

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

Annual Financial Statements

For the Year Ended June 30, 2018

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

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Additional Offices:

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

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 Vermont Housing & Conservation Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Vermont Housing & Conservation Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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 Vermont Housing & Conservation Board, as of June 30, 2018 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 Vermont Housing & Conservation Board's basic financial statements. The accompanying supplementary information appearing on page 35 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 October 15, 2018 on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Vermont Housing & Conservation Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vermont Housing & Conservation Board's internal control over financial reporting and compliance.

Melanson Heath

October 15, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Vermont Housing & Conservation Board (VHCB), we are providing readers this narrative overview and analysis of the financial activities of VHCB for the fiscal year ended June 30, 2018.

Overview of VHCB

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 Healthy and Lead Safe Homes Program, the AmeriCorps program with statewide participation, the Farm and Forest Viability Program, and technical assistance in various forms to aid organizations developing and stewarding projects.

VHCB Funding and Award Process

VHCB is funded primarily with state and federal funds. VHCB's primary state funding originates from the State of Vermont's Property Transfer Tax (PTT). By statute, VHCB is to receive 50% of the PTT revenue, calculated after various deductions. Notwithstanding the statutory language, the General Assembly may choose to appropriate an amount smaller than the statutory number to provide the State's general fund additional revenue to meet budgetary constraints. In some years, the PTT is then supplemented with other funding, such as capital bond proceeds or pass-thru 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.

In fiscal year 2018, proceeds of approximately \$37 million from the Housing for All Revenue Bond (HRB) became available to VHCB. This is a taxable 20-year bond, issued by the Vermont Housing Financing Agency, the proceeds from which VHCB will award to housing projects over the first three years of the bond's term. Beginning in fiscal year 2018, and continuing until July 2039, VHCB's annual appropriation of PTT shall be reduced by \$1.5 million to cover a portion of the annual debt service relating to the HRB.

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, Healthy and Lead Safe Homes Program, U.S. Department of Agriculture (USDA) Natural Resources Conservation Service Agricultural Conservation Easement Program, and an AmeriCorps program. The Board has received funding from a number of other programs including USDA

Rural Development and the Northern Border Regional Commission, particularly in support of its Farm and Forest Viability Program.

VHCB's Board meets approximately six times during each year to make awards for projects. 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, and 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 project awards (see Note 13). Actual disbursement of the awards is a secondary indicator of VHCB's activity in a given year, since the actual disbursement of an award may occur over several years, dependent upon the nature of the project and satisfaction of conditions. Disbursement activity is directly related to recipient compliance with applicable grant conditions and is monitored accordingly.

Project award activity is tracked within VHCB's database, which accounts for the details of project commitments, disbursements, and outstanding balances. Awards of resources on hand are recorded in the financial statements when VHCB takes an action that results in the execution of a contract, grant, or loan. Fund Balance – Restricted for Project Awards represents the outstanding balance of 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.

A. FINANCIAL HIGHLIGHTS

Housing for All Revenue Bond – The HRB is a new one-time source of funding for the development of affordable housing. As a result of State of Vermont Act 85, 2017, the HRB was issued by the Vermont Housing Finance Agency in January of 2018. The proceeds of approximately \$37 million were made available for VHCB to fund an increase in rental housing and home ownership opportunities for an initial target of 550-650 units for low and moderate-income Vermonters. The Board now expects to exceed that goal. The HRB funds will be matched with state, federal, and private sources to leverage an anticipated \$2-\$3 for every \$1 of HRB funds, resulting in \$70-100 million in additional resources for housing development. Annual debt service for the HRB of \$2.5 million will be covered with annual revenue from the State's Property Transfer Tax over 20 years, ending in 2039. \$1.5 million of the annual debt service payment will come from VHCB's appropriation of Property Transfer Tax. As of June 30, 2018, VHCB had awarded \$17,892,707 in HRB funds to 17 projects. The HRB funds are expected to be fully committed by the end of fiscal year 2020.

Property Transfer Tax – In fiscal year 2018, VHCB received a net amount of \$9,804,840 in Property Transfer Tax (PTT) revenues, a level appropriation with fiscal year 2017 of \$11,304,840, reduced by VHCB's share of the HRB debt service

payment of \$1.5 million. By statute, VHCB's appropriation in 2018 would have been \$18,816,000. The difference between the statutory level and actual appropriation to VHCB is retained by the State of Vermont General Fund.

The State continues to experience a rising trend in 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.

