

BOOTHBAY HARBOR SEWER DISTRICT
TABLE OF CONTENTS
DECEMBER 31, 2017

Independent Auditors' Report

Independent Auditors' 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

Management's Discussion and Analysis

General Purpose Financial Statements

Exhibits

Statements of Net Position

A

Statements of Revenues, Expenses, and Changes in Net Position

B

Statements of Cash Flows

C

Notes to Financial Statements

Supplemental Information

Schedule

Budgetary Comparison Schedule

A-1

Schedule of District's Proportionate Share of Net Pension Liability

B-1

Schedule of District's Contributions

B-2

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Boothbay Harbor Sewer District
Boothbay Harbor, Maine

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Boothbay Harbor Sewer District, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Boothbay Harbor Sewer District, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boothbay Harbor Sewer District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2018, on our consideration of the Boothbay Harbor Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Boothbay Harbor Sewer District's internal control over financial reporting and compliance.

Bath, Maine

May 30, 2018

WILLIAM H. BREWER

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INDEPENDENT AUDITORS' 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

Board of Trustees
Boothbay Harbor Sewer District
Boothbay Harbor, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Boothbay Harbor Sewer District, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Boothbay Harbor Sewer District's basic financial statements and have issued our report thereon dated May 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boothbay Harbor Sewer District'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 Boothbay Harbor Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boothbay Harbor Sewer District'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 the Boothbay Harbor Sewer District's financial statements are free of 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 instance 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.

Bath, Maine

May 30, 2018

Management's Discussion and Analysis

Introduction

As management of the Boothbay Harbor Sewer District (BHSD), we offer readers of BHSD's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2017. We believe the District's financial condition is stable. The District is well within its debt covenants, financial policies, and guidelines set by the Board of Trustees, Federal and State funding agencies, and as required by the District Charter. We encourage readers to consider the financial highlights presented herein with additional information provided in the financial statements and accompanying notes, which follow this section.

Financial Highlights

- \$ BHSD's cash assets increased by \$326,741 because of this year's operations.
- \$ Operating revenues increased \$100,880 from last year.
- \$ Operating expenses, excluding depreciation, increased \$36,377 from year 2016.
- \$ Non-operating revenues (investment income) increased by \$6,357 from 2016.
- \$ BHSD's long-term debt increased by \$300,624 to \$2,725,718.

Overview of the Financial Statements

This annual report consists of three parts: Introductory/Report Section, Financial Section, and Supplementary Information. The Financial Section includes notes that provide additional information relating to BHSD's financial condition. Readers are encouraged to read the notes to understand the financial statements.

Required Financial Statements

The Balance Sheet

The Balance Sheet (Exhibit A) includes all of BHSD's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of BHSD, and assessing the liquidity and financial flexibility of the organization.

The Statement of Revenues, Expenses, and Net Position

The Statement of Revenues, Expenses, and Changes in Net Position (Exhibit B) identifies the revenues generated and expenses incurred during the fiscal year. This statement helps the user to assess the profitability of BHSD during the period for which the statement relates.

Statement of Cash Flows

The Statement of Cash Flows (Exhibit C) provides information relating to BHSD's cash receipts and cash expenditures during the fiscal year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Information

BHSD's current cash assets increased by \$326,741 during FY 2017 to \$1,672,877. The change in current assets reflects increased expenditures to the sinking fund reserves. BHSD's total assets increased by approximately \$493,306 in 2017. Capital assets increased by approximately \$511,586 because of the installation of new or upgraded equipment. Total liabilities increased by \$315,100 in 2017. This increase was driven by new pump station projects.

Capital Assets and Long-term Debt

BHSD's net investment in plant, lines, and other facilities increased by \$551,469. However, this does not show in the financial statements due to the line of credit converting in July 2018. Long-term debt was increased by \$300,624. Major additions include the upgrade of the heating plants for the plant and office, treatment plant controls and aeration equipment, and the relining work.

In November 2001, the District issued \$3.4 million in revenue bonds to refinance bonds that were used for expansion and improvements of the District's sewer and treatment system. The old bonds ranged in interest rates from 4.75% to 5.125% and matured in 40 years. The new bond bears an interest rate of 2.22% with an effective rate of 2.60%. This bond matures in 20 years. The District saved a considerable amount of money by reducing the interest rate while shortening the life of the bond by 20 years.

In 2003, the District issued \$407,000 in revenue bonds to fund the Eastern Avenue Sewer Replacement/Expansion Project. This bond holds an interest rate of 4.625% and matures in 40 years.

In 2009, the District issued a \$306,870 revenue bond for the purchase and installation of the centrifuge. The centrifuge replaced the antiquated and less efficient belt-filter press. This bond did not bear interest for the first two years. Commencing in 2012, this bond holds an interest rate of 1.00%. This bond matures in 2029.

In 2012, the District issued a \$342,000 revenue bond for the upgrade of the Commercial Street and Meadow Pump Stations. The two upgrades replaced older less efficient pumps and controls and provided more storage capacity for future growth. This bond holds an interest rate of 2.75% and matures in 40 years.

In 2015, the District issued a \$275,000 revenue bond for the relining of sewer lines on Atlantic Avenue, Bay Street, Commercial Street, Commercial Street Extension, Eames Road, Kenny Field Drive, Lobster Cove Road, Park Street, and Union Street. In addition to relining the sewer mains, the Project included grout sealing all of the service connections within the Project area. This work rehabilitated the sewer lines to prevent collapse, sealed leaking pipes, and controls the corrosion of the pipes. This bond holds an interest rate of 2.50% and matures in 40 years. Payments are made monthly and commenced in 2016.

