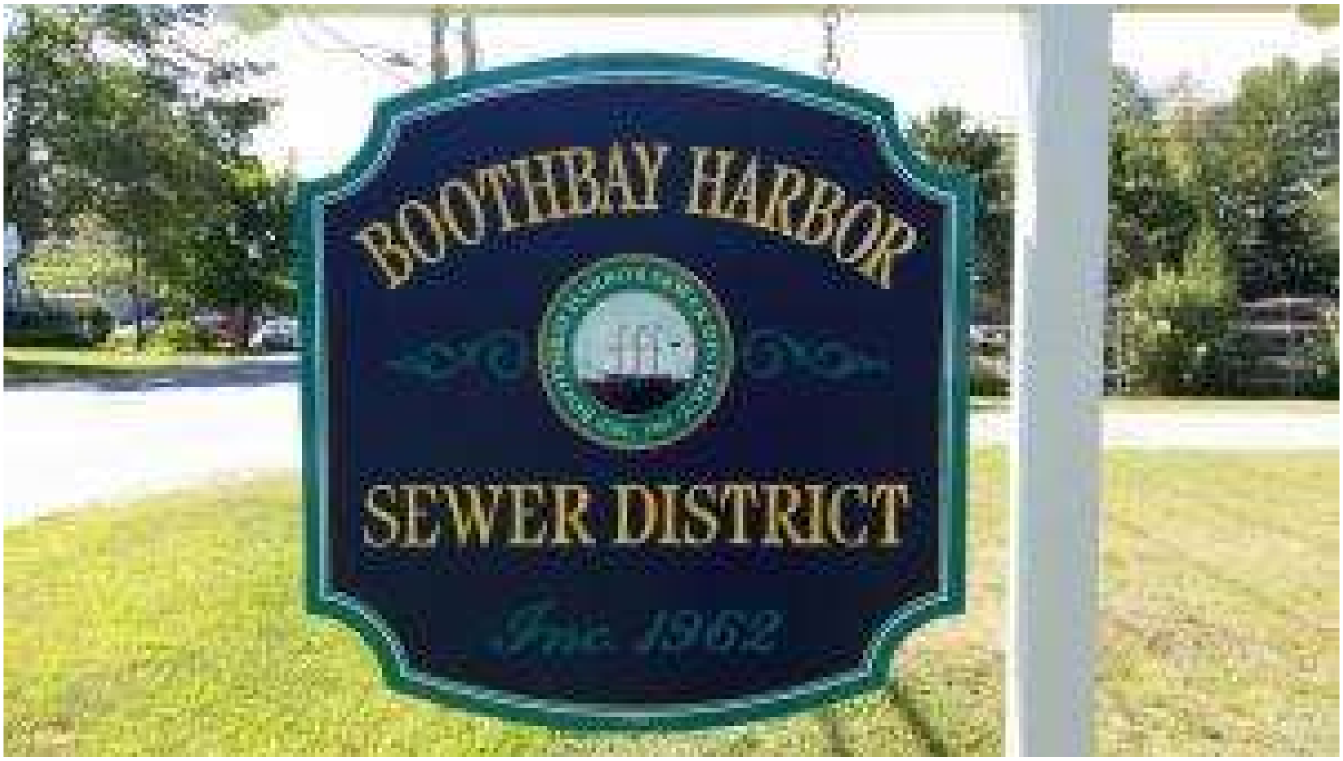

BOOTHBAY HARBOR SEWER DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED, DECEMBER 31, 2022

Boothbay Harbor Sewer District

Annual financial report
For the fiscal year ended December 31, 2022

Table of contents

Boothbay Harbor Sewer District
Management's Discussion and Analysis

As management of the Boothbay Harbor Sewer District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2022.

Financial highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $7,251,461 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was $2,259,973.
- Operating revenues exceeded operating expenses by $20,504 during the year, which includes $465,479 of depreciation expense.
- The District's total net position increased $119,299 primarily due to receiving a $200,000 grant through Lincoln County, which was partially offset by an $85,596 investment loss.
- The District paid $231,829 in principal payments and $51,038 of interest on debt during the year.

Overview of the financial statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of the financial statements and the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., unbilled receivables and earned but unused personal time off).

The *statement of cash flows* provides information relating to the District's cash receipts and cash disbursements during the year. This statement reports cash provided by and used for operating activities, capital and related financing activities, and investing activities. Operating activities include the day to day operations of the District, which includes cash received from customers for sewer usage, cash paid to employees, and cash paid to suppliers for operating materials, supplies, services, and utilities. Capital and related financing activities include the purchase of capital assets, the issuance of debt, and the payment of principal and interest on debt. Investing activities include interest earned from bank accounts and the purchase or sale of investments.

These statements can be found on pages 11-13 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 14-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 29-31.

The budget to actual statement immediately follows the required supplementary information on pensions and OPEB, which can be found on page 32 of this report.

Financial analysis

As noted earlier, net position over time may serve as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7,251,461, at the close of the most recent fiscal year.

		2022	**2021**	**Change**
Assets				
Current and other assets	$	2,780,230	2,646,931	133,299
Capital assets		7,465,241	7,535,348	(70,107)
Total assets		10,245,471	10,182,279	63,192
Total deferred outflows of resources		73,913	91,878	(17,965)
Liabilities				
Long-term liabilities		2,245,464	2,354,233	(108,769)
Other liabilities		759,471	568,588	190,883
Total liabilities		3,004,935	2,922,821	82,114
Total deferred inflows of resources		62,988	219,174	(156,186)
Net position				
Net investment in capital assets		4,991,488	4,829,766	161,722
Restricted		157,027	162,205	(5,178)
Unrestricted		2,102,946	2,140,191	(37,245)
Total net position	$	7,251,461	7,132,162	119,299

Current and other assets increased by $133 thousand from the prior year. Cash and investments have increased $121 thousand which corresponds with the increase in net position. This District is now including unbilled receivables in the financial statements, which increased receivables over $300 thousand. The 2021 column has been restated to show the increase in unbilled receivables.