Capital Bond Appropriation – To supplement the reduced PTT revenues, VHCB received a Capital Bond Appropriation of \$5,000,000. After the State deduction for bond issuance costs, the following amounts were available for designated purposes:

- Housing \$1,184,461
- Conservation and Water Quality \$2,763,743
- Viability Water Quality Grants and Farm Retirement Projects \$987,051

The combined Capital Bond Appropriation and PTT provided total revenues of \$14,804,840, representing 79% of statutory funding, and a net decrease from fiscal year 2017 State funding in the amount of \$500,000.

Federal Resources – VHCB administers many of the same federal programs as in prior years, though amounts available have varied. 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 program management compliance.

Awards – In fiscal year 2018, the Board approved total awards of \$42,980,825. These awards will assist in developing 560 units of affordable housing; conserving 21 farms consisting of 3,045 acres; protecting 1,828 acres of natural areas and recreational lands, and two historic properties. In addition, numerous awards have been made to carry out the work of the Farm and Forest Viability Program, Healthy and Lead Safe Housing Program, and the HOPWA Program.

VHCB Operations Budget – Within the operations budget, VHCB manages both the administrative costs associated with carrying out 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 29%. Comparison of actual operating expenditures to the budget in fiscal year 2018 resulted in a favorable variance, with costs falling 9% below the approved budget.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include two different presentations of VHCB’s financial position and activities: a government-wide presentation and a fund presentation. The government-wide statements present VHCB as aggregated, using the full accrual method of accounting, and an economic resource measurement focus. The fund financial statements present the major funds of VHCB, using the modified accrual method of accounting, and a focus on the current financial resources available.

The two presentations have significant differences. The reader should be aware of these prior to using the information for analysis. The government-wide financial statements will be the most familiar for readers versed in private sector financial reporting. The fund financials are more reflective of how governmental entities maintain their financial records, with a self-balancing fund for each major activity and excluding noncurrent assets and long-term liabilities. Exhibit A highlights the major attributes for the two presentations and also serves to illustrate the differences. A reconciliation is included with the financial statements which briefly explains the differences in presentation between the fund financial statements and the government-wide 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:

Exhibit A

Financial Statement Attributes:	Government-wide Financial Statements (pages 14-15)	Governmental Funds Statements (pages 16, 18)
Required financial statements:	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances
Presentation:	Aggregated	By major fund
Basis of accounting:	Full accrual	Modified accrual
Measurement focus:	Economic resources focus	Current financial resources focus
Assets reported:	All short-term and long-term assets	- Only current assets expected to be available for the subsequent year (no long-term loans receivable); - No capital assets included
Liabilities reported:	All short-term and long-term liabilities	Only liabilities that come due during the coming year
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 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 businesses.

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 takes 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 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 assets and deferred outflows, and liabilities and deferred inflows reported as "net position".

The *Statement of Activities* presents the reported year's financial activity and 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 revenues, as presented on the accrual basis of accounting. The reader should be aware that the expenses reflected in this statement do not include awards disbursed in the form of loans as is demonstrated in the expenditures reported in the fund financial statements. Given that loans are a significant portion of VHCB's activities, VHCB feels that this presentation is not as meaningful a representation of award activity as is the fund financial statements presentation.

GOVERNMENTAL FUNDS STATEMENTS

The fund financial statements are presented to demonstrate the activities of VHCB and compliance with finance-related legal requirements. 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.

This approach represents the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a short-term view of VHCB's finances and exclude noncurrent assets and long-term liabilities. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable

resources, as well as balances of current spendable resources available at the end of the fiscal year.

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. Fund financial statements are utilized by management, funders, and the Board of Directors during the year to account and report upon restricted resources, determine fiscal health, analyze, and plan. Given VHCB functions primarily as a funding agency in carrying out its mission, the governmental funds format provides a clearer representation of its activities, including the funding sources of VHCB awards and whether the awards were disbursed in the form of grants or loans. Note 6 provides an explanation of loans receivable.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 48,613,878	\$ 14,355,034
Noncurrent assets	213,809,604	204,339,275
Total assets	262,423,482	218,694,309
Current liabilities	1,064,455	1,532,283
Noncurrent liabilities	271,695	271,695
Total liabilities	1,336,150	1,803,978
Net position:		
Net investment in capital assets	306,545	266,265
Restricted	260,780,787	216,624,066
Total net position	\$ 261,087,332	\$ 216,890,331

At the close of the most recent fiscal year, total net position was \$261,087,332, a change of \$44,197,001 from the prior year.

A portion of net position, \$306,545, reflects VHCB's investment in capital assets (e.g., leasehold improvements and furniture and equipment). An additional portion of net position represents restrictions on investments in loans receivable of \$213,659,888 and resources restricted for future programs and project awards of \$47,120,899.

