

Audited Financial Statements

Vassalboro Sanitary District

December 31, 2017



Proven Expertise & Integrity

VASSALBORO SANITARY DISTRICT

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DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Vassalboro Sanitary District
Vassalboro, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of Vassalboro Sanitary District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Vassalboro Sanitary 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.

Auditors' 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 of 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Vassalboro Sanitary District as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2018, on our consideration of Vassalboro Sanitary District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be read in considering Vassalboro Sanitary District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 3, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

(UNAUDITED)

The following management's discussion and analysis of Vassalboro Sanitary District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the District's financial statements.

Financial Statement Overview

The Vassalboro Sanitary District's basic financial statements include the following components: 1) government-wide financial statements and 2) notes to the financial statements. This report does not include any required supplementary information as the District does not prepare a legally adopted budget for property tax basis but the trustees do prepare a budget.

Basic Financial Statements

The basic financial statements include financial information in the government-wide financial statements. There are no fund financial statements as the District only has one fund. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the District's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the District's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have been presented for the District's only type of activity:

- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. All of the District's activities are business-type.

There are no fund financial statements presented as all activity for the District is proprietary in nature. The activity of the District is presented for the following:

Proprietary Funds: The Vassalboro Sanitary District maintains one proprietary fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements as they are presented on the same basis of accounting and therefore only shown in the government-wide financials.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the District's business-type activities. The District's total net position decreased by \$28,866 from \$971,864 to \$1,000,730.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by \$227,637 from \$158,412 to a deficit balance of \$69,225 at the end of this year.

**Table 1
Vassalboro Sanitary District
Net Position
December 31,**

	2017	2016
Assets:		
Current Assets	\$ 222,909	\$ 184,366
Capital Assets	1,063,139	864,368
Total Assets	\$1,286,048	\$1,048,734
Liabilities:		
Current Liabilities	\$ 314,184	\$ 48,004
Total Liabilities	\$ 314,184	\$ 48,004
Net Position:		
Net Investment in Capital Assets	\$1,041,089	\$ 842,318
Unrestricted	(69,225)	158,412
Total Net Position	\$ 971,864	\$1,000,730

Revenues and Expenses

Revenues for the District's business-type activities decreased by 37.06% while total expenses increased by 9.39%. The decrease in revenues was due to capital contributions. The largest increases in expenses were in FEMA storm expenses and contracted services.

Table 2
Vassalboro Sanitary District
Changes in Net Position
For the Years Ended December 31,

	<u>2017</u>	<u>2016</u>
Revenues		
Fees	\$ 139,824	\$ 133,999
Capital contributions	-	145,000
Intergovernmental	30,600	-
Miscellaneous	5,185	3
Total Revenues	<u>175,609</u>	<u>279,002</u>
Expenses		
Operating expenses	31,698	26,080
Telephone and utilities	8,034	5,613
Insurance	7,511	8,329
Contracted services	39,281	31,501
Repairs and maintenance	31,497	61,693
Depreciation	45,129	45,129
FEMA storm expenses	34,479	-
Other	6,846	8,577
Total Expenses	<u>204,475</u>	<u>186,922</u>
Change in Net Position	(28,866)	92,080
Net Position - January 1	<u>1,000,730</u>	<u>908,650</u>
Net Position - December 31	<u>\$ 971,864</u>	<u>\$ 1,000,730</u>

Capital Asset and Long-Term Debt Activity

Capital Assets

As of December 31, 2017, the net book value of capital assets recorded by the District increased by \$198,771 over the prior year. The increase was the result of current year capital additions of \$243,900 less current year depreciation expense of \$45,129.

**Table 3
Vassalboro Sanitary District
Capital Assets (Net of Depreciation)
December 31,**

	2017	2016
Land	\$ 53,263	\$ 53,263
Construction in progress	487,404	243,504
Infrastructure	522,472	567,601
Total	\$ 1,063,139	\$ 864,368

Debt

At December 31, 2017, the District had \$22,050 in an outstanding note payable. Refer to Note 4 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The District does not have a sufficient unrestricted net position to sustain government operations for a period of at least two months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Treasurer at P.O. Box 183, North Vassalboro, Maine 04962.

STATEMENT A

VASSALBORO SANITARY DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 91,769
Accounts receivable (net of allowance for uncollectibles)	130,827
Prepaid items	313
Total current assets	<u>222,909</u>

Noncurrent assets:

Capital assets:

Land	53,263
Construction in progress	487,404
Sludge site	14,492
Infrastructure	2,094,053
Total capital assets	<u>2,649,212</u>
Less: accumulated depreciation	(1,586,073)
Total noncurrent assets	<u>1,063,139</u>

TOTAL ASSETS

\$ 1,286,048

LIABILITIES

Current liabilities:

Accounts payable	\$ 41,399
Payroll liabilities	735
Bond anticipation note	250,000
Current portion of long-term liabilities	22,050
Total current liabilities	<u>314,184</u>

TOTAL LIABILITIES

314,184

NET POSITION

Net investment in capital assets	1,041,089
Unrestricted	(69,225)
TOTAL NET POSITION	<u>971,864</u>

