

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND**

**FINANCIAL STATEMENTS
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017
AND
INDEPENDENT AUDITOR'S REPORTS**

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND**

**DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

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INDEPENDENT AUDITOR'S REPORT

The Members of the Board
Vermont Educational and Health
Buildings Financing Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the Vermont Educational and Health Buildings Financing Agency - Operating Fund (the Agency), a component unit of the State of Vermont, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vermont Educational and Health Buildings Financing Agency - Operating Fund as of

December 31, 2018, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the Agency's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

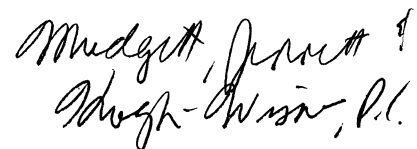
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 15, 2019, on our consideration of the Agency's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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 the 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 Agency's internal control over financial reporting and compliance.

Montpelier, Vermont
July 15, 2019



Madgett, James J.
Doug-Willis, P.C.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

The Vermont Educational and Health Buildings Financing Agency (the "Agency") facilitates financing for capital expenditures and refinancing of indebtedness for eligible 501(c)(3) Vermont health care, educational institutions and private libraries through the issuance of tax-exempt conduit debt instruments. Debt issued by the Agency does not constitute a debt of the State of Vermont, its legislature or any political subdivision.

Payments on the Agency's debt instruments are solely the responsibility of the borrowers and related assets held by trustees. The Agency has no general liability with respect to these obligations and has no beneficial interest in the assets held by trustees. As a result, the obligations are not reported as liabilities and the related assets held by trustees are not reported as assets in these financial statements. These financial statements present financial information solely for the Agency's Operating Fund. The discussion of the Agency's financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2018.

Financial Highlights

In 2018, the Agency issued one refunding bond. In 2017, the Agency issued no new or refunding bonds. As a result, initial fees from borrowers increased from \$0 in 2017 to \$17,762 in 2018.

At December 31, 2018, the Agency had 19 borrowers in an aggregate outstanding loan balance of \$998.62 million.

Outstanding Revenue Bonds at 12/31/18

Borrower Type	# of Borrowers	Outstanding Balance	% of Total
Health	12	\$518,279,645	51.90%
Higher Education	5	465,076,612	46.60%
Primary and Secondary Education	2	15,258,321	1.50%
Total	19	\$998,614,578	100.00%

Assets

Total Assets decreased by \$131,097 or 8.11% from 2017 to 2018. Assets were made up primarily of investments, which experienced a net negative change in value due to changes in market value.

Asset Summary

	2018	2017	Variance	
			Amount	Percent
Cash and Cash Equivalents	\$58,717	\$92,188	\$(33,471)	-36.31%
Prepaid Expenses and Accounts Receivable	747	1,487	(740)	-49.76%
Investments	1,425,388	1,522,274	(96,886)	-6.36%
Total Assets	\$1,484,852	\$1,615,949	\$(131,097)	-8.11%

Liabilities and Net Position

Total liabilities decreased by \$36,761 or 67.18% from 2017 to 2018. The Agency's current liabilities were \$17,959 in 2018 and \$54,720 in 2017. Accounts payable of \$7,310 were due to the Vermont Municipal Bond Bank, which is a related organization. Other current liabilities of \$10,649 in 2018 were related to accrued bond issue costs.

The Net Position of the Agency decreased by \$94,336 or 6.04% from 2017 to 2018.

Liability and Net Position Summary

	2018	2017	Variance	
			Amount	Percent
Liabilities	\$17,959	\$54,720	\$(36,761)	-67.18%
Net Position	1,466,893	1,561,229	(94,336)	-6.04%
Total Liabilities and Net Position	\$1,484,852	\$1,615,949	\$(131,097)	-8.11%

Operating Summary

The Agency's operating activities included one refunding debt issuance in 2018 as compared to no issuances in 2017, so the initial borrower fees increased by \$17,742 from the prior year. This activity as well as changes in the financial markets drove operating results for 2018. The market value of investments declined \$62,353, which varied from the increase in the prior year by \$134,298.