In 2015, the District issued a \$137,334 maintenance loan through The First. The loan term is 10 years and carries an interest rate of 3.0%. The loan was used for the upgrades of the plant and office heating plants, plant controls, and aeration equipment upgrade for SBR 2. Payments are made monthly and commenced in 2016.

In 2016, the District used a \$149,983 line of credit through The First. The line was converted in January of 2017. The loan term is 10 years and carries an interest rate of 3.0%. The loan was used for the upgrades of the plant headworks and pump station equipment. Payments are made monthly and commenced in February 2017.

In 2017, the District used a \$150,000 line of commitment through The First. The line was converted in June, 2018. The loan term is 10 years and carries an interest rate of 3.25%. The loan was used to help fund the Union Street Pump Station Project. Payments are made monthly and will commence in 2018.

The District maintains four sinking funds. One fund is required by the District's Charter, the other three funds are required by Rural Development as a contingency for the \$407,000 Eastern Avenue Sewer Bond, the \$342,000 Commercial Street/Meadow Pump Station Bond, and the \$275,000 Relining Bond. \$50,000 was appropriated to the District's Sinking Fund, \$2,400 was appropriated for the Eastern Avenue Bond, \$1,500 was appropriated for the Commercial Street/Meadow Pump Station Bond, and \$2,294 was appropriated for the Relining Sinking Fund. The total of all the Sinking Fund accounts was \$755,876 as of December 31, 2017. The vehicle reserve fund has a value of \$86,426, \$12,500 is budgeted for 2017.

Budgetary Controls

BHSD operates its general activities in accordance with an annual budget adopted by the Board of Trustees. Furthermore, BHSD is required by its Charter to adopt fair and equitable rates for its general operating activities and to fund a sinking fund at a rate of 1% of the fiscal year for the retirement of revenue bonds. In addition, Rural Development requires the District to fund sinking funds for the Eastern Avenue bond, the Pump Station bond, and the Relining bond. These funds require an annual appropriation of 10% of the annual debt payment for 40 years. As demonstrated by the statements included in the financial section of this report, BHSD continues to meet its responsibility for sound financial management.

Total Operating Revenues (Table 1) as of December 31, 2017, were \$1,500,148 compared to \$1,399,232 for the same period last year, an increase of \$101,880, or 7.28%. The budgeted amount for FY 2017 was \$1,446,450. The reasons for the budget variance are described below.

Table 1

Operating Revenue

Line Item	Prior Year (2016) Actual	2017 Annual Budget	2017 Year Ending	2017 Actual YTD Over(Under)
Users Charge - Commercial (S)	137,685	139,903	163,039	23,136
Users Charge - Resident(Y)	443,612	510,155	507,928	(2,227)
Users Charge - Ready To Serve	10,560	10,080	8,260	(1,820)
Users Charge - Resident(S)	170,961	204,852	196,387	(8,465)
Users Charge - Commercial(Y)	503,880	487,496	523,361	35,865
Septage Fees	59,380	63,216	63,834	618
Entrance Fees	7,700	3,150	4,700	1,550
Other users revenues	9,334	5,694	15,681	9,987
Non users fees	41,409	700	657	(43)
Lien Fees Added	5,715	4,553	4,984	431
Water Meter Sales	1,165	800	1,000	200
Interest charged on cus. acct.	2,648	2,373	2,317	(56)
Interest Income	5,141	13,478	7,701	(5,777)
Equipment Sales	42		299	299
Total Operating Revenue	1,399,232	1,446,450	1,500,148	53,698

NOTE: (S) – Seasonal (Y) – Year Round

Wastewater charges totaled \$1,398,975 as of December 31, 2017. This represents an increase of \$132,277 from 2016. The amount budgeted for FY 2017 was \$1,446,450. Total commercial sales were \$59,001 above projection. Business activity across the area was brisk this year. However, business is still slightly below average for the region because of the lingering effects of a sluggish economy. The increase in revenue was due, in part, to the 9% rate increase established in 2017.

The following table shows the composition of gross service and administrative costs by major classification of expense for the last two years:

Table 2

Operating Expenses

Line Item	Prior Year (2016) Actual	2017 Annual Budget	2017 Year to Date	2017 Actual YTD (Over)Under
Payroll	278,221	310,185	319,680	(9,495)
Overtime	14,440	16,042	16,721	(679)
Retirement	18,878	26,970	28,760	(1,790)
Health Insurance	75,235	55,734	57,286	(1,552)
Dental Insurance	5,002	4,303	4,413	(110)
Employer Social Security	19,315	22,119	21,732	387
Employer Medicare	4,517	5,174	5,265	(91)
Plant & Pump Stations O & M	281,646	308,363	305,778	2,585
Office/Insurances/Training	50,631	54,308	52,335	1,973
Professional Services	57,142	42,690	34,062	8,628
Debt Retirement	299,683	332,507	295,055	37,452
Total Operating Expenses	1,104,710	1,178,395	1,141,087	37,308

Labor expenses comprise the bulk of service and administrative costs. As of December 31, 2017, labor costs, including benefits, were \$453,857 compared to \$415,608 for the same period last year. The bulk of the labor increase was due to the increase in health/dental insurance premiums. In addition to the increase in labor expenses, utilities, materials and supplies, maintenance and repair expenses, and fuel and chemical expenses increased by a total of \$24,132.