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 48,824,358 *	\$ 8,991,968
General revenues:		
Property transfer tax	9,804,840	11,304,840
Capital bond appropriation	4,935,255	3,963,573
Loan interest income	1,433,350	1,482,655
Interest income	399,065	87,454
Miscellaneous	162,555	209,975
Total revenues	65,559,423	26,040,465
Expenses:		
Conservation - federally funded	3,187,347	2,256,111
Conservation - non-federally funded	7,556,192	6,122,929
Housing - federally funded	2,389,509	4,130,455
Housing - non-federally funded	6,261,817	7,252,967
Healthy and lead safe homes	1,027,832	939,560
AmeriCorps	921,854	816,030
Depreciation	17,871	24,991
Total expenses	21,362,422	21,543,043
Change in net position	44,197,001	4,497,422
Net position - beginning of year	216,890,331	212,392,909
Net position - end of year	\$ 261,087,332	\$ 216,890,331

*See Note 12

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.

D. FINANCIAL ANALYSIS OF VHCB'S FUNDS

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

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 Health and

Lead Safe Homes Programs, presenting a comprehensive presentation of program activities.

<u>Functions/Programs</u>	<u>2018</u>	<u>2017</u>
Conservation - federally funded	\$ 3,187,347	\$ 2,256,111
Conservation - non-federally funded	7,501,673	6,122,381
Housing - federally funded	5,643,983	3,910,781
Housing - non-federally funded	11,430,513	9,784,832
Healthy and lead safe homes	1,089,812	987,197
AmeriCorps	921,854	816,030
Capital outlay	<u>58,150</u>	<u>91,116</u>
Total	<u>\$ 29,833,332</u>	<u>\$ 23,968,448</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 2018 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 governmental 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 and 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 VHCB’s ability to leverage non-federal funds (i.e., State of Vermont funding).

Housing - Non-Federally Funded – VHCB’s housing program provides grants and loans to nonprofit housing groups for acquisition, rehabilitation, and development of housing properties that will provide perpetual, affordable housing for Vermonters. In fiscal year 2018, the proceeds of the HRB provided a substantial boost in one-time resources to support affordable housing. General revenues are targeted by VHCB to support this program.

Healthy and Lead Safe Homes – VHCB runs this HUD funded program to provide resources to housing developers, private landlords, and low-income homeowners to address the hazards of lead-based paint in existing housing. The Healthy and Lead Safe Homes 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 conversion to an electronic document management system, a comprehensive redesign of VHCB's database, and the integration of a robust report-writer system.

E. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$306,545 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and furniture and equipment.

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 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, 2018

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and short-term investments	\$ 1,395,788
Cash - State accounts	23,441,253
Due from trustee (Note 12)	19,236,377
Due from State of Vermont (Note 5)	2,923,917
Receivables:	
Loans (Note 6)	428,524
Grant reimbursements	1,061,517
Other	71,259
Other assets	55,243
Total Current Assets	48,613,878
Noncurrent Assets:	
Receivables (Note 6):	
Loans, net of allowance	193,956,476
Accrued interest on long-term loans, net of allowance	19,546,583
Capital assets, net of accumulated depreciation	306,545
Total Noncurrent Assets	213,809,604
TOTAL ASSETS	\$ 262,423,482
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 318,306
Due to State of Vermont	746,149
Total Current Liabilities	1,064,455
Noncurrent Liabilities:	
Notes payable	271,695
TOTAL LIABILITIES	1,336,150
NET POSITION	
Net investment in capital assets	306,545
Restricted:	
Restricted for project awards (Note 13)	26,109,977
Restricted for programs	21,010,922
Restricted for loans	213,659,888
TOTAL NET POSITION	261,087,332
TOTAL LIABILITIES AND NET POSITION	\$ 262,423,482

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, 2018

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Change in Net Position</u> <u>Governmental Activities</u>
Governmental Activities:			
Conservation - federally funded	\$ 3,187,347	\$ 3,181,743	\$ (5,604)
Conservation - non-federally funded	7,556,192	1,056,946	(6,499,246)
Housing - federally funded	2,389,509	5,645,035	3,255,526
Housing - non-federally funded	6,261,817	37,351,851	31,090,034
Healthy and lead safe homes	1,027,832	990,655	(37,177)
AmeriCorps	921,854	598,128	(323,726)
Depreciation	17,871	-	(17,871)
Total Governmental Activities	\$ 21,362,422	\$ 48,824,358	27,461,936
General Revenues:			
Property transfer tax			9,804,840
Capital bond appropriation			4,935,255
Loan interest income			1,433,350
Interest income			399,065
Miscellaneous			162,555
Total general revenues			16,735,065
Change in Net Position			44,197,001
Net Position:			
Beginning of year			216,890,331
End of year			\$ 261,087,332

