

Lincoln Sanitary District

ANNUAL FINANCIAL STATEMENTS
(with required and other supplementary information)

For the Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Trustees
Lincoln Sanitary District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Lincoln Sanitary District as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Town'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 Lincoln Sanitary District, as of December 31, 2022 and 2021, 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 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 Lincoln 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.

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 Lincoln 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement 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 control 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 Town'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 substantial doubt about the 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 and pension and OPEB information on pages 6 through 10 and 29-32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln Sanitary District's basic financial statements. The schedule of operating expenses – budget and actual is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenses – budget and actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2023 on our consideration of the Lincoln Sanitary District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Lincoln 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 Lincoln Sanitary District's internal control over financial reporting and compliance

Brantley Whibodan & Associates

Bangor, Maine
July 10, 2023

**Lincoln Sanitary District
Management's Discussion and Analysis (Unaudited)
December 31, 2022**

INTRODUCTION

The Lincoln Sanitary District is pleased to present the District's financial statements for the years ended December 31, 2022 and 2021. This report is an effort to provide information to our customers regarding financial standing and a general analysis of sanitary district planning, operations and progress. The appointed Trustees and the Superintendent are solely responsible for the content of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Lincoln Sanitary District is a quasi-municipal organization. The District uses one proprietary fund that is operated and financed in a manner similar to a private business.

The Management and Discussion analysis (MD&A) serves as an introduction to the financial statements of the District. The MD&A for 2022 is comparative with 2021 as required by GASB 34.

The District's basic financial statements are as follows:

Statement of net position

Statement of revenues, expenses and changes in net position.

Statement of cash flows

Notes to the financial statements

FINANCIAL HIGHLIGHTS

Net position increased by \$337,308. This change is the result of \$1,175,860 in revenues and gains (losses) and grant revenues of \$471,554 offset by \$1,310,106 in expenses.

Capital assets increased by a net of \$14,973. This represents a \$543,222 increase in utility plant property, less a \$528,249 net increase in accumulated depreciation.

Long term debt decreased by \$317,399.

Depreciation expense decreased from \$528,656 to \$528,249.

Non-depreciation operating expenses in all categories, collection systems, wastewater pumping, wastewater treatment and administrative and general expenses increased by \$128,606.

CONDENSED STATEMENT OF NET POSITION

A condensed statement of net position for December 31, 2021 and 2020 is as follows:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 1,506,671	\$ 1,403,595
Non-current receivables	-	14,723
Capital assets	<u>9,290,863</u>	<u>9,275,890</u>
Total assets	<u>10,797,534</u>	<u>10,694,208</u>
Deferred outflows of resources	<u>69,933</u>	<u>79,694</u>
Current liabilities	172,335	162,808
Long term liabilities	<u>3,144,930</u>	<u>3,238,824</u>
Total liabilities	<u>3,317,265</u>	<u>3,401,632</u>
Deferred inflows of resources	<u>60,952</u>	<u>220,328</u>
Net investment in capital assets	6,154,998	5,922,626
Restricted for capital projects	434,921	437,443
Unrestricted	<u>899,331</u>	<u>791,873</u>
Total net position	<u>\$ 7,489,250</u>	<u>\$ 7,151,942</u>

CURRENT ASSETS

Current assets increased by \$103,076. Cash increased by \$58,103.

CAPITAL ASSETS

Capital assets increased by a net of \$14,973 in 2022. The increase consists of the following:

Utility property	\$ 17,465,550
Construction in progress	4,648,855
Allowance for depreciation	<u>(12,823,542)</u>
Total	<u>\$ 9,290,863</u>

CURRENT LIABILITIES

Accounts payable increased by \$8,580. Accrued interest decreased by \$228 and current maturities of long-term debt increased by \$1,175.

LONG-TERM LIABILITIES

Long term debt decreased by \$217,399, compensated absences decreased by \$398, and net pension and OPEB liability increased by \$125,078.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2022</u>	<u>2021</u>
User fees revenue	\$ 1,157,627	\$ 1,009,981
Other revenue and Non-operating revenue	<u>489,787</u>	<u>1,605,308</u>
Total revenues	<u>1,647,414</u>	<u>2,615,289</u>
Depreciation expense	525,249	528,656
Operating expense	742,070	613,464
Non-operating expense	<u>39,787</u>	<u>15,261</u>
Total expenses	<u>1,310,106</u>	<u>1,157,381</u>
Change in net position	337,308	1,457,908
Beginning net position	<u>7,151,942</u>	<u>5,694,034</u>
Ending net position	<u>\$ 7,489,250</u>	<u>\$ 7,151,942</u>

OPERATING REVENUE

\$1,157,627 of the 2022 operating revenue is from user fees, while \$11,862 is from special projects and miscellaneous revenues.