During the past several years, electricity prices have exceeded historical averages. BHSD has attempted to mitigate this trend by purchasing electricity contracts to hedge against additional price increases. During 2017, the District used approximately the same electricity as during 2016. The District continues to shed power during peak demand summer periods. The collection system electrical usage has dropped. This is directly attributable to the relining work done on the east side of Town. This work has decreased the amount of extraneous water entering the collection system. The maintenance and repair expenses were over budgeted amounts. Professional services, specifically legal work, decreased in 2017.

Net Operating Expenses excluding depreciation were \$1,141,087 in FY 2017 compared to \$1,104,710 in FY 2016. This change reflects an increase of \$36,377 and is \$37,308 more than the budgeted amount of \$1,178,395. The bulk of the increase resulted from installation of new pumping stations.

Depreciation expense of \$353,467 was \$4,394 less than the FY 2016 amount. This decrease in depreciation is directly due to the lack of the new equipment installation. The remainder is consistent with the aging of Capital Assets that is directly related to the regular depreciation schedule of assets.

The following table shows the composition of the Long-Term Debt expense of the District for the last two years:

TABLE 3

Long-Term Debt/Reserves

Line Item	Prior Year (2016) Actual	2017 Annual Budget	2017 Year to Date	2017 Actual YTD (Over) Under
<i>District Sinking Fund</i>	50,000	50,000	50,000	
<i>RECD Sinking Fund (E. Ave.)</i>	2,350	2,350	2,350	
<i>RECD Sinking Fund PS (Comm/Mead)</i>	1,500	1,500	1,500	
<i>RECD Sinking Fund (Relining)</i>	1,143	1,143	1,143	
<i>Vehicle Replacement Reserve</i>	12,500	12,500		12,500
Interest MMBB Centrifuge	2,211	2,914	2,064	850
Interest MMBB Bond	26,603	25,642	22,409	3,233
Interest Bond "F" Eastern Avenue	16,125	15,970	15,830	140
Interest Bond PS	8,998	8,855	8,854	1
Interest Bond Relining 1	7,563	7,456	7,456	
Interest Maintenance Bond 1 (2015)	4,110	2,787	3,673	(886)
Interest Maintenance Bond 2 (2016)	1,519	3,455	4,542	(1,087)
Interest Maintenance Bond 3 (2017)		1,932	3,080	(1,148)
Principal MMBB Bond	188,924	193,118	193,118	
Principal MMBB Centrifuge	14,794	14,942	14,942	
Principal Eastern Avenue Bond	6,391	6,546	6,686	(140)
Principal Pump Stations Bond	5,209	5,352	5,352	
Principal Bond Relining 1	3,861	3,968	3,967	1
Principal Maintenance Bond 1 (2015)	13,375	10,327	13,812	(3,485)
Principal Maintenance Bond 2 (2016)		9,697	12,967	(3,270)
Principal Maintenance Bond 3 (2017)				
Total Debt/Revenue Expenses	367,176	380,454	373,745	6,709

Results of Operations

Revenues from operations fall into three general categories: Residential and Commercial Service Fees, Entrance Fees, and Miscellaneous. Service Fees are levied on a quarterly basis for year round users and twice-annually for seasonal users.

Entrance Fees are assessed when entrance permits are secured. Entrance fees are broken down further by Project. Entrance to the old system is \$1,000.00 per unit. Entrance to the Roads End line is \$1,500.00 per unit. Entrance to the Lobster Cove line is \$2,000.00 per unit. Entrance to Eastern Avenue, Kennyfield Drive, and Highland Park Road is \$2,500.00 per unit. The difference in entrance fees is due to the number of takers within each project scope and the amount of grant funds available for each project from the funding agency.

Miscellaneous fees are an all-encompassing category. All other sources of income are contained in this group. Fees such as Septage Dumping, Non-User Revenues, Other User Revenues, Lien Fees, Late Fees, Outside Water Meter Sales, etc. are included here.

The District changed its method of billing to a consumption-based system in 2001. As a result, most users now pay based on actual water consumed within the household. The District established a minimum quarterly bill based on 900 cubic feet of consumption and a rate per 100 cubic feet of consumption beyond 900 cubic feet. The minimum bill generates enough revenue to cover the District's annual debt retirement obligation and a portion of the annual depreciation expenses. The sewer user rate during fiscal 2017 was \$11.01 per 100 cubic feet of consumption. During the 2018 budget process, the Board of Trustees increased the minimum rate from \$105.72 to \$108.90 per quarter for 900 cubic feet of consumption and the rate per 100 cubic feet over 900 to \$12.10 per 100 cubic feet block. The increase in rates is due to the establishment of a Capital Improvement Program that will last for the next 13 years and to cover the debt retirement for the new bond on the sewer relining work.

Other Significant Matters

The reduction of infiltration and inflow (I&I) will continue to be a priority. The plant currently experiences tremendous inflow of water during rain events. This causes a flushing of the plant, causes severe upsets, and can cause capacity issues in the collection system resulting in potential sewer overflows and the backup of untreated wastewater into private homes and the surrounding environment. The District has spent considerable resources identifying potential sources through a formal I&I Study conducted by District personnel, comprehensive video inspection of all the District's sewer pipes, and developed a database to store all of the manhole inspection information.

All of this information has been assembled into a Geographic Informational System (GIS). This system provides sub-meter accuracy for location of all District infrastructures. All video inspection footage, manhole inspection information, as-built plans, residential flow data, and all sewer service tie information has been incorporated. The system will bring the District into compliance with the US EPA Capacity, Management, Operations, and Maintenance (CMOM) regulations. This system will also allow the District to properly manage its fixed infrastructure assets and provide for proper future planning.