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, 2018

	General Fund	Housing for All Revenue Bond Proceeds Fund	Capital Bond Appropriation Fund	HOME Fund	Farm Preservation Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and short-term investments	\$ 475,788	\$ -	\$ 920,000	\$ -	\$ -	\$ -	\$ 1,395,788
Cash - State accounts	6,904,496	13,973,626	-	-	-	2,563,131	23,441,253
Due from trustee (Note 12)	-	19,236,377	-	-	-	-	19,236,377
Due from other funds	410,101	40,449	-	-	-	49,194	499,744
Due from State of Vermont (Note 5)	-	-	2,923,917	-	-	-	2,923,917
Receivables:							
Current portion of long-term loans	382,950	-	-	-	-	45,574	428,524
Grant reimbursements	-	-	-	57,368	635,500	368,649	1,061,517
Other	7,425	-	-	-	-	63,834	71,259
Other assets	55,243	-	-	-	-	-	55,243
TOTAL ASSETS	\$ 8,236,003	\$ 33,250,452	\$ 3,843,917	\$ 57,368	\$ 635,500	\$ 3,090,382	\$ 49,113,622
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 318,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 318,306
Due to other funds	89,643	-	-	57,368	-	352,733	499,744
Due to State of Vermont	-	-	-	-	635,500	110,649	746,149
Total Liabilities	407,949	-	-	57,368	635,500	463,382	1,564,199
Deferred Inflows of Resources - Loans	382,950	-	-	-	-	45,574	428,524
Fund Balances:							
Restricted:							
Restricted for project awards (Note 13)	7,246,868	13,916,036	3,504,279	-	-	1,442,794	26,109,977
Restricted for programs	198,236	19,334,416	339,638	-	-	1,138,632	21,010,922
Total Fund Balances	7,445,104	33,250,452	3,843,917	-	-	2,581,426	47,120,899
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,236,003	\$ 33,250,452	\$ 3,843,917	\$ 57,368	\$ 635,500	\$ 3,090,382	\$ 49,113,622

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, 2018

Governmental fund balances	\$ 47,120,899
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	306,545
<ul style="list-style-type: none">• Noncurrent portion of loans receivable are not available financial resources and, therefore, are not included in the governmental funds.	194,385,000
<ul style="list-style-type: none">• Accrued interest receivable on loans is not recorded under the modified accrual basis of accounting.	19,546,583
<ul style="list-style-type: none">• 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>
Net position of governmental activities	<u>\$ 261,087,332</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, 2018

	General Fund	Housing for All Revenue Bond Proceeds Fund	Capital Bond Appropriation Fund	HOME Fund	Farmland Preservation Program Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Property transfer tax	\$ 9,804,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,804,840
Housing for all revenue bond proceeds	-	36,995,756	-	-	-	-	36,995,756
Capital bond appropriation	-	-	4,935,255	-	-	-	4,935,255
State and Federal grant revenue	100,000	-	-	3,542,138	2,971,721	4,535,509	11,149,368
Loan principal repayments	205,608	-	-	-	-	120,358	325,966
Loan interest	9,350	-	-	-	-	-	9,350
AmeriCorps	-	-	-	-	-	226,817	226,817
Mitigation revenue	-	-	-	-	-	458,417	458,417
Interest income	159,750	231,367	-	-	-	7,948	399,065
Miscellaneous	145,656	-	-	-	-	10,897	156,553
Total Revenues	10,425,204	37,227,123	4,935,255	3,542,138	2,971,721	5,359,946	64,461,387
Expenditures:							
Program functions:							
Conservation - federally funded	-	-	-	-	2,971,721	215,626	3,187,347
Conservation - non-federally funded	3,888,019	-	1,628,911	-	-	1,984,743	7,501,673
Housing - federally funded	-	-	-	3,542,138	-	2,101,845	5,643,983
Housing - non-federally funded	5,439,711	3,976,671	1,910,447	-	-	103,684	11,430,513
Healthy and lead safe homes	-	-	-	-	-	1,089,812	1,089,812
AmeriCorps	-	-	-	-	-	921,854	921,854
Capital outlay	58,150	-	-	-	-	-	58,150
Total Expenditures	9,385,880	3,976,671	3,539,358	3,542,138	2,971,721	6,417,564	29,833,332
Excess (deficiency) of revenues over expenditures	1,039,324	33,250,452	1,395,897	-	-	(1,057,618)	34,628,055
Other Financing Sources (Uses):							
Transfers to support programs	(1,106,361)	-	-	-	-	1,106,361	-
Total Other Financing Sources (Uses)	(1,106,361)	-	-	-	-	1,106,361	-
Change in fund balance	(67,037)	33,250,452	1,395,897	-	-	48,743	34,628,055
Fund Balance, at Beginning of Year	7,512,141	-	2,448,020	-	-	2,532,683	12,492,844
Fund Balance, at End of Year	\$ 7,445,104	\$ 33,250,452	\$ 3,843,917	\$ -	\$ -	\$ 2,581,426	\$ 47,120,899

