

BOOTHBAY HARBOR SEWER DISTRICT  
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DECEMBER 31, 2020

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Boothbay Harbor Sewer District  
Boothbay Harbor, Maine

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities of the Boothbay Harbor Sewer District, as of and for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 20, 2021, on our consideration of the Boothbay Harbor Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Boothbay Harbor Sewer District's internal control over financial reporting and compliance.

Bath, Maine

May 20, 2021

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

Board of Trustees  
Boothbay Harbor Sewer District  
Boothbay Harbor, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Boothbay Harbor Sewer District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Boothbay Harbor Sewer District's basic financial statements and have issued our report thereon dated May 20, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Boothbay Harbor Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Boothbay Harbor Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boothbay Harbor Sewer District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Boothbay Harbor Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bath, Maine

May 20, 2021

## **Management's Discussion and Analysis**

### **Introduction**

As management of the Boothbay Harbor Sewer District (BHSD), we offer readers of the BHSD's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2020. 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.

In March 2020, the World Health Organization characterized a novel strain of the coronavirus, known as COVID-19, as a pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impact have created substantial disruption in the state and local economies. Throughout this management's discussion and analysis, we discuss the evolving impact of the COVID-19 pandemic on our operations and financial condition.

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 decreased by \$105,931.
- \$ Total Operating revenues increased \$19,028 from last year.
- \$ Operating expenses excluding depreciation decreased \$45,051 from year 2019.
- \$ Non-operating revenues (investment income) decreased by \$2,518 from 2019.
- \$ BHSD's long-term debt increased by \$183,325 to \$2,644,792.

### **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 profitability 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 decreased by \$105,931 during FY 2020 to \$1,128,205. The change in current assets reflects increased expenditures from the Vehicle Replacement Reserve and Equipment Replacement Reserve. The BHSD's total assets increased by \$208,895 in 2020. Capital assets increased by \$711,782 because of the installation of the Route 96 Sewer Line and upgraded equipment. Total liabilities increased by \$156,466 in 2020. This increase was driven by the Route 96 Sewer Line bond debt.

Since the middle of March 2020, the state and local economy has experienced unprecedented disruption due to the COVID-19 pandemic. Given the uncertainty about the duration and impact of the pandemic, it is still too early to predict how and when the state and local economies may recover. Our local economy has been hit extremely hard. Revenues from tourism, hospitality, and food service sectors are down 15-20%. As a result, the trustees have waived late fees for all customer classes. Lien actions are still in effect, but foreclosure actions have been waived for the immediate future. This policy will be revisited in the third quarter 2021. In addition, some major capital projects are deferred.

We believe we will experience the most significant impact from the COVID-19 pandemic in the second and third quarters of 2021. This will be directly due to 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 state economic crisis caused by the COVID-19 pandemic. While the duration of the COVID-19 pandemic and the long-term impacts on the state economy are uncertain, for purposes of our planning and revenue estimates, we have assumed that the state economy will gradually recover 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 \$73,086. Long-term debt increased by \$183,252. Major additions include the replacement of the Route 96 Sewer line, the upgrade of the control and telemetry panels at 6 pump stations, the replacement of the plant influent pumps, and the purchase of an odor scrubber for the dewatered sludge holding room.

In November 2001, the District issued \$3.4 million in revenue bonds to refinance bonds that were used for expansion and improvements of the District's sewer and treatment system. The old bonds ranged in interest rates from 4.75% to 5.125% and matured in 40 years. The new bond bears an interest rate of 2.22% with an effective rate of 2.60%. This bond matures in year 2021. The District saved a considerable amount of money by reducing the interest rate while shortening the life of the bond by 20 years.

In 2003, the District issued \$407,000 in revenue bonds to fund the Eastern Avenue Sewer Replacement/Expansion Project. This bond holds an interest rate of 4.625% and matures in 40 years. The District made its seventeenth payment on this bond in February of 2020.

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 seventh payment was made in 2020. In addition, the District made an additional payment of \$100,000 on the principal of this loan during 2020.

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 fifth payment was made this year (2020).

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.

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.



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 carries an interest rate of 2.25% and matures in 40 years. The second payment was made in May 2020.

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 carries an interest rate of 1.875% and matures in 40 years. The first payment will be made in April 2021.

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, and the \$596,000 Route 96 Sewer Bond. \$55,000 was appropriated to the District's sinking fund, \$2,400 was appropriated for the Eastern Avenue Sinking Fund, \$1,500 was appropriated for the Commercial Street/Meadow Pump Station Sinking Fund, \$1,143 was appropriated for the Relining sinking fund, \$1,719 was appropriated for the Union Street Sinking Fund, and \$2,132 will be appropriated for the Route 96 Sewer Sinking Fund in 2021. The total of all the sinking fund accounts was \$984,844 as of December 31, 2020.

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 \$90,661; \$12,500 was budgeted for 2020 to be added to the reserve. This account is used to replace aging fleet vehicles. The Entrance Fee reserve account has a value of \$109,855. 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 \$576,210. 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; \$64,653 was added to this account during 2020. The Unemployment Reserve Account has a value of \$20,775. 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 \$126,772. 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 \$1,518 and the DOT escrow account contains \$47,784. This account contains the road opening permit fees for the Route 96 Sewer Replacement and Extension. The funds will be returned to the District one year after project completion. It is anticipated the funds will be released to the District sometime in May 2021.