The District voters approved the Union Street Pump Station and Force Main Replacement Project at their May 2016 annual meeting. The Project is funded by USDA Rural Development. The funding package consists of a \$450,000 loan and a \$150,000 grant. The Pump Station project will provide for the replacement of the 1963 vintage steel station and its force main. The station will be replaced with a new precast concrete station and a new High Density Polyethylene Line (HDPE). The station will be reduced from three pumps to two while increasing flow capacity for the entire east side of Boothbay Harbor. The Project was set to be bid during June 2017 and was started in October 2017. The station came online in early January 2018. Payment for this Project will begin in 2019.

The District implemented a Capital Improvement Program (CIP), which commenced in 2014. The Program has identified and prioritized asset improvements over the next 15 to 20 years. In 2016, the Trustees authorized the second \$150,000 Maintenance Bond as part of the CIP. As part of this bond, the District replaced the grit system in the plant headworks, rebuilt the Juniper Point pump station and installed new controls, replaced the aeration columns, diffusers, and mixer base in SBR 1, and coated the chlorine contact tank.

During the 2018 budget process, the Trustees approved a fourth \$150,000 maintenance bond. This bond is intended to help fund the Union Street Pump Station and Force Mains replacement project.

Requests for Additional Information

This report is intended to provide readers with a general overview of BHSD's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the Boothbay Harbor Sewer District, 27 Sea Street, Boothbay Harbor, Maine 04538.

BOOTHBAY HARBOR SEWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

ASSETS			LIABILITIES AND NET POSITION		
	2017	2016		2017	2016
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash Checking (Note B)	\$ 307,405.77	\$ 104,707.27	Notes Payable - Current Portion (Note D)	\$ 808,234.93	\$ 249,841.26
Cash Savings (Note B)	514,703.72	497,224.20	Accounts Payable	26,967.01	11,496.09
Accounts Receivable	52,955.29	44,729.71	Accrued Interest	31,027.19	32,028.93
Prepaid Insurance	9,335.23	9,073.47			
			Total Current Liabilities	\$ 866,229.13	\$ 293,366.28
Total Current Assets	<u>\$ 884,400.01</u>	<u>\$ 655,734.65</u>			
 PROPERTY, PLANT, AND EQUIPMENT (NOTE C):			 LONG-TERM LIABILITIES:		
Land and Rights of Way	\$ 29,130.32	\$ 29,130.32	Notes Payable - Net of Current Portion (Note D)	1,917,483.27	2,175,252.94
Land Improvements	85,754.25	83,104.25			
Pumping Stations	2,625,874.11	2,217,700.48	Total Liabilities	\$ 2,783,712.40	\$ 2,468,619.22
Buildings	3,572,784.03	3,572,784.03			
Plant Machinery and Equipment	1,894,409.71	1,867,135.47	 NET POSITION:		
Tools and Shop Equipment	69,703.12	69,703.12	Net Investment in Capital Assets	\$ 4,183,822.01	\$ 4,326,327.92
Trucks	74,561.36	74,561.36	Restricted:		
Office and Laboratory Equipment	69,712.71	69,712.71	Bond Sinking Fund (Note E)	755,875.54	693,855.04
Sewer Lines	5,482,780.33	5,409,292.37	Capital Reserves	94,850.83	50,349.48
			Unrestricted	826,405.81	612,209.63
Total Property, Plant, and Equipment	<u>\$ 13,904,709.94</u>	<u>\$ 13,393,124.11</u>	Total Net Position	\$ 5,860,954.19	\$ 5,682,742.07
Less: Accumulated Depreciation	<u>(6,995,169.73)</u>	<u>(6,641,701.99)</u>			
Net Property, Plant, and Equipment	<u>\$ 6,909,540.21</u>	<u>\$ 6,751,422.12</u>			
 OTHER ASSETS:					
Bond Sinking Fund (Note E)	\$ 755,875.54	\$ 693,855.04			
Capital Reserves (Note B)	94,850.83	50,349.48			
Total Other Assets	<u>\$ 850,726.37</u>	<u>\$ 744,204.52</u>			
Total Assets	<u>\$ 8,644,666.59</u>	<u>\$ 8,151,361.29</u>	Total Liabilities and Net Position	<u>\$ 8,644,666.59</u>	<u>\$ 8,151,361.29</u>

