

**VERMONT HOUSING & CONSERVATION BOARD**  
**(a Component Unit of the State of Vermont)**

**Annual Financial Statements**

**For the Year Ended June 30, 2017**

**Vermont Housing & Conservation Board  
(a Component Unit of the State of Vermont)**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Vermont Housing & Conservation Board

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermont Housing & Conservation Board, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Vermont Housing & Conservation Board's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

The Vermont Housing & Conservation Board's 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.

### **Auditors' 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 auditors' 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, each major fund, and the aggregate remaining fund information of the Vermont Housing & Conservation Board, as of June 30, 2017 and 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 Management's Discussion and Analysis 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 evidence sufficient 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 Vermont Housing & Conservation Board's basic financial statements. The accompanying supplementary information appearing on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 November 17, 2017 on our consideration of the Vermont Housing & Conservation Board'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 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 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 Vermont Housing & Conservation Board's internal control over financial reporting and compliance.

*Melanson Heath*

November 17, 2017

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Vermont Housing & Conservation Board (VHCB) is a public instrumentality of the State of Vermont, established in 1987 with the purpose of improving the quality of life for Vermonters by implementing the dual goals of creating and preserving "affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas, and recreational lands." VHCB makes grants and loans to a variety of nonprofit organizations including community land trusts, housing development organizations, conservation groups, municipalities and qualifying State agencies. VHCB administers several programs that contribute to the success of its mission such as the Lead Hazard Reduction Program, the AmeriCorps program with statewide participation, a Farm & Forest Viability Program, and technical assistance in various forms to aid organizations developing and stewarding projects.

### **VHCB Funding and Award Process**

Funding sources of VHCB include both state and federal sources, as well as other resources. VHCB's primary funding originates from the State of Vermont's Property Transfer Tax. By statute, VHCB is to receive 50% of the Property Transfer Tax revenue exclusive of the Water Quality Surtax and the Vermont Tax Department's 2% of the projected gross Property Transfer Tax revenue. The General Assembly has altered that allocation in some years and has in some years supplemented Property Transfer Tax revenue with other funding such as bond proceeds or pass-through federal funds. Funds that originate from sources other than the federal or state government include: loan repayments, interest earnings, and grants or contributions from miscellaneous entities.

VHCB administers and operates federal grants and programs that complement both the housing and conservation aspects of VHCB's mission. They include: U.S. Department of Housing and Urban Development funds for HOME, National Housing Trust Fund, Housing Opportunities for Persons with Aids, Lead Hazard Reduction Program, U.S. Department of Agriculture Natural Resource Conservation Service Agricultural Lands Easement Program, and an AmeriCorps program.

VHCB's Board meets approximately six times during each year to make awards. As a funding agency, VHCB's project awards are a significant form of measurement, and in addition to the funding sources of each award, data such as units, acres, type of project and location, are tracked and utilized by VHCB to measure performance.

The primary indicator of VHCB's activity is represented by its awards (see Note 12). Actual disbursement of the awards is a secondary indicator of VHCB's activity in a given year, in that disbursement of an award may occur over several years, dependent upon the nature of the project and satisfaction of conditions. Disbursement activity is tightly tied to compliance with applicable grant conditions, and monitored accordingly. Awards are recorded in the financial statements when VHCB takes action that results

in the execution of a contract, grant, or loan. Fund Balance – Restricted for Project Awards represents the balance of specific project awards not yet disbursed. When the Board awards federal funds or anticipated future resources, these awards are tracked in the same manner as other awards, but not recorded in the financial statements, as they are commitments of resources not on hand such as reimbursable federal grants.

As management of VHCB, we are providing readers this narrative overview and analysis of the financial activities of the Vermont Housing & Conservation Board for the fiscal year ended June 30, 2017.

**A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) governmental fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The following table summarizes the major attributes of the basic financial statements, with further explanations below:

<b>Financial Statement</b>	<b>Attributes:</b>	<b>Government-wide Financial Statements (pages 14-15)</b>	<b>Governmental Funds Statements (pages 16, 18)</b>
Required financial statements:		Statement of Net Position and Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus:		Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information:		All short-term and long-term assets and liabilities	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information:		All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

VHCB's government-wide financial statements, which follow this MD&A section, are designed to present an aggregated view of VHCB's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of VHCB's activities are reported in aggregate in the government-wide statements.

The government-wide statements contain both short-term and long-term information about VHCB's financial position and assist in assessing VHCB's economic condition at the end of each fiscal year. VHCB prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of VHCB.

The government-wide financial statements present two statements:

The *Statement of Net Position* presents a snapshot of VHCB's assets and liabilities and deferred outflows and deferred inflows, as of the date of this report, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as "net position". Over time, increases or decreases in the primary government's net position may serve as an indicator as to whether the financial position of VHCB is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and, hence, the reason(s) for the changes in net position included on the Statement of Net Position. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between VHCB's major expenditure functions and the associated sources of program revenues, as presented on the accrual basis of accounting. However, the expenses reflected in the programs do not include awards disbursed in the form of loans as is demonstrated in the expenditures reported in the fund financial statements. Therefore, this presentation is not as meaningful a representation of funding activities during the year as is the fund financial statements presentation.

## **GOVERNMENTAL FUNDS STATEMENTS**

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This approach uses the “flow of current financial resources” measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of VHCB’s finances.

Because the focus of governmental funds is narrower than that of the 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. Due to the focus on current financial resources, only the current portion of loans receivable are reported on the Balance Sheet. This is a significant difference from the Statement of Net Position, where all loans are reported. VHCB prefers the governmental funds format of reporting because, aside from the exclusion of the long-term loans receivable, the presentation is comprehensive. Within the Statement of Revenues, Expenditures, and Changes in Fund Balances, the expenditures of awards as loans are included, making the loan award activity comparable to that of grant award activity. The external restrictions on available resources are clearly depicted. Fund financial statements are utilized by management, funders, and the Board during the year to account and report upon restricted resources, determine fiscal health, analyze, and plan.