### **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 Eastern Avenue Bond, the Commercial Street/Meadow Pump Station Bond, the Relining Bond, the Union Street Pump Station Bond, and the Route 96 Sewer Replacement Bond. These funds require an annual appropriation of 10% of the annual debt payment for 40 years. 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 financial management.

We have historically 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 the economic crisis caused by the COVID-19 pandemic.

Total Operating Revenues (Table 1) as of December 31, 2020, were \$1,658,026 compared to \$1,640,582 for the same period last year, an increase of \$17,444, or 1.06%. The budgeted amount for FY 2020 was \$1,698,060. The reasons for the budget variance are described below.

**Table 1**

**Operating Revenue**

Line-Item	Prior Year (2019) Actual	2020 Annual Budget	2020 Year Ending	2020 Actual Over(Under)
Users Charge - Residential (Y)	533,561	560,000	570,087	10,087
Users Charge - Ready-To-Serve	11,700	10,560	11,069	509
Users Charge - Residential (S)	191,326	204,000	211,249	7,249
Users Charge - Commercial (Y)	655,863	660,000	636,333	(23,667)
Users Charge - Commercial (S)	146,739	157,000	109,796	(47,204)
Interest charged on Customer Acct.	4,420	2,500	1,558	(942)
Septage Fees	46,469	40,000	65,713	25,713
Entrance Fees	11,532	5,000	10,263	5,263
Other Users fees	2,326	4,000	1,596	(2,404)
Non-User Fees	1,305	1,500	1,260	(240)
Lien Fees Added	2,675	3,000	1,701	(1,299)
Water Meter Sales	1,025	1,000	1,525	525
Water Meter Reading Assessment BRWD	16,873	17,500	17,398	(102)
Abatements and Adjustments	0	0	0	0
Equipment Sales	235	0	4,130	4,130
Miscellaneous Income	0	0	550	5500
Interest Income	14,533	32,000	13,798	(18,202)
<b>Total Operating Revenue</b>	<b>1,640,582</b>	<b>1,698,060</b>	<b>1,658,026</b>	<b>(40,034)</b>
NOTE: (S) – Seasonal (Y) – Year-Round				

Wastewater charges totaled \$1,658,026 as of December 31, 2020. This represents an increase of \$17,444 from 2019. The amount budgeted for FY 2020 was \$1,698,660. The increase was due in large part to increased Septage revenue. Total commercial sales were \$56,473 lower than 2019 and were lower than budget projection. Business activity across the area saw a significant decrease in 2020. The decrease in commercial revenue was due to the Covid-19 pandemic travel restrictions and the associated business and social restrictions imposed by the Governor.

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 (2019) Actual</b>	<b>2020 Annual Budget</b>	<b>2020 Year to Date</b>	<b>2020 Actual (Over) Under</b>
Payroll	310,794	321,819	344,181	(22,362)
Overtime	13,426	16,000	15,156	844
Retirement	35,340	39,775	39,891	(116)
Health Insurance	77,467	83,676	83,205	471
Health Insurance Deductible Payout	10,946	17,000	8,357	8,643
Dental Insurance	5,029	5,520	4,929	591
Unemployment Benefits	0	50	1,423	(1,373)
Employer Social Security	20,267	23,250	21,883	1,367
Employer Medicare	4,767	5,438	5,308	130
Plant & Pump Stations O & M	663,901	602,251	657,787	(55,536)
Administration/Office/Insurances/Training	81,431	108,429	88,051	20,378
Professional Services	42,133	45,500	31,664	13,836
Debt Retirement	368,755	394,657	481,575	(86,918)
Depreciation	417,289	375,000	451,573	(76,573)
<b>Total Operating Expenses</b>	<b>2,051,545</b>	<b>2,038,365</b>	<b>2,234,983</b>	<b>(196,618)</b>

Labor expenses comprise the bulk of service and administrative costs. As of December 31, 2020, labor costs, including benefits, were \$524,333 compared to \$478,036 for the same period last year. The bulk of the labor expense increase was due to full employee staffing during 2020. In addition to the increase in labor expenses, utilities, materials and supplies, maintenance and repair expenses, fuel and chemical expenses increased by a total of \$6,114.

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 2020, the District used 10.6% less electricity at the plant than during 2019. The District continues to shed power during peak demand summer periods. The collection system electrical usage decreased 7.6% this year. Some of this activity is directly related to a drier precipitation season. The maintenance and repair expenses were \$55,536 below budgeted amounts. Professional services, specifically legal and engineering work, decreased during 2020.

Net Operating Expenses excluding depreciation were \$1,783,410 in FY 2020 compared to \$1,634,256 in FY 2019. This change reflects an increase of \$149,154 (9.1%) and was \$120,045 more than the budgeted amount of \$1,663,365. The decrease resulted from an additional debt payment of \$100,000 toward the Commercial Street/Meadow Pump Station Bond Debt.

Depreciation expense of \$451,573 was \$34,284 more than the FY 2019 amount. This increase in depreciation is directly due to new system-wide equipment installation, replacement and the installation of the new Route 96 sewer main, and the purchase of new vehicles.