BOOTHBAY HARBOR SEWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	%	2016	%
OPERATING REVENUES:				
Residential and Commercial Services	\$ 1,462,808.37	98.17	\$ 1,326,078.57	95.30
Entrance Fees	4,700.00	0.32	7,700.00	0.56
Miscellaneous	22,621.78	1.51	57,665.52	4.14
Total Operating Revenues	<u>\$ 1,490,130.15</u>	<u>100.00</u>	<u>\$ 1,391,444.09</u>	<u>100.00</u>
OPERATING EXPENSES:				
Salaries and Wages	\$ 339,226.58	22.76	\$ 292,661.08	21.03
Advertising	3,911.68	0.26	1,653.75	0.12
Dues and Subscriptions	3,586.95	0.24	3,617.61	0.26
Fringe Benefits	28,759.73	1.93	18,878.08	1.36
Insurance - Bonds	139.67	0.01	138.95	0.01
Insurance - Business	22,742.50	1.53	23,110.00	1.66
Insurance - Employee Benefits	66,545.83	4.47	80,403.01	5.78
Licenses and Fees	2,166.45	0.15	4,948.98	0.36
Miscellaneous	6,526.50	0.44	6,399.60	0.46
Office Supplies	9,903.48	0.66	18,448.11	1.33
Operating Supplies	34,549.26	2.32	27,198.94	1.95
Payroll Taxes	26,997.22	1.81	23,832.73	1.71
Professional Fees	39,064.73	2.62	57,142.18	4.11
Service Contracts	22,343.71	1.50	17,850.91	1.28
Repairs and Maintenance	173,287.21	11.63	154,514.86	11.10
Telephone and Utilities	75,597.70	5.07	80,080.36	5.76
Training	4,247.79	0.29	4,658.89	0.33
Travel and Entertainment	2,380.17	0.16	4,208.23	0.30
Truck Expenses	13,180.21	0.88	10,571.40	0.76
Total Operating Expenses	<u>\$ 875,157.37</u>	<u>58.73</u>	<u>\$ 830,317.67</u>	<u>59.67</u>
Income From Operations	<u>\$ 614,972.78</u>	<u>41.27</u>	<u>\$ 561,126.42</u>	<u>40.33</u>
OTHER INCOME (EXPENSE):				
Depreciation:				
On Assets Acquired with Own Funds	\$ (224,283.74)		\$ (227,235.17)	
On Assets Acquired with Contributions in Aid of Construction	(129,184.00)		(130,626.00)	
Gain on Sale of Property			27,237.30	
Interest Income	10,018.15		7,788.89	
Interest Expense	(70,990.00)		(69,703.54)	
Sinking Fund Interest	7,027.50		2,899.94	
Capital Reserve Interest	651.35			
Abatements and Adjustments	(30,000.00)			
Total Other Income (Expense)	<u>\$ (436,760.74)</u>		<u>\$ (389,638.58)</u>	
Net Income	\$ 178,212.12		\$ 171,487.84	
Net Position, January 1	5,682,742.07		5,511,254.23	
Net Position, December 31	<u>\$ 5,860,954.19</u>		<u>\$ 5,682,742.07</u>	

BOOTHBAY HARBOR SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 1,454,582.79	\$ 1,339,640.92
Miscellaneous Receipts	22,621.78	57,665.52
Entrance Fees	4,700.00	7,700.00
Payments to Employees	(339,226.58)	(292,661.08)
Payments to Vendors	(520,721.63)	(536,908.29)
Gain on Sale of Property		27,237.30
Abatements/Adjustments	(30,000.00)	
Net Cash Provided by Operating Activities	<u>\$ 591,956.36</u>	<u>\$ 602,674.37</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant, and Equipment	\$ (511,585.83)	\$ (263,923.06)
Interest Income	10,018.23	7,788.89
Net Cash Used In Investing Activities	<u>\$ (501,567.60)</u>	<u>\$ (256,134.17)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Transfer to Capital Reserve	\$ (43,850.00)	\$ -
Proceeds from Issuance of Debt	551,468.64	149,982.85
Bonded Debt Retirement	(250,844.64)	(232,553.33)
Sinking Fund Appropriations	(54,993.00)	(54,993.00)
Interest Paid on Debt	(71,991.74)	(71,213.41)
Net Cash Provided by (Used in) Financing Activities	<u>\$ 129,789.26</u>	<u>\$ (208,776.89)</u>
Increase in Cash	<u>\$ 220,178.02</u>	<u>\$ 137,763.31</u>
Cash Balance, January 1	601,931.47	464,168.16
Cash Balance, December 31	<u><u>\$ 822,109.49</u></u>	<u><u>\$ 601,931.47</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	\$ 71,991.74	\$ 71,213.41

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Boothbay Harbor Sewer District conform to generally accepted accounting principles as applicable to governmental units.

1. Financial Reporting Entity

The Boothbay Harbor Sewer District ("District") is a quasi-municipality created by an act of the Maine State Legislature. The District's stated purpose is to create and maintain a system for the disposal of sewage in the Town of Boothbay Harbor. The District has approximately 1,400 residential and commercial users of the system who pay a stated fee or rate for disposal services.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

2. Basis of Presentation

The accompanying financial statements of the District account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing a service to the general public be recovered primarily through charges to the users of such services.

3. Method of Accounting

The District follows the accrual method of accounting. Under the accrual method of accounting, revenue is recorded when earned, rather than when received, and expenses are recorded when incurred, rather than when paid.

4. Financial Statement Amounts

a. Cash and Cash Equivalents:

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Statutes authorize the Treasurer of the District, as directed by the municipal officers, to invest all municipal funds, including reserve and trust funds, to the extent that the terms of the instrument, order, or article creating the fund do not prohibit the investment, in financial institutions as described in Section 5706 MRSA and securities as described in Sections 5711 through 5717 MRSA.

b. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	25-50 Years
Machinery and Equipment	5-20 Years
Improvements	10-100 Years

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

4. Financial Statement Amounts (Cont'd)

c. Accounts Receivable:

The District uses the direct write-off method to recognize uncollectible accounts, stating its accounts receivable at estimated realizable value. Allowance for doubtful accounts is not considered necessary at year-end.

d. Contributions in Aid of Construction:

Sanitary sewer lines donated to the District and development grants received from governmental agencies to help defray construction costs are added directly to this account and not recorded as income. Depreciation on donated assets and assets acquired with these grant monies is charged to current operations and subsequently subtracted from this account.

e. Bond Debt Retired Through Income and the Bond Sinking Funds:

The District's charter requires that a sinking fund be established to set aside money to provide for the redemption of bonds and notes that are made to run for a period of years. Such monies turned into the sinking fund or used to retire serial bonds when due, must be generated by the operations of the District. Accordingly, bonded debt retired and/or sinking fund appropriations are treated as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

f. Use of Estimates:

The presentation of 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 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. Deferred Inflows and Outflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the District's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between District's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

4. Financial Statement Amounts (Cont'd)

g. Deferred Inflows and Outflows of Resources (cont'd):

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources. Represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows relate to the net pension liability, which include the differences between expected and actual experience and changes in proportion and differences between District contributions and proportionate share of contributions, which is deferred over the average expected remaining services lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

h. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

i. Net Position - Governmental Funds:

In accordance with GASB Statement No 63, the District employed terminology and classifications for net position items as follows:

The Net Investment in Capital Assets component consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The Restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those activities.