The District's user fees are billed quarterly based on water consumption provided by the Lincoln Water District. Lincoln Sanitary District rates are set by the board of trustees. During 2022, the user fees increased 14.62% due to the increase in rates and usage.

OPERATING EXPENSES

Operating expenses for the years ended 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Collection system	\$ 10,595	\$ 8,946
Wastewater pumping	31,767	25,686
Wastewater treatment	335,456	261,466
Administrative and general	<u>364,252</u>	<u>317,366</u>
Total operating expenses	<u>\$ 742,070</u>	<u>\$ 613,464</u>

NON-OPERATING REVENUE (EXPENSES)

Non-operating revenues (expenses) consist of the following:

	<u>2022</u>	<u>2021</u>
Grant revenue	\$ 471,554	\$ 1,611,301
Loss on sale of capital assets	-	(14,280)
Interest income	6,371	1,944
Interest expense	<u>(39,787)</u>	<u>(15,261)</u>
Total non-operating Revenue and expenses	<u>\$ 438,138</u>	<u>\$ 1,583,704</u>

CONSTRUCTION UPGRADE PROJECT

The District has an ongoing sewer upgrade project that is being funded from a USDA loan and grant program with \$476,726 remaining at December 31, 2022.

FINANCING AND COMMUNICATIONS

The Trustees examine income and expenses on a monthly basis. They also, as required, employ the services of a Certified Public Accountant to perform an annual audit of all financial aspects of the District. The results of the annual audit are available each year at the District office.

Public input pertaining to any issue is welcome and encouraged at any regular Trustee meeting. Meetings are generally held on the second Thursday of each month at the District office and begin at 6:30 PM.

Contact information

If you have questions about this report or need any additional information, contact the Lincoln Sanitary District, at P.O. Box 56, Lincoln, ME. 04457 or call (207) 794-8244.

This information is provided by the Board of Trustees:

Peter Graham, Chair
Melissa Quintela, Vice Chair
Darrell Dill, Treasurer
Roberta Dickinson, Clerk
Tina Dill
Donald Barker
Samuel Clay
Scott Hesselstine, Superintendent

**Lincoln Sanitary District
Statements of Net Position**

	December 31,	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,353,925	\$ 1,295,822
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2022 and \$52,316 for 2021	144,166	107,773
Grant receivable - Rural Development	8,580	-
Total current assets	<u>1,506,671</u>	<u>1,403,595</u>
Non-current assets		
Capital assets		
Land	50,340	50,340
Construction in progress	4,648,855	4,177,301
Operating property	17,415,210	17,343,542
Less accumulated depreciation	<u>(12,823,542)</u>	<u>(12,295,293)</u>
Total capital assets net	<u>9,290,863</u>	<u>9,275,890</u>
Net pension asset	-	14,723
Total non-current assets	<u>9,290,863</u>	<u>9,290,613</u>
Total assets	<u>10,797,534</u>	<u>10,694,208</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions and OPEB	<u>69,933</u>	<u>79,694</u>
LIABILITIES		
Current liabilities		
Accounts payable	8,580	-
Accrued interest payable	7,975	8,203
Current maturity of long term debt	<u>155,780</u>	<u>154,605</u>
Total current liabilities	<u>172,335</u>	<u>162,808</u>
Non-current liabilities		
Long term debt, net of current maturities	2,980,085	3,198,659
Compensated absences liability	31,163	31,561
Net pension and OPEB liability	<u>133,682</u>	<u>8,604</u>
Total non-current liabilities	<u>3,144,930</u>	<u>3,238,824</u>
Total liabilities	<u>3,317,265</u>	<u>3,401,632</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions and OPEB	<u>60,952</u>	<u>220,328</u>
NET POSITION		
Net investment in capital assets	6,154,998	5,922,626
Restricted for capital projects	434,921	437,443
Unrestricted	<u>899,331</u>	<u>791,873</u>
Total net position	<u>\$ 7,489,250</u>	<u>\$ 7,151,942</u>

See accompanying notes to basic financial statements.

