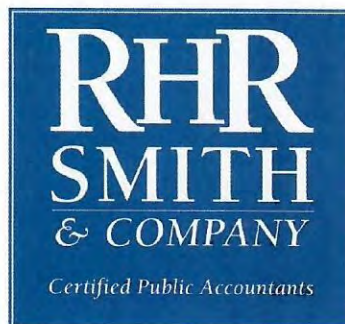


Audited Financial Statements
And Other Financial Information

Vassalboro Sanitary District

December 31, 2020



Proven Expertise & Integrity

VASSALBORO SANITARY DISTRICT

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DECEMBER 31, 2020

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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 the business-type activities of the Vassalboro Sanitary District, as of and for the year ended December 31, 2020 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, 2020 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 September 2, 2021, 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
September 2, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020**

(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, 2020. 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) proprietary fund 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 for the District include the statement of net position, statement of revenues, expenses and changes in net position and statement of cash flows. 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.

The District's 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 District's 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 Revenues, Expenses and Changes in Net Position - 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District's financial 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 increased by \$1,209,461 from \$3,880,759 to \$5,090,220.

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 - increased by \$777,535 from a deficit balance of \$1,603,326 to a deficit balance of \$825,791 at the end of this year.

Table 1
Vassalboro Sanitary District
Net Position
December 31,

	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$ 292,260	\$ 274,834
Noncurrent Assets - Capital Assets	7,454,000	6,381,844
Other Assets - Restricted Cash	537,082	1,215,241
Total Assets	<u><u>\$ 8,283,342</u></u>	<u><u>\$ 7,871,919</u></u>
Liabilities:		
Current Liabilities	\$ 1,156,596	\$ 1,916,089
Noncurrent Liabilities	2,036,526	2,075,071
Total Liabilities	<u><u>\$ 3,193,122</u></u>	<u><u>\$ 3,991,160</u></u>
Net Position:		
Net Investment in Capital Assets	\$ 5,378,929	\$ 4,268,844
Restricted	537,082	1,215,241
Unrestricted (Deficit)	<u>(825,791)</u>	<u>(1,603,326)</u>
Total Net Position	<u><u>\$ 5,090,220</u></u>	<u><u>\$ 3,880,759</u></u>

Revenues and Expenses

Revenues for the District's business-type activities decreased by 49.87% while total expenses increased by 48.61%. The decrease in revenues was primarily due to capital contributions. The largest increases in expenses were in contract services and repairs and maintenance.

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

	<u>2020</u>	<u>2019</u>
Revenues		
Fees	\$ 310,838	\$ 164,717
Capital contributions	1,208,162	2,878,812
Miscellaneous	932	97
Total Revenues	<u>1,525,862</u>	<u>3,043,626</u>
Expenses		
Operating expenses	53,829	48,803
Telephone and utilities	10,550	7,429
Insurance	7,652	10,960
Contracted services	103,666	19,444
Repairs and maintenance	54,452	30,571
Depreciation	45,777	45,438
Other	40,475	50,267
Total Expenses	<u>316,401</u>	<u>212,912</u>
Change in Net Position	1,209,461	2,830,714
Net Position - January 1	<u>3,880,759</u>	<u>1,050,045</u>
Net Position - December 31	<u><u>\$ 5,090,220</u></u>	<u><u>\$ 3,880,759</u></u>

Capital Asset and Long-Term Debt Activity

Capital Assets

As of December 31, 2020, the net book value of capital assets recorded by the District increased by \$1,072,156 over the prior year. The increase was the result of current year capital additions of \$1,117,933 less current year depreciation expense of \$45,777.