The Unrestricted component consists of the net amounts of assets, liabilities, and resources that are not included in the determination of net investment in capital assets, or the restricted component of net position.

5. Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

- a. Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

5. Implementation of New Accounting Standards (Cont'd)

- b. Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has reviewed the impact of this Statement and has determined that there is no impact to the financial statement.
- c. Statement No. 77, "Tax Abatement Disclosures". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.
- d. Statement No 80, "Blending Requirements for Certain Component Units". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion required blending of a component unit incorporated as not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.
- e. Statement No. 81, "Irrevocable Split-Interest Agreements". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements – in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

5. Implementation of New Accounting Standards (Cont'd)

- f. Statement No. 82, "Pension Issues". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for Financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

NOTE B - CASH:

The District's cash is categorized to give an indication of the level of risk assumed by the District at year end. These categories are defined as follows:

Category #1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category #3 - Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.)

ACCOUNT TYPE	CARRYING AMOUNT	BANK BALANCE	CATEGORY		
			#1	#2	#3
Cash and Cash Equivalents	\$ 1,672,876.86	\$ 1,895,488.19	\$ 250,000.00	\$ 1,645,488.19	\$

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE C - PROPERTY, PLANT, AND EQUIPMENT:

The following is a summary of changes to the fixed asset accounts:

	BALANCE JANUARY 1, 2017	ADDITIONS	DISPOSALS	BALANCE DECEMBER 31, 2017
Land and Rights of Way	\$ 29,130.32	\$	\$	\$ 29,130.32
Land Improvements	83,104.25	2,650.00		85,754.25
Pumping Stations	2,217,700.48	408,173.63		2,625,874.11
Buildings	3,572,784.03			3,572,784.03
Plant Machinery and Equipment	1,867,135.47	27,274.24		1,894,409.71
Tools and Shop Equipment	69,703.12			69,703.12
Trucks	74,561.36			74,561.36
Office and Laboratory Equipment	69,712.71			69,712.71
Sewer Fees	5,409,292.37	73,487.96		5,482,780.33
Total	\$ 13,393,124.11	\$ 511,585.83	\$	\$ 13,904,709.94
Accumulated Depreciation	(6,641,701.99)	(353,467.74)		(6,995,169.73)
Net Book Value of Property, Plant, and Equipment	<u>\$ 6,751,422.12</u>	<u>\$ 158,118.09</u>	<u>\$</u>	<u>\$ 6,909,540.21</u>

NOTE D - NOTES PAYABLE:

The following is a summary of Notes Payable at December 31, 2017:

	BALANCE JANUARY 1, 2017	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2017
Maine Municipal Bond Bank	\$ 1,009,422.95	\$	\$ 193,117.69	\$ 816,305.26
Maine Municipal Bond Bank	206,338.00		14,942.00	191,396.00
United States Department of Agriculture	342,267.00		6,686.24	335,580.76
United States Department of Agriculture	321,985.00		5,352.41	316,632.59
United States Department of Agriculture	271,139.00		3,966.65	267,172.35
United States Department of Agriculture		401,468.64		401,468.64
The First - Line of Credit	123,959.40		13,812.44	110,146.96
The First - Line of Credit	149,982.85		12,967.21	137,015.64
The First - Line of Credit		150,000.00		150,000.00
	<u>\$ 2,425,094.20</u>	<u>\$ 551,468.64</u>	<u>\$ 250,844.64</u>	<u>\$ 2,725,718.20</u>

Maine Municipal Bond Bank

The Maine Municipal Bond Bank note is a revenue bond that bears interest at an effective rate of 2.56% and is due in twenty annual installments of \$215,526.86, including interest through 2021.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - NOTES PAYABLE (CONT'D):

Maine Municipal Bond Bank

The Maine Municipal Bond Bank note is a revenue bond that did not bear interest for the first two years. Beginning in 2012 the effective rate of interest is 1.00% and is due in twenty annual installments of various amounts including interest through 2029.

United States Department of Agriculture

The proceeds from the revenue bond and a portion of the Bond Sinking Fund were used to pay off a series of obligations due to USDA Rural Development. The monies received from the USDA Rural Development bonds had been expended over a period of four years to upgrade the District's existing waste water treatment plant to provide for secondary treatment, extend services and sanitary sewer lines to new users of the system, modify pumping facilities, and replace certain existing lines.

The United States Department of Agriculture RD bond bears interest at 4.625% and is payable in forty annual installments of \$22,516.00, including interest, commencing in February 2004.

United States Department of Agriculture

The United States Department of Agriculture RD bond bears interest at 2.750% and is payable in forty annual installments of \$14,207.00, including interest, commencing in May 2013.

United States Department of Agriculture

The United States Department of Agriculture RD Bond bears interest at 2.750% and is payable in 40 annual installments of \$11,423.50, including interest, commencing in April 2016. Proceeds for the road work used to finance the ceiling project on Commercial Street.

United States Department of Agriculture

The United States Department of Agriculture RD bond bears interest at 2.25%. Payments will commence in 2019. Proceeds for this note were used to finance the Union Street pump station upgrading.