Capital assets decreased $70 thousand due to depreciation expense of $465,479 exceeding new assets purchased during the year of $395,372. See capital asset section below for more details.

Other liabilities increased $191 thousand from the previous year due to an increase in accounts payable at year end. $133 thousand of payables were related to the SCADA upgrade, sewer relining, and sea wall projects.

Long-term liabilities, which consist of notes payable, compensated absences and postemployment benefit obligations, decreased by $109 thousand from the previous year. Notes payable decreased by $232 thousand due to regularly scheduled principal payments and the payoff of two maintenance notes held at First National Bank. The District's net pension liability increased $107 thousand due to the increase in the District's share of the state's pension plan liability.

By far, the largest portion of the District's net position, $4,991,488, reflects its investment in capital assets (e.g., land, buildings, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, $157,027 represents resources that are subject to external restrictions on how they may be used. This balance is the required amount the District must hold for sinking funds related to its outstanding debt.

As of the end of the current year, the District's unrestricted net position was $2,102,946. Of this amount, the Board has committed $1,718,022 to fund reserves related to debt, equipment replacement, unemployment, and earned time reserves. See the notes to the financial statements for more information related to amounts committed for reserves.

The District's overall net position increased $119,299 from the prior fiscal year. The reasons for this overall decrease are discussed in the following section.

		2022	2021	Change
Revenues				
Operating revenues				
Charges for services	$	1,640,392	1,568,708	71,684
Entrance fees and other		20,462	42,422	(21,960)
Nonoperating revenues				
Capital grants		200,000	-	200,000
Gain (loss) on sale of property		1,644	1,580	64
Investment income (loss)		(83,098)	31,386	(114,484)
Total revenues		1,779,400	1,644,096	135,304
Expenses				
Operating expenses				
Personnel services		560,322	543,669	16,653
Contractual services		167,793	134,104	33,689
Utilities		94,452	85,251	9,201
Repairs and maintenance		141,775	121,146	20,629
Materials and supplies		140,951	108,194	32,757
Transportation		15,710	7,655	8,055
Miscellaneous		53,868	46,033	7,835
Depreciation		465,479	487,414	(21,935)
Nonoperating expenses				
Interest expense		49,648	65,803	(16,155)
Change in NPL and OPEB		(29,897)	(3,009)	(26,888)
Total expenses		1,660,101	1,596,260	63,841
Increase (decrease) in net position		119,299	47,836	
Net position - beginning, restated		7,132,162	6,810,957	
Net position - ending	$	7,251,461	6,858,793	

The results for the current fiscal year were positive in that overall net position increased to reach an ending balance of $7,251,461. The total increase in net position was $119,299 or 1.67% from the prior fiscal year.

Revenues. Revenues increased $135,304 from the prior year. The increase, in large part, is attributable to a $200 thousand capital grant received through Lincoln County. This was offset by a decrease in investment income. The District recognized an investment loss of $83 thousand. During the year the District moved its reserves to an investment account with First National Wealth Management. The market took a downturn during the second half of 2022 resulting in a loss of market value. The District saw more customer usage in 2022, causing a 4.5% increase in charges for services over prior year even with lower sewer rates than 2021.

Expenses. Expenses increased $63,841 from the prior year. Increases in contractual services, materials and supplies, repairs and maintenance, and personnel services were offset by decreases in depreciation, interest expense, and the net change in the net pension and OPEB liabilities. Contractual services increased due to engineering costs for studies performed during the year to determine future needs of the District. Increased costs for sludge removal caused an increase in materials and supplies. Needed repairs at the pump stations drove the increase in repairs and maintenance costs in 2022. The District saw a decrease in interest expense as it continues to make regularly scheduled principal payments with reduced interest each year and the early payoff of two loans with First National Bank. The change in the net pension and OPEB liabilities can vary wildly from year to year as the results are based on actuarial calculations, which must then be recorded and reported by the District.

Budgetary highlights

Original budget compared to final budget. During the year, there were no significant amendments to the original budgeted revenues or expenses.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source		Estimated revenues	Actual revenues	Difference
Residential user fees - year round	$	565,000	534,658	(30,342)
Commercial user fees - year round		630,000	690,895	60,895
Interest income (loss)		33,600	(83,098)	(116,698)

Actual revenues came in under budgeted amounts by $73,219. The District uses a rolling average over the last five years to determine budgeted revenue figures. Sewer fees were reduced for the 2022 season, with the basic facilities charge being reduced from $105 per quarter to $95 per quarter and the price per cubic foot being reduced from $13.13 to $13.00. Unmetered and seasonal fees were also reduced. Even with reduced rates, the District saw an increase in commercial user charges due to an increase in flow. Businesses were still feeling the effects of Covid during 2021 and have been rebounding in 2022. During the year, the District moved its reserves into an investment account, which consists of certificates of deposit and mutual funds. That investment account saw a loss in market value due to market decreases in the second half of 2022.