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

	2020	2019
Land	\$ 53,263	\$ 53,263
Construction in progress	7,007,839	5,889,906
Sludge site improvements	1,811	3,623
Building improvements	6,431	6,770
Infrastructure	384,656	428,282
Total	\$ 7,454,000	\$ 6,381,844

Long-Term Debt

At December 31, 2020, the District had \$2,075,071 in an outstanding bond payable versus \$2,113,000 in the prior year. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

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 three months or maintain 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, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 130,874
Accounts receivable (net of allowance for uncollectibles)	161,073
Prepaid items	313
Total current assets	<u>292,260</u>

Noncurrent assets:

Capital assets:

Land	53,263
Construction in progress	7,007,839
Sludge site	14,492
Building improvements	6,770
Infrastructure	<u>2,094,053</u>
Total capital assets	9,176,417
Less: accumulated depreciation	<u>(1,722,417)</u>
Total noncurrent assets	<u>7,454,000</u>

Other assets:

Restricted cash and cash equivalents - USDA	10,316
Restricted cash and cash equivalents - capital - sewer upgrade	127,647
Restricted cash and cash equivalents - TIF	<u>399,119</u>
Total other assets	<u>537,082</u>

TOTAL ASSETS \$ 8,283,342

LIABILITIES

Current liabilities:

Accounts payable	\$ 50,794
Payroll liabilities	2,275
Accrued interest	15,982
Revenue obligation note	1,049,000
Current portion of long-term obligations	<u>38,545</u>
Total current liabilities	<u>1,156,596</u>

Noncurrent liabilities:

Noncurrent portion of long-term obligations:	
Bond payable	<u>2,036,526</u>
Total noncurrent liabilities	<u>2,036,526</u>

TOTAL LIABILITIES 3,193,122

NET POSITION

Net investment in capital assets	5,378,929
Restricted	537,082
Unrestricted (deficit)	<u>(825,791)</u>
TOTAL NET POSITION	<u>5,090,220</u>

TOTAL LIABILITIES AND NET POSITION \$ 8,283,342

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, 2020

OPERATING REVENUES	
Fees	\$ 310,838
Miscellaneous revenues	5,930
TOTAL OPERATING REVENUES	<u>316,768</u>
OPERATING EXPENSES	
Operating expenses	53,829
Telephone and utilities	10,550
Insurance	7,652
Contracted services	103,666
Repairs and maintenance	54,452
Depreciation	45,777
Other	6,431
TOTAL OPERATING EXPENSES	<u>282,357</u>
OPERATING INCOME (LOSS)	<u>34,411</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	932
Interest expense	(34,044)
Capital contributions	1,208,162
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,175,050</u>
CHANGE IN NET POSITION	1,209,461
NET POSITION - JANUARY 1	<u>3,880,759</u>
NET POSITION - DECEMBER 31	<u><u>\$ 5,090,220</u></u>

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

VASSALBORO SANITARY DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 328,749
Other receipts	5,930
Payments to suppliers	(996,689)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(662,010)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	932
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>932</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital contributions	1,208,162
(Purchase) disposals of capital assets	(1,117,933)
Principal paid on capital debt	(37,929)
Interest paid on capital debt	(34,044)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>18,256</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(642,822)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>1,310,778</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 667,956</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents in current assets	\$ 130,874
Restricted cash and cash equivalents	537,082
	<u>\$ 667,956</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 34,411
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	45,777
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	17,911
Increase (decrease) in accounts payable	(761,165)
Increase (decrease) in payroll liabilities	1,348
Increase (decrease) in accrued interest	(292)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (662,010)</u>

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

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. The state of emergency expired on June 30, 2021.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on Finances

The District does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act funding and applicable Federal and /or State programs.

Expected Federal/State Support

The District may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the District expects that if those actions are necessary, that the District would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the District and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the District. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the District.

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:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89,

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Measurement Focus - Basic Financial Statements and 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.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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 evidence 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$161,073 for the year ended December 31, 2020.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Property, plant and equipment are reported at cost. Assets are valued at historical cost when available and estimated historical cost where actual invoices were unavailable. Donated capital assets are valued at their acquisition value on the date received.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives at rates from 1% to 20%. The following annual rates are in use:

Structures and improvements	2.00% - 10.00%
Sewers/interceptors	1.00% - 2.00%
Other plant equipment	2.00% - 10.00%
General plant	2.00% - 10.00%
Transportation equipment	6.70% - 20.00%
General equipment	10.00% - 20.00%

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. All retirements have been recorded by eliminating the net carrying values.

Long-term Obligations

All long-term debt to be repaid from business-type resources is reported as liabilities in the proprietary financial statements. The District's long-term debt consists of a bond payable.