Lincoln Sanitary District
Statements of Revenues, Expenses and Changes in Net Position

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
User fees	\$ 1,157,627	\$ 1,009,981
Other income	<u>11,862</u>	<u>6,343</u>
Total operating revenues	<u>1,169,489</u>	<u>1,016,324</u>
OPERATING EXPENSES		
Collection systems	10,595	8,946
Wastewater pumping	31,767	25,686
Wastewater treatment	335,456	261,466
Administrative and general	364,252	317,366
Depreciation expense	<u>528,249</u>	<u>528,656</u>
Total operating expenses	<u>1,270,319</u>	<u>1,142,120</u>
Operating loss	<u>(100,830)</u>	<u>(125,796)</u>
NON-OPERATING REVENUES (EXPENSES)		
Grant revenue	471,554	1,611,301
Loss on sale of capital assets	-	(14,280)
Interest and investment revenue	6,371	1,944
Interest expense	<u>(39,787)</u>	<u>(15,261)</u>
Total non-operating revenues (expenses)	<u>438,138</u>	<u>1,583,704</u>
Change in net position	337,308	1,457,908
NET POSITION - BEGINNING OF YEAR	<u>7,151,942</u>	<u>5,694,034</u>
NET POSITION - END OF YEAR	<u>\$ 7,489,250</u>	<u>\$ 7,151,942</u>

**Lincoln Sanitary District
Statements of Cash Flows**

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from user charges	\$ 1,121,234	\$ 1,075,326
Received from other income	11,862	6,343
Payments for administrative and employee services	(374,464)	(341,168)
Payments to suppliers for goods and services	<u>(377,818)</u>	<u>(296,098)</u>
Net cash provided by operating activities	<u>380,814</u>	<u>444,403</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from debt	-	2,067,743
Purchases of capital assets	(543,222)	(3,696,861)
Grant revenue	471,554	1,611,301
(Loss) Gain on sale of capital assets	-	(14,280)
Interest paid on debt	(40,015)	(8,998)
Repayment of bonds and capital leases	<u>(217,399)</u>	<u>(104,967)</u>
Net cash used by capital and financing activities	<u>(329,082)</u>	<u>(146,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on cash and investments	<u>6,371</u>	<u>1,944</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	58,103	300,285
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,295,822</u>	<u>995,537</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,353,925</u>	<u>\$ 1,295,822</u>
Supplemental information		
Interest paid during the fiscal year	<u>\$ 39,787</u>	<u>\$ 15,261</u>

Lincoln Sanitary District
Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (100,830)	\$ (125,796)
Depreciation and amortization	528,249	528,656
Changes in assets and liabilities		
Decrease in accounts receivable	(36,393)	65,345
Increase (decrease) in net pension asset	14,723	(14,723)
Decrease in accrued paid time off	(398)	(1,671)
Decrease in net pension liability and related deferred inflows and outflows	<u>(24,537)</u>	<u>(7,408)</u>
Net cash provided by operating activities	<u>\$ 380,814</u>	<u>\$ 444,403</u>

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lincoln Sanitary District is a quasi-municipal corporation located in Lincoln, Maine which operates a sewage treatment plant.

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). The more significant accounting policies established in GAAP and used by the District are discussed below.

The operations of the District are accounted for as an enterprise type proprietary fund which is similar to a business enterprise.

A. FINANCIAL REPORTING ENTITY

In evaluating the District as a reporting entity, management has addressed all potential component districts for which the District may be financially accountable and, as such, should be included within the District's financial statements. In accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the District is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the District. Additionally, the District is required to consider other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no entities that should be included as part of these financial statements.

Based on the aforementioned criteria, the District has no component units.

B. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

1. Proprietary Fund

Enterprise Fund

The enterprise fund is used to account for the operations of the sanitary district. Activities of the fund include administration, operations and maintenance of the waste water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt for the waste water fund. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities, whether current or non-current, are included on the statement of net position and the operating statements present increases, revenues, and decreases, expenses, in net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

D. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less and certificates of deposit at banks with a longer maturity are considered to be cash equivalents. Additional information is presented in Note 2.