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**

<b>Line-Item</b>	<b>Prior Year (2019) Actual</b>	<b>2020 Annual Budget</b>	<b>2020 Year to Date</b>	<b>2020 Actual YTD (Over) Under</b>
District Sinking Fund	55,000	50,000	50,000	0
RECD Sinking Fund (E. Ave.)	2,350	2,350	2,350	0
RECD Sinking Fund PS (Comm/Mead)	1,500	1,500	1,500	0
RECD Sinking Fund (Relining)	1,143	1,143	1,143	0
RECD Sinking Fund (Union Street)	1,719	1,719	1,719	0
RECD Sinking Fund (Route 96)	0	0	0	0
Vehicle Replacement Reserve	92,500	12,500	12,500	0
Interest MMBB Centrifuge	2,575	2,511	2,423	88
Interest MMBB Bond	15,856	17,000	11,351	5,649
Interest USDA Bond Eastern Avenue	14,898	15,030	14,546	484
Interest USDA Bond Comm. St./Meadow	8,459	8,401	5,959	2,442
Interest USDA Bond Relining 1	7,151	7,120	7,034	86
Interest USDA Bond Union Street	10,025	15,799	9,864	5,935
Interest USDA Bond RT 96 Sewer Replacement	0	11,600	11,546	54
Interest Maintenance Bond 1 (2015)	2,789	2,621	2,327	294
Interest Maintenance Bond 2 (2016)	3,700	2,913	3,268	(355)
Interest Maintenance Bond 3 (2017)	4,324	3,403	3,890	(487)
Interest Maintenance Bond 4 (2018)	2,363	2,268	2,123	145
Interest Maintenance Bond 5 (2019)	1,189	4,644	4,362	282
Principal MMBB Bond	201,787	206,267	206,267	0
Principal MMBB Centrifuge	15,243	15,395	15,394	1
Principal USDA Bond Eastern Avenue	7,319	7,881	7,657	224
Principal USDA Bond Comm. St./Meadow	5,651	5,807	106,420	(100,613)
Principal USDA Bond Relining 1	4,189	4,304	4,304	0
Principal USDA Bond Union Street	7,056	7,215	7,215	0
Principal USDA Bond RT 96 Sewer Replacement	0	0	0	0
Principal Maintenance Bond 1 (2015)	14,696	14,788	15,158	(370)
Principal Maintenance Bond 2 (2016)	13,808	14,520	14,241	279
Principal Maintenance Bond 3 (2017)	13,306	13,464	13,741	(277)
Principal Maintenance Bond 4 (2018)	10,650	11,657	11,824	(167)
Principal Maintenance Bond 5 (2019)	0	11,469	10,527	942
<b>Total Debt/Reserve Fund Expenses</b>	<b>521,246</b>	<b>475,289</b>	<b>560,653</b>	<b>(85,364)</b>

## **Results of Operations**

Since the middle of March 2020, the state and local economy has experienced unprecedented disruption due to the COVID-19 pandemic. Given the uncertainty about the duration and impact of the pandemic, it is still too early to predict how and when the state and local economies may recover. Our local economy has been hit extremely hard. Tourism, hospitality, and food service sectors are down by 15-20%. This has a direct effect on revenue realized from these sectors.

We believe we will experience the most significant impact from the COVID-19 pandemic in the second and third quarters of 2021. This will be directly due to reduced minimum billing revenue of the commercial sector resulting from decreased commercial sales during 2020.

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

Entrance Fees are assessed when entrance permits are secured. Entrance fees are broken down further by Project. Entrance to the old system is \$1,000 per unit. Entrance to the Roads End line is \$1,500 per unit. Entrance to the Lobster Cove line is \$2,000 per unit. Entrance to Eastern Avenue, Kennyfield Drive, and Highland Park Road is \$2,500 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 900 cubic feet of consumption and a rate per 100 cubic feet of consumption beyond 900 cubic feet. The minimum bill generates enough revenue to cover the District's annual debt retirement obligations and a portion of the annual depreciation expenses. During 2020, the Boothbay Region Water District raised the fee it charges per meter reading from \$4.37 to \$4.50. In 2020, the BBRWD applied the first cost escalator resulting in a reading fee of \$4.56 per reading. The District trustees elected to separate this fee from the sewer use fee and simply pass the fee through on each customer invoice. The trustees are studying the opportunity to return to a flat rate to avoid passing the meter reading fee onto customers.

The sewer user rate during fiscal 2020 was \$12.50 per 100 cubic feet of consumption. During the 2020 Budget process, the Board of Trustees maintained the minimum rate at \$112.50 per quarter for 900 cubic feet of consumption and increased the rate per 100 cubic feet over 900 to \$13.13 per 100 cubic feet block. The increase in rates is due to the continued work outlined in the Capital Improvement Program (CIP) and the CIP is projected to last for the next 10 years and cover the debt retirement for the CIP.

### **Other Significant Matters**

The Department of Environmental Protection has advised the district year-round disinfection will be required under the new discharge permit. In addition, it is anticipated, new limits for Enterococci bacteria, and nutrients will be imposed. The current discharge permit expired in October 2020 and is in the process of renewal. 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 this information has been assembled into a Geographic Informational System (GIS). This system provides sub-meter accuracy for location of all District infrastructures. All video inspection footage, manhole inspection information, as-built plans, residential flow data, and all sewer service tie information has been incorporated. The system will 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 properly 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 infrastructure was inspected and was found to be deficient. New infrastructure was purchased, and a spring 2021 install is planned.

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). It is anticipated the Project will be completed during the spring of 2021. Any remaining funds will be used on 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 Rt. 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 with 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. It is anticipated payments will start 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. A spring 2021 evaluation report is expected. The evaluation will be done in conjunction with Efficiency Maine.

In addition, 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 has commenced for the replacement of the Fullerton Street/Tupper Road Sewer Line. Survey work will commence in the spring of 2021.