Reconciliations between governmental funds and governmental activities have been provided to facilitate the comparison between the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances and the government activities Statement of Net Position and Statement of Activities.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **B. FINANCIAL HIGHLIGHTS**

In fiscal year 2017, VHCB received \$11,304,840 in Property Transfer Tax (PTT) revenues, less than the statutory amount. The difference between the statutory level and actual appropriation to VHCB is retained by the State of Vermont General

Fund. To supplement the reduced PTT revenues, VHCB received a Capital Bond Appropriation of \$4,000,000 (\$3,963,573 net of bond issuance costs). The combined Capital Bond Appropriation and PTT provided total revenues of \$15,304,840, representing 79% of statutory funding, and an increase from fiscal year 2016 State funding in the amount of \$1,200,000.

The State continues to experience a rising trend in the PTT revenues. The PTT acts as a barometer of the real estate market. Relating VHCB's funding to the PTT was, by design, intended to provide corresponding protection against the real estate market pressures on open space and affordable housing. Appropriations of PTT to VHCB have not directly correlated with these increases.

Federal resources for programs of VHCB continue to be reduced, or are threatened with reduction or elimination. A continued trend of increasing federal regulations over grant administration has also put pressure on VHCB by requiring a larger utilization of state resources to assure appropriate compliance.

In fiscal year 2017, the Board approved total awards of \$22,953,098. These awards will assist in developing 411 units of affordable housing; conserving 25 farms consisting of 2,860 acres; protecting 1,100 acres of natural area and recreational lands, and one historic property.

In June of 2017, legislation was enacted to provide additional resources for affordable housing within the State. In the fall of 2017, the Vermont Housing Finance Agency (VHFA) will issue one or more revenue bonds expected to yield approximately \$33-34 million, the net proceeds of which will be transferred to VHCB. These resources will be used for the creation of rental housing and home ownership throughout Vermont, providing new housing stock for low and moderate-income families over the next two to three years. The revenue bond will be repaid by VHFA using dedicated funds from the State's Property Transfer Tax.

### **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 14,355,034	\$ 15,143,954
Noncurrent assets	<u>204,339,275</u>	<u>200,585,007</u>
Total assets	218,694,309	215,728,961
Current liabilities	1,532,283	3,064,357
Noncurrent liabilities	<u>271,695</u>	<u>271,695</u>
Total liabilities	1,803,978	3,336,052
Net position:		
Net investment in capital assets	266,265	200,142
Restricted	<u>216,624,066</u>	<u>212,192,767</u>
Total net position	<u>\$ 216,890,331</u>	<u>\$ 212,392,909</u>

At the close of the most recent fiscal year, total net position was \$216,890,331, a change of \$4,497,422 from the prior year.

A portion of net position, \$266,265, reflects VHCB's investment in capital assets (e.g., leasehold improvements, furniture and equipment, and software development). An additional portion of net position represents restrictions on investments in loans receivable of \$204,131,223 and in resources restricted for future programs and project awards of \$12,492,843.

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 8,991,968	\$ 8,424,494
General revenues:		
Property transfer tax	11,304,840	9,554,840
Capital bond appropriation	3,963,573	4,527,096
Loan principal and earned interest	1,482,655	1,474,211
Interest income	87,454	43,428
Miscellaneous	<u>209,975</u>	<u>42,949</u>
Total revenues	26,040,465	24,067,018

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
Expenses:		
Conservation - federally funded	2,256,111	2,782,745
Conservation - non-federally funded	6,122,929	6,985,777
Housing - federally funded	4,130,455	557,863
Housing - non-federally funded	7,252,967	3,943,430
Lead paint hazard reduction	939,560	1,121,753
AmeriCorps	816,030	753,296
Depreciation	24,991	27,364
Total expenses	21,543,043	16,172,228
Change in net position	4,497,422	7,894,790
Net position - beginning of year	212,392,909	204,498,119
Net position - end of year	\$ 216,890,331	\$ 212,392,909

It is important to note that housing expenses in the Government-Wide Statements do not include the disbursement of loans, a key function of both the federal and non-federal housing program.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$4,497,422. Key elements of this change are as follows:

Operating Results:		
General Fund	\$	115,858
Bond Fund		680,793
Nonmajor Governmental Funds		(9,776)
		786,875
Long-Term Items:		
Capital outlay		91,116
Depreciation		(24,991)
Receivables		3,644,422
Total	\$	4,497,422

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements.

The following table provides a comparison of VHCB's program functions as presented on the modified accrual basis of accounting. Under this method of accounting, project loan expenditures are included in the Housing and Lead Paint Hazard Reduction programs, presenting a comprehensive presentation of the program activities.

<u>Functions/Programs</u>	<u>2017</u>	<u>2016</u>
Conservation - federally funded	\$ 2,256,111	\$ 2,782,745
Conservation - non-federally funded	6,122,381	6,985,777
Housing - federally funded	3,910,781	2,976,731
Housing - non-federally funded	9,784,832	9,219,385
Lead paint hazard reduction	987,197	1,431,134
AmeriCorps	816,030	753,295
Capital outlay	<u>91,116</u>	<u>65,032</u>
Total	<u>\$ 23,968,448</u>	<u>\$ 24,214,099</u>

**Descriptions of program functions:**

Conservation - federally funded - VHCB's federally funded conservation program complements the non-federally funded conservation easement program and operates under the same principles, with added layers of applicable regulatory requirements. Federal program revenues in fiscal year 2017 represent funding from the NRCS Agricultural Conservation Easement Program – Agricultural Lands Easement Program. As with the housing funds, these federal dollars require matching funds and are leveraged by the non-federal conservation funds.

Conservation - non-federally funded - For conservation activities, VHCB provides grants to nonprofit groups or government entities to assist in the purchase of a perpetual interest in real estate (an easement or purchase of land in fee). This category also includes the non-federal program activities of the Farm & Forest Viability Program. The non-federal program utilizes Mitigation Fund revenues, limited foundation funding, and general revenues targeted by VHCB for this program.

Housing - federally funded - VHCB's federally funded housing program complements the non-federally funded housing program and operates under the same principles, with added layers of applicable regulatory requirements. Federal funds expended for housing include HUD's HOME program, National Housing Trust Fund, and HOPWA. Many of these federal funding sources are available to VHCB in part due to the leveraging of non-federal funds that can be matched to the federal resources.