Expenditures		Estimated expenditures	Actual expenditures	Difference
Fringe benefits	$	208,803	183,897	24,906
Pump stations and collection system		111,500	206,490	(94,990)
Personnel		388,320	365,701	22,619
Debt retirement and sinking funds		284,528	351,861	(67,333)
Depreciation		500,000	465,479	34,521

Overall, expenses exceeded budgeted figures by $88,436. Debt retirement and sinking funds exceeded budget due to the early payoff of two maintenance notes held by First National Bank. Pump stations and collection system expenses were over budget due to the purchase of two new pumps for pump station nine, an impeller for pump station three, and a spare pump for pump station five. There were also other unexpected repairs during the year. The District saw savings in the plant operator and insurance deductible payout lines, causing fringe benefits and personnel expenses to come in under budget. Depreciation expense is budgeted conservatively and does not fully factor into the District's budget.

Capital asset and debt administration

Capital assets. The District's investment in capital assets for its governmental and business-type activities as of December 31, 2022, amounts to $7,465,241 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and infrastructure. The total decrease in capital assets for the current fiscal year was 1%.

		2022	2021
Land	$	29,130	29,130
Construction in progress		330,216	-
Buildings and improvements		2,210,285	2,382,293
Machinery and equipment		561,230	647,658
Vehicles		99,661	115,815
Infrastructure		4,234,719	4,360,452
	$	7,465,241	7,535,348

Major capital assets events during the current fiscal year included the following:

- Work has begun on the updated SCADA system, phase two of sewer relining and work on the sea wall project with costs totaling $85,676, $132,232, and $112,308, respectively, through year end.
- Two new pumps were purchased for pump station nine at a total cost of $38,285.
- An impeller for pump station three was added at a cost of $8,832.
- A spare pump was obtained at a cost of $12,779 for pump station five.
- The District purchased a 1,000 gallon double-walled vertical storage tank at a cost of $5,260.

Additional information on the District's capital assets can be found in Note II.D of this report.

Long-term debt. At the end of the current fiscal year, the District had total notes outstanding of $2,473,753, which includes a short-term note that will be converted into long-term debt.

		2022	2021
Short-term note	$	439,033	439,033
Notes payable		2,034,720	2,266,549
	$	2,473,753	2,705,582

The District's total debt decreased by $231,829 (8.6%) during the current fiscal year. The District made scheduled principal payments on all outstanding debt and did not issue any new debt. The District also paid off two notes in full, making extra principal payments totaling over $130 thousand.

The District's charter limits the amount of indebtedness the District may undertake. The total outstanding indebtedness of the District may not exceed the sum of $8,500,000 at any one time. The District is in compliance with the requirements of its charter.

The District is required to set aside sinking funds for four loans through the United States Department of Agriculture. The District's charter also requires the District to establish a sinking fund for the purpose of redeeming bonds or notes when they become due at a sum equal to not less than 1% of the aggregate principal of the outstanding bonds or notes issued on account of or in behalf of the District. The District is in compliance with the all sinking fund requirements.

Additional information on the District's long-term debt can be found in Note II.E, II.F, and II.G of this report.

Economic factors and next year's budgets and rates

Recognizing the relatively predictable nature of utility revenues and workload efficiencies that may be gained, the 2023 budget represents the Boothbay Harbor Sewer District's efforts from the annual budgeting process. The 2023 budget comprises the fiscal plan for the District for the 2023, which is the culmination of a collaborative effort between the Board of Trustees and staff, and aligns with the District's mission to provide the best possible sewer services to District customers in a cost efficient manner, and in a way that contributes to protecting Boothbay Harbor water quality.

The budget was developed around touchstones of the District's financial policies, which embody the principles that guide District budgeting and long-term financial management, reinforcing the key values of fiscal prudence, pay-as-you-go financing to the extent practicable, and strong stewardship through asset management. The District's unwavering adherence to its conservative fiscal policies has allowed it to enter 2023 with stable revenue projections while continuing to preserve its fully funded operations and contingency reserves, as well as maintain funds for future capital costs earmarked for anticipated large projects in the coming years.

As a special purpose district authorized and formed under state statute, the District's primary functions are the operations of sewer collection and transport, wastewater treatment, and maintenance which create forecastable revenues that are primarily funded by rates associated with sewer services. To provide rate certainty to its customers, the District adopts an annual rate structure with an eye on future expenses. With the 2023 rate structure, revenue projections are anticipated to be relatively accurate. It should be noted that the 2023 budget maintains an eight percent rate increase in the rate per 100 cubic feet of usage and an increase in the minimum bill from $95 per quarter to $100 per quarter for 700 cubic feet of usage. The increase is consistent with the recent rate of inflation, increased costs due to supply chain issues, increased sludge disposal costs directly due to the passage of LD 1639 and LD 1911 by the Maine legislature and planned capital improvements.

2023 is anticipated to be a year of management transition. The current superintendent has announced his potential retirement in 2023 pending a replacement being hired. The trustees anticipate the new superintendent to come on board sometime after June 2023. As such, the 2023 budget includes a line for the new superintendent position funded with six months of salary and fringe benefits. Also, the budget includes a new line item for recruiting services for the new superintendent. It is expected the old and new superintendent will be on staff for a period of succession not to exceed six months.

The 2023 budget includes approximately $2.265 million in expenditures, while maintaining bond reserves of $76,267, approximately $500,000 for depreciation, a debt service budget of $174,013, and $1.515 million dedicated to operations and maintenance. The District expects to fund the capital improvement reserve with $200,000 at year's end.

The 2023 budget reflects an 80% increase over the 2022 budget for engineering. The increase is attributed to continued work on the updating of the District's capital improvement plan (CIP) over the next 10 years. As part of this work, a rate study is ongoing for the evaluation of rate requirements and scheduled capital improvements within the CIP along with the impact to rates over the next 10 years. This work represents a critical path for the District in order to maintain fiscal sustainability while maintaining fiscal responsibility.