Total revenues in 2018 decreased from 2017 by \$113,936 or 60.41%.

Operating Expenses in 2018 were \$168,991, which represents an increase of \$4,644 or 2.83% from the prior year.

As a result of the above activity, the Agency's Net Position decreased by \$94,336 compared to an increase of \$24,244 in the prior year.

Revenues and Expense Summary

	2018	2017	Variance	
			Amount	Percent
Annual Fees from Borrowers	\$66,364	\$68,593	\$(2,229)	-3.25%
Initial Fees from Borrowers and other revenue	17,762	20	17,742	---%
Investment Income	52,882	48,033	4,849	10.10%
Investment Gain (Loss)	(62,353)	71,945	(134,298)	-186.67%
Total Revenues	74,655	188,591	(113,936)	-60.41%
Total Expenses	168,991	164,347	4,644	2.83%
Decrease in Change of Net Position	\$(94,336)	\$24,244	\$---	---%

Contact for Further Information

This financial report is designed to provide the reader with a general overview of the Agency's finances. Questions about this report or requests for additional financial information should be directed to Michael Gaughan, Executive Director, Vermont Educational and Health Buildings Financing Agency, Champlain Mill, 20 Winooski Falls Way, Winooski, VT 05404, at 802-654-7377 or at michaelg@vtbondagency.org.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 58,717	\$ 92,188
Prepaid expenses and accounts receivable	747	1,487
Investments	<u>1,425,388</u>	<u>1,522,274</u>
Total assets	<u>\$ 1,484,852</u>	<u>\$ 1,615,949</u>
 LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$ <u>17,959</u>	\$ <u>54,720</u>
Net position:		
Unrestricted	<u>1,466,893</u>	<u>1,561,229</u>
Total liabilities and net position	<u>\$ 1,484,852</u>	<u>\$ 1,615,949</u>

The notes to financial statements are an integral part of this statement.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES:		
Annual fees from institutions	\$ 66,364	\$ 68,593
Initial fees from institutions	17,762	-
Other revenues	<u>-</u>	<u>20</u>
Total operating revenues	84,126	68,613
OPERATING EXPENSES	<u>168,991</u>	<u>164,347</u>
OPERATING INCOME (LOSS)	<u>(84,865)</u>	<u>(95,734)</u>
NONOPERATING REVENUES:		
Investment income	52,882	48,033
Net appreciation/(depreciation) in fair value of investments	<u>(62,353)</u>	<u>71,945</u>
Total nonoperating revenues (expenses)	<u>(9,471)</u>	<u>119,978</u>
CHANGE IN NET POSITION	(94,336)	24,244
NET POSITION, beginning of year	<u>1,561,229</u>	<u>1,536,985</u>
NET POSITION, end of year	\$ <u>1,466,893</u>	\$ <u>1,561,229</u>

The notes to financial statements are an integral part of this statement.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from institutions -		
Annual fees	\$ 66,364	\$ 68,593
Initial fees	17,762	-
Other revenues	-	20
Cash paid to suppliers	(144,067)	(49,594)
Cash paid to employees	<u>(60,945)</u>	<u>(61,835)</u>
Net cash provided (used) by operating activities	<u>(120,886)</u>	<u>(42,816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(171,890)	(149,094)
Proceeds from sales of investments	268,776	67,917
Gain (loss) on investments	(62,353)	71,945
Earnings on investments	<u>52,882</u>	<u>48,033</u>
Net cash provided (used) by investing activities	<u>87,415</u>	<u>38,801</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (33,471)	 (4,015)
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>92,188</u>	 <u>96,203</u>
 CASH AND CASH EQUIVALENTS, end of year	 \$ <u>58,717</u>	 \$ <u>92,188</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (84,865)	\$ (95,734)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -		
(Increase)/decrease in following assets -		
Prepaid expenses and accounts receivable	740	(317)
Increase (decrease) in following liabilities -		
Accounts payable	<u>(36,761)</u>	<u>53,235</u>
Net cash provided (used) by operating activities	\$ <u>(120,886)</u>	\$ <u>(42,816)</u>