Housing - non-federally funded - VHCB's housing program provides grants and loans to nonprofit housing groups for acquisition, rehabilitation and development of housing properties. The non-federally funded program resources support housing units created utilizing general revenues targeted by VHCB for this program.

Lead Paint Hazard Reduction - VHCB runs this HUD program to provide funds to housing developers, private landlords, and low-income homeowners to address the hazards of lead-based paint in existing housing. The Lead Hazard Reduction Program is largely funded with federal HUD dollars, but does have several other non-federal funding sources as well.

AmeriCorps - VHCB operates a federally funded statewide AmeriCorps program, placing AmeriCorps members throughout Vermont with local housing and conservation organizations. Members placed with housing groups work within their organizations and communities to help create more stable housing situations for lower-income Vermonters, assist homeless individuals with counseling, provide first-time homebuyer counseling, and work with rental housing residents on issues from budgeting to maintenance practices. Members in conservation groups participate in environmental education, water quality and stewardship activities, and in assessing lands for public access.

Capital outlay – VHCB is in the process of implementing a new Technology Plan, which includes converting to an electronic document management system, a comprehensive redesign of VHCB's database, and the integration of a robust report-writer system.

Operations budget - Actual operating expenditures in fiscal year 2017 were favorable, with costs falling 4% below the approved budget. Within the operating budget, VHCB budgets and accounts for both the operational costs associated with managing the activities of VHCB, as well as the direct staff and related costs of running several programs. The portion of the operations budget representing administrative expenditures (on the modified accrual basis) represents approximately 8% of overall organizational expenditures, consistent with prior years. The portion of operating expenditures supported with federal funds was 32%.

## **E. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets at year-end amounted to \$266,265 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture and equipment, and software development.

**Long-term debt.** At the end of the current fiscal year, total long-term loans outstanding were \$271,695.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Vermont Housing & Conservation Board's finances for all those with an interest in VHCB's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Vermont Housing & Conservation Board  
58 East State Street  
Montpelier, Vermont 05602



**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 124,888
Cash - State accounts	9,802,757
Due from State of Vermont	2,448,020
Receivables:	
Long-term loans (Note 6)	329,908
Grant reimbursements	1,513,125
Other	71,627
Other assets	<u>64,709</u>
Total Current Assets	14,355,034
Noncurrent:	
Receivables (Note 6):	
Long-term loans, net of allowance	183,087,216
Accrued interest on long-term loans, net of allowance	20,985,794
Capital assets, net of accumulated depreciation	<u>266,265</u>
Total Noncurrent Assets	<u>204,339,275</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 218,694,309</u></u></b>
<b>LIABILITIES</b>	
Current:	
Accounts payable and accrued liabilities	\$ 328,339
Due to State of Vermont	<u>1,203,944</u>
Total Current Liabilities	1,532,283
Noncurrent:	
Notes payable	<u>271,695</u>
<b>TOTAL LIABILITIES</b>	1,803,978
<b>NET POSITION</b>	
Net investment in capital assets	266,265
Restricted:	
Restricted for project awards (Note 12)	10,177,122
Restricted for programs	2,315,721
Restricted for loans	<u>204,131,223</u>
<b>TOTAL NET POSITION</b>	<u>216,890,331</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 218,694,309</u></u></b>

The accompanying notes are an integral part of these financial statements.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>  <u>Governmental Activities</u>
<b>Governmental Activities:</b>			
Conservation - federally funded	\$ 2,256,111	\$ 2,255,521	\$ (590)
Conservation - non-federally funded	6,122,929	1,059,832	(5,063,097)
Housing - federally funded	4,130,455	3,910,934	(219,521)
Housing - non-federally funded	7,252,967	261,916	(6,991,051)
Lead paint hazard reduction	939,560	933,375	(6,185)
AmeriCorps	816,030	570,390	(245,640)
Depreciation	<u>24,991</u>	<u>-</u>	<u>(24,991)</u>
Total Governmental Activities	\$ 21,543,043	\$ 8,991,968	(12,551,075)
<b>General Revenues:</b>			
Property transfer tax			11,304,840
Capital bond appropriation			3,963,573
Loan principal and earned interest			1,482,655
Interest income			87,454
Miscellaneous			<u>209,975</u>
Total general revenues			<u>17,048,497</u>
Change in Net Position			4,497,422
<b>Net Position:</b>			
Beginning of year			<u>212,392,909</u>
End of year			<u>\$ 216,890,331</u>

The accompanying notes are an integral part of these financial statements.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Bond Fund	HOME Fund	Farm Preservation Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and short-term investments	\$ 124,888	\$ -	\$ -	\$ -	\$ -	\$ 124,888
Cash - State accounts	7,253,162	-	-	-	2,549,595	9,802,757
Due from other funds	412,957	-	-	-	33,714	446,671
Due from State of Vermont	-	2,448,020	-	-	-	2,448,020
Receivables:						
Current portion of long-term loans	329,908	-	-	-	-	329,908
Grant reimbursements	-	-	80,410	1,078,600	354,115	1,513,125
Other	13,719	-	-	-	57,908	71,627
Other assets	64,709	-	-	-	-	64,709
<b>TOTAL ASSETS</b>	<b><u>\$ 8,199,343</u></b>	<b><u>\$ 2,448,020</u></b>	<b><u>\$ 80,410</u></b>	<b><u>\$ 1,078,600</u></b>	<b><u>\$ 2,995,332</u></b>	<b><u>\$ 14,801,705</u></b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 328,339	\$ -	\$ -	\$ -	\$ -	\$ 328,339
Due to other funds	28,955	-	50,176	-	367,540	446,671
Due to State of Vermont	-	-	30,234	1,078,600	95,110	1,203,944
<b>TOTAL LIABILITIES</b>	<b><u>357,294</u></b>	<b><u>-</u></b>	<b><u>80,410</u></b>	<b><u>1,078,600</u></b>	<b><u>462,650</u></b>	<b><u>1,978,954</u></b>
<b>DEFERRED INFLOWS - LOANS</b>	<b>329,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>329,908</b>
<b>FUND BALANCES</b>						
Restricted:						
Restricted for project awards (Note 12)	7,326,639	1,278,948	-	-	1,571,535	10,177,122
Restricted for programs	185,502	1,169,072	-	-	961,147	2,315,721
<b>TOTAL FUND BALANCES</b>	<b><u>7,512,141</u></b>	<b><u>2,448,020</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,532,682</u></b>	<b><u>12,492,843</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 8,199,343</u></b>	<b><u>\$ 2,448,020</u></b>	<b><u>\$ 80,410</u></b>	<b><u>\$ 1,078,600</u></b>	<b><u>\$ 2,995,332</u></b>	<b><u>\$ 14,801,705</u></b>