Finally, COVID-19 has caused us to modify several of our business practices and operations and we may take further actions as may be required by government authorities or that we believe are in the best interests of our employees and the people we serve. Most of our employees have received vaccine, practice universal precautions, and employ social distancing. Illness and workforce disruptions could lead to the unavailability of senior management or other key personnel and adversely impact our ability to perform critical functions. We cannot provide any assurance that our measures will be sufficient to mitigate the risks posed by COVID-19.

Many of the risks discussed are, and could be, exacerbated by the COVID-19 pandemic and any worsening of the state business and economic environment as a result. Developments related to COVID-19 have been rapidly changing, and additional impacts and risks may arise that we may not currently be aware of or are able to appropriately respond to, including if the pandemic is prolonged or expands more widely around the state. While we are closely monitoring the impact of the COVID-19 pandemic, the future impact of the pandemic is highly uncertain and cannot be predicted and there is no assurance that the pandemic will not have a material adverse impact in the future financial condition or results of operations. The extent of the impact, individually or in the aggregate, will depend on future developments, including actions taken to contain the financial and economic impact of the pandemic. Even after the pandemic and related containment measures subside, we may continue to experience adverse impacts to our financial condition and results of operations, the extent of which may be material.

### **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, 2020 AND 2019

ASSETS AND DEFERRED OUTFLOWS			LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
	2020	2019		2020	2019
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash Checking (Note B)	\$ 203,931.42	\$ 400,733.10	Notes Payable - Current Portion (Note D)	\$ 332,629.01	\$ 312,468.32
Cash Savings (Note B)	924,273.08	833,402.39	Accounts Payable	9,899.95	416,914.18
Accounts Receivable	20,811.83	29,517.67	Accrued Interest	36,851.92	33,533.23
Prepaid Insurance	10,137.46	7,653.13	Payroll Liabilities	1,227.38	799.77
Total Current Assets	<u>\$ 1,159,153.79</u>	<u>\$ 1,271,306.29</u>	Total Current Liabilities	<u>\$ 380,608.26</u>	<u>\$ 763,715.50</u>
<b>PROPERTY, PLANT, AND EQUIPMENT (NOTE C):</b>			<b>LONG-TERM LIABILITIES:</b>		
Land and Rights of Way	\$ 29,130.32	\$ 29,130.32	Notes Payable - Net of Current Portion (Note D)	\$ 2,312,163.28	\$ 2,149,071.50
Land Improvements	85,754.25	85,754.25	Pension Liability	201,982.00	148,195.00
Pumping Stations	2,979,671.38	2,968,167.25	OPEB Liability	34,499.00	24,737.00
Buildings	3,592,655.28	3,592,655.28	Total Long-Term Liabilities	<u>\$ 2,548,644.28</u>	<u>\$ 2,322,003.50</u>
Plant Machinery and Equipment	2,317,909.33	2,062,499.36	Total Liabilities	<u>\$ 2,929,252.54</u>	<u>\$ 3,085,719.00</u>
Tools and Shop Equipment	78,565.80	69,703.12			
Trucks	170,539.30	156,006.04			
Office and Laboratory Equipment	72,751.35	68,910.70			
Sewer Lines	6,352,289.28	5,977,965.27			
Total Property, Plant, and Equipment	<u>\$ 15,679,266.29</u>	<u>\$ 15,010,791.59</u>	<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Less: Accumulated Depreciation	<u>(8,182,296.81)</u>	<u>(7,770,160.55)</u>	Related to Pension (Note K)	\$ 2,686.00	\$ 37,817.00
Net Property, Plant, and Equipment	<u>\$ 7,496,969.48</u>	<u>\$ 7,240,631.04</u>	Related to Other Post Employment Benefits (Note L)	3,659.00	4,494.00
			Total Deferred Inflows of Resources	<u>\$ 6,345.00</u>	<u>\$ 42,311.00</u>
<b>OTHER ASSETS:</b>			<b>NET POSITION:</b>		
Bond Sinking Fund (Note E)	\$ 984,844.21	\$ 905,269.47	Net Investment in Capital Assets	\$ 4,852,177.19	\$ 4,779,091.22
Capital Reserves (Note B)	49,301.65	48,973.70	Restricted:		
			Bond Sinking Fund (Note E)	984,844.21	905,269.47
			Capital Reserves	49,301.65	48,973.70
Total Other Assets	<u>\$ 1,034,145.86</u>	<u>\$ 954,243.17</u>	Unrestricted	924,634.10	676,295.07
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			Total Net Position	<u>\$ 6,810,957.15</u>	<u>\$ 6,409,629.46</u>
Related to Pension	\$ 47,491.56	\$ 68,684.96			
Related to Other Post Employment Benefits (Note L)	8,794.00	2,794.00			
Total Deferred Outflows of Resources	<u>\$ 56,285.56</u>	<u>\$ 71,478.96</u>			
Total Assets and Deferred Outflows	<u><u>\$ 9,746,554.69</u></u>	<u><u>\$ 9,537,659.46</u></u>	Total Liabilities, Deferred Inflows, and Net Position	<u><u>\$ 9,746,554.69</u></u>	<u><u>\$ 9,537,659.46</u></u>