The notes to financial statements are an integral part of this statement.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. Summary of operations and significant accounting policies:

The Vermont Educational and Health Buildings Financing Agency (the Agency) is a public instrumentality of the State of Vermont created in 1966 and becoming operational in 1969. The Board of the Agency consists of four ex-officio members, seven members appointed by the Governor of the State of Vermont and two members selected by the appointed members. The Agency is considered a component unit of the State of Vermont and is included as part of the State of Vermont's financial reporting entity.

The purpose of the Agency is to facilitate financing for capital expenditures and refinancing of indebtedness for eligible Vermont health care, educational institutions and non-profit libraries through the issuance of primarily tax-exempt debt instruments.

The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant accounting policies and financial statement presentation.

- A. Basis of presentation - The financial statement presentation follows the recommendations of the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Agency is a special-purpose entity with only business-type activities. Under GASB Statement No. 34, such entities present only the financial statements required for enterprise funds.
- B. Measurement focus and basis of accounting - The Agency uses the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Operating revenues include annual and initial fees from institutions. The accounts of the Agency are maintained in accordance with the principles of fund accounting.
- C. Reporting entity - The Agency issues primarily tax-exempt instruments, which do not constitute a debt of the State of Vermont, its legislature or any political subdivision. These debt instruments are payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Agency has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Accordingly, the Agency does not report these obligations as liabilities (note 5), and any related assets held by trustees are not reported as assets in these financial statements. Therefore, the financial statements present financial information solely for the Operating Fund.
- D. Cash and cash equivalents - The Agency considers all cash on hand, demand deposits and money market funds to be cash and equivalents.
- E. Investments - The Agency's Board appointed Raymond James & Associates, Inc. as its investment advisor to oversee the Agency's investments. Investments are reported at fair value using quoted prices in active markets. This is considered a level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value. Unrealized gains and losses are reported separately from investment revenues.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. Summary of operations and significant accounting policies (continued):

- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- G. Prior year totals - The basic financial statements include certain prior year summarized comparative information in total that does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended December 31, 2017, from which the summarized information was derived. Some of the prior year's financial information has been reclassified to conform to the current year's presentation.

2. Custodial credit risk - deposits and investments:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of another party. At December 31, 2018, the Agency's depository accounts were fully insured or collateralized. Cash and cash equivalents included \$17,515 of deposits in an investment multibank cash sweep account which was FDIC insured. At December 31, 2017, cash and cash equivalents included \$44,770 of deposits in an investment multibank cash sweep account which was FDIC insured.

3. Investments:

The Agency has adopted an investment policy and investment procedures to guide management and the Board in the investment of Agency funds. The Agency's overall goal is to protect the assets of the Agency through the use of safe and predictable investments and to achieve growth in excess of inflation in order to provide income to supplement administration of current programs and provide a source of capitalization for new programs. The Agency's investment policy for long-term investments includes that the "prudent investor rule" shall be used for managing the Agency's assets.

Investments and cash with the custodian consist of \$1,425,388 of investments in mutual funds and \$17,515 of investment cash sweep account deposits as of December 31, 2018. On December 31, 2017, investments and cash with the custodian included \$1,522,274 of investments in mutual funds and \$44,770 of cash sweep account deposits.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. Investments (continued):

Fair value and classification - Investments are stated at fair value as described in note 1.E. The fair value and classification of investments held at December 31, 2018 is as follows:

		<u>Fair Value</u>
Large Company U.S. Stock	\$	250,891
Small Company U.S. Stock		67,989
International		68,015
Specialty Stocks		<u>33,449</u>
Total equities		420,344
 Fixed Income Securities		 <u>1,005,044</u>
	\$	<u>1,425,388</u>

