

**BOOTHBAY HARBOR SEWER DISTRICT  
ANNUAL REPORT  
DECEMBER 31, 2021**

**WILLIAM H. BREWER**  
*Certified Public Accountant*  
858 Washington Street  
P.O. Box 306  
Bath, Maine 04530

BOOTHBAY HARBOR SEWER DISTRICT  
TABLE OF CONTENTS  
DECEMBER 31, 2021

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

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

Required Supplementary Information

Schedule

Budgetary Comparison Schedule

A-1

Schedule of District's Proportionate Share of Net Pension Liability

A-2

Schedule of District's Contributions

A-3

**WILLIAM H. BREWER**

*Certified Public Accountant  
858 Washington Street  
P.O. Box 306  
Bath, Maine 04530*

*(207) 443-9759  
(207) 563-5495*

**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, 2021 and 2020, 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, 2021 and 2020, 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; schedule of district's proportionate share of net pension liability; schedule of district's contributions; 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 nonmajor fund financial statements 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 November 18, 2022, 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

November 18, 2022



**WILLIAM H. BREWER**

*Certified Public Accountant  
858 Washington Street  
P.O. Box 306  
Bath, Maine 04530*

*(207) 443-9759  
(207) 563-5495*

**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, 2021 and 2020, 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 November 18, 2022.

**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

November 18, 2022





# Management's Discussion and Analysis

## Introduction

As management of the Boothbay Harbor Sewer District, the Board of Trustees offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2021. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as rating agencies) rely on the GASB to establish consistent reporting standards for all forms of government in the United States. This consistent application is the only way users (including citizens, legislators, and others) can assess the financial condition of one government compared to others.

While the impact of the COVID-19 pandemic was still evident in 2021, revenues increased from 2020, but fell short of 2021 projections. Revenue from commercial customers still lagged due to the minimum billing policy and several substantial businesses not opening. Minimum billing amounts will rebound in 2022. 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

- \$ Because of this year's operations, BHSD's cash assets increased by \$143,678.
- \$ Total Operating revenues decreased by \$33,295 from year 2020.
- \$ Operating expenses excluding depreciation decreased by \$248,967 from year 2020.
- \$ Non-operating revenues (investment income) decreased by \$6,676 from 2020.
- \$ BHSD's long-term debt increased by \$60,790 to \$2,705,582.

## 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 the 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 the 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 the 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 sustainability of the BHSD during the period for which the statement relates.

## **Statement of Cash Flows**

The Statement of Cash Flows (Exhibit C) provides information relating to the 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 cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

### **Financial Information**

The BHSD's current cash assets increased by \$143,678 during FY 2021 to \$2,305,880. The change in current assets reflects increased funding to the Sinking Fund Accounts and the Equipment Replacement Reserve. The BHSD's total assets increased by \$163,345 in 2021. Capital assets increased by \$525,792 because of the rehabilitation of the westside sewer lines and upgraded plant equipment. Total liabilities increased by \$60,790 in 2021. This increase was driven by the Westside Sewer Relining bond debt.

Since the middle of March 2020, the state and local economy had experienced unprecedented disruption due to the COVID-19 pandemic. The 2021 season was notably more active as local businesses experienced a much better local economy. Revenues from tourism, hospitality, and food service sectors are up 10-20%. As a result, the trustees removed the waiver of late fees for all customer classes and foreclosure actions have been restored.

As anticipated, the District did experience significant fiscal impact from the COVID-19 pandemic. This impact resulted in reduced minimum billing revenue of the commercial sector resulting from decreased commercial sales during 2020.

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

The following provides information regarding management's accounting estimates and judgments relative to the recovery of the state economic crisis caused by the COVID-19 pandemic. As predicted, the state economy gradually recovered throughout the second half of 2021.

### **Capital Assets and Long-term Debt**

The BHSD's net investment in plant, lines, and other facilities increased by \$525,792. Long-term debt increased by \$60,790. Major additions include the relining of the westside sewer lines, and the upgrade of the control and telemetry panels at 2 pump stations.

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 had an interest rate of 2.22% with an effective rate of 2.60%. This bond was retired in October 2021.

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. The District made its eighteenth payment on this bond in February of 2021. This bond was refinanced in the spring of 2021 with The First bank at a rate of 3.04% for 14 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 does 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. The ninth payment was made in 2021.



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 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. The seventh payment was made this year (2021).

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%. This is the first maintenance bond issued as part of the CIP. 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. This note will be retired in early 2022.

In 2016, the District used a \$149,983 line of credit through The First. The Line was converted in January of 2017 to a loan. This became the second maintenance bond for the District as part of the CIP. 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. This note will be retired in early 2022.

In 2017, the District used a \$150,000 line of credit through The First. The line was converted in December of 2017 to a loan. This became the third maintenance bond for the District as part of the CIP. The loan term is 10 years and carries an interest rate of 3.25%. The loan was used for the project overage of the Union Street Pump Station upgrade. Payments are made monthly and commenced in January 2018.

In 2018, the District used a \$125,821 line of credit through The First. The line was converted in January of 2019 to a loan. This became the fourth maintenance bond for the District as part of the CIP. The loan term is 10 years and carries an interest rate of 1.90%. The loan was used for the project overage of the Union Street Pump Station upgrade. Payments are made monthly and commenced in February 2019.

In 2018, the District issued a \$450,000 revenue bond for the upgrade of the Union Street Pump Station and force main. The upgrade replaced oldest pump station structure and force main (1963), less efficient pumps, controls, and provided more pumping capacity with increased storage capacity for the future growth of the eastside of Boothbay Harbor. This bond holds an interest rate of 2.25% and matures in 40 years. The third payment was made in May 2021.

In 2020, the District issued a \$596,000 revenue bond for the replacement of the Route 96 Sewer Line. The upgrade replaced 1,700 feet of sub-standard sewer line and extended the line with 2,800 feet of 8-inch sewer and manholes. The replacement extended the sewer service to the intersection of Eastern Avenue providing more capacity for the future growth of this side of Boothbay Harbor. This bond holds an interest rate of 1.875% and matures in 40 years. The first payment was made in April 2021.

In 2020, the District trustees approved a \$988,500 funding package from USDA Rural Development for the relining of sewer lines on Western Avenue, Oak Street, Howard Street, Sea Street, and Townsend Avenue and rehabilitating manholes within the same project area. In addition to relining the sewer mains, the Project included grout sealing all 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 project completes the relining of all the original asbestos cement sewer lines installed in the early 1960's. This funding package is comprised of a loan portion of \$650,000 and holds an interest rate of 1.75% and matures in 40 years. The grant portion is \$338,500. The work for this commenced in 2021 and will last into 2022.