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, 2018

Change in fund balances - governmental funds	\$ 34,628,055				
<ul style="list-style-type: none"> • 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 expense: <table style="margin-left: 40px; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">58,150</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(17,871)</td> </tr> </table> 		Capital outlay	58,150	Depreciation	(17,871)
Capital outlay	58,150				
Depreciation	(17,871)				
<ul style="list-style-type: none"> • 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. 	12,126,389				
<ul style="list-style-type: none"> • 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. 	(325,966)				
<ul style="list-style-type: none"> • Governmental funds do not report accrued interest income from loans under the modified accrual basis of accounting. 	1,424,000				
<ul style="list-style-type: none"> • A change in the allowance for uncollectible loans and forgiveness is not reflected in the governmental funds, but is included in government-wide expenses. 	<u>(3,695,756)</u>				
Change in net position - governmental activities	\$ <u>44,197,001</u>				

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 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's 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 (PTT). The Legislature approves the appropriations of the PTT 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, and 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 of the State. 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.

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.

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. The government-wide Statement of Activities reflects both the gross and net costs by 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, capital bond appropriation, loan interest income, interest income, and miscellaneous). Programs and grants are charged their share of overhead and administrative costs based on VHCB's cost allocation and indirect rate plan.

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.

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.

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 *Housing for All Revenue Bond Proceeds Fund* accounts for the proceeds and uses of the Housing Revenue Bond issued by the Vermont Housing Finance Agency on behalf of VHCB and as directed by recent State law. The proceeds are being used to fund an increase in rental housing and home ownership opportunities for 550-650 low- and moderate-income Vermonters over a two to three year period from 2018 - 2020.
- The *Capital Bond Appropriation Fund* accounts for the State Capital Bond Appropriations provided 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 Conservation 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 is 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 and furniture and equipment, 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 estimated 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 constructed.

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

I. Deferred Inflows of Resources

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 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 use either through 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.

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 of Directors.

VHCB 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 of Directors based on the quality of applications received, evaluating potential for leverage, community need, eligibility criteria, availability of funds, and, as directed by statute, consideration of timely response to unpredictable circumstances or unique opportunity.

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 of Directors 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. As of June 30, 2018, \$275,189 of VHCB's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Interfund 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. The following is a summary of June 30, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	Due From Other <u>Funds</u>	Due To Other <u>Funds</u>
General Fund	\$ 410,101	\$ 89,643
Housing for All Revenue Bond Proceeds Fund	40,449	-
HOME Fund	-	57,368
Nonmajor Governmental Funds	<u>49,194</u>	<u>352,733</u>
Total	<u>\$ 499,744</u>	<u>\$ 499,744</u>

Transfers

In fiscal year 2017, VHCB transferred \$1,106,361 from the General Fund to other governmental funds to support programs not covered by State, Federal grants, or other revenues.

5. Due From State of Vermont

At June 30, 2018, \$2,923,917 was due from the State of Vermont for balances outstanding of fiscal years 2016, 2017, and 2018 Capital Bond Appropriations.

6. Long-term Loans Receivable

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

<u>Loan Type</u>	<u>Maturities</u>						<u>Total</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	
Housing Projects	\$ 382,950	\$ 201,877	\$ 361,881	\$ 173,359	\$ 331,952	\$ 194,600,411	\$ 196,052,430
Healthy and Lead Safe Homes	45,574	-	-	-	-	8,222,949	8,268,523
Other	-	-	-	-	-	500,000	500,000
Total loans	\$ <u>428,524</u>	\$ <u>201,877</u>	\$ <u>361,881</u>	\$ <u>173,359</u>	\$ <u>331,952</u>	\$ <u>203,323,360</u>	204,820,953
Less: allowance							(10,435,953)
Total loans, net of allowance							\$ <u>194,385,000</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 \$63 million, of VHCB's loan portfolio. Repayments of loans made with federal resources are typically restricted as directed by federal program regulations.