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, 2020

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/Nonoperating 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, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2020, the District's cash balance of \$667,956 was comprised of bank deposits amounting to \$669,259. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash balance. All of these bank deposits were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking account	\$ 550,176
Savings account	119,083
	<u>\$ 669,259</u>

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.

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.

The District did not have any investments as of December 31, 2020.

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.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	Balance, 1/1/20	Additions	Disposals	Balance, 12/31/20
Non-depreciated assets:				
Land	\$ 53,263	\$ -	\$ -	\$ 53,263
Construction in progress	5,889,906	1,117,933	-	7,007,839
	<u>5,943,169</u>	<u>1,117,933</u>	<u>-</u>	<u>7,061,102</u>
Depreciated assets:				
Sludge site improvements	14,492	-	-	14,492
Building improvements	6,770	-	-	6,770
Infrastructure	2,094,053	-	-	2,094,053
	<u>2,115,315</u>	<u>-</u>	<u>-</u>	<u>2,115,315</u>
Less: accumulated depreciation	<u>(1,676,640)</u>	<u>(45,777)</u>	<u>-</u>	<u>(1,722,417)</u>
Net depreciated assets	<u>438,675</u>	<u>(45,777)</u>	<u>-</u>	<u>392,898</u>
Net capital assets	<u><u>\$ 6,381,844</u></u>	<u><u>\$ 1,072,156</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,454,000</u></u>

NOTE 4 - SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2020 was as follows:

	Balance, 1/1/20	Additions	Reductions	Balance, 12/31/20
Revenue obligation note	<u>\$ 1,049,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,049,000</u>

On July 23, 2019, the District issued a revenue obligation note through the Maine Municipal Bond Bank in anticipation of bond revenues to finance a construction project. The note, a line of credit, allows principal draws up to \$2,090,000 at a fixed rate of 1.00% interest per year with a maturity date of July 22, 2020. Once the project is complete, the District is eligible for principal loan forgiveness of up to \$1,049,600 conditional upon compliance with MDEP and/or CWSRF requirements.

VASSALBORO SANITARY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt for the year ended December 31, 2020 is as follows:

	Balance, 1/1/20	Additions	Deletions	Balance, 12/31/20	Current Portion
Bond payable	\$ 2,113,000	\$ -	\$ (37,929)	\$ 2,075,071	\$ 38,545

The following is a summary of the bond payable outstanding as of December 31, 2020:

\$2,113,000 Revenue obligation bond payable to USDA, Rural Utilities Service, issued July 11, 2019, with a fixed interest rate of 1.625% per annum. Annual principal and interest payments of \$72,265. Maturity date of July 11, 2059.

\$ 2,075,071

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

	Principal	Interest	Total Debt Service
2021	\$ 38,545	\$ 33,720	\$ 72,265
2022	39,171	33,094	72,265
2023	39,808	32,457	72,265
2024	40,455	31,810	72,265
2025	41,112	31,153	72,265
2026-2030	215,803	145,523	361,326
2031-2035	233,917	127,409	361,326
2036-2040	253,550	107,776	361,326
2041-2045	274,832	86,495	361,327
2046-2050	297,899	63,427	361,326
2051-2055	322,903	38,423	361,326
2056-2060	277,076	11,330	288,406
	<u>\$ 2,075,071</u>	<u>\$ 742,617</u>	<u>\$ 2,817,688</u>

All bonds payable are direct obligations of the District, for which its full faith and credit are pledged. The District is not obligated for any special assessment debt.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - RESTRICTED NET POSITION

The District's Restricted Net Position at December 31, 2020 is as follows:

USDA grant funds	\$ 10,316
Capital - sewer upgrade project	127,647
Town TIF funds	<u>399,119</u>
Restricted net position	<u>\$ 537,082</u>

NOTE 7 - RELATED PARTIES

A trustee of the District also performs bookkeeping services for the District. All amounts paid to this individual for the year ended December 31, 2020 were 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 for the year ended December 31, 2020 was \$6,400.

The spouse of the Treasurer provides handyman services to the District. The total paid to this individual for handyman services for the year ended December 31, 2020 was \$778.

NOTE 8 - 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.