The District maintains six sinking funds. One fund is required by the District's Charter. Rural Development (USDA), as a contingency, requires the other five sinking funds for the \$407,000 Eastern Avenue Sewer Bond, the \$342,000 Commercial Street/Meadow Pump Station bond, the \$275,000 Relining Bond, the \$450,000 Union Street Bond, the \$596,000 Route 96 Sewer Bond, and the \$650,000 Relining 2 Bond. \$55,000 was appropriated to the District's sinking fund, \$1,500.00 was appropriated for the Commercial Street/Meadow Pump Station Sinking Fund, \$1,143 was appropriated for the Relining 1 sinking fund, \$1,719 was appropriated for the Union Street Sinking Fund, \$2,132 will be appropriated for the Route 96 Sewer Sinking Fund, and \$2,400 was appropriated for the Eastern Avenue Sinking Fund in 2021. Due to the refinancing of the Eastern Avenue Bond, sinking fund appropriations will end. Commencing in 2022, \$6,500 will be appropriated for the Relining 2 Bond. The total of all the sinking fund accounts was \$1,021,702 as of December 31, 2021.

The District maintains five other reserve accounts. They are Vehicle Reserve Account, Entrance Fee Account, Equipment Reserve Account, Unemployment Reserve Account, and the Earned Time Reserve Account.

The vehicle reserve fund has a value of \$103,609. \$15,000.00 was budgeted for 2021. This account is used to replace aging fleet vehicles. The Entrance Fee reserve account has a value of \$126,436. This account is used to replace equipment within the collection system for which entry fees were paid. This account is funded through new user connection fees. The Equipment Reserve Account has a value of \$510,753. This account is used to fund the replacement of equipment that has exceeded its design life. This account is funded at year end with monies from the District checking account. The amount varies from year to year. \$65,457 was used from this account during 2021 to pay for panel upgrades at two pump stations. The Unemployment Reserve Account has a value of \$21,028. Because the District is self-insured, this account is used to pay unemployment benefits should the need arise. This account has a static target funding level of \$10,000. The Earned Time Reserve Fund has a value of \$129,036. This fund is used to cover the liability of unused earned time by District personnel.

The District maintains two escrow accounts. The first escrow account is remaining from the Golf Course easement deal. The second escrow account is for Department of Transportation Road Opening Permits. Currently, the Golf Course account has a balance of \$1,524 and the DOT escrow account contains \$110 as a placeholder to keep the account active.

### **Budgetary Controls**

The BHSD operates its general activities in accordance with an annual budget adopted by the Board of Trustees from work during many public budget workshops and a final public hearing. Furthermore, the 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 Commercial Street/Meadow Pump Station Bond, the Relining Bond 1, the Union Street Pump Station Bond, the Route 96 Sewer Replacement Bond, and the Relining 2 Bond. These funds require an annual appropriation of 10% of the annual debt payment for 40 years. Due to the refinancing of the Eastern Avenue Bond with The First bank, the sinking fund for this Bond has been eliminated. The Board of Trustees review financial statements on a monthly basis. As demonstrated by the statements included in the financial section of this report, the BHSD management continues to meet its responsibility for sound fiscal management.

Historically, we have maintained a disciplined capital strategy that balances growth and long-term financial leverage. Our approach has provided us with a strong capital structure and liquidity position that we believe will enable us to weather future economic crises such as the one caused by the COVID-19 pandemic.

Total Operating Revenues (Table 1) as of December 31, 2021, were \$1,624,731 compared to \$1,658,026 for the same period last year, a decrease of \$93,201. The budgeted amount for FY 2021 was \$1,717,932. The reasons for the budget variance are described below.

**Table 1**

**Operating Revenue**

Line-Item	Prior Year (2020) Actual	2021 Annual Budget	2021 Year Ending	2021 Actual Over (Under)
Users Charge - Residential (Y)	570,087	577,264	558,367	(18,897)
Users Charge - Ready-To-Serve	11,069	10,820	11,128	308
User Charge - Residential (S)	211,249	200,001	203,957	3,956
Users Charge - Commercial (Y)	636,333	660,000	628,688	(31,312)
Users Charge - Commercial (S)	109,796	152,001	90,821	(61,180)
Interest Charged on Customer acct.	1,558	2,500	853	(1,647)
Septage Fees	65,713	40,000	75,746	35,746
CC Cash Back Income	0	850	2,400	1,550
Misc. Income	550	377	26	(351)
Entrance Fees	10,263	11,000	15,809	4,809
Other Users fees	1,596	3,500	665	(2,835)
Non-User Fees	1,260	1,500	2,424	924
Lien Fees Added	1,701	3,000	2,038	(962)
Water Meter Sales	1,525	1,000	1,400	400
Water Meter Reading Assessment BRWD	17,398	17,885	17,611	(274)
Equipment Sales	4,130	235	1,580	1,345
Interest Income	13,798	36,000	11,169	(24,831)
<b>Total Operating Revenue</b>	<b>1,658,026</b>	<b>1,717,933</b>	<b>1,624,682</b>	<b>(93,251)</b>

NOTE: (S) – Seasonal (Y) – Year-Round

Wastewater charges totaled \$1,624,731 as of December 31, 2021. This represents a decrease of \$93,201 from 2020. The amount budgeted for FY 2021 was \$1,717,932. The decrease was due to lower minimum billing revenue, lower yields on investments, and several large establishments not opening for the season. Total commercial sales were \$92,492 lower than 2020 and were lower than budget projection. Business activity across the area was gradually increasing but was still below pre-pandemic levels.

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**

<b>Line-Item</b>	<b>Prior Year (2020) Actual</b>	<b>2021 Annual Budget</b>	<b>2021 Year to Date</b>	<b>2021 Actual YTD Over (Under)</b>
Payroll	341,181	322,636	339,106	16,470
Overtime	15,156	16,222	18,861	2,639
Retirement	39,891	48,000	47,678	(322)
Health Insurance	83,205	87,860	89,485	1,625
Health Insurance Deductible Payout	8,357	17,000	10,073	(6,927)
Dental Insurance	4,929	5,740	5,725	(15)
Unemployment Benefits	1,423	200	75	(125)
Employer Social Security	21,883	24,628	22,230	(2,398)
Employer Medicare	5,308	5,760	5,384	(376)
Plant & Pump Stations O & M	657,787	287,500	358,162	70,662
Administration/Office/Insurances/Training	88,051	92,665	98,686	6,021
Professional Services	31,664	46,100	50,496	4,396
Debt Retirement	481,575	699,960	485,482	(214,478)
Depreciation	451,573	454,000	487,414	33,414
<b>Total Operating Expenses</b>	<b>2,231,983</b>	<b>2,108,271</b>	<b>2,018,857</b>	<b>(89,414)</b>

Labor expenses comprise the bulk of service and administrative costs. As of December 31, 2021, labor costs, including benefits, were \$538,633 compared to \$565,686 for the same period last year. The bulk of the labor expense decrease was due to partial employee staffing during 2021. In addition to the decrease in labor expenses, utilities, materials and supplies, maintenance and repair expenses, fuel and chemical expenses decreased by a total of \$299,625.

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 2021, the District used more electricity at the plant, 40.7%, than during 2020. The District continues to shed power during peak demand summer periods, however increased business activity resulted in more plant loading during 2021. The collection system electrical usage increased 8.2% this year. This activity is related to increased flows to the treatment plant from increased area activity. The maintenance and repair expenses were \$40,358 above budgeted amounts. Professional services, specifically legal and engineering work, increased during 2021. This increase is due to unreimbursed engineering fees for the Relining 2 project. These fees will be collected during bond closing for the project. Other engineering fees were incurred for the Climate Resiliency work, Aeration Study, and the Fullerton/Tupper Road sewer design work.