Housing Project Loans

The majority of 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 require quarterly payments of principal and/or interest, and 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 residents 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, convert to a secured grant 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).

Healthy and Lead Safe Homes Program Loans

The Healthy and Lead Safe Homes Program (HLSHP) 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. HLSHP 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 loans receivable 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 loans receivable 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:

	Government-Wide Statement of <u>Net Position</u>	Governmental Funds - <u>Balance Sheet</u>
Current portion loans receivable	\$ 428,524	\$ 428,524
Long-term loans receivable, net of allowance	193,956,476	-
Accrued interest on long-term loans, net of allowance	<u>19,546,583</u>	<u>-</u>
	<u>\$ 213,931,583</u>	<u>\$ 428,524</u>

In the government-wide statements, loans receivable have been reduced by an allowance of \$10,435,953 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, 2018, accrued interest receivable was \$20,361,024. VHCB has estimated an allowance for uncollectible accrued interest receivable of \$814,441, based on historical experience of loans and management's analysis of the current portfolio. The net accrued interest receivable is \$19,546,583.

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, 2018 was as follows:

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>Accumulated Depreciation June 30, 2018</u>
Governmental Activities:					
Capital assets, being depreciated:					
Leasehold improvements	\$ 225,146	\$ -	\$ -	\$ 225,146	\$ 145,660
Furniture, equipment, and software	<u>240,835</u>	<u>58,150</u>	<u>-</u>	<u>298,985</u>	<u>71,926</u>
Governmental activities capital assets	<u>\$ 465,981</u>	<u>\$ 58,150</u>	<u>\$ -</u>	<u>\$ 524,131</u>	<u>\$ 217,586</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 Healthy and Lead Safe Homes 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.

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.

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 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.

12. Housing for All Revenue Bond

The Housing for All Revenue Bond (HRB) is a new source of funding for the development of affordable housing. Pursuant to State of Vermont Act No. 85, 2017, the HRB was issued by the Vermont Housing Finance Agency (VHFA) in January of 2018 and resulted in proceeds of approximately \$37 million being made available for VHCB to fund an increase in rental housing and home ownership opportunities. The net proceeds from the issuance of the revenue bonds were deposited in a trust managed by VHFA on behalf of VHCB. As VHCB awards HRB funds to projects, VHCB submits to VHFA requisitions for drawing down on the HRB funds.

It is anticipated that the HRB funds will result in 550-650 low- and moderate-income new units for Vermonters over the next two to three years. Annual debt service for the bond of \$2.5 million will be covered with annual revenue from the State's Property Transfer Tax over 20 years, ending in 2039. \$1.5 million of the annual debt service payment will reduce VHCB's appropriation of Property Transfer Tax. As of June 30, 2018, VHCB had awarded \$17,892,707 in HRB funds to 17 projects for approximately 455 units. The HRB funds are expected to be fully committed by the end of fiscal year 2020.

13. 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 all awards. 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, Housing Revenue for All Bond, Capital Bond Appropriation, or Mitigation funds.

	Balance July 1, <u>2017</u>	New <u>Commitments</u>	Net <u>Disbursements</u>	Decommitment of Prior Year <u>Commitments</u>	Reallocation Among <u>Funds</u>	Balance June 30, <u>2018</u>
Trust Funds	\$ 7,326,639	\$ 5,117,956	\$ (6,951,700)	\$ (598,518)	\$ 2,352,491	\$ 7,246,868
Housing for All Revenue Bond	-	14,481,495	(3,976,671)	-	3,411,212	13,916,036
Capital Bond Appropriation Funds	1,278,948	1,816,485	(3,539,358)	(5,000)	3,953,204	3,504,279
MacArthur Foundation	4,382	-	-	-	-	4,382
Manufactured Homes Initiative	31,923	-	(15,000)	(16,923)	-	-
Act 250 Mitigation Funds	265,577	105,000	(509,607)	(25,082)	369,799	205,687
Housing Mitigation	17,743	-	-	-	-	17,743
Lead Loan Repayment Fund	8,772	7,000	(15,772)	-	-	-
Farm Viability Program	1,243,138	942,500	(970,656)	-	-	1,214,982
Total	<u>\$ 10,177,122</u>	<u>\$ 22,470,436</u>	<u>\$ (15,978,764)</u>	<u>\$ (645,523)</u>	<u>\$ 10,086,706</u>	<u>\$ 26,109,977</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>2017</u>	New <u>Commitments</u>	Net <u>Disbursements</u>	Decommitment of Prior Year <u>Commitments</u>	Reallocation Among <u>Funds</u>	Balance June 30, <u>2018</u>
Trust Funds	\$ 2,379,882	\$ 8,055,710	\$ -	\$ -	\$ (6,582,875)	\$ 3,852,717
Affordable Housing Revenue Bond	3,411,212	-	-	-	(3,411,212)	-
Capital Bond Appropriation Funds	3,948,204	-	-	-	(105,370)	3,842,834
HOME	6,064,851	2,780,849	(3,285,696)	-	-	5,560,004
HOPWA 8	-	1,394,412	(135,594)	-	-	1,258,818
USDA RD Housing Preservation	70,000	-	-	-	-	70,000
National Housing Trust Fund	2,471,545	3,541,527	(1,337,252)	-	-	4,675,820
Lead Paint Hazard Reduction	295,193	652,862	(511,822)	(14,434)	-	421,799
High Meadows Land Bank	275,000	-	-	-	-	275,000
Farm Viability Program	125,727	604,029	(178,019)	-	-	551,737
NRCS	4,596,450	3,481,000	(2,971,721)	(123,779)	12,750	4,994,700
Housing Mitigation	<u>75,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,647</u>
Total	<u>\$ 23,713,711</u>	<u>\$ 20,510,389</u>	<u>\$ (8,420,104)</u>	<u>\$ (138,213)</u>	<u>\$ (10,086,707)</u>	<u>\$ 25,579,076</u>