The accompanying notes are an integral part of these financial statements.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

<b>Total governmental fund balances</b>	\$ 12,492,843
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	266,265
• Noncurrent portion of loans receivable are not available financial resources and are therefore not included in the governmental funds.	183,417,124
• Accrued interest receivable on loans is not recorded under the modified accrual basis of accounting.	20,985,794
• Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(271,695)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 216,890,331</u></u>

The accompanying notes are an integral part of these financial statements.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Bond Fund	HOME Fund	Farmland Preservation Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property transfer tax	\$ 11,304,840	\$ -	\$ -	\$ -	\$ -	\$ 11,304,840
Capital bond appropriation	-	3,963,573	-	-	-	3,963,573
State and Federal grant revenue	100,000	-	3,038,162	2,141,000	2,618,854	7,898,016
Loan principal repayments	140,327	-	-	-	46,684	187,011
Loan interest	10,502	-	-	-	-	10,502
AmeriCorps	-	-	-	-	570,390	570,390
Mitigation revenue	-	-	-	-	523,562	523,562
Interest income	83,818	-	-	-	3,636	87,454
Miscellaneous	204,886	-	-	-	5,089	209,975
	<u>11,844,373</u>	<u>3,963,573</u>	<u>3,038,162</u>	<u>2,141,000</u>	<u>3,768,215</u>	<u>24,755,323</u>
<b>Total Revenues</b>						
<b>Expenditures:</b>						
Program functions:						
Conservation - federally funded	-	-	-	2,141,000	115,111	2,256,111
Conservation - non-federally funded	3,819,571	1,051,286	-	-	1,251,524	6,122,381
Housing - federally funded	-	-	3,038,162	-	872,619	3,910,781
Housing - non-federally funded	7,160,462	2,231,494	-	-	392,876	9,784,832
Lead paint hazard reduction	-	-	-	-	987,197	987,197
AmeriCorps	-	-	-	-	816,030	816,030
Capital outlay	91,116	-	-	-	-	91,116
	<u>11,071,149</u>	<u>3,282,780</u>	<u>3,038,162</u>	<u>2,141,000</u>	<u>4,435,357</u>	<u>23,968,448</u>
<b>Total Expenditures</b>						
Excess (deficiency) of revenues over expenditures	773,224	680,793	-	-	(667,142)	786,875
<b>Other Financing Sources (Uses):</b>						
Transfers to support programs	(657,366)	-	-	-	657,366	-
	<u>(657,366)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657,366</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>						
Change in fund balance	115,858	680,793	-	-	(9,776)	786,875
Fund Balance, at Beginning of Year	7,396,283	1,767,227	-	-	2,542,458	11,705,968
Fund Balance, at End of Year	<u>\$ 7,512,141</u>	<u>\$ 2,448,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,532,682</u>	<u>\$ 12,492,843</u>

The accompanying notes are an integral part of these financial statements.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

<b>Net changes in fund balances - total governmental funds</b>	\$	786,875
<ul style="list-style-type: none"> <li>• Governmental funds report annual capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation</li> </ul>		
Capital outlay		91,116
Depreciation		(24,991)
<ul style="list-style-type: none"> <li>• Governmental funds report loans disbursed and lending activities as expenditures. Under the accrual basis of accounting, these transactions are not reported on the Statement of Activities.</li> </ul>		
		7,899,085
<ul style="list-style-type: none"> <li>• Governmental funds report loan principal repayments as revenue when received. Under the accrual basis of accounting, these receipts are not reported on the Statement of Activities.</li> </ul>		
		(187,011)
<ul style="list-style-type: none"> <li>• Governmental funds do not report accrued interest income from loans under the modified accrual basis of accounting.</li> </ul>		
		1,472,153
<ul style="list-style-type: none"> <li>• An allowance for uncollectible loans and forgiveness is not reflected in the governmental funds but is included in government-wide expenses.</li> </ul>		
		<u>(5,539,805)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>4,497,422</u></u></b>

The accompanying notes are an integral part of these financial statements.

**VERMONT HOUSING & CONSERVATION BOARD**  
**(a Component Unit of the State of Vermont)**

**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

The accounting policies of the Vermont Housing & Conservation Board (VHCB) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

**A. Reporting Entity**

VHCB was established by the Vermont Legislature in May of 1987 with the dual goals of "creating affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, forestland, historic properties, important natural areas and recreational lands."

VHCB Board makes grants and loans to nonprofit organizations including land trusts, conservation groups and housing cooperatives, and to municipalities and qualifying state agencies. The majority of state funding received by VHCB is a dedicated portion of the Vermont Property Transfer Tax. The Legislature approves the appropriations to VHCB annually.

The eleven-member VHCB Board consists of seven citizen members and four ex-officio members who are heads of designated state agencies. Six members, including three ex-officio members, are appointed by the Governor. The remaining members, except for the Director of the Vermont Housing Finance Agency, are appointed by the Legislature.

The criteria of oversight responsibility, special financing relationships, and scope of public service are used in determining the agencies or entities which comprise VHCB for financial reporting purposes. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Given that certain of these criteria apply to the relationship between VHCB and the State of Vermont for the state's financial reporting purposes, VHCB is considered a component unit. These financial statements present only VHCB as a component unit of the State of Vermont.

**B. Basic Financial Statements**

The basic financial statements include both government-wide and fund financial statements. This financial reporting model focuses on VHCB as a

whole (in the government-wide financial statements) and on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities of VHCB as governmental. The different statements represent two different measurement focuses, and use different methods of accounting. A reconciliation is included which briefly explains the differences in presentation between the fund financial statements and the government-wide statements.