The First, N.A.

The First line of credit has an interest rate of 3.080%. Interest only payments began April 4, 2015 through September 4, 2015. At that time the line of credit converted to a loan requiring monthly principal and interest payments of \$1,457.08 commencing October 4, 2015 for a term of 120 months.

The First, N.A.

The First line of credit has an interest rate of 3.1100%. Interest only payments began September 4, 2016. In 2017 the line of credit converted to a loan requiring monthly principal and interest payments of \$1,459.06 commencing February 4, 2017 for a term of 120 months.

The First, N.A.

The First line of credit has an interest rate of 3.25%. Interest only payments began March 20, 2017. In mid 2018 the line will convert and payments will commence. The term will be for 120 months.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - NOTES PAYABLE (CONT'D):

The estimated annual principal and interest to amortize the notes are as follows:

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2018	\$ 808,234.93	\$ 63,780.51	\$ 872,015.44
2019	262,756.96	52,915.93	315,672.89
2020	268,893.43	46,778.02	315,671.45
2021	275,184.57	40,487.95	315,672.52
2022-2026	313,476.34	152,434.58	465,910.92
2027-2031	173,242.95	119,532.50	292,775.45
2032-2036	146,204.16	94,527.04	240,731.20
2037-2041	175,274.10	65,457.10	240,731.20
2042-2046	136,172.89	33,814.34	169,987.23
2047-2051	111,094.48	17,056.72	128,151.20
2052-2056	56,186.77	3,335.47	59,522.24
Total	<u>\$ 2,726,721.58</u>	<u>\$ 690,120.16</u>	<u>\$ 3,416,841.74</u>

NOTE E - BOND SINKING FUND:

Activity in the District's Bond Sinking Fund for the year ended December 31, 2017 consisted of:

	BALANCE JANUARY 1, 2017	INTEREST EARNED	TRANSFERS IN	TRANSFERS OUT	DUE FROM GENERAL FUND	BALANCE DECEMBER 31, 2017
Bond Sinking Fund	\$ 655,059.77	\$ 6,629.96	\$ 50,000.00	\$	\$	\$ 711,689.73
Eastern Ave Sinking Fund	31,636.50	320.13	2,350.00			34,306.63
Pump Station Sinking Fund	6,015.77	69.60	1,500.00			7,585.37
Comm. St. Relining	1,143.00	7.81	1,143.00			2,293.81
	<u>\$ 693,855.04</u>	<u>\$ 7,027.50</u>	<u>\$ 54,993.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 755,875.54</u>

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - EXPENDITURES/REVENUES IN EXCESS OF APPROPRIATIONS:

During the year expenditures exceeded total appropriation and revenues did not meet anticipated amounts in the following general fund categories:

FUNCTION	APPROPRIATION AND REVENUE	BUDGETED REVENUES AND EXPENDITURES	VARIANCE
Expenditures:			
Salaries and Wages	\$ 326,227.00	\$ 339,226.58	\$ (12,999.58)
Dues and Subscriptions	\$ 3,146.00	\$ 3,586.95	\$ (440.95)
Insurance - Bonds	\$	\$ 139.67	\$ (139.67)
Insurance - Employee Benefits	\$ 66,376.00	\$ 66,545.83	\$ (169.83)
Office Supplies	\$ 9,780.00	\$ 9,903.48	\$ (123.48)
Revenues:			
Entrance Fees	\$ 3,150.00	\$ 4,700.00	\$ (1,550.00)

The overdrafts are the results of expenditures exceeding budgeted amounts and revenues not meeting budgeted figures.

NOTE G - CONTRIBUTIONS IN AID OF CONSTRUCTION:

At December 31, 2017, the balance of Contributions in Aid of Construction was as follows:

Balance, January 1, 2017	\$ 3,001,233.89
Depreciation on Assets Acquired with Contributed Funds	129,184.00
Balance, December 31, 2017	<u>\$ 2,872,049.89</u>

NOTE H - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All significant losses are covered by commercial insurance. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year. The District self-insures for unemployment compensation purposes.

NOTE I - PENSION PLAN:

The District maintains a retirement plan under Internal Revenue Code Section 457. The Plan allows for employer and employee retirement contributions. The District contributes 5% of employee pay after completion of sixty days of employment. Employees are permitted to defer additional funds from their salary up to maximums set by Internal Revenue Code Section 457. For the year ended December 31, 2017 the District contributed \$528.88 and employees deferred \$1,587.78. Fair market value of the account at December 31, 2017 was \$73,715.36.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - INTEREST COST INCURRED:

During the current year, the District incurred interest costs totaling \$70,990.00 which was charged as an expense to the interest account.

NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM:

General Information about the Pension Plan

Plan description - Employees of the District are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan - Employees are required to contribute 8.0% of their annual pay. The District's contractually required contribution rate for the year ended December 31, 2017, was 9.5% to 9.6% of annual payroll for the regular plan. Contributions to the pension plan from the District were \$28,230.85 for the year ended December 31, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The District's proportion of the net pension liabilities were based on projections of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan), actuarially determined.