14. Retirement Plan

VHCB participates in a defined contribution retirement plan. The annual contribution, in the amount of \$224,046 for fiscal year 2018, 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.

15. 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 \$98,984 per year). Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 213,191
2020	213,191
2021	213,191
2022	213,191
2023	<u>213,191</u>
Present Value of Minimum Lease Payments	\$ <u>1,065,955</u>

16. 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.

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

ALL FUNDS

OPERATING EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final <u>Budget</u>	Budgetary Basis Actual <u>Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
Operating Expenditures:			
Salaries and benefits	\$ 3,602,233	\$ 3,341,169	\$ 261,064
Other:			
Consulting	65,975	50,009	15,966
Board	23,385	17,082	6,303
Audit	27,000	25,000	2,000
Advertising	9,200	4,984	4,216
Conferences, registrations, training	17,745	15,285	2,460
Dues and subscriptions	8,560	7,794	766
Insurance	2,334	2,449	(115)
Legal	11,800	4,750	7,050
Meetings	5,270	5,971	(701)
Miscellaneous	500	576	(76)
Occupancy	202,283	199,478	2,805
Office supplies	14,655	9,340	5,315
Postage and mailings	5,500	4,847	653
Printing and developing	3,750	3,254	496
Repairs and maintenance	20,934	15,781	5,153
Technology	113,189	86,410	26,779
Telephone	15,444	9,192	6,252
Travel	68,970	55,754	13,216
Expendable furniture and fixtures	9,800	5,754	4,046
Total Operating Expenditures	<u>\$ 4,228,527</u>	<u>3,864,879</u>	<u>\$ 363,648</u>

Reconciliation to Total Expenditures:

Less: operating expenditures charged to restricted funds	(1,670,841)
Add: other authorized expenditures:	
General Fund grant, loan, and direct program expense	7,133,692
Information technology capital outlay	58,150
Total Expenditures - General Fund	<u>\$ 9,385,880</u>

See Independent Auditors' Report.

Additional Offices:

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

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*

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 Vermont Housing & Conservation Board (VHCB), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise VHCB's basic financial statements, and have issued our report thereon dated October 15, 2018.

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.

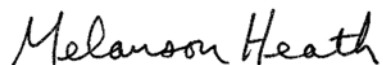
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.



October 15, 2018

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 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, 2018. 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, 2018.

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 Vermont Housing & Conservation Board as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise VHCB's basic financial statements. We issued our report thereon dated October 15, 2018 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

October 15, 2018

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

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Agency

Cluster

Federal Office

Pass through Agency
Program Title

Grant
Number

Program or
Award
Amount

Pass through
Identifying
Number

Federal
CFDA
Number

Federal
Expenditures

U.S. Department of Agriculture

Agricultural Conservation Easement Program

Natural Resources Conservation Service

Agricultural Conservation Easement Program	5516441601KCO	\$ 1,621,958	NA	10.931	\$ 388,358
Agricultural Conservation Easement Program	551644170NHT	637,500	NA	10.931	230,000
Agricultural Conservation Easement Program	5416441601J85	4,687,000	NA	10.931	1,847,863
Agricultural Conservation Easement Program	5416441701NFY	2,630,000	NA	10.931	358,000
Agricultural Conservation Easement Program	5416441701MLF	147,500	NA	10.931	<u>147,500</u>

