 0.028178% from its proportion measured as of the prior year.

For the year ended June 30, 2018, the Town recognized pension expense of \$86,356. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Difference between expected and actual experience	\$ -	\$ 9,408.00
Net difference between projected and actual earnings on pension plan investments	67,482.00	72,866.00
Changes of assumptions	16,663.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	106,487.00	65.00
	\$ 190,632.00	\$ 82,339.00

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

Year Ending June 30,	Amount
2019	\$49,367
2020	70,944
2021	1,314
2022	(13,331)

**TOWN OF HARTLAND, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The total pension liability for the Plan was determined by actuarial valuation as of June 30, 2017, using the following assumptions and methods applied to all periods included in the measurement:

Actuarial Cost Method

The entry age normal actuarial funding method is used to figure costs. Using this method, the total employer contribution rate contains two elements – the normal cost rate and the unfunded actuarial liability (UAL) rate.

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

Experience gains (losses) – increases or decreases in liabilities and in assets when actual experience is different from the actuarial assumptions – affect the unfunded actuarial accrued liability.

Asset Valuation Method

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

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of twenty years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return – 6.875% per annum for the year ended June 30, 2017

Salary Increases, Merit and Inflation – 2.75%-9% for the year ended June 30, 2017

**TOWN OF HARTLAND, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Tables for males and females. For recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table for males and females was used.

The long-term expected rate of return on pension plan investments was determined using a building-block method where best-estimate ranges of expected future real rates of return are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized below:

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
US equities	20%	5.7 %
Non-US equities	20	5.5
Private equity	10	7.6
Real assets:		
Real estate	10	5.2
Infrastructure	10	5.3
Hard assets	5	5.0
Fixed income	25	2.9

Discount Rate

The discount rate used to measure the collective pension liability was 6.875% for 2017 and 2016, 7.125% for 2015, and 7.25% for 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

1% Decrease	Current Discount Rate	% Increase
5.875%	6.875%	7.875%
\$ 392,853	\$ 195,809	\$ 47,465

**TOWN OF HARTLAND, MAINE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2017 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

**TOWN OF HARTLAND, MAINE
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

Date	Contractually Required Contribution	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 20,010	\$ 250,130	8.0%

Schedule is intended to show information for 10 years. Town of Hartland joined MePERS in Fiscal Year 2017. Additional years will be displayed as they become available.

**TOWN OF HARTLAND, MAINE
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018**

	2017
Employer's proportion of the Net Pension Liability (asset)	0.047824%
Employer's proportionate share of the Net Pension Liability (asset)	\$195,809
Employer's Covered Payroll	\$250,130
Employer's proportionate share of the Net Pension Liability (asset) as a percentage of its covered employee payroll	78%
Plan fiduciary net position as a percentage of the total pension liability	86.4%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**TOWN OF HARTLAND, MAINE
NOTES TO GASB #68 REQUIRED SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018**

Valuation Date:

Only fiscal year 2017 is reported. The Town will continue to present information until a full ten-year trend is compiled.

Changes of Benefit Terms include:

There were no benefit changes for the Town employees in the employees' retirement plan.

Changes of Assumptions include:

The discount rate was unchanged at 6.875% and the cost-of-living adjustment increase was changed from 2.75% to 2.20%. The rate of inflation was 2.75%, 2.75% was also used by MainePers in its year ended June 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal.
Amortization method	A level percentage of payroll using a method where a separate twenty-year closed period is established.
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return.
Retirement age	60 or 65, depending on years of creditable service at certain dates.
Mortality	RP2014 Total Dataset Health Annuitant Mortality Table for males and females is used.

