

Audited Financial Statements
And Other Financial Information

Vassalboro Sanitary District

December 31, 2023



Proven Expertise & Integrity

VASSALBORO SANITARY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Vassalboro Sanitary District
Vassalboro, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Vassalboro Sanitary District, as of and for the year ended December 31, 2023 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Vassalboro Sanitary District as of December 31, 2023 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Vassalboro Sanitary District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Vassalboro Sanitary District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 Vassalboro Sanitary District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Vassalboro Sanitary District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 8 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 August 19, 2024, on our consideration of the Vassalboro Sanitary District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on the effectiveness of the Vassalboro Sanitary District's 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 the Vassalboro Sanitary District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
August 19, 2024

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

(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, 2023. 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 three 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.

The Statement of Cash Flows - this statement presents information on the effects changes in assets, deferred outflows of resources, liabilities, deferred inflows of resources and operations have on cash during the course of the fiscal year.

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 decreased by \$220,102 from \$5,132,480 to \$4,912,378.

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 \$153,036 from a deficit balance of \$773,652 to a deficit balance of \$926,688 at the end of this year.

Table 1
Vassalboro Sanitary District
Net Position
December 31,

	2023	2022 (Restated)
Assets:		
Current Assets	\$ 100,118	\$ 107,246
Noncurrent Assets - Capital Assets	7,527,050	7,600,407
Other Assets - Restricted Cash	254,563	303,080
Total Assets	<u>\$ 7,881,731</u>	<u>\$ 8,010,733</u>
Liabilities:		
Current Liabilities	\$ 1,067,505	\$ 920,706
Noncurrent Liabilities	1,901,848	1,957,547
Total Liabilities	<u>\$ 2,969,353</u>	<u>\$ 2,878,253</u>
Net Position:		
Net Investment in Capital Assets	\$ 5,584,503	\$ 5,603,052
Restricted	254,563	303,080
Unrestricted (deficit)	(926,688)	(773,652)
Total Net Position	<u>\$ 4,912,378</u>	<u>\$ 5,132,480</u>

Revenues and Expenses

Revenues for the District's business-type activities increased by 9.28% while total expenses increased by 35.20%. The increase in revenues was primarily due to fees and capital contributions. The largest increases in expenses were in operating expenses and contracted services.

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

	<u>2023</u>	<u>2022</u>
Revenues		
Fees	\$ 338,163	\$ 309,340
Capital contributions	102,167	90,704
Intergovernmental	-	2,616
Miscellaneous	645	864
Total Revenues	<u>440,975</u>	<u>403,524</u>
Expenses		
Operating expenses	134,960	107,492
Telephone and utilities	22,385	18,222
Insurance	25,820	27,656
Contracted services	210,580	65,351
Repairs and maintenance	40,364	52,018
Depreciation	191,657	184,631
Other	35,311	33,591
Total Expenses	<u>661,077</u>	<u>488,961</u>
Change in Net Position	(220,102)	(85,437)
Net Position - January 1, Restated	<u>5,132,480</u>	<u>5,217,917</u>
Net Position - December 31	<u>\$ 4,912,378</u>	<u>\$ 5,132,480</u>

Capital Asset and Long-Term Debt Activity

Capital Assets

As of December 31, 2023, the net book value of capital assets recorded by the District decreased by \$73,357 over the prior year. The decrease was the result of net additions of \$118,300, less current year depreciation expense of \$191,657.

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

	2023	2022
Land	\$ 53,263	\$ 53,263
Building improvements	5,416	5,754
Machinery and equipment	108,125	-
Infrastructure	7,360,246	7,541,390
Total	\$ 7,527,050	\$ 7,600,407

Long-Term Debt

At December 31, 2023, the District had \$1,942,547 in an outstanding bond payable versus \$1,997,355 in the prior year. Refer to Note 5 of Notes to Financial Statements for more detailed information.

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.