Also contributing to the year-over-year increase are operational increases (which have been conservatively budgeted at inflationary rates above historical trends and recent projections), as well as District personnel-related expenses (annual cost-of-living adjustments to salaries and health insurance increases). Another significant increase is for sludge disposal and electricity.

On April 15, 2022, the Maine State House and Senate both passed a bill (LD 1911) that would ban the use of biosolids that contain PFAS in land applications, unless it can be shown that the biosolids are PFAS free. While the PFAS biosolids ban addressed growing concerns in the State over land contamination due to the disturbing presence of various contaminants of emerging interest, including perfluoroalkylated and polyfluoroalkylated substances, through the use of biosolids as fertilizer, the legislation is having consequences of creating landfilling as the only management option in the State, the District will struggle with disposal and costs will continue to increase and the possibility of the landfill operator denying disposal of sludge. In addition to LD 1911, the legislature passed LD 1639. This bill closed a loophole in Maine law that allowed disposal of out-of-state waste, including construction and demolition debris, in state-owned landfills intended solely for waste generated in Maine. One of the consequences of this law is that it has now reduced the amount of bulky waste that is required to stabilize biosolids. This is counter to the result of LD 1911, which banned sludge reuse and has caused 99% of the biosolids generated in Maine to go to landfill. The lack of bulky waste has destabilized sludge management within the landfill and now requires the landfill operator to purchase bulky material to mix with sludge causing disposal costs to soar. The District's disposal costs increased from $85 per ton to $138 per ton and the District was recently notified the costs will increase an additional $45 per ton to $183 per ton in early 2023. This increase will undoubtably cause the District to exceed its disposal line item in the budget. This is a significant concern for the District going forward as the only disposal option currently is landfilling.

The Maine PUC approved an increase in the cost of electricity in November of 2022 for Central Maine Power. The standard offer supply rate for CMP customers will go up 49% in 2023. The District has eight pump stations that fall in this category. The justification for the rate increase is the cost of fossil fuels.

Capital projects planned for 2023 included the upgrade of the Factory Cove Pump Station and the Breakwater Pump Station control panels and the replacement of the Chapel Street Pump Station pumps. These projects will be funded through the District's capital improvement reserve. The Treatment Plant Climate Resiliency Project will be ongoing in 2023 through 2026. The engineering portion of this project is funded through a $200,000 grant from Lincoln County ARPA funds. The District has been awarded a $4.015 million dollar grant from the Maine Department of Transportation to assist in the construction of this project. The sunset date to use these funds is December 31, 2026.

The West Side Relining Project was completed in the spring of 2021. This Project included 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 came in well under budget. USDA Rural Development approved the use of the remaining funds to perform manhole rehabilitation within the relining project area. This work is being done in two phases by two different contractors. This work will be completed by May 2023. The funding package for this work is from USDA with a $650,000 loan at 1.75% for 40 years and a grant of $338,500. Therefore, at the completion of the project, the District will close on the loan and $650,000 will be added to the District's long-term debt. This debt will require an associated sinking fund be established.

The District has two other projects in progress that are being funded pay-as-you-go. That is the project expenses are being paid as received through rates. The Blower Evaluation Project initial memo is completed. The District is currently working with Efficiency Maine to secure funding for this project. The second project, started in late 2022, is the formal evaluation of the treatment plant facilities. The current plant was upgraded in 1994 and is now approaching 30 years old. Most of the equipment in the plant has a design life of 25 years. However, most of the mechanical sub-systems within the plant have been replaced within the past 10 years. The evaluation will look at loads and flows for the next 20 years. A schedule of equipment replacement will be generated and dovetailed into the District's CIP. This second project is funded through rates.

This 2023 budget has been carefully crafted to emphasize the Board's service priorities while deploying resources in a manner that ensures maintenance of a positive cash balance throughout the year and beyond. As a result, the 2023 budget funds reserves at levels defined by District financial policies, while preserving adequate operating capital and investing in critical infrastructure improvements that will prolong the life of our assets and protect the environment. The 2023 capital reinvestment program reflects a pay-as-you-go approach funded through a combination of one-time and ongoing resources consistent with the District's asset management philosophy and the District's success in securing external grant funding. The fact that the 2023 investments can be made without reliance on debt can be attributed to the ongoing commitment to disciplined adherence to fiscal policies and sound asset management.

Requests for information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 27 Sea Street, Boothbay Harbor, Maine, 04538.

BASIC FINANCIAL STATEMENTS

Boothbay Harbor Sewer District

Statements of net position
December 31, 2022 and 2021

		2022	2021
Assets			**(Restated)**
Current assets:			
Cash and cash equivalents	$	575,945	2,306,084
Investments		1,851,718	-
Accounts receivable, net		23,687	23,549
Unbilled receivables		315,865	304,817
Prepaid expenses		13,015	12,481
Total current assets		2,780,230	2,646,931
Capital assets			
Capital assets, not being depreciated		359,346	29,130
Capital assets, being depreciated		16,241,084	16,175,928
Less accumulated depreciation		(9,135,189)	(8,669,710)
Total capital assets, net		7,465,241	7,535,348
Total assets		10,245,471	10,182,279
Deferred outflows of resources			
Pension related		65,931	82,149
OPEB related		7,982	9,729
Total deferred outflows of resources		73,913	91,878
Liabilities			
Current liabilities:			
Accounts payable		249,257	76,420
Accrued expenses		12,539	1,674
Accrued interest		26,233	27,623
Unearned revenue		32,409	23,838
Short-term note		439,033	439,033
Notes payable - current		103,122	132,019
Total current liabilities		862,593	700,607
Noncurrent liabilities:			
Notes payable		1,931,598	2,134,530
Compensated absences		46,184	31,448
Net pension and OPEB liabilities		164,560	56,236
Total noncurrent liabilities		2,142,342	2,222,214
Total liabilities		3,004,935	2,922,821
Deferred inflows of resources			
Pension related		57,743	216,350
OPEB related		5,245	2,824
Total deferred inflows of resources		62,988	219,174
Net position			
Net investment in capital assets		4,991,488	4,829,766
Restricted for debt sinking funds		157,027	162,205
Unrestricted - Board committed		1,718,022	1,752,000
Unrestricted		384,924	388,191
Total net position	$	7,251,461	7,132,162