Net Operating Expenses excluding depreciation were \$1,531,443 in FY 2021 compared to \$1,780,410 in FY 2020. This change reflects a decrease of \$248,967 (16.3%) and was \$122,828 less than the budgeted amount of \$1,654,721. The decrease resulted from deferred maintenance work in the collection system and at the plant due to reduced revenue from the Covid-19 pandemic.

Depreciation expense of \$487,414 was \$33,414 more than the FY 2020 amount. This increase in depreciation is directly due to new system-wide equipment installation and replacement and the installation of the new Route 96 sewer main.



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 (2020) Actual	2021 Annual Budget	2021 Year to Date	2021 Actual YTD (Over) Under
<i>District Sinking Fund</i>	50,000	55,000	55,000	0
<i>RECD Sinking Fund (E. Ave.)</i>	2,350	2350	2350	0
<i>RECD Sinking Fund PS (Comm/Mead)</i>	1,500	1500	1500	0
<i>RECD Sinking Fund (Relining)</i>	1,143	1143	1143	0
<i>RECD Sinking Fund (Union Street)</i>	1,719	1719	1719	0
<i>RECD Sinking Fund (Route 96)</i>	0	2132	2132	0
<i>Vehicle Replacement Reserve</i>	12,500	15000	15000	0
Interest MMBB Centrifuge	2,423	2300	2307	(7)
Interest MMBB Bond	11,351	10000	7914	2086
Interest USDA Bond Eastern Avenue **	14,546	14426	14442	(16)
Interest USDA Bond Comm. St./Meadow	5,959	8250	8241	9
Interest USDA Bond Relining 1	7,034	6929	7001	(72)
Interest USDA Bond Union Street	9,864	9850	9804	46
Interest USDA Bond RT 96 Sewer Replacement	11,546	11180	11175	5
Interest The First Eastern Avenue **	0	0	0	0
Interest Maintenance Bond 1 (2015)	2,327	2152	1837	315
Interest Maintenance Bond 2 (2016)	3,268	2448	2800	(352)
Interest Maintenance Bond 3 (2017)	3,890	2928	3414	(486)
Interest Maintenance Bond 4 (2018)	2,123	1859	1885	(26)
Interest Maintenance Bond 5 (2019)	4,362	3890	3955	(65)
Principal MMBB Bond	206,267	210847	210846	1
Principal MMBB Centrifuge	15,394	15500	15549	1
Principal USDA Bond Eastern Avenue **	7,657	8255	316272	(308017)
Principal USDA Bond Comm St/Meadow	106,420	5970	5966	4
Principal USDA Bond Relining 1	4,304	4425	4422	3
Principal USDA Bond Union Street	7,215	7380	7377	3
Principal USDA Bond RT 96 Sewer Replacement	0	10140	10138	2
Principal The First Eastern Avenue **	0	0	0	0
Principal Maintenance Bond 1 (2015)*	15,158	15250	15648	(398)
Principal Maintenance Bond 2 (2016)*	14,241	14979	14709	270
Principal Maintenance Bond 3 (2017)	13,741	14616	14216	400
Principal Maintenance Bond 4 (2018)	11,824	11931	12062	(131)
Principal Maintenance Bond 5 (2019)	10,527	10926	10934	8
<b>Total Debt/Reserve Fund Expenses</b>	<b>560,653</b>	<b>485,275</b>	<b>791,758</b>	<b>(306,417)</b>

**Note:** \*\* *USDA Eastern Avenue Bond Paid Off and Refinanced with The First Eastern Avenue Bond at a Lower Interest Rate and Shortened Term of the Note.*

*\* Both Notes are scheduled to be retired in 2022*

**Results of Operations**

Since the middle of March 2020, the state and local economy has experienced unprecedented disruption due to the COVID-19 pandemic. During the second half of 2021, the impact of the pandemic started to ease, and the state and local economies started recovery. The local economy, specifically, tourism, hospitality, and food service sectors showed steady recovery. This has a direct effect on revenue realized from these sectors.

The assumptions we made in 2020 regarding the impact from the COVID-19 pandemic in the second and third quarters of 2021 came to fruition. This resulted in reduced minimum billing revenue of the commercial sector resulting from decreased commercial sales during 2020. 2022 is projected to improve due to increased economic activity in 2021.

Revenues from operations fall into three broad 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 \$1000.00 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, and Route 96 is \$3,000 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, Water District Meter Read Fee, etc. are included here.

The District changed its method of billing to a consumption-based system in 2001. The District purchases water consumption data from the Boothbay Region Water District for its customers. As a result, most users now pay based on actual water consumed within the household. The District established a minimum quarterly bill based on nine hundred cubic feet of consumption and a rate per one hundred cubic feet of consumption beyond nine hundred cubic feet. The minimum bill generates enough revenue to cover the District's annual debt retirement obligations and a portion of the annual depreciation expenses. During 2019, the Boothbay Region Water District raised the fee it charges per meter reading from \$1.50 to \$4.37. In 2021, the BBRWD applied the second cost escalator resulting in a reading fee of \$4.67 per reading. The District trustees continue to separate this fee from the sewer use fee and simply pass the fee through on each customer invoice.

The sewer user rate during fiscal 2021 was \$13.13 per one hundred cubic feet of consumption. During the 2021 Budget process, the Board of Trustees reduced the minimum rate to \$105.00 per quarter for eight hundred fifty cubic feet of consumption and maintained the rate per one hundred cubic feet over eight hundred fifty at \$13.13 per one hundred cubic feet block. The maintenance of rates was due to the Trustees policy of no new increases due to the hardships posed by the Covid-19 pandemic.

#### **Other Significant Matters**

The District received its new MePDES Permit in November of 2021. As expected, the Permit included year-round disinfection requirements, new monitoring frequency and limits for Enterococci bacteria, and increased monitoring frequency to year-round for Fecal Coliform. The inclusion of the new requirements in the new permit will increase the District's operational costs.

The reduction of infiltration and inflow (I&I) will continue to be a priority. The plant currently experiences significant 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 the manhole inspection information.

All the I & I 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 allow the District to maintain compliance with the US EPA Capacity, Management, Operations, and Maintenance (CMOM) regulations and the District's discharge permit requirements. This system will also allow the District to effectively manage its fixed infrastructure assets and provide for proper future planning and funding for ongoing maintenance.



The District implemented a Capital Improvement Program, which commenced in 2014. The Program has identified and prioritized asset improvements over the next 15 to 20 years. In 2019, the Trustees authorized the fifth \$150,000 Maintenance Bond as part of the CIP. This bond covered the installation of a polymer system for the centrifuge, the rebuild of the centrifuge, replace plant lighting with high efficiency LED units, replace the plant property fencing for increased security, and replace chlorine and sodium bisulfite analyzers to assure compliance with permit discharge requirements. During 2020, the District replaced all three influent pumps. This equipment has surpassed their design life and is operating below its best efficiency. The current pumps are 25 years old. In addition, all aerator diffusers were replaced in both sequencing batch reactor tanks. During this activity, the SBR infrastructure was inspected and was found to be deficient. New infrastructure was purchased, and the spring 2021 install was delayed. The install is scheduled for 2022.