VASSALBORO SANITARY DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 22,185
Accounts receivable (net of allowance for uncollectibles)	70,462
Liens receivable	7,471
Total current assets	<u>100,118</u>
Noncurrent assets:	
Capital assets:	
Land	53,263
Sludge site	14,492
Building improvements	6,770
Machinery and equipment	108,125
Infrastructure	9,488,880
Total capital assets	<u>9,671,530</u>
Less: accumulated depreciation	<u>(2,144,480)</u>
Total noncurrent assets	<u>7,527,050</u>
Other assets:	
Restricted cash and cash equivalents - USDA	31,016
Restricted cash and cash equivalents - capital - sewer upgrade	81,007
Restricted cash and cash equivalents - USDA short lived asset reserve	28,774
Restricted cash and cash equivalents - TIF	113,766
Total other assets	<u>254,563</u>
TOTAL ASSETS	<u>\$ 7,881,731</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 24,760
Payroll liabilities	1,424
Unearned revenue	3,440
Accrued interest	14,962
Line of credit	15,350
Revenue obligation note	966,870
Current portion of long-term obligations	40,699
Total current liabilities	<u>1,067,505</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bond payable	1,901,848
Total noncurrent liabilities	<u>1,901,848</u>
TOTAL LIABILITIES	<u>2,969,353</u>
NET POSITION	
Net investment in capital assets	5,584,503
Restricted	254,563
Unrestricted (deficit)	<u>(926,688)</u>
TOTAL NET POSITION	<u>4,912,378</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,881,731</u>

See accompanying independent auditor's report and notes to financial statements.

VASSALBORO SANITARY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES	
Fees	\$ 338,163
TOTAL OPERATING REVENUES	<u>338,163</u>
OPERATING EXPENSES	
Operating expenses	134,960
Telephone and utilities	22,385
Insurance	25,820
Contracted services	210,580
Repairs and maintenance	40,364
Depreciation	191,657
Other	2,412
TOTAL OPERATING EXPENSES	<u>628,178</u>
OPERATING INCOME (LOSS)	<u>(290,015)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	645
Interest expense	(32,899)
Capital contributions	102,167
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>69,913</u>
CHANGE IN NET POSITION	(220,102)
NET POSITION - JANUARY 1, RESTATED	<u>5,132,480</u>
NET POSITION - DECEMBER 31	<u>\$ 4,912,378</u>

See accompanying independent auditor's report and notes to financial statements.

VASSALBORO SANITARY DISTRICT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 297,722
Payments to suppliers	(402,201)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(104,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	645
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>645</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from bond anticipation note	92,798
Proceeds from line of credit	15,350
Proceeds from capital contributions	102,167
(Purchase) disposals of capital assets	(118,300)
Principal paid on capital debt	(54,808)
Interest paid on capital debt	(32,899)
USDA short lived asset reserve	(28,774)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(24,466)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128,300)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>376,274</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 247,974</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents in current assets	\$ 22,185
Restricted cash and cash equivalents	254,563
	<u>\$ 276,748</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (290,015)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	191,657
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(49,484)
(Increase) decrease in liens receivable	5,603
Increase (decrease) in accounts payable	33,619
Increase (decrease) in payroll liabilities	1,424
Increase (decrease) in unearned revenue	3,440
Increase (decrease) in accrued interest	(723)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (104,479)</u>

See accompanying independent auditor's report and notes to financial statements.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary 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 asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic 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

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.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit 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.

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, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$77,933 for the year ended December 31, 2023.

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 reported at their fair market 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.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

At December 31, 2023, the District's cash balance of \$276,748 was comprised of bank deposits amounting to \$280,726. 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	\$ 209,668
Savings account	71,058
	<u>\$ 280,726</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.

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023.

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.