#### Government-wide Financial Statements

In the government-wide financial statements, the governmental activities are consolidated and report the flow of economic resources on a full accrual basis, including all assets, liabilities, deferred outflows or inflows of resources, as well as revenues and expenses of the period. The effect of interfund activity has been eliminated from the government-wide financial statements. This government-wide focus on all economic resources applied on an accrual basis demonstrates the sustainability of VHCB as an entity by reporting the aggregate financial position and the change in financial position resulting from the activities of the fiscal period. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net costs per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues and operating grants that are specifically restricted for the relative function. The net cost is funded by general revenues (property transfer tax, earned interest income from loans and other interest income). Programs and grants are charged their share of overhead and administrative costs based on VHCB's cost allocation and indirect rate plan.

#### Governmental Funds Financial Statements

The governmental funds in the fund financial statements are presented with a measurement focus of current financial resources applied on a modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All other revenue items are considered to be measurable and available only when cash is received by VHCB. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. This presentation assists in demonstrating legal compliance, and the source and use of liquid resources. The emphasis of the fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized into a single column.



C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include program grants and restricted contributions.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. All other revenue items are considered to be measurable and available only when cash is received by VHCB. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

VHCB reports the following major governmental funds:

- The *General Fund* is the general operating fund of VHCB. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund consists of the Operating and Trust Funds of VHCB. The Trust Fund includes revenues from the Vermont Property Transfer Tax and repayments on loans. Expenditures from the Trust Fund include grants, loans, miscellaneous direct program costs, and transfers to the Operating Fund for operations funding.
- The *Bond Fund* accounts for the State Capital Bond Appropriations made to VHCB for utilization in housing and conservation programs. The final amount VHCB receives is net of allocated bond issuance fees. Bond funds are restricted to capital purchases, as well as being subject to a number of other regulations that direct the utilization of these funds.
- HOME Fund - VHCB, a subrecipient through the State of Vermont, administers U.S. Department of Housing and Urban Development (HUD) HOME Program funds. The purpose of this program is to create

affordable housing, with the focus of VHCB's program being the acquisition and rehabilitation of multi-family, lower income rental units and mobile home parks. VHCB awards HOME funds to qualifying organizations for development of specific projects. VHCB currently administers several funding years of the HOME Program.

- *Farmland Preservation Program Fund* – VHCB has received federal awards from the Natural Resources Conservation Service (NRCS) Agricultural Lands Easement Program for use in purchasing conservation easements on farmland.

#### D. Cash and Short-Term Investments

Deposits with financial institutions consist of demand deposits. Cash reported in the General Fund is advanced as needed to cover expenses of other funds, and is subsequently reimbursed.

#### E. Cash – State Accounts

The majority of VHCB's funds are maintained within the State of Vermont Treasury. Interest earned by the funds within the State Treasury are transferred to VHCB accounts.

#### F. Loans

VHCB awards loans to nonprofits and various other eligible entities to assist in project development. In the governmental fund financial statements, loans are recorded as expenditures in the fund from which the sources were disbursed. Loans receivable that carry future restrictions on repayment proceeds are recorded in the fund from which the resources were derived; all others are recorded in the General Fund. Due to the current resource measurement focus of the governmental fund statements, only current loans receivable are reported on the governmental funds Balance Sheet.

#### G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

#### H. Capital Assets

Capital assets, which include leasehold improvements, furniture and equipment, and software development, are reported in the government-wide financial statements. Capital assets are defined 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 cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the respective assets.

*I. Deferred Inflows*

Deferred inflows of resources are the acquisition of fund balance by VHCB that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on fund balance, similar to liabilities. Deferred inflows of resources represent the current portion of long-term loans expected to be received in the next fiscal year.

*J. Long-Term Obligations*

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Position.

*K. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. VHCB reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for use in future periods.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

M. Material Changes in Classifications

The accompanying financial statements reflect various changes in classification from the prior year. Specifically, this includes changes related to functional/program classification of expenditures in the governmental fund statements.

**2. Stewardship, Compliance, and Accountability**

A. Budgetary Information

An annual budget of operating expenditures, inclusive of all of funds, is prepared by VHCB staff, reviewed by the Finance Committee, and approved by the Board.

The Board develops internal targets for utilization of total available resources which are used to award funding to housing and conservation projects. Decisions regarding specific project commitments are determined by the Board based on the quality of applications received, evaluating: potential for leverage, community need, timely response to unpredictable circumstances, unique opportunity, eligibility criteria, and availability of funds.

B. Budget/GAAP Reconciliation

The budgetary data presented as supplementary information is intended to be consistent with the operating budget approved by VHCB's Board and is created and accounted for on the modified-accrual basis of accounting.

**3. Cash and Short-Term Investments and Cash – State Accounts**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, VHCB's deposits may not be returned to it. VHCB does not have a deposit policy for custodial credit risk. The majority of VHCB's deposits are maintained within the State of Vermont's Treasury. There were no other significant cash deposits that were not either FDIC insured or collateralized at June 30, 2017.

#### 4. Interfund Fund Accounts

##### Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized.

##### Transfers

In fiscal year 2017, VHCB transferred \$657,366 from the General Fund to other governmental funds to support programs not covered by State and Federal grants and other revenues.

#### 5. Due From State of Vermont

At June 30, 2017, \$2,448,020 was due from the State of Vermont for fiscal year 2016 and 2017 Capital Bond Appropriation.

#### 6. Long-term Loans Receivable

VHCB's loans receivable portfolio is comprised of loans made to projects under the affordable Housing, Lead Paint Hazard Reduction, and other programs including down payment assistance and short-term bridge financing. Loan type and maturities are as follows:

Loan Type	Maturities						Total
	2018	2019	2020	2021	2022	Thereafter	
Housing Projects	\$ 284,334	\$ 306,170	\$ 221,865	\$ 448,350	\$ 411,832	\$ 182,635,939	\$ 184,308,490
Lead Paint Hazard Reduction	45,574	-	-	-	-	8,114,303	8,159,877
Other	-	250,000	-	-	-	540,130	790,130
Total loans	\$ <u>329,908</u>	\$ <u>556,170</u>	\$ <u>221,865</u>	\$ <u>448,350</u>	\$ <u>411,832</u>	\$ <u>191,290,372</u>	193,258,497
Less: allowance							(9,841,373)
Total loans, net of allowance							\$ <u>183,417,124</u>

VHCB makes loans using various federal and non-federal funds, dependent upon project eligibility and the entire project funding structure. Loans made from federal sources make up 31%, or \$60 million, of VHCB's loan portfolio. Repayments of loans made with federal resources are typically restricted as directed by the federal program regulations.