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

Boothbay Harbor Sewer District

Statements of revenues, expenses, and changes in net position
For the years ended December 31, 2022 and 2021

		2022	2021
Operating revenues			
Residential and commercial services	$	1,640,392	1,568,708
Entrance fees		7,880	15,809
Miscellaneous		12,582	26,613
Total operating revenues		1,660,854	1,611,130
Operating expenses			
Personnel services		560,322	543,669
Contractual services		167,793	134,104
Utilities		94,452	85,251
Repairs and maintenance		141,775	121,146
Materials and supplies		140,951	108,194
Transportation		15,710	7,655
Miscellaneous		53,868	46,033
Depreciation		465,479	487,414
Total operating expenses		1,640,350	1,533,466
Operating income (loss)		20,504	77,664
Nonoperating revenues (expenses)			
Intergovernmental		200,000	-
Interest income		2,498	31,386
Investment income (loss)		(85,596)	-
Gain (loss) on disposal of property		1,644	1,580
Interest expense		(49,648)	(65,803)
Change in net pension and OPEB liabilities		29,897	3,009
Total nonoperating revenues (expenses)		98,795	(29,828)
Change in net position		119,299	47,836
Net position - beginning, restated		7,132,162	6,810,957
Net position - ending	$	7,251,461	6,858,793

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

Boothbay Harbor Sewer District

Statements of cash flows
For the years ended December 31, 2022 and 2021

		2022	2021
Cash flows from operating activities			
Receipts from customers	$	1,658,239	1,632,230
Payments to suppliers		(574,796)	(438,206)
Payments to employees for salaries and benefits		(534,721)	(543,223)
Net cash provided by (used for) operating activities		548,722	650,801
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets		(262,822)	(525,792)
Proceeds from the sale of capital assets		1,644	1,580
Capital grants		200,000	-
Proceeds from capital debt		-	699,033
Principal paid on capital debt		(231,829)	(638,243)
Interest paid on capital debt		(51,038)	(75,031)
Net cash provided by (used for) capital and related financing activities		(344,045)	(538,453)
Cash flows from investing activities			
Interest income		2,498	31,386
Purchase of investments		(1,937,314)	-
Net cash provided by (used for) investing activities		(1,934,816)	31,386
Net increase (decrease) in cash and cash equivalents		(1,730,139)	143,734
Cash and cash equivalents - beginning		2,306,084	2,162,350
Cash and cash equivalents - ending	$	575,945	2,306,084
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	$	20,504	77,664
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation expense		465,479	487,414
(Increase) decrease in accounts receivable		(11,186)	(2,738)
(Increase) decrease in prepaid expenses		(534)	(2,343)
Increase (decrease) in accounts payable		40,287	66,520
Increase (decrease) in accrued expenses		10,865	446
Increase (decrease) in unearned revenue		8,571	23,838
Increase (decrease) in compensated absences		14,736	-
Net cash provided by (used for) operating activities	$	548,722	650,801
Schedule of non-cash capital and related financing activities			
Investment income (loss)	$	(85,596)	-

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

Boothbay Harbor Sewer District

Notes to the financial statements
December 31, 2022

I. Summary of significant accounting policies

The financial statements of the Boothbay Harbor Sewer District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting entity

The Boothbay Harbor Sewer District is a quasi-governmental entity created by an act of the Maine State Legislature and is managed by an elected three-member Board of Trustees with staggered three-year terms. The District's stated purpose is to create and maintain a system for the disposal of sewage in the Towns 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.

B. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

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

C. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

<u>Cash and cash equivalents</u>

The District's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the District considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Capital assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer lines), are reported in the financial statements. Capital assets, except for infrastructure assets, are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. For infrastructure assets the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than $10,000 are reported as capital assets.

As the District constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings and improvements	10-50
Machinery, equipment, and vehicles	5-20
Infrastructure	40-100

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. They are deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, deferred amounts related to pension and OPEB.

Net position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

> *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of notes and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
>
> *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
>
> *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the District considers restricted net position to have been depleted before unrestricted net position is applied.

D. Revenues and expenses

Compensated absences

The District's policy permits employees to accumulate unused earned time, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the financial statements.

Operating and non-operating revenues and expenses

Operating revenues and expenses are distinguished from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Detailed notes on activities and funds

A. Cash and investments

It is the policy of the District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the District, and confirming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield. The District is not invested in any obligations typically known as derivatives.

B. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank's failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2022, the District's bank balance was $560,392 all of which was covered by F.D.I.C. or collateralized with securities held by the pledging or financial institution's trust department.

C. Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, mutual funds with portfolios of securities issued or guaranteed by the United States Government, or agreements to repurchase these same obligations, negotiable and non-negotiable certificates of deposit, municipal bonds, commercial paper, and corporate bonds.

Interest rate risk. Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District does not have an investment policy for interest rate risk.