2. Allowance for Doubtful Accounts and User Fees

The District maintained an allowance for doubtful accounts of \$0 at December 31, 2022 and \$52,316 at December 31, 2021. The related user fees revenues were \$1,157,627 and \$1,009,981, net of bad debt write-off of \$0 for the year ended December 31, 2022 and \$3,862 for 2021.

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the proprietary fund statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

All assets that are purchased using the District's reserve account and other assets that have an original cost of \$3,000 or more and over one year of useful life are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Infrastructure	50-100 years
Equipment and furniture	3-20 years

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Long-term Liabilities

All long-term liabilities to be repaid from business-type resources are reported as liabilities in proprietary fund statements. The long-term liabilities consist of bonds and note payable, compensated absences liability, and net pension and OPEB liability.

Vacation benefits are based on years of service. These benefits are substantially non-vesting and are not material, therefore they are not reported.

Under terms of personnel policies, employees can accrue up to 120 days of sick time. After 15 or more years of service employees will be paid 33.33% of sick time upon termination or retirement. Upon separation from at least 15 years of service, the District will buy back 50% of the employee's accumulated sick time, provided employee was not dismissed for just cause.

5. Pensions and Other Post-Employment Benefits (OPEB)

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

6. Use of Estimates

Preparation of the District's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Net Position

Net position represents the difference between assets and liabilities. 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 Lincoln Sanitary District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The remaining net position is reported as unrestricted. For expenditures that qualify for either classification, amounts will be first spent from restricted net position then from unrestricted net position.

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy for custodial credit risk. As of December 31, 2022, and 2021, the District reported deposits of \$1,353,925 and \$1,295,822 with bank balances of \$1,370,080 and \$1,712,733, respectively. Of the District's total bank balance of \$1,370,080 at December 31, 2022, \$1,001,756 was exposed to custodial risk. The entire exposed amount was collateralized by underlying securities held by the bank's trust department, not in the District's name.

NOTE 3. CAPITAL ASSETS

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

	<u>Balance 12/31/21</u>	<u>Additions/ Completions</u>	<u>Retire- ments</u>	<u>Balance 12/31/22</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 50,340	\$ -	\$ -	\$ 50,340
Construction in progress	<u>4,177,301</u>	<u>471,554</u>	-	<u>4,648,855</u>
Total capital assets not being depreciated	<u>4,227,641</u>	<u>471,554</u>	-	<u>4,699,195</u>
<i>Capital assets being depreciated</i>				
Plant	3,976,968	703	-	3,977,671
Plant upgrade	8,744,379	19,718	-	8,764,097
Sewer mains and systems	2,811,185	27,766	-	2,838,951
Trucks and equipment	849,296	9,170	-	858,466
Other	<u>961,714</u>	<u>14,311</u>	-	<u>976,025</u>
Total capital assets being depreciated	17,343,542	71,668	-	17,415,210
<i>Less accumulated depreciation</i>	<u>(12,295,293)</u>	<u>(528,249)</u>	-	<u>(12,823,542)</u>
Total capital assets, being depreciated, net	<u>5,048,249</u>	<u>(456,581)</u>	-	<u>4,591,668</u>
Capital assets, net	<u>\$ 9,275,890</u>	<u>\$ 14,973</u>	<u>\$ -</u>	<u>\$ 9,290,863</u>

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended December 31, 2022:

	Balance 12/31/21	Increases	Decreases	Balance 12/31/22	Due within One Year
General obligation bonds and Note					
<i>Maine Municipal Bond Bank</i> 1% construction bond dated March 3, 2009 due 2026	\$ 241,480	\$ -	\$ (47,340)	\$ 194,140	\$ 47,813
0.15% wastewater bond dated May 21, 2015 due 2031	585,784	-	(58,184)	527,600	58,272
<i>USDA Rural Development</i> 1.25% wastewater upgrade note dated October 28, 2021, due 2061	<u>2,526,000</u>	<u>-</u>	<u>(111,875)</u>	<u>2,414,125</u>	<u>49,695</u>
Total general obligation bonds and note	3,353,264	-	(217,399)	3,135,865	155,780
Compensated absences	31,561		(398)	31,163	-
Net OPEB liability	8,604	4,346	-	12,950	-
Net pension liability	<u>-</u>	<u>167,813</u>	<u>(17,635)</u>	<u>120,732</u>	<u>N/A</u>
Total long-term liabilities	<u>\$3,393,429</u>	<u>\$ 172,159</u>	<u>\$ (235,432)</u>	<u>\$3,300,710</u>	<u>\$ 155,780</u>