BOOTHBAY HARBOR SEWER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	%	2019	%
OPERATING REVENUES:				
Residential and Commercial Services	\$ 1,604,247.22	97.90	\$ 1,585,545.39	97.71
Entrance Fees	10,262.50	0.63	11,532.00	0.71
Miscellaneous	24,130.10	1.47	22,534.21	1.58
Total Operating Revenues	<u>\$ 1,638,639.82</u>	<u>100.00</u>	<u>\$ 1,619,611.60</u>	<u>100.00</u>
OPERATING EXPENSES:				
Salaries and Wages	\$ 362,286.71	22.11	\$ 326,959.43	20.15
Advertising	1,539.25	0.09	6,816.20	0.42
Dues and Subscriptions	3,042.74	0.19	3,494.00	0.22
Fringe Benefits	82,666.93	5.04	116,235.60	7.16
Insurance - Bonds	139.67	0.01	139.67	0.01
Insurance - Business	21,982.00	1.34	22,061.00	1.36
Insurance - Employee Benefits	97,914.15	5.97	93,441.80	5.76
Licenses and Fees	2,216.62	0.14	1,600.84	0.10
Miscellaneous	19,476.57	1.19	18,657.69	1.15
Office Supplies	11,612.51	0.71	11,375.86	0.70
Operating Supplies	47,111.33	2.88	36,332.82	2.24
Payroll Taxes	27,191.12	1.66	25,034.79	1.54
Professional Fees	31,663.65	1.93	42,132.99	2.60
Service Contracts	28,032.50	1.71	23,883.78	1.47
Repairs and Maintenance	174,197.43	10.63	221,904.44	13.67
Telephone and Utilities	70,489.84	4.30	79,534.07	4.90
Training	7,764.87	0.47	5,103.71	0.31
Travel and Entertainment	2,669.20	0.16	2,469.89	0.15
Truck Expenses	11,399.65	0.70	11,269.18	0.70
Total Operating Expenses	<u>\$ 1,003,396.74</u>	<u>61.23</u>	<u>\$ 1,048,447.76</u>	<u>64.61</u>
Income From Operations	<u>\$ 635,243.08</u>	<u>38.77</u>	<u>\$ 571,163.84</u>	<u>35.39</u>
OTHER INCOME (EXPENSE):				
Depreciation:				
On Assets Acquired with Own Funds	\$ (304,285.26)		\$ (274,418.52)	
On Assets Acquired with Contributions in Aid of Construction	(147,288.00)		(142,870.00)	
Interest Income	15,028.59		18,265.20	
Interest Expense	(78,691.41)		(74,049.68)	
Sinking Fund Interest	22,862.74		21,784.46	
Capital Reserve Interest	327.95		687.15	
Abatements and Adjustments			69,700.00	
USDA Construction Grants	254,000.00			
Gain on Sale of Assets	4,130.00			
Total Other Income (Expense)	<u>\$ (233,915.39)</u>		<u>\$ (380,901.39)</u>	
Net Income	\$ 401,327.69		\$ 190,262.45	
Net Position, January 1	6,409,629.46		6,219,367.01	
Net Position, December 31	<u>\$ 6,810,957.15</u>		<u>\$ 6,409,629.46</u>	

BOOTHBAY HARBOR SEWER DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Residential and Commercial Services	\$ 1,612,953.06	\$ 1,556,817.83
Entrance Fees	10,262.50	11,532.00
Miscellaneous Receipts	24,130.10	25,660.48
Grants/Contributions	254,000.00	69,700.00
Total Receipts	<u>\$ 1,901,345.66</u>	<u>\$ 1,663,710.31</u>
<b>EXPENDITURES:</b>		
Payments to Employees	\$ 362,286.71	\$ 326,959.43
Payments to Vendors	1,007,404.58	304,574.15
Total Disbursements	<u>\$ 1,369,691.29</u>	<u>\$ 631,533.58</u>
Net Cash Provided by Operating Activities	<u>\$ 531,654.37</u>	<u>\$ 1,032,176.73</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of Property, Plant, and Equipment	\$ (711,781.70)	\$ (756,567.92)
Proceeds from Sale of Assets	8,000.00	
Interest Income	15,028.59	18,265.20
Net Cash Used in Investing Activities	<u>\$ (688,753.11)</u>	<u>\$ (738,302.72)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Transfer to Capital Reserve	\$ -	\$ 86,948.16
Proceeds from Issuance of Debt	596,000.00	124,749.12
Bonded Debt Retirement	(412,747.53)	(293,705.48)
Sinking Fund Appropriations	(56,712.00)	(60,172.00)
Interest Paid on Debt	(75,372.72)	(74,049.68)
Net Cash Provided by (Used in) Financing Activities	<u>\$ 51,167.75</u>	<u>\$ (216,229.88)</u>
(Decrease) Increase in Cash	<u>\$ (105,930.99)</u>	<u>\$ 77,644.13</u>
Cash Balance, January 1	1,234,135.49	1,156,491.36
Cash Balance, December 31	<u>\$ 1,128,204.50</u>	<u>\$ 1,234,135.49</u>
Increase in Net Assets (Exhibit B)	\$ 401,327.69	\$ 190,262.45
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided by Operating Activities:		
Depreciation	451,573.26	417,288.52
(Gain) on Sale of Assets	(4,130.00)	
Interest Income Reported in Operations	(38,219.28)	
Interest Expense in Financing Activities	78,691.41	
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	8,705.84	(15,807.22)
(Increase) Decrease in Prepaid Assets	(2,484.33)	10,732.97
(Decrease) Increase in Accounts Payable and Accrued Expenses	(406,586.62)	429,700.01
Increase (Decrease) in Pension and OPEB Costs	42,776.40	
Net Cash Provided by Operating Activities	<u>\$ 531,654.37</u>	<u>\$ 1,032,176.73</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Interest	\$ 75,372.72	\$ 74,049.68