As of June 30, 2022, the District had the following investments:

		Investment maturities (in years)			
Investment type	Fair Value	Less than 1 year	1-5 years	More than 5 years	Fair value hierarchy
Money market	$138,500	138,500	-	-	n/a
Certificates of deposit	271,454	173,126	98,328	-	Level 2
Mutual funds	1,441,764	1,441,764	-	-	Level 1
Total investments	$1,851,718	1,753,390	98,328	-	

Credit risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have an investment policy for credit risk. The money market and certificates of deposit are not rated.

Custodial credit risk - investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

Concentration of credit risk. The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District does not have an investment policy for concentration of credit risk.

Fair value of investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows: *Level 1* - quoted prices for identical investments in active markets; *Level 2* - observable inputs other than those in Level 1; and *Level 3* - unobservable inputs.

D. Capital assets

Capital assets activity for the year ended December 31, 2022, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Capital assets, not being depreciated				
Land	$29,130	-	-	29,130
Construction in progress	-	330,216	-	330,216
Total capital assets, not being depreciated	29,130	330,216	-	359,346
Capital assets, being depreciated				
Buildings and improvements	6,658,080	59,896	-	6,717,976
Machinery and equipment	2,543,035	5,260	-	2,548,295
Vehicles	170,539	-	-	170,539
Infrastructure	6,804,274	-	-	6,804,274
Total capital assets, being depreciated	16,175,928	65,156	-	16,241,084
Less accumulated depreciation for				
Buildings and improvements	4,275,787	231,904	-	4,507,691
Machinery and equipment	1,895,377	91,688	-	1,987,065
Vehicles	54,724	16,154	-	70,878
Infrastructure	2,443,822	125,733	-	2,569,555
Total accumulated depreciation	8,669,710	465,479	-	9,135,189
Total capital assets, being depreciated, net	7,506,218	(400,323)	-	7,105,895
Total capital assets, net	$7,535,348	(70,107)	-	7,465,241

E. Short-term note

The District currently has a short-term note with First National Bank, for $650,000 and an interest rate of 1.37%. The line of credit is being utilized for the relining of sewer lines from an approved $988,500 funding package from USDA Rural Development. The District will issue long-term debt to pay the short term note when the project is complete.

Short-term note activity for the year ended December 31, 2022, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Relining sewer lines	$439,033	-	-	439,033

F. Changes in long-term liabilities

Changes in the District's long-term liabilities for the year ended December 31, 2022, are as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year	Amount due within one year
Long-term liabilities:					
Notes payable	$2,266,549	-	231,829	2,034,720	103,122
Compensated absences	31,448	14,736	-	46,184	-
Net pension liability	15,137	107,206	-	122,343	-
Total OPEB liability	41,099	1,118	-	42,217	-
Total long-term liabilities	$2,354,233	123,060	231,829	2,245,464	103,122

G. Notes payable

The District issues notes payable to provide funds for the acquisition and construction of major capital facilities, infrastructure, and equipment. Notes payable at December 31, 2022, are as follows:

	Original borrowing	Interest rates	Final maturity	Outstand-ing at year end
Notes payable				
Centrifuge	$306,870	1.00%	2029	114,415
Commercial St. and Meadow pump stations	342,000	2.75%	2053	181,357
Relining of sewer lines	275,000	2.50%	2055	245,634
Union St. pump station and force main	450,000	2.25%	2058	420,809
Route 96 sewer line	596,000	1.875%	2060	575,234
Maintenance 3	150,000	3.25%	2028	81,167
Maintenance 4	150,000	1.90%	2029	78,989
Maintenance 5	150,000	3.57%	2030	91.950
Eastern Ave. replacement - refinanced	260,000	3.04%	2035	244,865
Total notes payable				$2,034,720

The debt service requirements for the District's notes payable are as follows:

Year ending December 31	Principal	Interest	Fees	Total
2023	$103,122	47,623	850	151,595
2024	105,602	45,143	850	151,595
2025	108,286	42,459	850	151,595
2026	111,009	39,736	850	151,595
2027	113,785	36,937	850	151,572
2028-2032	361,575	152,525	1,701	515,801
2033-2037	277,767	112,302	-	390,069
2038-2042	178,530	84,405	-	262,935
2043-2047	184,573	6,014	-	249,587
2048-2052	205,853	43,734	-	249,587
2053-2057	206,275	20,262	-	226,537
2058-2062	78,343	2,701	-	81,044
Totals	$2,034,720	692,841	5,951	2,733,512

H. Defined benefit pension plan

Plan description

The District participates in the Participating Local District (PLD) Consolidated Plan, which is a cost-sharing, multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

Benefit terms are established in Maine statute; in the case of the PLD plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. MPERS retirement programs provide 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 (the prior ten-year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 65. 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 with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the MPERS Board of Trustees and is currently 1.52%.

Contributions

Retirement benefits are funded by contributions from employee and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employee and employer contribution rates are each a percentage of applicable employee compensation. Employee contribution rates are defined by law, or by the MPERS Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Employees were required to contribute 7.05% and 6.85% of their annual pay for the age 65 AC Plan and 7.8% and 7.6% of their annual pay for the age 60 AC Plan. The District's contractually required rate for the year ended December 31, 2022, was 10.3% and 10.2% of annual pay for the AC Plan. The District made contributions to the pension plan of $35,654 for the year ended December 31, 2022.

Proportionate share of the net pension (asset) liability

At December 31, 2022, the District reported a liability of $122,343 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the pension liability was based on the District's contributions recognized by the plan during the measurement period, adjusted for contributions for employer-specific and employer-paid employee contributions. The District's proportionate share was 0.046% at the end of the measurement period and 0.0471% for the beginning of the period, which represents an decrease of 0.0011%.