Funding was secured through USDA Rural Development for the final Relining Project. The funding package is a \$650,000 loan at 1.75% for 40 years and a grant of \$338,500. This Project will include relining of asbestos cement sewer pipe along Townsend Avenue (Commercial Street Intersection to the High School), Howard Street, Oak Street, West Street (Howard Street to Middle Road), Giles Place, and Western Avenue (Middle Road to Lakeview). The Project was completed during the spring of 2021. The Project came in well under budget. USDA RD approved the use of the remaining funds to perform manhole rehabilitation within the relining project area.

The rehabilitation and extension of the Route 96 sewer line was completed in March of 2020. This line runs from the Route 96 intersection with Route 27 and extends east to Eastern Avenue. This line is a sub-standard, 6-inch asbestos-cement line that was poorly installed and is being replaced by 8-inch PVC. In addition, the Project includes the installation of more manholes for ease of access for maintenance. USDA – Rural Development has funded the Project and includes a \$254,000 grant and \$596,000 loan not to exceed 2.75% for 40 years. The annual debt payment is expected to be \$24,758 and the annual sinking fund requirement will be \$2,476 per year. Debt payments started in 2021.

Planning has commenced to evaluate the upgrade of the existing aeration system and controls. The current aeration equipment has surpassed its design life and are 25 years old. The upgrade will allow for increased operating efficiencies and lower electric consumption. Wright-Pierce Engineers, Topsham, ME issued a memo evaluation in 2021. The District responded with inquires to the evaluation methodology. As of this writing, responses have not been received.

Planning has commenced for the replacement of the Mill Cove (PS 03) pump station and the Atlantic Avenue (PS 02) pump station. These are the last two stations from the 1963 construction project. Planning and design work has commenced for the replacement of the Fullerton Street/Tupper Road Sewer Line. Survey work was completed in 2021. We are hoping this will be a joint project with the Town of Boothbay Harbor and the Boothbay Region Water District.

The initial Maine Municipal Bond Bank bond for the 1994 plant upgrade was retired in October of 2021. As a result, the Trustees voted to utilize the 2022 funds to finance a study of Climate Resiliency for all District facilities. Wright-Pierce Engineers, Topsham, Maine was selected to perform design of climate mitigation features for the treatment plant, office building, and pump stations that are prone to flooding. It is expected to have a design in late 2022. If the mitigation of sea level rise impact on district facilities cannot be performed, the Trustees may be faced with investigating the relocation of the treatment plant.

Finally, COVID-19 has caused us to modify several of our business practices and operations. Most of our employees have received vaccine, practice universal precautions, and employ social distancing. Still, the pandemic and its economic impact, specifically, supply chain disruptions, are far from over, particularly as new, highly contagious variants of the virus continue to emerge. Illness and workforce disruptions could still lead to the unavailability of senior management or other key personnel and adversely impact our ability to perform critical functions.

The initial economic impact of the COVID-19 pandemic was catastrophic and widespread, with the disruption to the world economy resulting in millions of people losing their livelihoods. Things certainly look much better now, although the pandemic has not gone away, and considerable uncertainty remains. Whenever life appears to be returning to normal, a new variant surfaces and causes panic. These waves suggest that the virus is not just going to vanish and that it could be years before we see the end of periodic lockdowns and economic uncertainty.

Against this tricky backdrop, it is important, among other things, to continue to analyze the District's logistical and financial situation and plan for the worst.

### **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, 2021 AND 2020

ASSETS AND DEFERRED OUTFLOWS

	2021	2020
<b>CURRENT ASSETS:</b>		
Cash Checking (Note B)	\$ 391,879.75	\$ 203,931.42
Cash Savings (Note B)	892,994.34	924,273.08
Accounts Receivable	23,549.59	20,811.83
Prepaid Insurance	12,480.89	10,137.46
Total Current Assets	<u>\$ 1,320,904.57</u>	<u>\$ 1,159,153.79</u>
 <b>PROPERTY, PLANT, AND EQUIPMENT (NOTE C):</b>		
Land and Rights of Way	\$ 29,130.32	\$ 29,130.32
Land Improvements	85,754.25	85,754.25
Pumping Stations	2,979,671.38	2,979,671.38
Buildings	3,592,655.28	3,592,655.28
Plant Machinery and Equipment	2,391,717.13	2,317,909.33
Tools and Shop Equipment	78,565.80	78,565.80
Trucks	170,539.30	170,539.30
Office and Laboratory Equipment	72,751.35	72,751.35
Sewer Lines	6,804,273.43	6,352,289.28
Total Property, Plant, and Equipment	<u>\$ 16,205,058.24</u>	<u>\$ 15,679,266.29</u>
Less: Accumulated Depreciation	<u>(8,669,710.35)</u>	<u>(8,182,296.81)</u>
Net Property, Plant, and Equipment	<u>\$ 7,535,347.89</u>	<u>\$ 7,496,969.48</u>
 <b>OTHER ASSETS:</b>		
Bond Sinking Fund (Note E)	\$ 1,019,574.99	\$ 984,844.21
Capital Reserves (Note B)	1,634.61	49,301.65
Total Other Assets	<u>\$ 1,021,209.60</u>	<u>\$ 1,034,145.86</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Related to Pension	\$ 82,149.41	\$ 47,491.56
Related to Other Post Employment Benefits (Note L)	9,729.00	8,794.00
Total Deferred Outflows of Resources	<u>\$ 91,878.41</u>	<u>\$ 56,285.56</u>
 Total Assets and Deferred Outflows	<u><u>\$ 9,969,340.47</u></u>	<u><u>\$ 9,746,554.69</u></u>

The accompanying notes are an integral part of the financial statements

## LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

	2021	2020
<b>CURRENT LIABILITIES:</b>		
Notes Payable - Current Portion (Note D)	\$ 571,052.12	\$ 332,629.01
Accounts Payable	76,420.42	9,899.95
Accrued Interest	27,623.22	36,851.92
Payroll Liabilities	1,673.66	1,227.38
Prepaid Revenue	23,837.71	
Total Current Liabilities	<u>\$ 700,607.13</u>	<u>\$ 380,608.26</u>
<b>LONG-TERM LIABILITIES:</b>		
Notes Payable - Net of Current Portion (Note D)	\$ 2,134,530.14	\$ 2,312,163.28
Pension Liability	15,137.00	201,982.00
OPEB Liability	41,099.00	34,499.00
Total Long-Term Liabilities	<u>\$ 2,190,766.14</u>	<u>\$ 2,548,644.28</u>
Total Liabilities	<u>\$ 2,891,373.27</u>	<u>\$ 2,929,252.54</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Related to Pension (Note K)	\$ 216,350.00	\$ 2,686.00
Related to Other Post Employment Benefits (Note L)	2,824.00	3,659.00
Total Deferred Inflows of Resources	<u>\$ 219,174.00</u>	<u>\$ 6,345.00</u>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	\$ 4,829,765.63	\$ 4,852,177.19
Restricted:		
Bond Sinking Fund (Note E)	1,019,574.99	984,844.21
Capital Reserves	1,634.61	49,301.65
Unrestricted	1,007,817.97	924,634.10
Total Net Position	<u>\$ 6,858,793.20</u>	<u>\$ 6,810,957.15</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 9,969,340.47</u></u>	<u><u>\$ 9,746,554.69</u></u>