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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, 2020

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, 2020

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 services lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

h. Pensions:

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

i. Net Position - Governmental Funds:

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

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

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

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

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

5. Implementation of New Accounting Standards

During the year ended December 31, 2020 the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

- a. Statement No. 83, "Certain Asset Retirement Obligations". The objective of the statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. Management has determined that this statement is not applicable.
- b. Statement No. 84, "Fiduciary Activities". The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The District is currently evaluating whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists to determine if the fiduciary fund should be included in the basic financial statements of future years.
- c. Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has determined that the impact of this statement is not material to the financial statements.
- d. Statement No. 90, "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61", effective for the fiscal year end December 31, 2020. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management has determined that the impact of this statement is not material to the financial statements.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

6. Future Accounting Pronouncements

- a. Statement No. 87, "Leases", effective for the fiscal year end 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. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" is effective for the fiscal 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.
- c. 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.
- d. 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 notable, 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, 2020

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

6. Future Accounting Pronouncements (Cont'd)

- e. 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.
- f. 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.
- g. 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

In January of 2020 planning began for relining work of the remainder of AC pipe in the District's collection system. Wright Pierce has been selected for engineering of the project. Project costs were estimated to be \$959,070 and another \$30,000 +/- for engineering, legal, and administrative/contingency. On January 6, 2020 the Board of Trustees approved the Superintendent to secure funding for the project through USDA Rural Development. On June 1, 2020 a public hearing was held for a vote on funding the project. Funding for the project was secured through USDA Rural Development in the form of a loan for \$650,000 at 1.75% for 40 years, and a grant of \$338,500. The project will include relining of asbestos cement sewer pipe along Townsend Avenue, Howard Street, Oak Street, West Street, Giles Place, and Western Avenue. The project's completion is anticipated to be during spring of 2021.

After the Boothbay Harbor Sewer District's year end the community is still being impacted by the COVID-19 Virus. The Boothbay Harbor Sewer District has reviewed their operations and is currently evaluating the impact of the crisis on their operations. While there is a financial impact to the Boothbay Harbor Sewer District it is currently unknown the full extent this crisis will have on its operations and funding.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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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	\$ 2,162,250.36	\$ 2,208,484.06	\$ 250,000.00	\$ 1,958,484.06	\$

NOTE C - PROPERTY, PLANT, AND EQUIPMENT:

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

	BALANCE JANUARY 1, 2020	ADDITIONS	DISPOSALS	BALANCE DECEMBER 31, 2020
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	2,968,167.25	11,504.13		2,979,671.38
Buildings	3,592,655.28			3,592,655.28
Plant Machinery and Equipment	2,062,499.36	255,409.97		2,317,909.33
Tools and Shop Equipment	69,703.12	8,862.68		78,565.80
Trucks	156,006.04	57,840.26	(43,307.00)	170,539.30
Office and Laboratory Equipment	68,910.70	3,840.65		72,751.35
Sewer Lines	5,977,965.27	374,324.01		6,352,289.28
Total	\$ 15,010,791.59	\$ 711,781.70	\$ (43,307.00)	\$ 15,679,266.29
Accumulated Depreciation	(7,770,160.55)	(451,573.26)	39,437.00	(8,182,296.81)
Net Book Value of Property, Plant, and Equipment	<u>\$ 7,240,631.04</u>	<u>\$ 260,208.44</u>	<u>\$ (3,870.00)</u>	<u>\$ 7,496,969.48</u>

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE D - NOTES PAYABLE:

The following is a summary of Notes Payable at December 31, 2020:

	BALANCE JANUARY 1, 2020	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2020
Maine Municipal Bond Bank	\$ 417,113.07	\$	\$ 206,266.97	\$ 210,846.10
Maine Municipal Bond Bank	161,062.00		15,394.00	145,668.00
United States Department of Agriculture	321,266.44		7,657.43	313,609.01
United States Department of Agriculture	305,482.19		106,419.77	199,062.42
United States Department of Agriculture	442,944.00		7,214.76	435,729.24
United States Department of Agriculture	258,905.09		4,304.11	254,600.98
United States Department of Agriculture		596,000.00		596,000.00
The First - Line of Credit	81,202.74		15,158.10	66,044.64
The First - Line of Credit	109,826.48		14,241.01	95,585.47
The First - Line of Credit	123,817.39		13,740.56	110,076.83
The First - Line of Credit	115,171.30		11,823.64	103,347.66
The First - Line of Credit	124,749.12		10,527.18	114,221.94
	<u>\$ 2,461,539.82</u>	<u>\$ 596,000.00</u>	<u>\$ 412,747.53</u>	<u>\$ 2,644,792.29</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.

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, 2020

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.

The First, N.A.

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

The First, N.A.

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

The First, N.A.

The First line of credit has an interest rate of 3.25%. Interest only payments began March 20, 2017 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.

The First, N.A.

The First 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.

The First, N.A.

The First 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.

The First, N.A.