TOTAL LIABILITIES AND NET POSITION

\$ 1,286,048

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

VASSALBORO SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES	
Fees	\$ 139,824
Intergovernmental	30,600
TOTAL OPERATING REVENUES	<u>170,424</u>
OPERATING EXPENSES	
Operating expenses	31,698
Telephone and utilities	8,034
Insurance	7,511
Contracted services	39,281
Repairs and maintenance	31,497
Depreciation	45,129
FEMA storm expenses	34,479
Other	6,814
TOTAL OPERATING EXPENSES	<u>204,443</u>
OPERATING INCOME (LOSS)	<u>(34,019)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	5,185
Interest expense	(32)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>5,153</u>
CHANGE IN NET POSITION	(28,866)
NET POSITION - JANUARY 1	<u>1,000,730</u>
NET POSITION - DECEMBER 31	<u>\$ 971,864</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

VASSALBORO SANITARY DISTRICT
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 112,709
Other receipts	30,600
Payments to suppliers	(143,134)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>175</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>5,185</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>5,185</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from bond anticipation note	250,000
(Purchase) disposals of capital assets	(243,900)
Interest paid on capital debt	(32)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>6,068</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,428
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>80,341</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 91,769</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (34,019)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	45,129
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(27,115)
Increase (decrease) in accounts payable	15,445
Increase (decrease) in payroll liabilities	735
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 175</u>

See accompanying independent auditors' report and notes to financial statements.

VASSALBORO SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Vassalboro Sanitary District was incorporated under the laws of the State of Maine. The District operates under a board of director - treasurer form of government and provides sanitary services.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing 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. Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

The District's combined financial statements include all accounts and all operations of the District. We have determined that the District has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended December 31, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements-in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not applicable.

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

Government-Wide and Fund Financial Statements

The District's basic financial statements include government-wide statements (reporting the District as a whole).

The government-wide financial statements categorize primary activities as business-type.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net Position, the business-type activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

VASSALBORO SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the District's policy to value investments at fair value. None of the District's investments are reported at amortized cost.

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

The District has no formal investment policy but instead follows the State of Maine Statutes.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Receivables

Receivables include amounts due for sanitary user charges. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$130,827 for the year ended December 31, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2017.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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. Infrastructure such as streets, traffic signals, and signs 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 estimated useful lives.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the District.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The District's long-term debt consists primarily of a note payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or restricted net position.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Non-Operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The District does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The District follows state statutes for the investment of funds, which authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These apply to all District funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits. The District does not have a policy covering custodial credit risk for deposits. However, the District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

VASSALBORO SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2017, the District's cash balance of \$91,769 was comprised of bank deposits amounting to \$94,393. All of these bank deposits were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking account	\$ 92,088
Savings account	2,305
	\$ 94,393

Investments:

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

The District did not have any investments as of December 31, 2017.

Credit risk – Statutes for the State of Maine authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The District does not have an investment policy on credit risk. Generally, the District invests excess funds in money market accounts and various certificates of deposit.

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

VASSALBORO SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

	Balance, 1/1/17	Additions	Disposals	Balance, 12/31/17
Non-depreciated assets:				
Land	\$ 53,263	\$ -	\$ -	\$ 53,263
Construction in progress	243,504	243,900	-	487,404
	<u>296,767</u>	<u>243,900</u>	<u>-</u>	<u>540,667</u>
Depreciated assets:				
Sludge site	14,492	-	-	14,492
Infrastructure	2,094,053	-	-	2,094,053
	<u>2,108,545</u>	<u>-</u>	<u>-</u>	<u>2,108,545</u>
Less: accumulated depreciation	(1,540,944)	(45,129)	-	(1,586,073)
Net depreciated assets	<u>567,601</u>	<u>(45,129)</u>	<u>-</u>	<u>522,472</u>
Net capital assets	<u>\$ 864,368</u>	<u>\$ 198,771</u>	<u>\$ -</u>	<u>\$ 1,063,139</u>

NOTE 4 - LONG-TERM DEBT

A summary of long-term debt is as follows:

	Balance, 1/1/17	Additions	Deletions	Balance, 12/31/17	Current Portion
Note payable	\$ 22,050	\$ -	\$ -	\$ 22,050	\$ 22,050
Totals	<u>\$ 22,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,050</u>	<u>\$ 22,050</u>

The following is a summary of the note outstanding as of December 31, 2017:

\$22,050 Note payable to Maine Municipal Bond Bank, issued August 1, 2014, with an interest rate of 0%. Maturity date of August 1, 2017. \$ 22,050

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding note principal and interest requirements for the following fiscal year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 22,050	\$ -	\$ 22,050
	<u>\$ 22,050</u>	<u>\$ -</u>	<u>\$ 22,050</u>

NOTE 5 - RELATED PARTIES

A trustee of the District also performs bookkeeping services to the District. The amount paid to this individual was in wages.

The nephew of a Trustee provides snowplowing and sanding services to the District. The total amount paid to this individual for snowplowing and sanding services the year ended December 31, 2017 was \$4,522.

NOTE 6 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.



Proven Expertise and Integrity

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
Vassalboro Sanitary District
Vassalboro, 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 business-type activities of Vassalboro Sanitary District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Vassalboro Sanitary District's basic financial statements, and have issued our report thereon dated March 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vassalboro Sanitary 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 Vassalboro Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of Vassalboro Sanitary 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 Vassalboro Sanitary District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

RHR Smith & Company

Buxton, Maine
March 3, 2018