Total Agricultural Conservation Easement Program

2,971,721

Rural Business - Cooperative Service

Rural Business Development Grant	53-012-030311984	99,994	NA	10.351	22,666
Rural Business Development Grant	53-012-030311984	96,700	NA	10.351	<u>32,423</u>

Total Rural Business Development Grant

55,089

National Institute of Food and Agriculture

Beginning Farmer and Rancher Development Program	2017-70017-26839	546,386	NA	10.311	<u>27,538</u>
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Total U.S. Department of Agriculture

3,054,348

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

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

<u>Federal Agency</u>	<u>Grant</u>	<u>Program or</u>	<u>Pass through</u>	<u>Federal</u>	<u>Federal</u>
<u>Cluster</u>	<u>Number</u>	<u>Award</u>	<u>Identifying</u>	<u>CFDA</u>	<u>Expenditures</u>
<u>Federal Office</u>		<u>Amount</u>	<u>Number</u>	<u>Number</u>	
<u>Pass through Agency</u>					
<u>Program Title</u>					
<u>U.S. Department of Housing and Urban Development</u>					
<u>Home Investment Partnerships Program</u>					
<u>Office of Community Planning and Development</u>					
Passed Through the Vermont Agency of Commerce and Community Development:					
Home Investment Partnerships Program	M13SG500100	2,700,000	MS13SG500100	14.239	286,740
Home Investment Partnerships Program	M14SG500100	2,720,734	M14SG500100	14.239	289,260
Home Investment Partnerships Program	M15SG500100	2,701,950	07110-2015 HOME	14.239	499,316
Home Investment Partnerships Program	M16SG500100	2,721,060	07110-2016 HOME	14.239	1,587,732
Home Investment Partnerships Program	M17SG500100	2,715,274	07110-2017 HOME	14.239	622,648
Home Investment Partnerships Program	M17SG500100	256,442	07110-2017 HOME	14.239	256,442
Total Home Investment Partnerships Program					3,542,138
<u>Lead-Based Paint Hazard Control in Privately-Owned Housing</u>					
<u>Office of Health Homes and Lead Hazard Control</u>					
Lead-Based Paint Hazard Control in Privately-Owned Housin	VTLHB0569-13	3,237,418	NA	14.900	996,925
<u>Housing Opportunities for Persons with AIDS</u>					
Housing Opportunities for Persons with AIDS*	VTH140021	1,473,017	NA	14.241	427,941
Housing Opportunities for Persons with AIDS**	VT-H17-0028-00	1,433,508	NA	14.241	150,153
Total Housing Opportunities for Persons with AIDS					578,094

(continued)

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

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

<u>Federal Agency</u>					
<u>Cluster</u>					
Federal Office					
Pass through Agency					
Program Title	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Pass through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Housing Trust Fund</u>					
Housing Trust Fund	F16-SG500100	3,000,000	NA	14.275	1,439,941
Housing Trust Fund	F17-SG500100	3,000,000	NA	14.275	<u>84,861</u>
Total Housing Trust Fund					<u>1,524,802</u>
Total U.S. Department of Housing and Urban Development					6,641,959
<u>Northern Border Regional Development</u>					
Northern Border Regional Development	NBRC-16-G-VT-03	164,588	NA	90.601	<u>127,395</u>
Total Northern Border Regional Development					127,395
<u>Corporation for National and Community Service</u>					
<u>AmeriCorps</u>					
Passed Through the Vermont Agency for Human Services:					
AmeriCorps	03400-15ACH-VHCB-FY17	368,669	03400-15ACH-VHCB-FY17	94.006	79,012
AmeriCorps	03400-15ACH-VHCB-FY18	368,669	03400-15ACH-VHCB-FY18	94.006	<u>292,299</u>
Total AmeriCorps					<u>371,311</u>
Total Corporation for National and Community Service					<u>371,311</u>
Total Federal Expenditures					<u>\$ 10,195,013</u>

* Amounts passed through to subrecipients totaled \$423,872

** Amounts passed through to subrecipients totaled \$135,594

The accompanying notes are an integral part of this schedule.

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

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Vermont Housing & Conservation Board under programs of the federal government for the year ended June 30, 2018. 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, 2018

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:

Home Investment Partnerships Program Unmodified
Housing Trust Fund 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>
14.239	Home Investment Partnerships Program
14.275	Housing Trust Fund

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.