### Housing Project Loans

The majority of the housing loans are structured as deferred loans with terms of 0% interest, and a balloon payment due upon maturity; typically, 30-40 years from the date of the note. Older loans, some still in the portfolio, included terms that may have included quarterly payments of principal and/or interest, and were structured with interest rates varying from 0% -11.58%.

VHCB makes loans consistent with best practices for new development as reviewed by legal, financial counsel, external evaluators, and others. The purpose of VHCB awards is to secure permanent benefits of affordability for the State of Vermont while encouraging as much leverage from other sources, including conventional loans, as a project can support while meeting the public purpose of the loan.

The largest pool of deferred loans is made in conjunction with the Low Income Housing Tax Credit program (LIHTC). VHCB has an obligation and legislative directive to conduct its mission in a manner that achieves permanent affordability, serves very low-income Vermonters, and protects them from displacement. VHCB collects deferred loans upon maturity unless doing so will result in the displacement of or prevent the continued use of the property as affordable housing.

VHCB evaluates such loans on a case-by-case basis if a request is made for continued deferral or refinancing based upon a project's individual circumstances. VHCB may, depending upon those circumstances, agree to extend, refinance or, in some rare cases, forgive debt in order to continue affordability beyond the LIHTC compliance period and/or support needed investment in the building(s).

### Lead Paint Hazard Reduction Program Loans

The Lead Paint Hazard Reduction Program (LPHRP) provides loans as part of the project award package. Partial loan forgiveness provisions may be included within the note to incentivize long-term lead safety compliance practices, good property maintenance, and continued occupancy by low-income tenants. Forgiveness provisions vary, including up to 50% forgiveness for investor-owned and private homeowners, subject to certain requirements. LPHRP loans are either deferred loans (balloon payment at maturity) or due upon sale or transfer of property.

### Other Loans

Other loans made by VHCB include down-payment assistance for new homeowners, and short-term bridge financing for projects.

### Accounting for Loans Receivable

As required by accounting standards, loans receivable appear differently within the two types of financial statement presentations.

The government-wide Statement of Net Position has an economic focus of measurement and uses the accrual basis of accounting method. As a result, within the current and noncurrent assets sections, all loan receivables have been consolidated. No distinction is made for loans with federal or other restrictions. An allowance for uncollectible loans is netted against both the loans receivable and accrued interest receivable.

The governmental fund Balance Sheet presents the current financial resources measurement focus and uses the modified accrual basis of accounting. Assets and liabilities presented include only those that are current.

For a complete understanding of VHCB's loans receivable, one should utilize both financial statements. The two reporting presentations are illustrated below:

Presentation of Loan Receivables:

	Government-Wide Statement of Net Position	Governmental Funds - Balance Sheet
Current portion loans receivable	\$ 329,908	\$ 329,908
Long-term loans receivable, net of allowance	183,087,216	-
Accrued interest on long-term loans, net of allowance	<u>20,985,794</u>	<u>-</u>
	<u>\$ 204,402,918</u>	<u>\$ 329,908</u>

In the government-wide statements, loans receivable have been reduced by an allowance of \$9,841,373 to reflect the estimated amount of loans that will not be collected either because of forgiveness, conversion, or due to doubtful accounts. VHCB determines this allowance using a combination of historical experience by loan type and management's analysis of the current portfolio.

VHCB calculates accrued interest on long-term loans based on applicable rates and terms of interest. At June 30, 2017, accrued interest receivable was \$21,860,202. VHCB has estimated an allowance for uncollectible accrued interest receivable of \$874,408, based on historical experience of loans and management's analysis of the current portfolio. The net accrued interest receivable is \$20,985,794.

## **7. Grant Reimbursements Receivable**

Grant reimbursements receivable represents grant funding for which allowable costs have been incurred and are awaiting reimbursement or requisition.

**8. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Accumulated Depreciation June 30, 2017</u>
Governmental Activities:					
Capital assets, being depreciated:					
Leasehold improvements	\$ 225,146	\$ -	\$ -	\$ 225,146	\$ 130,651
Furniture and equipment	<u>149,719</u>	<u>91,116</u>	<u>-</u>	<u>240,835</u>	<u>69,065</u>
Governmental activities capital assets	<u>\$ 374,865</u>	<u>\$ 91,116</u>	<u>\$ -</u>	<u>\$ 465,981</u>	<u>\$ 199,716</u>

**9. Due to State of Vermont**

Amounts due to State of Vermont represent amounts owed to the State for cash utilized in advance of federal grant reimbursement.

**10. Notes Payable**

VHCB has two outstanding notes payable to the Vermont Housing Finance Agency (VHFA) totaling \$271,695. These funds were loaned to VHCB to supplement the Lead Hazard Reduction Program and were used to make loans to program recipients. Repayment of program recipient loans to VHCB is triggered by transfer of property. The two notes are in the amounts of \$195,827 and \$75,868, and require repayment to VHFA beginning January 2021 and April 2038, respectively, as corresponding program recipient repayments are received.

**11. Governmental Funds - Fund Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

VHCB has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances can be reported under GASB 54:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes reserves for prepaid expenditures.



Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes VHCB Board-approved project commitments.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of VHCB's highest level of decision-making authority.

Assigned - Represents amounts that are constrained by the VHCB's intent to use these resources for a specific purpose. This fund balance classification includes encumbrances that have been established for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and any surplus set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods and deficit fund balances.

## 12. Project Awards

The VHCB Board meets approximately six times during the year to make awards. These awards may be funded with current or anticipated resources. VHCB policy drives the structure of the award. The awards are subject to external funding restrictions, and carry VHCB imposed grant or loan conditions. In addition to Board activity, designated VHCB staff may make small project awards. Project award activity is individually tracked. This tracking includes recording the initial award, disbursements against the award, and outstanding award balances. Project award activity is presented in the following tables.