PLD Plan - At June 30, 2017, the District reported a liability of \$114,933.00 for its proportionate share of the net pension liability. At June 30, 2017, the District's proportion of the PLD Plan was .028071%.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D):

For the year ended December 31, 2017, the District recognized pension expense of \$27,501.24 for the PLD Plan. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,609.00	\$ 5,521.00
Changes in assumption	9,780.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	72,513.00	42,769.00
District contributions subsequent to the measurement date	13,819.76	
Total	<u>\$ 135,721.76</u>	<u>\$ 48,290.00</u>

\$13,819.76 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2018	\$ 34,000.00
2019	\$ 46,666.00
2020	\$ 771.00
2021	\$ (7,825.00)

Actuarial assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>
Inflation	2.75%
Salary increases, per year	2.75% to 9.00%
Investment return, per annum, compounded annually	6.875%
Cost of living benefit increases, per annum	2.20%

Mortality Rates

For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table for Males and Females is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table for Males and Females is used.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2013 through June 30, 2016.

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D):

Mortality Rates (cont'd)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate - The discount rate used to measure the total pension liability was 6.875% for the PLD Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of Boothbay Harbor Sewer District's proportionate share of the net pension liabilities to changes in the discount rate - The following presents the Boothbay Harbor Sewer District's proportionate share of the net pension liability calculated using the discount rate of 6.875% for the PLD Plan as well as what the Boothbay Harbor Sewer District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.875% for PLD Plan) or 1 percentage-point higher (7.875% for PLD Plan) than the current rate:

<u>PLD Plan</u>	<u>1% Decrease (5.875%)</u>	<u>Current Discount Rate (6.875%)</u>	<u>1% Increase (7.875%)</u>
District's proportionate share of the net pension liability	\$230,591.00	\$ 114,933.00	\$ 27,861.00

BOOTHBAY HARBOR SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D):

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the pension plan - None as of December 31, 2017.

Changes of benefit terms - None

Changes of assumptions - None

NOTE L - SUBSEQUENT EVENTS:

On December 4, 2017 the District was in the process of closing on a \$150,000 note to help fund the Union Street Pump Station and Force Main project. The project commenced in October, 2017 and came on line in early January, 2018.

BOOTHBAY HARBOR SEWER DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES:		
Residential and Commercial Services	\$ 1,415,702.00	\$ 1,462,808.37
Entrance Fees	3,150.00	4,700.00
Miscellaneous	11,747.00	22,621.78
Total Revenues	<u>\$ 1,430,599.00</u>	<u>\$ 1,490,130.15</u>
EXPENDITURES:		
Salaries and Wages	\$ 326,227.00	\$ 339,226.58
Advertising	4,637.00	3,911.68
Dues and Subscriptions	3,146.00	3,586.95
Fringe Benefits	26,970.00	28,759.73
Insurance - Bonds		139.67
Insurance - Business	23,000.00	22,742.50
Insurance - Employee Benefits	66,376.00	66,545.83
Licenses and Fees	2,924.00	2,166.45
Miscellaneous	6,785.00	6,526.50
Office Supplies	9,780.00	9,903.48
Operating Supplies	34,447.00	34,549.26
Payroll Taxes	27,293.00	26,997.22
Professional Fees	42,690.00	39,064.73
Service Contracts	22,878.00	22,343.71
Repairs and Maintenance	167,832.00	173,287.21
Telephone and Utilities	70,254.00	75,597.70
Training	5,036.00	4,247.79
Travel and Entertainment	4,857.00	2,380.17
Truck Expense	12,762.00	13,180.21
Total Expenditures	<u>\$ 857,894.00</u>	<u>\$ 875,157.37</u>
Income From Operations	<u>\$ 572,705.00</u>	<u>\$ 614,972.78</u>
OTHER INCOME (EXPENSE):		
Depreciation:		
On Assets Acquired with Own Funds	\$ -	\$ (224,283.74)
On Assets Acquired with Contributions in Aid of Construction		(129,184.00)
Interest Income	15,851.00	10,018.15
Interest Expense	(69,011.00)	(70,990.00)
Bonded Debt Expense	(243,950.00)	(250,844.64)
Sinking Fund Interest		7,027.50
Sinking Fund Transfers	(67,493.00)	(54,993.00)
Abatements and Adjustments		(30,000.00)
Total Other Income (Expense)	<u>\$ (364,603.00)</u>	<u>\$ (743,249.73)</u>
Net Income (Loss)	<u>\$ 208,102.00</u>	<u>\$ (128,276.95)</u>
Net Position, January 1	5,599,430.23	5,395,195.74
Net Position, December 31	<u><u>\$ 5,807,532.23</u></u>	<u><u>\$ 5,266,918.79</u></u>

BOOTHBAY HARBOR SEWER DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
 CONSOLIDATED PLAN (PLD)
 LAST 10 FISCAL YEARS*

	JUNE 30 2017**
<u>PLD Plan</u>	
Boothbay Harbor Sewer District's Proportion of the Net Pension Liability	.028071%
Boothbay Harbor Sewer District's Proportionate Share of the Net Pension Liability	\$ 114,933.00
Boothbay Harbor Sewer District's Covered-Employee Payroll	\$ 295,652.75
Boothbay Harbor Sewer District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	38.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	(23.93%)

* Only one year of information available as the District joined January 1, 2017

** The amounts presented for each fiscal year were determined as of the prior fiscal year end of MEPERS

Schedule B-2

BOOTHBAY HARBOR SEWER DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS
 MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
 CONSOLIDATED PLAN (PLD)
 LAST 10 FISCAL YEARS*

	JUNE 30 2017
<u>PLD Plan</u>	
Contractually Required Contribution	\$ 2,317.56
Contributions in Relation to the Contractually Required Contribution	(2,317.56)
Contribution Deficiency (Excess)	\$ -
Boothbay Harbor Sewer District's Covered-Employee Payroll	\$ 24,454.36
Contribution as a Percentage of Covered-Employee Payroll	9.47%

* Only one year of information available as the District joined January 1, 2017