Actuarial assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2022
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Assumptions	
Investment rate of return	6.50%
Inflation rate	2.75%
Annual salary increases	2.75%-11.48%
Cost of living adjustments	1.91%

Mortality rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Long-term expected rate of return

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 class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table:

Asset class	Long-term expected real rate of return
Public equities	6.0%
U.S. government	2.3%
Private equity	7.6%
Real assets:	
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.0%
Alternative credit	7.4%
Diversifiers	5.9%

Discount rate

The discount rate used to measure the collective total pension liability was 6.5% for 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. 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 liability.

Discount rate sensitivity analysis

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% decrease	Current rate	1% increase
Proportionate share net pension (asset) liability	$361,435	122,343	(75,276)

Pension expense and deferred items summary

For the year ended December 31, 2022, the District recognized pension expense of $30,747 for its proportionate share of the pension expense. At December 31, 2022, the District reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	$22,736	-
Differences between expected and actual investment earnings	-	51,348
Changes of assumptions	24,831	-
Changes in proportion	-	6,395
Contributions paid subsequent to the measurement date	18,363	-
Total deferred outflows and inflows of resources	$65,931	57,743

Deferred outflows of resources reported $18,363 related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	
2023	$10,039
2024	(12,431)
2025	(31,900)
2026	24,117

Pension plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.mainepers.org.

I. Defined contribution 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 between 2% and 10% of employee pay. Employees are permitted to defer additional funds up to maximums set by the Internal Revenue Code Section 457. For the year ended December 31, 2022, the District contributed $20,483.

J. Other postemployment benefit (OPEB) obligations – health insurance

Plan description

The District sponsors a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Board of Trustees has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Plan membership

At January 1, 2022, membership consisted of:

Inactive members currently receiving benefits	-
Inactive members entitled to but not yet receiving benefits	-
Active members	5
Total	5

Benefits provided

Healthcare and life insurance benefits are provided for retirees and their dependents. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for postretirement benefits. The retiree pays 100% of the premium equivalent rate for coverage elected. The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B, which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage. Medical benefits are provided for the life of the retiree and surviving spouses. The $2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a $2,000 life insurance benefit as well.

Net OPEB liability

At December 31, 2022, the District reported a total OPEB liability of $42,217. The OPEB liability was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial valuation date	January 1, 2022
Measurement date	January 1, 2022
Actuarial cost method	Entry age normal

Assumptions

Inflation rate	2.40%
Annual salary increases	2.75%
Healthcare cost trend rates - non-Medicare	7.67% in 2022
decreasing to	3.53% in 2042
Healthcare cost trend rates - Medicare	8.60% in 2022
decreasing to	3.53% in 2042

Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females.

Actuarial assumptions used for the January 1, 2022, valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.

Discount rate

Using the Bond Buyer 20-Bond GO Index, the discount rate used to measure the total OPEB liability was 2.06%. These rates are assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in total OPEB liability

Balances beginning of year	$41,099
Changes for the period	
Service cost	3,888
Interest	952
Changes of benefits	-
Differences between expected and actual experience	267
Changes of assumptions	(3,799)
Benefit payments	(190)
Net changes	1,118
Balances end of year	$42,217

Discount rate and healthcare rate sensitivity analysis

The following is a sensitive analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the discount rate of 2.06% as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% decrease	Current rate	1% increase
Total OPEB liability	$48,752	42,217	36,794

The table below presents the total OPEB liability of the District calculated using the healthcare rates disclosed above as well as what the total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate:

	1% decrease	Current rate	1% increase
Total OPEB liability	$36,282	42,217	49,507

OPEB expense and deferred items summary

For the year ended December 31, 2022, the District recognized OPEB expense of $5,255. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred outflows	Deferred inflows
Differences between expected and actual experience	$1,545	1,027
Changes of assumptions	6,143	4,218
Contributions paid subsequent to the measurement date	294	-
Total deferred outflows and inflows of resources	$7,982	5,245

Deferred outflows of resources reported $294 related to OPEB resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30	
2023	$415
2024	421
2025	392
2026	714
2027	706
Thereafter	(205)

K. Net position

The District has sinking fund requirements for debt issuances through the United States Department of Agriculture. The District is required to set aside 10% of the annual payment for 10 years until the sinking fund equals one annual installment. The District currently has four loans through the USDA that require sinking funds.

The District also has a sinking fund requirement in its charter which states, "To provide each year a sum equal to not less than 1% nor more than 5% of the entire indebtedness created by said district, which sum shall be used to pay serial bonds or notes when due or be turned into a sinking fund and there kept to provide for the extinguishment of said indebtedness."

The sinking fund requirements for the District for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Charter requirement at 5% maximum	$123,688	135,279
USDA loan 92-13	14,207	12,786
USDA loan 92-15	7,997	6,855
USDA loan 92-17	6,872	5,154
USDA loan 92-19	4,623	2,131
Total restricted net position	$157,027	162,205

The Board of Trustees have also set up certain reserves for the District. These amounts do not qualify to be reported as restricted net position and are reported as unrestricted, Board committed. The reserves committed by the District at December 31, 2022 and 2021 are as follows:

	2022	2021
District sinking fund - excess of requirement	$874,801	859,504
Entrance fees	128,551	126,436
Truck replacement reserve	110,956	103,608
Equipment replacement reserve	458,648	510,753
Unemployment reserve	20,115	21,028
Earned time reserve	123,308	129,036
Escrows	1,643	1,635
Total unrestricted, board committed	$1,718,022	1,752,000

L. 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; and natural disasters. The District carries commercial insurance and participates in public entity risk pools sponsored by the Maine Municipal Association. Based on the coverages provided, the District is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2022.