BOOTHBAY HARBOR SEWER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	%	2020	%
OPERATING REVENUES:				
Residential and Commercial Services	\$ 1,568,707.97	97.37	\$ 1,604,247.22	97.90
Entrance Fees	15,808.90	0.98	10,262.50	0.63
Miscellaneous	26,612.62	1.65	24,130.10	1.47
Total Operating Revenues	<u>\$ 1,611,129.49</u>	<u>100.00</u>	<u>\$ 1,638,639.82</u>	<u>100.00</u>
OPERATING EXPENSES:				
Salaries and Wages	\$ 360,808.53	22.39	\$ 362,286.71	22.11
Advertising	3,596.20	0.22	1,539.25	0.09
Dues and Subscriptions	3,372.74	0.21	3,042.74	0.19
Fringe Benefits	44,669.02	2.77	82,666.93	5.04
Insurance - Bonds	139.67	0.03	139.67	0.01
Insurance - Business	24,342.50	1.51	21,982.00	1.34
Insurance - Employee Benefits	105,359.04	6.54	97,914.15	5.97
Licenses and Fees	2,655.29	0.16	2,216.62	0.14
Miscellaneous	18,471.68	1.15	19,476.57	1.19
Office Supplies	10,507.94	0.65	11,612.51	0.71
Operating Supplies	57,691.64	3.58	47,111.33	2.88
Payroll Taxes	27,704.53	1.72	27,191.12	1.66
Professional Fees	50,496.00	3.13	31,663.65	1.93
Service Contracts	42,773.12	2.65	28,032.50	1.71
Repairs and Maintenance	191,211.18	11.87	174,197.43	10.63
Telephone and Utilities	85,251.46	5.29	70,489.84	4.30
Training	5,682.90	0.35	7,764.87	0.47
Travel and Entertainment	654.72	0.04	2,669.20	0.16
Truck Expenses	7,654.71	0.48	11,399.65	0.70
Total Operating Expenses	<u>\$ 1,043,042.87</u>	<u>64.74</u>	<u>\$ 1,003,396.74</u>	<u>61.23</u>
Income From Operations	<u>\$ 568,086.62</u>	<u>35.26</u>	<u>\$ 635,243.08</u>	<u>38.77</u>
OTHER INCOME (EXPENSE):				
Depreciation:				
On Assets Acquired with Own Funds	\$ (335,729.54)		\$ (304,285.26)	
On Assets Acquired with Contributions				
in Aid of Construction	(151,684.00)		(147,288.00)	
Interest Income	12,021.79		15,028.59	
Interest Expense	(65,802.48)		(78,691.41)	
Sinking Fund Interest	19,257.76		22,862.74	
Capital Reserve Interest	105.90		327.95	
USDA Construction Grants			254,000.00	
Gain on Sale of Assets	1,580.00		4,130.00	
Total Other Income (Expense)	<u>\$ (520,250.57)</u>		<u>\$ (233,915.39)</u>	
Net Income	<u>\$ 47,836.05</u>		<u>\$ 401,327.69</u>	
Net Position, January 1	6,810,957.15		6,409,629.46	
Net Position, December 31	<u>\$ 6,858,793.20</u>		<u>\$ 6,810,957.15</u>	

The accompanying notes are an integral part of the financial statements

BOOTHBAY HARBOR SEWER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Residential and Commercial Services	\$ 1,589,807.02	\$ 1,612,953.06
Entrance Fees	15,808.90	10,262.50
Miscellaneous Receipts	26,612.62	24,130.10
Grants/Contributions		254,000.00
<b>Total Receipts</b>	<b>\$ 1,632,228.54</b>	<b>\$ 1,901,345.66</b>
<b>EXPENDITURES:</b>		
Payments to Employees	\$ 360,808.53	\$ 362,286.71
Payments to Vendors	623,830.87	1,007,404.58
<b>Total Disbursements</b>	<b>\$ 984,639.40</b>	<b>\$ 1,369,691.29</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 647,589.14</b>	<b>\$ 531,654.37</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of Property, Plant, and Equipment	\$ (525,791.95)	\$ (711,781.70)
Proceeds from Sale of Assets	1,580.00	8,000.00
Interest Income	12,021.79	15,028.59
<b>Net Cash Used in Investing Activities</b>	<b>\$ (512,190.16)</b>	<b>\$ (688,753.11)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Issuance of Debt	\$ 699,033.39	\$ -
Bonded Debt Retirement	(638,243.42)	596,000.00
Sinking Fund Appropriations	(61,712.00)	(412,747.53)
Interest Paid on Debt	(75,030.28)	(56,712.00)
Sinking Fund and Capital Reserve Transfer - In	97,222.92	(75,372.72)
<b>Net Cash Provided by Financing Activities</b>	<b>\$ 21,270.61</b>	<b>\$ 51,167.75</b>
<b>Increase (Decrease) in Cash</b>	<b>\$ 156,669.59</b>	<b>\$ (105,930.99)</b>
Cash Balance, January 1	1,128,204.50	1,234,135.49
Cash Balance, December 31	<b>\$ 1,284,874.09</b>	<b>\$ 1,128,204.50</b>
<b>Increase in Net Assets (Exhibit B)</b>	<b>\$ 47,836.05</b>	<b>\$ 401,327.69</b>
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash</b>		
Provided by Operating Activities:		
Depreciation	487,413.54	451,573.26
(Gain) on Sale of Assets	(1,580.00)	(4,130.00)
Interest Income Reported in Operations	(31,385.45)	(38,219.28)
Interest Expense in Financing Activities	65,801.58	78,691.41
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(2,737.76)	8,705.84
(Increase) Decrease in Prepaid Assets	(2,343.43)	(2,484.33)
(Decrease) Increase in Accounts Payable and Accrued Expenses	81,575.76	(406,586.62)
Increase (Decrease) in Pension and OPEB Costs	3,008.85	42,776.40
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 647,589.14</b>	<b>\$ 531,654.37</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Interest	\$ 75,030.68	\$ 75,372.72

The accompanying notes are an integral part of the financial statements

Page 18



BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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's of Boothbay and 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.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

4. Financial Statement Amounts (Cont'd)

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

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.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

4. Financial Statement Amounts (Cont'd)

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.

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 service 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.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

5. Implementation of New Accounting Standards

During the year ended December 31, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

- a. Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", effective for the year ended December 31, 2021. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Management has determined that the impact of this statement is not material to the financial statements.
- b. Statement No. 98, "The Annual Comprehensive Financial Report" is effective for the fiscal year ending December 31, 2021. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management has determined that this statement is not applicable.