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

	Balance, 1/1/23	Additions	Disposals/ Transfers	Balance, 12/31/23
Non-depreciated assets:				
Land	\$ 53,263	\$ -	\$ -	\$ 53,263
	<u>53,263</u>	<u>-</u>	<u>-</u>	<u>53,263</u>
Depreciated assets:				
Sludge site improvements	14,492	-	-	14,492
Building improvements	6,770	-	-	6,770
Machinery and equipment	-	108,125	-	108,125
Infrastructure	9,478,705	10,175	-	9,488,880
	<u>9,499,967</u>	<u>118,300</u>	<u>-</u>	<u>9,618,267</u>
Less: accumulated depreciation	<u>(1,952,823)</u>	<u>(191,657)</u>	<u>-</u>	<u>(2,144,480)</u>
Net depreciated assets	<u>7,547,144</u>	<u>(73,357)</u>	<u>-</u>	<u>7,473,787</u>
Net capital assets	<u>\$ 7,600,407</u>	<u>\$ (73,357)</u>	<u>\$ -</u>	<u>\$ 7,527,050</u>

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2023 was as follows:

	Balance, 1/1/23	Additions	Reductions	Balance, 12/31/23
Line of credit	\$ -	\$ 15,350	\$ -	\$ 15,350
Revenue obligation note	874,072	92,798	-	966,870
Total	<u>\$ 874,072</u>	<u>\$ 108,148</u>	<u>\$ -</u>	<u>\$ 982,220</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 2.50% interest per year with a maturity date of June 2024. 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.

July 26, 2023 \$50,000 line of credit with the Maine Savings Federal Credit Union payable on demand with a variable interest rate.

NOTE 5 - LONG-TERM DEBT

A summary of long-term debt for the year ended December 31, 2023 is as follows:

	Balance, 1/1/23	Additions	Deletions	Balance, 12/31/23	Current Portion
Bond payable	<u>\$ 1,997,355</u>	<u>\$ -</u>	<u>\$ (54,808)</u>	<u>\$ 1,942,547</u>	<u>\$ 40,699</u>

The following is a summary of the bond payable outstanding as of December 31, 2023:

\$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.

\$ 1,942,547

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 40,699	\$ 31,566	\$ 72,265
2025	41,360	30,905	72,265
2026	42,032	30,233	72,265
2027	42,715	29,550	72,265
2028	43,409	28,856	72,265
2029-2033	227,859	133,466	361,325
2034-2038	246,984	114,341	361,325
2039-2043	267,715	93,610	361,325
2044-2048	290,185	71,140	361,325
2049-2053	314,541	46,784	361,325
2054-2058	340,942	20,383	361,325
2059-2063	44,106	717	44,823
	<u>\$ 1,942,547</u>	<u>\$ 631,551</u>	<u>\$ 2,574,098</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended December 31, 2023 was \$33,094.

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.

NOTE 6 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the District at December 31, 2023:

Invested in capital asset	\$ 9,671,530
Accumulated depreciation	(2,144,480)
Outstanding capital related debt	<u>(1,942,547)</u>
	<u>\$ 5,584,503</u>

VASSALBORO SANITARY DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 - RESTRICTED NET POSITION

The District's Restricted Net Position at December 31, 2023 is as follows:

Restricted net position:	
USDA grant funds	\$ 31,016
USDA Short lived asset reserve	28,774
Capital - sewer upgrade project	81,007
Town TIF funds	<u>113,766</u>
Restricted net position	<u>\$ 254,563</u>

NOTE 8 - 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, 2023 were in wages.

The nephew of a Trustee provides snowplowing, sanding and mowing services to the District. The total amount paid to this individual for snowplowing and sanding services for the year ended December 31, 2023 was \$9,840.

NOTE 9 - RESTATEMENTS

In 2023, the District determined that certain transactions were recorded incorrectly or omitted in the previous year, therefore restatements were required. Accounts receivable decreased by \$98,098, inventory decreased by \$52,729, prepaid items decreased by \$313 and accounts payable decreased by \$8,859. The resulting net restatement to the beginning net position resulted in a decrease of \$142,281 from \$5,274,761 to \$5,132,480.

NOTE 10 - SUBSEQUENT EVENT

In June 2024, the District issued a \$1,040,400 Maine Municipal Bond Bank loan at a 2.20% fixed interest rate paid semi-annual and annual principal payments through 2053.



INDEPENDENT AUDITOR'S 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, 2023 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 August 19, 2024.

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*. We noted certain other matters that we reported to management of the Vassalboro Sanitary District in a separate letter dated July 31, 2024.

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
August 19, 2024