Future maturities of bonds and note payable are as follows:

Year Ended December 31	Principal	Interest	Total Payment Requirements
2023	\$ 155,780	\$ 36,601	\$ 192,381
2024	156,965	35,415	192,380
2025	158,166	34,215	192,381
2026	159,377	33,003	192,380
2027	110,847	31,778	142,625
2028-2032	506,456	144,702	651,158
2033-2037	288,460	114,820	403,280
2038-2042	306,945	96,335	403,280
2043-2047	326,615	76,665	403,280
2047-2052	347,545	55,735	403,280
2053-2057	369,817	33,463	403,280
2058-2061	<u>248,892</u>	<u>9,779</u>	<u>258,671</u>
	<u>\$3,135,865</u>	<u>\$ 702,511</u>	<u>\$3,838,376</u>

**Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021**

NOTE 5. NET INVESTMENT IN CAPITAL ASSETS

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds payable adding back any unspent proceeds. The District's net investment in capital assets was calculated as follows at December 31, 2022 and 2021:

	2022	2021
Capital assets	\$ 22,114,405	\$ 21,571,183
Accumulated depreciation	(12,823,542)	(12,295,293)
Related bonds payable	<u>(3,135,865)</u>	<u>(3,353,264)</u>
Total balance	<u>\$ 6,154,998</u>	<u>\$ 5,922,626</u>

NOTE 6. NET POSITION – RESTRICTED FOR CAPITAL PROJECTS

The District's restricted for capital projects was comprised as follows at December 31, 2022 and 2021:

	2022	2021
Frontal assessment	\$ 10,121	\$ 10,121
Rural Development	8,066	-
Equipment	<u>416,734</u>	<u>427,322</u>
Total	<u>\$ 434,921</u>	<u>\$ 437,443</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN

Maine Public Employees Retirement System

Eligible employees participate in the Maine Public Employees Retirement System's Participating Local District (PLD) Plan. The PLD plan is a multiple-employer cost sharing defined benefit plan. Eligible employers (districts) are defined in Maine statute.

Pension Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

**Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021**

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Benefits (Continued)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently .93%.

Contributions

Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

PLD plan members are required to contribute 9.00% of their annual salary to the plan. The District is required to pay 11.00% of members' compensation. The District had covered payroll of \$364,594 for the year ended December 31, 2022. District contributions were as follows:

	Year ended 12/31/22		Year ended 12/31/21		Year ended 12/31/20	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Employer	\$38,208	11.00%	\$33,287	10.00%	\$31,196	10.05%
Employee	29,653	9.00%	25,908	8.01%	25,144	8.10%

Net Pension Liability

The collective net pension liability measured as of June 30, 2022 was as follows:

	<u>PLD Plan</u>
Plan collective total pension liability	\$ 5,831,946,322
Less plan net position	<u>(4,903,757,326)</u>
Plan collective net pension liability (asset)	<u>\$ 928,188,996</u>

At December 31, 2022, the District reported a net pension liability of \$120,732 for its proportionate share of the net pension. The amount recognized by the District as its proportionate share of the net pension asset at December 31, 2021 was \$14,723.

The net pension asset for the District was measured as of June 30, 2022, and the total collective pension asset used to calculate the net pension asset was determined by actuarial valuations as of that date. The District's proportionate share percentage of the collective net pension asset for the PLD Plan was 0.045416%, allocated based on adjusted contributions to the plan for the year ended June 30, 2022. This percentage for net pension liability was 0.045814% at the prior measurement date of June 30, 2021.

**Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021**

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2022, using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each member is the product of a member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant Actuarial Assumptions

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2022 are as follows:

Investment Rate of Return	6.50% per annum, compounded annually
Inflation Rate	2.75%
Annual Salary Increases, Including Inflation	2.75% - 11.48%
Cost of Living Benefit Increases	1.91%
Mortality Rates	Based on the 2010 Public Plan General Benefits – Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5	2.3
Private Equity	15.0	7.6
Real Assets:		
Real Estate	10.0	5.2
Infrastructure	10.0	5.3
Natural Resources	5.0	5.0
Traditional Credit	7.5	3.2
Alternative Credit	5.0	7.4
Diversifiers	10.0	5.9

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2022 for the PLD Consolidated Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
PLD Consolidated Plan	\$ 785,353,277	\$ 265,835,339	\$(163,564,722)

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Revenue

For the year ended December 31, 2022, the District recognized pension expense of \$28,868 related to the PLD Plan, made up of the District's proportionate share of plan pension expense \$33,407 pension expense related to specific liabilities of individual employers (\$79), and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions (\$4,460).

Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 22,438	\$ -
Changes of assumptions	24,504	-
Net difference between projected and actual investment earnings on pension plan investments	-	50,671
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	36,46
Employer's contributions to plan subsequent to measurement date of collective net pension liability	19,252	-
Total	\$ 66,194	\$ 54,317

\$19,252 reported as deferred outflows related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred inflows and outflows will be recognized as pension expense as follows:

Year ended December 31,	PLD Plan Amount
2023	\$ 11,949
2024	(11,645)
2025	(31,480)
2026	23,801
	\$ (7,375)

**Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021**

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Further Information Available

Information on the pension plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net pension liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and Pension Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.maineopers.org/Publications/Publications.htm#Annual Reports.

NOTE 8. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS

A. MAINE PUBLIC EMPLOYEE RETIREMENT SYSTEM – GROUP LIFE INSURANCE

The Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan) employees is a multiple-employer cost sharing plan. The Group Life Insurance Plan for Retired State Employees and Teachers (the SET Plan) is a multiple-employer cost sharing plan with a special funding situation. The State is also a non-employer contributing entity in that the State pays contributions for retired public-school teachers in the plan.

Other Post-Employment Benefits (OPEB)

The Group Life Insurance Plans (the Plans) provide basic group life insurance benefits, during retirement, to retirees who participated in the Plans prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

Net OPEB Liability

The collective net OPEB liability measured as of June 30, 2022 was as follows:

	PLD Plan
Plan collective total OPEB liability	\$ 32,823,884
Less plan net fiduciary position	<u>(18,340,729)</u>
Plan collective net OPEB liability	<u>\$ 14,483,155</u>

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 8. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Net OPEB Liability (Continued)

At December 31, 2022, the District reported a liability for its proportionate share of the net OPEB liability. The amount recognized by the District as its proportionate share of the net OPEB liability and the total portion of the net OPEB liability that was associated with the District were as follows:

	PLD Plan
District's proportionate share of the net OPEB liability	\$ 12,950
State's proportionate share of the net OPEB liability associated with the District	-
Total	\$ 12,950

The net OPEB liability for the District was measured as of June 30, 2022, and the total collective OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The District's proportionate share percentage of the collective net OPEB liability for the PLD Plan was 0.089413%, allocated based on adjusted contributions to the plan for the year ended June 30, 2022.

OPEB Expense and Revenue

For the year ended December 31, 2022, the District recognized OPEB expense of (\$175) related to the PLD Plan, made up of the District's proportionate share of plan OPEB expense (\$264), OPEB expense related to specific liabilities of individual employers \$0, and net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions \$89.

Deferred Outflows and Inflows of Resources

For the year ended December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Plan	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 630	\$ 115
Changes of assumptions	1,077	4,044
Net difference between projected and actual investment earnings on OPEB plan investments	1,119	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	913	2,476
Employer's contributions to plan subsequent to measurement date of collective net OPEB liability	-	-
Total	\$ 3,739	\$ 6,635

**Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021**

NOTE 8. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS (CONTINUED)

Deferred Outflows and Inflows of Resources (Continued)

Amounts reported as deferred inflows and outflows will be recognized as OPEB expense as follows:

Year ended December 31	PLD Plan Amount
2023	\$ (958)
2024	(1,385)
2025	(1,384)
2026	744
2027	(44)
2028	131
	\$ (2,896)

Actuarial Assumptions, Discount Rate, and OPEB Plan Fiduciary Net Position

Information on the OPEB plan's fiduciary net position, as well as the actuarial assumptions and discount rate used by the Maine Public Employees Retirement System in calculating the net OPEB liability and related amounts are disclosed in the Notes to the Audited Schedules of Employer Allocations and OPEB Amounts by Employer. Those schedules, as well as the actuarial valuation reports for each of the System's plans may be obtained by calling 1-800-451-9800, and are available on the System's website at www.mainepepers.org/Publications/Publications.htm#Annual Reports

NOTE 9. INSURANCES AND PARTICIPATION IN PUBLIC ENTITY RISK POOL

The District is exposed to various risks of losses related to torts, theft, damage, and destruction of assets, injuries to employees, and natural disasters. The District maintains various commercial insurance policies to mitigate these risks to an acceptable level and to limit the District's exposure to losses.