6. Future Accounting Pronouncements

- a. Statement No. 87, "Leases", effective for the year ended December 31, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined that the impact of this statement is not material to the financial statements.
- b. Statement No. 91, "Conduit Debt Obligations" is effective for the year ended December 31, 2022. The objective of the statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required disclosures. Management has determined that this statement is not applicable.
- c. Statement No. 93, "Replacement of Interbank Offered Rates" is effective for the year ended December 31, 2022. The objective of this statement is to improve guidance regarding the governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Management has determined that this statement is not applicable.



BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

6. Future Accounting Pronouncements (Cont'd)

- d. Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" is effective for the year ended December 31, 2023. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Management has determined that this statement is not applicable.
- e. Statement No. 96, "Subscription-Based Information Technology Arrangements" is effective for the year ended December 31, 2023. The objective of this statement is to improve financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management has determined that this statement is not applicable.
- f. Statement No. 97, "Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" is effective for the fiscal year ended December 31, 2022. The requirements of this statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefits plans, while mitigating the costs associated with reporting those plans. Management has determined that this statement is not applicable.

7. Subsequent Events

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

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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	\$ 2,306,083.69	\$ 2,353,034.53	\$ 250,000.00	\$ 2,103,034.53	\$

NOTE C - PROPERTY, PLANT, AND EQUIPMENT:

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

	BALANCE JANUARY 1, 2021	ADDITIONS	DISPOSALS	BALANCE DECEMBER 31, 2021
Assets Not Being Depreciated:				
Land and Rights of Way	\$ 29,130.32	\$	\$	\$ 29,130.32
Assets Being Depreciated:				
Land Improvements	85,754.25			85,754.25
Pumping Stations	2,979,671.38			2,979,671.38
Buildings	3,592,655.28			3,592,655.28
Plant Machinery and Equipment	2,317,909.33	73,807.80		2,391,717.13
Tools and Shop Equipment	78,565.80			78,565.80
Trucks	170,539.30			170,539.30
Office and Laboratory Equipment	72,751.35			72,751.35
Sewer Lines	6,352,289.28	451,984.15		6,804,273.43
Total	\$ 15,679,266.29	\$ 525,791.95	\$	\$ 16,205,058.24
Accumulated Depreciation	(8,182,296.81)	(487,413.54)		(8,669,710.35)
Net Book Value of Property, Plant, and Equipment	<u>\$ 7,496,969.48</u>	<u>\$ 38,378.41</u>	<u>\$</u>	<u>\$ 7,535,347.89</u>



BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE D - NOTES PAYABLE:

The following is a summary of Notes Payable at December 31, 2021:

	BALANCE JANUARY 1, 2021	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2021
Maine Municipal Bond Bank	\$ 210,846.10	\$	\$ 210,846.10	\$
Maine Municipal Bond Bank	145,668.00		15,549.00	130,119.00
United States Department of Agriculture	313,609.01		313,609.01	
United States Department of Agriculture	199,062.42		8,732.78	190,329.64
United States Department of Agriculture	435,729.24		7,377.09	428,352.15
United States Department of Agriculture	254,600.98		4,422.47	250,178.51
United States Department of Agriculture	596,000.00		10,137.70	585,862.30
First National Bank - Line of Credit	66,044.64		15,648.21	50,396.43
First National Bank - Line of Credit	95,585.47		14,708.98	80,876.49
First National Bank - Line of Credit	110,076.83		14,216.17	95,860.66
First National Bank - Line of Credit	103,347.66		12,061.85	91,285.81
First National Bank - Line of Credit	114,221.94		10,934.06	103,287.88
First National Bank - Line of Credit		439,033.39		439,033.39
First National Bank		260,000.00		260,000.00
	<u>\$ 2,644,792.29</u>	<u>\$ 699,033.39</u>	<u>\$ 638,243.42</u>	<u>\$ 2,705,582.26</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.

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. This loan was refinanced with proceeds from the loan with First National Bank.

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.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE D - NOTES PAYABLE (CONT'D):

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.

United States Department of Agriculture

The United States Department of Agriculture RD Bond bears interest at 2.25% and is payable in 40 annual installments of \$17,161.00, including interest, commencing in May 2019.

United States Department of Agriculture

The United States Department of Agriculture RD Bond bears interest at 1.875% and is payable in 40 annual installments of \$21,312.44, including interest, commencing on May 22, 2021.

First National Bank

The First National Bank 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.

First National Bank

The First National Bank 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.

First National Bank

The First National Bank line of credit has an interest rate of 3.25%. Interest only payments began March 20, 2017 through December 29, 2017. On that date the line of credit converted to a loan requiring monthly principal and interest payments of \$1,469.18 commencing January 19, 2018 for a term of 120 months.

First National Bank

The First National Bank line of credit has an interest rate of 1.90%. Interest only payments began August 20, 2018 through December 19, 2018. At that time the line of credit converted to a loan requiring monthly principal and interest payments of \$1,152.10 commencing February 12, 2019 for a term of 120 months.

First National Bank

The First National Bank line of credit has an interest rate of 3.57%. Interest only payments began September 18, 2019. In 2020 the line of credit converted to a loan requiring monthly principal and interest payments of \$1,491.81 commencing January 31, 2020 for a term of 120 months.

First National Bank

The Boothbay Harbor Sewer District established a line of credit with First National Bank as part of a requirement for funding from the USDA Rural Development for the Route 96 Sewer Line Replacement Project. The line of credit is for an amount of \$800,000.00 with an annual interest rate of 2.42%. As of year end the total funds drawn on the loan was \$439,033.39.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE D - NOTES PAYABLE (CONT'D):

First National Bank

This note refinanced the Rural Development note over a term of 10 years at a rate of 3.04%, the original principal of the notes is \$260,000.00.

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

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 571,052.12	\$ 62,252.82	\$ 633,304.94
2023	135,496.80	51,091.63	186,588.43
2024	139,422.95	47,532.82	186,955.77
2025	125,026.76	44,076.89	169,103.65
2026	128,260.54	40,843.33	169,103.87
2027-2031	414,898.70	164,736.72	579,635.42
2032-2036	293,368.18	119,850.18	413,218.36
2037-2041	188,447.92	88,692.22	277,140.14
2042-2046	180,595.34	68,991.86	249,587.20
2047-2051	201,405.56	48,181.64	249,587.20
2052-2056	213,044.81	24,916.49	237,961.30
2057-2061	114,562.58	4,973.61	119,536.19
Total	<u>\$ 2,705,582.26</u>	<u>\$ 766,140.21</u>	<u>\$ 3,471,722.47</u>

NOTE E - BOND SINKING FUND:

Activity in the District's Bond Sinking Fund for the year ended December 31, 2021 consisted of:

	<u>BALANCE JANUARY 1, 2021</u>	<u>INTEREST EARNED</u>	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>	<u>BALANCE DECEMBER 31, 2021</u>
Bond Sinking Fund	\$ 919,111.58	\$ 18,696.75	\$ 55,000.00	\$	\$ 992,808.33
Eastern Ave Sinking Fund	43,624.04	264.94	2,350.00	(46,238.98)	0.00
Pump Station Sinking Fund	12,696.06	207.94	1,500.00		14,404.00
Comm. St. Relining Pump Station Sinking Fund	5,981.97	86.15	1,143.00		7,211.12
	3,430.56	1.98	1,719.00		5,151.54
	<u>\$ 984,844.21</u>	<u>\$ 19,257.76</u>	<u>\$ 61,712.00</u>	<u>\$ (46,238.98)</u>	<u>\$ 1,019,574.99</u>