M. Contingencies

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

N. Restatement of net position

As of January 1, 2022, the District has restated its financial statements to include unbilled receivables and compensated absences liability. This restatement increased net position by $273,369, unbilled receivables by $304,817, and compensated absences by $31,448. Unbilled receivables consist of sewer usage fees for October through December that are not billed to customers until after year end. Compensated absences consist of accumulated earned time that would be paid to an employee upon resignation or termination.

Boothbay Harbor Sewer District

Required supplementary information
Schedule of District's proportionate share of the net pension liability
Maine Public Employees Retirement System
Last ten fiscal years (only six years available)

		2022	2021	2020	2019	2018	2017
PLD plan							
District's proportion of the net pension liability		0.4600%	0.0471%	0.0508%	0.0485%	0.0488%	0.2807%
District's proportionate share of the net pension liability	$	122,343	(15,137)	201,982	148,195	133,541	114,933
District's covered payroll		347,906	357,697	334,794	299,994	290,519	295,652
District's proportionate share of the net pension liability as a percentage of its covered payroll		35.17%	-4.23%	60.33%	49.40%	45.97%	38.87%
Plan fiduciary net position as a percentage of the total pension liability		(9,326)	100.86%	88.35%	90.62%	91.14%	86.43%

Schedule of District's pension contributions
Maine Public Employees Retirement System
Last ten fiscal years (only eight years available)

		2022	2021	2020	2019	2018	2017
PLD plan							
Contractually determined contribution	$	35,654	34,756	33,560	31,182	27,938	2,318
Contributions in relation to the contractually required contribution		(35,654)	(34,756)	(33,560)	(31,182)	(27,938)	(2,318)
Contribution deficiency (excess)	$	-	-	-	-	-	-
District's covered payroll		347,906	357,697	334,794	299,994	290,519	24,454
Contributions as a percentage of covered payroll		10.25%	9.72%	10.02%	10.39%	9.62%	9.48%

Boothbay Harbor Sewer District

Required supplementary information
Schedule of changes in the District's total OPEB liability and related ratios
Last ten fiscal years (only five years available)

		2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$	3,888	3,392	2,116	2,319	2,894
Interest		952	1,036	1,099	899	864
Changes of benefits		-	-	(730)	-	-
Differences between expected and actual experience		267	-	2,108	-	(3,602)
Changes of assumptions		(3,799)	2,355	5,284	(2,242)	3,755
Benefit payments		(190)	(183)	(115)	(111)	(11)
Net change in total OPEB liability - MMEHT plan		1,118	6,600	9,762	865	3,900
Total OPEB liability - beginning		41,099	34,499	24,737	23,872	19,972
Total OPEB liability - ending	$	42,217	41,099	34,499	24,737	23,872
Covered-employee payroll	$	338,147	301,934	301,934	245,565	245,565
Total OPEB liability as a percentage of covered-employee payroll		12.48%	13.61%	11.43%	10.07%	9.72%

Boothbay Harbor Sewer District

Notes to required supplementary information

Pension plans

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2021	2020	2019	2018	2017	2016	2015	2014
Discount rate	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases	2.75-11.48%	2.75% + merit	2.75-9.00%	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Cost of living increases	1.91%	1.91%	2.20%	2.20%	2.20%	2.55%	3.12%	3.12%

Mortality rates - **2015**: RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. **2016**: RP2014 Total Data Set Healthy Annuitant Mortality Table. **2021**: 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table

Other postemployment benefit (OPEB) obligations - health insurance

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2021	2020	2019	2018	2017	2016
Discount rate	2.06%	2.12%	2.74%	4.10%	3.44%	3.78%

Valuation method - In 2018, changed from the projected unit credit funding method to the entry age normal funding method.

Boothbay Harbor Sewer District

Budget to actual - budgetary basis
For the year ended December 31, 2022

		Budget	Actual	Variance
Revenues				
Residential user fees - year round	$	565,000	534,658	(30,342)
Ready to serve		11,069	9,869	(1,200)
Residential user fees - seasonal		200,000	188,072	(11,928)
Commercial user fees - year round		630,000	690,895	60,895
Commercial user fees - seasonal		114,000	117,094	3,094
Interest charged on account		2,500	2,914	414
Entrance fees		10,000	7,880	(2,120)
Other user revenue		3,000	10,257	7,257
Non user revenue		1,500	3,428	1,928
Lien fees added		2,500	1,313	(1,187)
Septage fees		60,000	72,081	12,081
Water meter sales		1,000	750	(250)
Water meter read assessment		18,450	19,318	868
Interest income (loss)		33,600	(83,098)	(116,698)
All other		-	3,969	3,969
Total revenues		1,652,619	1,579,400	(73,219)
Expenses				
Administration and professional services		135,869	145,783	(9,914)
Protection and insurances		26,919	24,725	2,194
Fringe benefits		208,803	183,897	24,906
Plant operations		287,651	288,090	(439)
Pump stations and collection system		111,500	206,490	(94,990)
Personnel		388,320	365,701	22,619
Debt retirement and sinking funds		284,528	351,861	(67,333)
Depreciation		500,000	465,479	34,521
Total expenses		1,943,590	2,032,026	(88,436)
Net income (loss)		(290,971)	(452,626)	(161,655)
Net income (loss) less depreciation	$	209,029	12,853	(196,176)

Reconciliation of expenses from budgetary to GAAP basis:

Total expenses per budgetary basis	$	2,032,026
Less prinicipal payments on debt		(231,829)
Less interest expense reported in nonoperating		(49,648)
Decrease in accrued interest		(1,390)
Less transfers to reserves		(68,994)
Less capitalized equipment		(81,793)
Increase in compensated absences liability		14,735
Expensed engineering studies for potential projects		27,243
Total operating expenses per GAAP basis	$	1,640,350