Town of Hartland, Maine
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,682,969.17	\$ 2,682,969.17	\$ 2,688,341.64	\$ 5,372.47
Excise taxes	203,500.00	203,500.00	252,904.48	49,404.48
Intergovernmental revenue	232,938.63	232,938.63	250,661.07	17,722.44
Charges for services	8,400.00	8,400.00	17,820.85	9,420.85
Interest on taxes and liens	22,000.00	22,000.00	31,116.52	9,116.52
Other revenues	2,100.00	2,100.00	36,871.11	34,771.11
<i>Total revenues</i>	3,151,907.80	3,151,907.80	3,277,715.67	125,807.87
EXPENDITURES:				
General government	299,480.00	299,480.00	214,376.09	85,103.91
Protection	217,500.00	217,500.00	198,054.61	19,445.39
Health and welfare	17,100.00	17,100.00	6,485.12	10,614.88
Public works	609,848.00	749,848.00	714,867.62	34,980.38
Sanitation	140,875.00	140,875.00	124,747.91	16,127.09
Recreation	63,284.26	63,284.26	60,533.08	2,751.18
Public service	21,750.00	21,750.00	21,336.79	413.21
County tax	322,630.00	322,630.00	322,626.64	3.36
Education	1,445,322.00	1,445,322.00	1,445,321.92	0.08
Debt service	30,910.00	30,910.00	26,576.66	4,333.34
Reserve funds	-	605,091.24	230,124.65	374,966.59
<i>Total expenditures</i>	3,168,699.26	3,913,790.50	3,365,051.09	173,772.82
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(16,791.46)	(761,882.70)	(87,335.42)	299,580.69
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	372,916.74	372,916.74
Received from grants	-	-	417,858.00	417,858.00
Transfer grants funds to HPCF	-	-	(417,858.00)	(417,858.00)
<i>Total other financing sources</i>	-	-	372,916.74	372,916.74
<i>Net changes in fund balances</i>			285,581.32	
FUND BALANCES - BEGINNING			1,799,494.48	
Beginning balance adjustment - see footnotes			605,091.24	
FUND BALANCES - ENDING			\$ 2,690,167.04	

**Town of Hartland, Maine
 Combining Balance Sheet - All Other Non-Major Governmental Funds
 June 30, 2018**

	<i>Capital Project Funds</i>		<i>Total Other Governmental Funds</i>
ASSETS:			
Cash and cash equivalents	\$ 4,511.58	\$	4,511.58
TOTAL ASSETS	\$ 4,511.58	\$	4,511.58
 LIABILITIES AND FUND BALANCE:			
<i>Fund balance:</i>			
Committed	\$ 4,511.58		4,511.58
<i>Total fund balance</i>	4,511.58		4,511.58
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,511.58	\$	4,511.58

Town of Hartland, Maine
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
All Other Non-Major Governmental Funds
For the Year Ended June 30, 2018

	<i>Special Reserve Funds</i>	<i>Capital Project Funds</i>	<i>Total Other Governmental Funds</i>
REVENUES:			
Interest income	\$ -	\$ -	\$ -
Other revenues	-	-	-
<i>Total revenues</i>	-	-	-
EXPENDITURES:			
Special Projects	-	1,378.50	1,378.50
<i>Total expenditures</i>	-	1,378.50	1,378.50
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,378.50)	(1,378.50)
OTHER FINANCING SOURCES (USES) OF FUNDS:			
Transfers to general fund	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(1,378.50)	(1,378.50)
FUND BALANCE - BEGINNING OF YEAR	605,091.24	5,890.08	610,981.32
Beginning balance adjustment - see footnotes	(605,091.24)	-	(605,091.24)
FUND BALANCE - END OF YEAR	\$ -	\$ 4,511.58	\$ 4,511.58

Town of Hartland, Maine
Schedule of Property Valuation, Assessments, and Appropriations
General Fund
For the Year Ended June 30, 2018

<i>Assessed Valuation:</i>	
Real estate valuation	\$ 114,892,690.00
Personal property valuation	<u>3,822,760.00</u>
<i>Total valuation</i>	<u>118,715,450.00</u>
<i>Tax Commitment:</i>	
Tax assessment at \$22.60 per thousand	<u>2,682,969.17</u>
<i>Reconciliation of Commitment with Appropriation:</i>	
Current year tax commitment, as above	2,682,969.17
Appropriated from fund balance	50,000.00
Estimated revenues	<u>468,938.63</u>
Appropriations per original budget	<u>3,201,907.80</u>
<i>Overlay</i>	<u>(33,208.54)</u>
TOTAL APPROPRIATIONS	<u>\$ 3,168,699.26</u>