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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	\$ 356,038.56	\$ 360,808.53	\$ (4,769.97)
Dues and Subscriptions	\$ 2,400.00	\$ 3,372.74	\$ (972.74)
Operating Supplies	\$ 57,500.08	\$ 57,691.64	\$ (191.56)
Professional Fees	\$ 46,100.08	\$ 50,496.00	\$ (4,395.92)
Service Contracts	\$ 27,495.96	\$ 42,773.12	\$ (15,277.16)
Revenues:			
User Fees - Commercial - Year-round	\$ 628,688.04	\$ 660,000.33	\$ (31,312.29)
User Charges - Residential	\$ 558,367.48	\$ 577,263.74	\$ (18,896.26)
Water Meter Read Assessment	\$ 17,610.59	\$ 17,885.00	\$ (274.41)
User Fees - Commercial Seasonal	\$ 90,821.23	\$ 152,000.95	\$ (61,179.72)
Returned Check Charges	\$ 50.00	\$ 250.00	\$ (200.00)
Lien Fees Added	\$ 2,037.77	\$ 2,999.65	\$ (961.88)
Miscellaneous Income	\$ 25.51	\$ 126.68	\$ (101.17)
Other Users Revenue	\$ 665.00	\$ 3,500.00	\$ (2,835.00)

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, 2021, the balance of Contributions in Aid of Construction was as follows:

Balance, January 1, 2021	\$ 2,920,480.89
Grants Received	
Depreciation on Assets Acquired with Contributed Funds	(151,684.00)
Balance, December 31, 2021	<u>\$ 2,768,796.89</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, 2021 the District contributed \$34,755.83 and employees deferred \$24,737.29. Fair market value of the account at December 31, 2021 was \$159,458.11.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE J - INTEREST COST INCURRED:

During the current year, the District incurred interest costs totaling \$65,442.03, 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](http://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, 2021, was 9.6% to 10% of annual payroll for the regular plan. Contributions to the pension plan from the District were \$34,755.83 for the year ended December 31, 2021.

***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, 2021, 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.



BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

**PLD Plan** - At June 30, 2021, the District reported an asset of \$15,137.00 for its proportionate share of the net pension liability. At June 30, 2021, the District's proportion of the PLD Plan was .047104%.

For the year ended December 31, 2021, the District recognized pension expense of \$34,755.83 for the PLD Plan. At December 31, 2021, 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	\$ 9,792.00	\$ 207,358.00
Changes in assumption	50,830.00	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,594.00	8,992.00
District contributions subsequent to the measurement date	18,933.41	
<b>Total</b>	<u>\$ 82,149.41</u>	<u>\$ 216,350.00</u>

\$18,933.41 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, 2021. 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:**

2022	\$ (24,965.00)
2023	\$ (23,867.00)
2024	\$ (46,968.00)
2025	\$ (57,335.00)

**Actuarial Assumptions** - The total pension liability in the June 30, 2021 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	6.75%
Cost of living benefit increases, per annum	1.91%

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, 2021 valuation were based on the results of an actuarial experience study for the period June 30, 2016 through June 30, 2020.



BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE K - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (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 December 31, 2021 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	30.0%	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%	7.2%
Diversifiers	10.0%	5.9%

**Discount Rate** - The discount rate used to measure the total pension liability was 6.5% 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 6.5% 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 (5.5% for PLD Plan) or 1 percentage-point higher (7.5% for PLD Plan) than the current rate:

<u>PLD Plan</u>	<u>1% Decrease (5.5%)</u>	<u>Current Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
District's proportionate share of the net pension liability	\$215,415.00	\$(15,137.00)	\$(205,834.00)

**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, 2021.

**Changes of benefit terms** - None

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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

**Changes of assumptions** – Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in the plan. The actuarial assumptions used for the year ended June 30, 2021 valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Please refer to Note 5 for information related to the use of assumptions.

NOTE L - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST - OTHER POST EMPLOYMENT BENEFITS:

**Other Post-Employment Benefits (OPEB)**

The Maine Municipal Employee Health Trust (the Trust) provides insurance benefits during retirement, to retirees who participated in the Plan prior to retirement.

**Funding Policy**

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. For town employees, the premiums for retiree insurance coverage are factored into the premiums paid for basic coverage while participants are active members.

**Revenue Recognition**

The Schedule of Employer Allocations for the Plan reflects current year employer and non-employer contributing entity premium contributions to the Plan.

**Collective Net OPEB Liability**

The collective net OPEB liability for the Plan, measured as of December 31, 2021 is as follows:

	<b><u>Total Plan</u></b>
Collective Total OPEB Liability	\$ 41,099.00
Less: Plan Net Fiduciary Position	
Collective Net OPEB Liability	<u>\$ 41,099.00</u>

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE L - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST - OTHER POST EMPLOYMENT  
BENEFITS (CONT'D):

**Actuarial Methods and Assumptions**

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2020, using the following methods and assumptions, applied to all periods included in the measurement:

**Actuarial Cost Method**

Projections of benefits for financial reporting purposes are based on the provisions of the Plans in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies.

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,580.00	\$ 1,542.00
Changes in Assumptions	7,634.00	1,282.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments		
District Contributions Subsequent to the measurement date		
Total	<u>\$ 9,214.00</u>	<u>\$ 2,824.00</u>

As of December 31, 2021, the current balances of deferred outflows and deferred inflows of resources along with net recognition over the next 5 years, and thereafter are as follows:

Year End December 31:	
2022	\$ 920.00
2023	\$ 920.00
2024	\$ 926.00
2025	\$ 897.00
2026	\$1,219.00
Thereafter	\$1,508.00

The actuarial assumptions used in the December 31, 2021 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2018 to December 31, 2021.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE L - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST - OTHER POST EMPLOYMENT  
BENEFITS (CONT'D):

**Components of Schedules of OPEB Amounts to Employer**

**Collective Net OPEB Liability**

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of December 31, 2021 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended December 31, 2021 with the following exceptions.

**Differences between Expected and Actual Experience**

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. There were no differences between expected and actual experience as of December 31, 2021.

**Differences between Projected and Actual Investment Earnings**

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

**Changes in Assumptions**

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the year ended December 31, 2021, there was a change in the Discount Rate from 4.10% to 2.74% per annum. Governmental Accounting Standards Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, requires the use of a blended discount rate for determining the total OPEB liability when it is projected that plan assets are not sufficient to meet benefit obligations in the future. In years where assets are projected to be sufficient to pay benefits, the Plan's assumed rate of return is used; in years where assets are not projected to be sufficient to pay benefits, the use of a municipal bond rate is required. The result is a single blended discount rate.

**Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions**

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of December 31, 2021.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE L - MAINE MUNICIPAL EMPLOYEES HEALTH TRUST - OTHER POST EMPLOYMENT  
BENEFITS (CONT'D):

**Allocable Collective OPEB Expense**

The calculation of collective OPEB expense for the year ended December 31, 2021 is as follows:

	2021 OPEB Plan	2020 OPEB Plan	2019 OPEB Plan	2018 OPEB Plan
Total OPEB Liability				
Service Cost (BOY)	\$ 3,392.00	\$ 2,116.00	\$ 2,319.00	\$ 2,894.00
Interest Cost	1,036.00	1,099.00	899.00	864.00
Changes of Benefit Terms		(730.00)		
Amortization of Differences in Actual and Expected Experience		2,108.00		
Plan Expenses				(3,602.00)
Changes in Assumptions	2,355.00	5,284.00	(2,242.00)	3,755.00
Benefit Payments, Including Refunds of Member Contributions	(183.00)	(115.00)	(111.00)	(11.00)
Allocable OPEB Expense	\$ 6,600.00	\$ 9,762.00	\$ 865.00	\$ 3,900.00
Total OPEB Liability - Beginning	34,499.00	24,737.00	23,872.00	19,972.00
Total OPEB Liability - Ending	\$ 41,099.00	\$ 34,499.00	\$ 24,737	\$ 23,872.00

**Plan Fiduciary Net Position**

Each employer's proportionate share of the collective OPEB expense is equal to the total collective OPEB expense multiplied by the employer's proportionate share percentage as of December 31, 2021.

	2021	2020	2019	2018
Contributions - Employer	\$ 183.00	\$ 115.00	\$ 111.00	\$ 11.00
Contributions - Member				
Net Investment Income				
Benefit Payments, Including Refunds of Member Contributions	(183.00)	(115.00)	(111.00)	(11.00)
Administrative Expense				
Net Change in Plan Fiduciary Net Position	\$	\$	\$	\$
Plan Fiduciary Net Position - Beginning				
Plan Fiduciary Net Position - Ending				
Net OPEB Liability - Ending	\$ 41,099.00	\$ 34,499.00	\$ 24,737.00	\$ 23,872.00
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%
Covered Employee Payroll	\$ 301,934.00	\$ 301,934.00	\$ 245,565.00	\$ 245,565.00
Net OPEB Liability as a Percentage of Covered Employee Payroll	13.6%	11.4%	10.1%	9.7%

**Deferred Outflows (Inflows) of Resources**

Differences between expected and actual experience with regard to economic and demographic assumptions are recognized in OPEB expense over a closed period equal to the expected remaining service lives of both active and inactive members, beginning in the period in which the difference arose. Differences between actual and expected investment income is recognized over a closed five-year period. Amounts not recognized in the current period are reflected in collective deferred outflows and inflows of resources related to OPEB.



BOOTHBAY HARBOR SEWER DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2021

	ORIGINAL AND FINAL BUDGET	ACTUAL
<b>REVENUES:</b>		
Residential and Commercial Services	\$ 1,640,085.71	\$ 1,568,707.97
Entrance Fees	11,000.00	15,808.90
Miscellaneous	28,111.33	26,612.62
<b>Total Revenues</b>	<u>\$ 1,679,197.04</u>	<u>\$ 1,611,129.49</u>
<b>EXPENDITURES:</b>		
Salaries and Wages	\$ 356,038.56	\$ 360,808.53
Advertising	6,000.00	3,596.20
Dues and Subscriptions	2,400.00	3,372.74
Fringe Benefits	48,000.00	44,669.02
Insurance - Bonds	419.00	139.67
Insurance - Business	25,000.00	24,342.50
Insurance - Employee Benefits	110,800.04	105,359.04
Licenses and Fees	3,000.00	2,655.29
Miscellaneous	18,710.00	18,471.68
Office Supplies	16,100.04	10,507.94
Operating Supplies	57,500.08	57,691.64
Payroll Taxes	30,387.96	27,704.53
Professional Fees	46,100.08	50,496.00
Service Contracts	27,495.96	42,773.12
Repairs and Maintenance	217,499.96	191,211.18
Telephone and Utilities	90,309.33	85,251.46
Training	6,000.00	5,682.90
Travel and Entertainment	5,250.04	654.72
Truck Expense	12,500.04	7,654.71
<b>Total Expenditures</b>	<u>\$ 1,079,511.09</u>	<u>\$ 1,043,042.87</u>
<b>Income From Operations</b>	<u>\$ 599,685.95</u>	<u>\$ 568,086.62</u>
<b>OTHER INCOME (EXPENSE):</b>		
Depreciation:		
On Assets Acquired with Own Funds	\$ (454,000.00)	\$ (335,729.54)
On Assets Acquired with Contributions in Aid of Construction		(151,684.00)
Interest Income	38,500.00	12,021.79
Interest Expense	(76,237.71)	(65,802.48)
Bonded Debt Expense	(330,400.30)	
Sinking Fund Interest		19,257.76
Sinking Fund Transfers	(490,844.00)	
Gain on Sale of Assets	235.00	1,580.00
Capital Reserve Interest		105.90
<b>Total Other Income (Expense)</b>	<u>\$ (1,312,747.01)</u>	<u>\$ (520,250.57)</u>
<b>Net Income (Loss)</b>	<u>\$ (713,061.06)</u>	<u>\$ 47,836.05</u>
<b>Net Position, January 1</b>	<u>6,810,957.15</u>	<u>6,810,957.15</u>
<b>Net Position, December 31</b>	<u>\$ 6,097,896.09</u>	<u>\$ 6,858,793.20</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\*

PLD Plan	2021**	2020**	2019**	2018**	2017**
Boothbay Harbor Sewer District's Proportion of the Net Pension Liability	.047104%	.050837%	.048484%	.048795%	.028071%
Boothbay Harbor Sewer District's Proportionate Share of the Net Pension Liability	\$ 15,137.00	\$ 201,982.00	\$ 148,195.00	\$ 133,541.00	\$ 114,933.00
Boothbay Harbor Sewer District's Covered-Employee Payroll	\$ 357,696.51	\$ 334,793.93	\$ 299,993.54	\$ 290,519.28	\$ 295,652.00
Boothbay Harbor Sewer District's Proportionate Share of the Net Pension Liability as a					
Percentage of its Covered-Employee Payroll	23.63%	60.33%	49.40%	45.97%	38.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	(986.57%)	(77.82%)	(79.17%)	(29.31%)	(23.93%)

\* Only five years 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 MEPRS

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

PLD Plan	2021*	2020*	2019*	2018*	2017*
Contractually Required Contribution	\$ 34,755.83	\$ 33,560.33	\$ 31,181.57	\$ 27,937.83	\$ 2,317.56
Contributions in Relation to the Contractually Required Contribution	(34,755.83)	(33,560.33)	(31,181.57)	(27,937.83)	(2,317.56)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Boothbay Harbor Sewer District's Covered-Employee Payroll	\$ 357,696.51	\$ 334,793.93	\$ 299,993.54	\$ 290,519.28	\$ 24,454.36
Contribution as a Percentage of Covered-Employee Payroll	9.72%	10.03%	10.39%	9.60%	9.47%

\* Only five years of information available as the District joined January 1, 2017