Restricted for Project Awards – this represents the outstanding balances of project awards made using current resources on hand, such as Trust, Capital Bond, or Mitigation funds.

	Balance July 1, <u>2016</u>	New Commitments	Net Disbursements	Decommitment of Prior Year Commitments	Reallocation Among Funds	Balance June 30, <u>2017</u>
Trust Funds	\$ 6,964,216	\$ 2,935,083	\$ (8,855,261)	\$ (63,000)	\$ 6,345,601	\$ 7,326,639
Capital Appropriation (Bond Funds)	1,767,227	20,000	(3,282,780)	(95,790)	2,870,291	1,278,948
MacArthur Foundation	15,357	-	(10,975)	-	-	4,382
Manufactured Homes Initiative	127,722	-	(42,222)	(53,577)	-	31,923
Act 250 Mitigation Funds	239,702	105,000	(392,876)	(30,207)	343,958	265,577
Housing Mitigation	61,724	-	(43,981)	-	-	17,743
Lead Loan Repayment Fund	-	28,723	(12,758)	(7,193)	-	8,772
Farm Viability Program	861,151	869,839	(485,703)	(2,149)	-	1,243,138
Economic Development Initiative	<u>328,688</u>	<u>47,918</u>	<u>-</u>	<u>-</u>	<u>(376,606)</u>	<u>-</u>
Total	\$ <u>10,365,787</u>	\$ <u>4,006,563</u>	\$ <u>(13,126,556)</u>	\$ <u>(251,916)</u>	\$ <u>9,183,244</u>	\$ <u>10,177,122</u>

Awards of Anticipated Funds – these are project awards in which the Board obligated either federal funds for which VHCB has authority to commit, or anticipated future appropriations. In accordance with accounting standards, these outstanding award balances are not recorded on the financial statements until funding sources are received, or disbursement occurs.

	Balance July 1, <u>2016</u>	New Commitments	Net Disbursements	Decommitment of Prior Year Commitments	Reallocation Among Funds	Balance June 30, <u>2017</u>
Trust Funds	\$ 6,414,023	\$ 9,864,828	\$ -	\$ -	\$ (13,898,969)	\$ 2,379,882
Affordable Housing Revenue Bond	-	108,000	-	-	3,303,212	3,411,212
Capital Appropriation	2,574,501	-	-	-	1,373,703	3,948,204
HOME	6,402,879	2,471,170	(2,781,173)	(28,025)	-	6,064,851
USDA RD Housing Preservation	-	70,000	-	-	-	70,000
Housing Trust Fund	-	2,641,190	(228,455)	-	58,810	2,471,545
Lead Paint Hazard Reduction	254,113	357,258	(314,801)	(1,378)	-	295,193
High Meadows Land Bank	275,000	-	-	-	-	275,000
Farm Viability Program	61,149	228,140	(136,162)	(27,400)	-	125,727
NRCS	3,727,000	3,205,950	(2,141,000)	(175,500)	(20,000)	4,596,450
Housing Mitigation	75,647	-	-	-	-	75,647
Total	\$ <u>19,784,313</u>	\$ <u>18,946,536</u>	\$ <u>(5,601,591)</u>	\$ <u>(232,303)</u>	\$ <u>(9,183,244)</u>	\$ <u>23,713,711</u>

### 13. Retirement Plan

VHCB participates in a defined contribution retirement plan. The annual contribution, in the amount of \$190,411 for fiscal year 2017, is based on 10% of the salaries paid on a cash basis to eligible, participating employees during the year. An employee becomes a participant in the plan and eligible for contribution by working a minimum of 1,000 hours in the plan year. There are no “years of service” or “minimum age” requirements for eligibility. Individuals employed before July 1, 1991 vested at 25% per year beginning at the time of employment and became fully vested after four years. Individuals employed after July 1, 1991 vest at 20% per year beginning with the second year and are fully vested after six years.

Employees are eligible to participate in the State of Vermont’s deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their taxable salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency.

### 14. Operating Lease

VHCB entered into a 15-year lease for its office space with the Vermont Economic Development Authority commencing July 1, 2008. The lease provides for a base rent of \$99,165 annually for the first ten years. The base annual rent in the final five years is \$123,956. As additional rent, VHCB shall pay its

pro-rata share of annual building operating expenses (currently estimated at \$89,235 per year). Future minimum lease payments are as follows:

Fiscal <u>Year</u>	
2018	\$ 188,400
2019	213,191
2020	213,191
2021	213,191
2022	213,191
Thereafter	<u>213,191</u>
Present Value of Minimum Lease Payments	<u>\$ 1,254,355</u>

## 15. **Commitments and Contingencies**

Outstanding Legal Issues - Occasionally, there are pending legal issues in which VHCB is involved. VHCB's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although VHCB expects such amounts, if any, to be immaterial.

## 16. **Subsequent Events**

In June of 2017, legislation was enacted to provide additional resources for affordable housing within the State. In the fall of 2017, the Vermont Housing Finance Agency (VHFA) will issue one or more revenue bonds expected to yield approximately \$33-34 million, the net proceeds of which will be transferred to VHCB. These resources will be used for the creation of rental housing and home ownership throughout Vermont, providing new housing stock for low and moderate-income families over the next two to three years. The revenue bond will be repaid by VHFA using dedicated funds from the State's Property Transfer Tax.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

GENERAL FUND

OPERATING EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final <u>Budget</u>	Budgetary Basis Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
<b>Operating Expenditures:</b>			
Salaries and benefits	\$ 3,172,605	\$ 3,084,368	\$ 88,237
Other:			
Consulting	59,850	35,129	24,721
Board	23,975	13,750	10,225
Audit	24,000	24,000	-
Advertising	7,225	2,223	5,002
Conferences, registrations, training	16,385	15,329	1,056
Dues and subscriptions	7,560	5,996	1,564
Insurance	2,584	2,458	126
Legal	11,920	1,922	9,998
Meetings	4,170	3,805	365
Miscellaneous	500	500	-
Occupancy	201,855	200,788	1,067
Office supplies	11,525	7,587	3,938
Postage and mailings	7,000	4,430	2,570
Printing and developing	2,750	434	2,316
Repairs and maintenance	16,484	18,974	(2,490)
Technology	101,334	94,054	7,280
Telephone	14,320	14,592	(272)
Travel	63,970	49,520	14,450
Expendable furniture and fixtures	3,200	6,278	(3,078)
Total Operating Expenditures	<u>\$ 3,753,212</u>	<u>3,586,137</u>	<u>\$ 167,075</u>

**Reconciliation to Total Expenditures:**

Less: operating expenditures billed to other funds	(1,587,690)
Add: other authorized expenditures:	
General Fund grant, loan, and direct program expense	8,981,586
Information technology capital outlay	91,116
Total Expenditures - General Fund	<u>\$ 11,071,149</u>

See independent auditors' report.