The Agency's Finance Committee developed an Investment Policy Statement which provides target allocations of asset classification that are reviewed quarterly by the Committee and are employed by the Agency's Investment Advisor. The Finance Committee adopted new target allocations in a meeting held in August 2018, which are reflected in the summary above. The Investment Policy Statement additionally provides guidelines for the fixed income and equity portfolios. These guidelines generally address standards related to credit quality, duration, and concentration. The Agency's asset allocation in its portfolio of mutual fund investments at December 31, 2018 based on information obtained from the fund companies is as follows:

	<u>Investment Policy Statement Range</u>	<u>Target Allocation</u>	<u>Allocation as of December 31, 2018</u>
Large/Mid Company U.S. Stock	15% to 25%	20%	19%
Small Company U.S. Stock	1% to 5%	3%	3%
International Stock	2% to 8%	4%	4%
Specialty Stock	1% to 5%	<u>3%</u>	<u>2%</u>
Total equities		<u>30%</u>	<u>28%</u>
 Fixed Income Investments	 45% to 65%	 60%	 65%
Preferred Stock	0% to 10%	5%	5%
Cash	0% to 15%	<u>5%</u>	<u>2%</u>
Total fixed income and cash		<u>70%</u>	<u>72%</u>
		<u>100%</u>	<u>100%</u>

Interest rate risk - Interest rate risk is the risk that changes in market interest rates will affect the fair value of certain investments. The Agency's investments in fixed income mutual funds of \$1,005,044 at December 31, 2018 had an average duration of 5.3 years and the average maturity was 6.3 years based on information provided by the Agency's investment advisor.

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY - OPERATING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. Investments (continued):

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency's investments in equity mutual funds and exchange traded funds were not rated. The Agency's fixed income exchange traded funds of \$1,005,044 at December 31, 2018 had an average credit quality of A based on information provided by the Agency's investment advisor.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of U.S. Treasury and federal agency bonds and notes, the Agency's Investment Policy Statement limits fixed income investments in any one issuer to 10%, and limits equity investments in any one company to 5% at cost or 8% at market of any manager's portfolio. At December 31, 2018, the Agency does not hold more than these limits in any one issuer based on information provided by the Agency's investment advisor.

4. Related parties:

The Agency reimburses a related party for general and administrative services. The total amount paid during the year to the related party was approximately \$173,355 with an additional amount of \$7,310 accrued and payable at December 31, 2018. During 2017, approximately \$77,764 was paid to the related party with a payable of \$54,720 due to the related party at December 31, 2017.

5. Conduit debt obligations:

As of December 31, 2018 and 2017, revenue bonds and construction notes payable consisted of 19 and 20 borrowers with aggregate principal amounts payable of \$998,614,578 and \$1,021,240,437, respectively. The Agency has no obligation for the borrowers' loan balances as discussed in note 1.C. above.

The Agency discloses the aggregate amounts outstanding at year-end consistent with Governmental Accounting Standards Board Interpretation No. 2.

6. Commitments and subsequent events:

The Agency anticipates additional financings for other authorized borrowers during the 2019 fiscal year. Management has evaluated subsequent events through July 15, 2019, which is the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Members of the Board
Vermont Educational and Health
Buildings Financing Agency

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 Vermont Educational and Health Buildings Financing Agency - Operating Fund (the Agency), a component unit of the State of Vermont, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

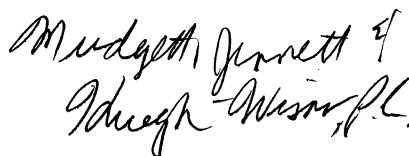
As part of obtaining reasonable assurance about whether Vermont Educational and Health Buildings Financing Agency - Operating Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 Agency'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 Agency's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
July 15, 2019



Mudgett Bennett
Adverse Witness, P.C.