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 the date the financial statements were available for release the District has not drawn down on the credit line.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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NOTE D - NOTES PAYABLE (CONT'D):

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

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2021	\$ 332,629.01	\$ 73,403.91	\$ 406,032.92
2022	125,076.83	65,533.98	190,610.81
2023	128,471.43	57,462.26	185,933.69
2024	132,308.57	53,967.92	186,276.49
2025	112,917.29	50,610.92	163,528.21
2026-2030	448,914.44	210,510.19	659,424.63
2031-2035	270,947.57	162,489.23	433,436.80
2036-2040	283,711.62	120,454.93	404,166.55
2041-2045	234,582.64	79,599.83	314,182.47
2046-2050	195,814.79	54,012.39	249,827.18
2051-2055	218,390.39	31,130.45	249,520.84
2056-2060	161,027.71	9,433.37	170,461.08
Total	<u>\$ 2,644,792.29</u>	<u>\$ 968,609.38</u>	<u>\$ 3,613,401.67</u>

NOTE E - BOND SINKING FUND:

Activity in the District's Bond Sinking Fund for the year ended December 31, 2020 consisted of:

	BALANCE JANUARY 1, 2020	INTEREST EARNED	TRANSFERS IN	TRANSFERS OUT	DUE FROM GENERAL FUND	BALANCE DECEMBER 31, 2020
Bond Sinking Fund	\$ 847,524.43	\$ 21,587.15	\$ 50,000.00	\$	\$	\$ 919,111.58
Eastern Ave Sinking Fund	40,353.00	921.04	2,350.00			43,624.04
Pump Station Sinking Fund	10,946.07	249.99	1,500.00			12,696.06
Comm. St. Relining	4,735.38	103.59	1,143.00			5,981.97
Pump Station Sinking Fund	1,710.59	0.97	1,719.00			3,430.56
	<u>\$ 905,269.47</u>	<u>\$ 22,862.74</u>	<u>\$ 56,712.00</u>	<u>\$</u>	<u>\$</u>	<u>\$ 984,844.21</u>

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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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	\$ 337,189.00	\$ 362,286.71	\$ (25,097.71)
Dues and Subscriptions	\$ 2,400.00	\$ 3,042.74	\$ (642.74)
Service Contracts	\$ 24,000.00	\$ 28,032.50	\$ (4,032.50)
Retirement	\$ 39,775.00	\$ 82,666.93	\$ (42,891.93)
Training	\$ 5,000.00	\$ 7,764.87	\$ (2,764.87)
Miscellaneous	\$ 18,500.00	\$ 19,476.57	\$ (976.57)
Bonded Debt Expense	\$ 312,015.00	\$ 412,747.53	\$ (100,732.53)
Revenues:			
User Fees - Commercial - Year-round	\$ 660,000.00	\$ 636,332.64	\$ (23,667.36)
Other User Revenue	\$ 4,000.00	\$ 1,596.00	\$ (2,404.00)
Water Meter Read Assessment	\$ 17,500.00	\$ 17,397.89	\$ (102.11)
User Fees - Commercial Seasonal	\$ 157,000.00	\$ 109,796.00	\$ (47,204.00)
Non Users Revenue	\$ 1,500.00	\$ 1,260.00	\$ (240.00)
Lien Fees Added	\$ 3,000.00	\$ 1,701.20	\$ (1,298.80)

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, 2020, the balance of Contributions in Aid of Construction was as follows:

Balance, January 1, 2020	\$ 2,813,768.89
Grants Received	254,000.00
Depreciation on Assets Acquired with Contributed Funds	(147,288.00)
Balance, December 31, 2020	<u>\$ 2,920,480.89</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, 2020 the District contributed \$6,330.37 and employees deferred \$18,565.58. Fair market value of the account at December 31, 2020 was \$140,329.96.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE J - INTEREST COST INCURRED:

During the current year, the District incurred interest costs totaling \$78,691.41 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, 2020, was 9.6% to 10% of annual payroll for the regular plan. Contributions to the pension plan from the District were \$33,560.33 for the year ended December 31, 2020.

***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, 2020, 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, 2020

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

**PLD Plan** - At June 30, 2020, the District reported a liability of \$201,982.00 for its proportionate share of the net pension liability. At June 30, 2020, the District's proportion of the PLD Plan was .050837%.

For the year ended December 31, 2020, the District recognized pension expense of \$39,849.40 for the PLD Plan. At December 31, 2020, 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	\$ 25,265.00	\$ 2,221.00
Changes in assumption		
Changes in proportion and differences between District contributions and proportionate share of contributions	5,187.00	465.00
District contributions subsequent to the measurement date	17,039.56	
<b>Total</b>	<u>\$ 47,491.56</u>	<u>\$ 2,686.00</u>

\$17,039.56 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, 2020. 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:**

2021	\$ (4,379.00)
2022	\$ 9,792.00
2023	\$ 11,164.00
2024	\$ 11,188.00

**Actuarial Assumptions** - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u><b>PLD Plan</b></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, 2020 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.



BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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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, 2020 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 6.75% 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 6.75% 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 (5.75% for PLD Plan) or 1 percentage-point higher (7.75% for PLD Plan) than the current rate:

<u>PLD Plan</u>	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
District's proportionate share of the net pension liability	\$424,485.00	\$201,982.00	\$19,847.00

**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, 2020.

**Changes of benefit terms** - None

**Changes of assumptions** - None

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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

The Maine Municipal Employee Health Trust (the Trust) provide 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, 2020 is as follows:

	<b><u>Total Plan</u></b>
Collective Total OPEB Liability	\$ 34,499.00
Less: Plan Net Fiduciary Position	
Collective Net OPEB Liability	<u><u>\$ 34,499.00</u></u>

**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.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

At December 31, 2020, 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	\$ 1,844.00	\$ 2,057.00
Changes in Assumptions	6,770.00	1,602.00
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments		
District Contributions Subsequent to the measurement date	180.00	
Total	<u>\$ 8,794.00</u>	<u>\$ 3,659.00</u>

As of December 31, 2020, 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:	
2021	\$ 626.00
2022	\$ 626.00
2023	\$ 626.00
2024	\$ 632.00
2025	\$ 603.00
Thereafter	\$1,842.00

The actuarial assumptions used in the December 31, 2020 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2018 to December 31, 2020.