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

Additional Offices:  
Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Vermont Housing & Conservation Board

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, each major fund, and the aggregate remaining fund information of the Vermont Housing & Conservation Board (VHCB), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise VHCB's basic financial statements, and have issued our report thereon dated November 17, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VHCB'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 VHCB's internal control. Accordingly, we do not express an opinion on the effectiveness of VHCB'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VHCB'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*.

### **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.

*Melanson Heath*

November 17, 2017

**Additional Offices:**

Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Vermont Housing & Conservation Board

**Report on Compliance for Each Major Federal Program**

We have audited the Vermont Housing & Conservation Board's (VHCB) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of VHCB's major federal programs for the year ended June 30, 2017. VHCB's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of VHCB'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 VHCB'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 VHCB's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, VHCB complied, in all material respects, with the types of 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, 2017.

### **Report on Internal Control Over Compliance**

Management of VHCB 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 VHCB'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 auditing 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 VHCB'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, non-compliance 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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vermont Housing & Conservation Board as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise VHCB's basic financial statements. We issued our report thereon dated November 17, 2017 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Melanson Heath*

November 17, 2017

VERMONT HOUSING & CONSERVATION BOARD  
(a Component Unit of the State of Vermont)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Agency

Cluster

Federal Office

Pass through Agency  
Program Title

Grant Number	Program or Award Amount	Pass through Identifying Number	Federal CFDA Number	Amount Provided to Subrecipients	Federal Expenditures
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U.S. Department of Agriculture

Agricultural Conservation Easement Program

Natural Resources Conservation Service

Agricultural Conservation Easement Program	5416441401J87	\$ 105,000	NA	10.931	\$ -	\$ 105,000
Agricultural Conservation Easement Program	5416441601KC0	1,907,000	NA	10.931	-	446,000
Agricultural Conservation Easement Program	5416441601J85	4,687,000	NA	10.931	-	1,590,000

Total Agricultural Conservation Easement Program		6,699,000			-	2,141,000
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Rural Business - Cooperative Service

Rural Business Enterprise Grants	53-012-030311984	99,994	NA	10.769	-	77,328
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Total U.S. Department of Agriculture		6,798,994			-	2,218,328
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U.S. Department of Housing and Urban Development

Home Investment Partnerships Program

Office of Community Planning and Development

Passed Through the Vermont Agency of Commerce  
and Community Development

Home Investment Partnerships Program FFY12	M12SG500100	2,693,103	M12SG500100	14.239	-	2,725
Home Investment Partnerships Program FFY14	M14SG500100	2,720,734	M14SG500100	14.239	-	876,920
Home Investment Partnerships Program FFY15	M15SG500100	2,701,950	07110-2015 HOME	14.239	-	1,850,003
Home Investment Partnerships Program FFY16	M16SG500100	2,721,060	07110-2016 HOME	14.239	-	51,525
Home Investment Partnerships Admin FFY16	M16SG500100	256,989				256,989

Total Home Investment Partnerships Program		11,093,836			-	3,038,162
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Lead-Based Paint Hazard Control in Privately-Owned Housing

Office of Health Homes and Lead Hazard Control

Lead-Based Paint Hazard Control in Privately-Owned Housing	VTLHB0569-13	2,311,880	NA	14.900	-	62,685
Lead-Based Paint Hazard Control in Privately-Owned Housing	VTLHB0608-15	3,231,148	NA	14.900	-	870,690

Total Lead-Based Paint Hazard Control in Privately-Owned Housing		5,543,028			-	933,375
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Housing Opportunities for Persons with AIDS Housing Trust Fund	VTH140021 F-SG500100	1,473,017 3,000,000	NA NA	14.241 14.275	461,534 -	461,534 411,238
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Total U.S. Department of Housing and Urban Development		21,109,881			461,534	4,844,309
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Northern Border Regional Development

Northern Border Regional Development	NBRC-16-G-VT-03	164,588	NA	90.601	-	37,193
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Total Northern Border Regional Development		164,588			-	37,193
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Corporation for National and Community Service

AmeriCorps

Passed Through the Vermont Agency for

Human Services AmeriCorps	15 ACHVT001002	368,669	03400-15ACH-VHCB-FY16	94.006	-	82,538
AmeriCorps	15 ACHVT001002	368,669	03400-15ACH-VHCB-FY17	94.006	-	289,657

Total AmeriCorps		737,338			-	372,195
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Total Corporation for National and Community Service		737,338			-	372,195
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Total Federal Expenditures		\$ 28,810,801			\$ 461,534	\$ 7,472,025
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The accompanying notes are an integral part of this schedule.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

***Note 1. Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Vermont Housing & Conservation Board under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of VHCB, it is not intended to and does not present the financial position, changes in net position or cash flows of VHCB.

***Note 2. Summary of Significant Accounting Policies***

- Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.
- VHCB has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**VERMONT HOUSING & CONSERVATION BOARD  
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified?  yes  none reported

Type of auditors' report issued on compliance for major programs:

Agricultural Conservation Easement Program	Unmodified
Lead-Based Paint Hazard Control in Privately-Owned Homes	Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.931	Agricultural Conservation Easement Program
14.900	Lead-Based Paint Hazard Control in Privately-Owned Homes

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None.

**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

There were no findings in the prior year.