**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, 2020 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, 2020 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, 2020.

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

**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, 2020, 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, 2020.

**Allocable Collective OPEB Expense**

The calculation of collective OPEB expense for the year ended December 31, 2020 is as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>OPEB Plan</b>	<b>OPEB Plan</b>	<b>OPEB Plan</b>
<b>Total OPEB Liability</b>			
Service Cost (BOY)	\$ 2,116.00	\$ 2,319.00	\$ 2,894.00
Interest Cost	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	5,284.00	(2,242.00)	3,755.00
Benefit Payments, Including Refunds of Member Contributions	(115.00)	(111.00)	(11.00)
Allocable OPEB Expense	\$ 9,762.00	\$ 865.00	\$ 3,900.00
Total OPEB Liability - Beginning	24,737.00	23,872.00	19,972.00
Total OPEB Liability - Ending	\$ 34,499.00	\$ 24,737	\$ 23,872.00

BOOTHBAY HARBOR SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

**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, 2020.

	2020	2019	2018
Contributions - Employer	\$ 115.00	\$ 111.00	\$ 11.00
Contributions - Member			
Net Investment Income			
Benefit Payments, Including Refunds of			
Member Contributions	(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	<u>\$ 34,499.00</u>	<u>\$ 24,737.00</u>	<u>\$ 23,872.00</u>
Plan Fiduciary Net Position as a Percentage of			
the Total OPEB Liability	0.0%	0.0%	0.0%
Covered Employee Payroll	\$ 301,934.00	\$ 245,565.00	\$ 245,565.00
Net OPEB Liability as a Percentage of Covered			
Employee Payroll	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, 2020

	ORIGINAL AND FINAL BUDGET	ACTUAL
REVENUES:		
Residential and Commercial Services	\$ 1,631,560.00	\$ 1,604,247.22
Entrance Fees	5,000.00	10,262.50
Miscellaneous	27,000.00	24,130.10
Total Revenues	<u>\$ 1,663,560.00</u>	<u>\$ 1,638,639.82</u>
EXPENDITURES:		
Salaries and Wages	\$ 337,189.00	\$ 362,286.71
Advertising	5,000.00	1,539.25
Dues and Subscriptions	2,400.00	3,042.74
Fringe Benefits	39,775.00	82,666.93
Insurance - Bonds	419.00	139.67
Insurance - Business	24,760.00	21,982.00
Insurance - Employee Benefits	106,196.00	97,914.15
Licenses and Fees	3,000.00	2,216.62
Miscellaneous	18,500.00	19,476.57
Office Supplies	13,100.00	11,612.51
Operating Supplies	48,500.00	47,111.33
Payroll Taxes	28,738.00	27,191.12
Professional Fees	45,500.00	31,663.65
Service Contracts	24,000.00	28,032.50
Repairs and Maintenance	203,000.00	174,197.43
Telephone and Utilities	91,051.00	70,489.84
Training	5,000.00	7,764.87
Travel and Entertainment	8,250.00	2,669.20
Truck Expense	12,500.00	11,399.65
Total Expenditures	<u>\$ 1,016,878.00</u>	<u>\$ 1,003,396.74</u>
Income From Operations	<u>\$ 646,682.00</u>	<u>\$ 635,243.08</u>
OTHER INCOME (EXPENSE):		
Depreciation:		
On Assets Acquired with Own Funds	\$ -	\$ (304,285.26)
On Assets Acquired with Contributions		
in Aid of Construction		(147,288.00)
Interest Income	34,500.00	15,028.59
Interest Expense	(81,713.00)	(78,691.41)
Bonded Debt Expense	(312,015.00)	(412,747.53)
Sinking Fund Interest		22,862.74
Sinking Fund Transfers	(69,212.00)	(56,712.00)
USDA Construction Grants		254,000.00
Gain on Sale of Assets		4,130.00
Capital Reserve Interest		327.95
Total Other Income (Expense)	<u>\$ (428,440.00)</u>	<u>\$ (703,374.92)</u>
Net Income (Loss)	<u>\$ 218,242.00</u>	<u>\$ (68,131.84)</u>
Net Position, January 1	6,301,259.23	4,656,044.24
Net Position, December 31	<u><u>\$ 6,519,501.23</u></u>	<u><u>\$ 4,587,912.40</u></u>

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

	2020**	2019**	2018**	2017**
<b><u>PLD Plan</u></b>				
Boothbay Harbor Sewer District's Proportion of the Net Pension Liability	.050837%	.048484%	.048795%	.028071%
Boothbay Harbor Sewer District's Proportionate Share of the Net Pension Liability	\$ 201,982.00	\$ 148,195.00	\$ 133,541.00	\$ 114,933.00
Boothbay Harbor Sewer District's Covered-Employee Payroll	\$ 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	60.33%	49.40%	45.97%	38.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	(77.82%)	(79.17%)	(29.31%)	(23.93%)

\* Only four 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 MEPERS

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

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

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