The District is a member of the Maine Municipal Association - Worker Compensation Trust Fund ("Fund"). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the fund for its worker's compensation coverage. The District's agreement with the Fund provides that the fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member District's for claims in excess of \$400,000 with an excess limit of \$2,000,000.

Lincoln Sanitary District
Notes to Basic Financial Statements
December 31, 2022 and 2021

NOTE 10. DEFERRED COMPENSATION PLAN

The District also provides a 457 Deferred Compensation Plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Department's payroll for employees covered by this plan was \$328,181 for the year ended December 31, 2022 and \$310,402 for the year ended December 31, 2021.

The District contributes 10% of the Superintendent's compensation and 5% of all other participating employees' compensation. The District contributed \$21,220 and employees elected to defer \$4,094 for a contribution total of \$25,314 for the year ended December 31, 2022. The District contributed \$20,569 and employees elected to defer \$3,869 for a contribution total of \$24,438 for the year ended December 31, 2021.

NOTE 11. COMMITMENTS

The District was committed at December 31, 2022 to remaining construction contracts totaling \$443,144 and \$243,243 for repairs and upgrades to the sewer lining. The construction is being funded with debt through the USDA – Rural Development loan and grant programs.

NOTE 12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 10, 2023, the date on which the financial statements were available to be issued.

Lincoln Sanitary District
 Schedule of the District's Proportionate Share of the Net Pension Asset and Liability
 Participating Local Districts Plan
 Last 10 Fiscal Years*
 For the years ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension asset and liability *	0.045815%	0.045814%	0.048288%	0.048724%	0.049672%	0.052483%	0.062466%	0.064091%	0.062764%	0.056914%
District's proportionate share of the net pension liability *	\$ 120,732	\$ -	\$ 191,858	\$ 148,928	\$ 135,941	\$ 228,458	\$ 347,308	\$ 217,633	\$ 107,390	\$ 175,443
District's proportionate share of the net pension asset**	\$ -	\$ 14,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll **	\$ 364,593	\$ 326,181	\$ 310,402	\$ 299,535	\$ 302,501	\$ 283,006	\$ 313,392	\$ 324,867	\$ 333,503	\$ 326,441
District's proportionate share of the net pension asset or liability as a percentage of its covered-employee payroll	0.00%	4.51%	61.81%	49.72%	44.94%	80.73%	110.82%	66.99%	32.20%	53.74%
Plan fiduciary net position as a percentage of the total pension asset or liability	84.08%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%	87.50%

* The pension proportion and share amounts presented for each fiscal year available were determined as of June 30 of that year

** The covered-employee payroll amounts presented for each year are for the District's fiscal year

Lincoln Sanitary District
 Schedule of District Contributions
 Participating Local Districts Plan
 Last 10 Fiscal Years*
 For the years ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution *	\$ 37,364	\$ 33,287	\$ 31,196	\$ 29,953	\$ 29,662	\$ 27,026	\$ 28,734	\$ 27,058	\$ 23,852	\$ 19,323
Contributions in relation to the contractually required contribution	<u>(37,364)</u>	<u>(33,287)</u>	<u>(31,196)</u>	<u>(29,953)</u>	<u>(29,662)</u>	<u>(27,026)</u>	<u>(28,734)</u>	<u>(27,058)</u>	<u>(23,852)</u>	<u>(19,323)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll *	\$ 364,593	\$ 326,181	\$ 310,402	\$ 299,535	\$ 302,501	\$ 283,006	\$ 313,392	\$ 324,867	\$ 333,503	\$ 326,441
Contributions as a percentage of covered-employee payroll	10.25%	10.21%	10.05%	10.00%	9.81%	9.55%	9.17%	8.33%	7.15%	5.92%

* The covered-employee payroll and required contribution amounts presented for each year are for the District's fiscal year

Lincoln Sanitary District
Schedule of the District's Proportionate Share of the Net OPEB Liability
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.089414%	0.083342%	0.105900%
District's proportionate share of the net OPEB liability	\$ 12,950	\$ 8,604	\$ 12,360
District's covered-employee payroll	\$ 303,250	\$ 326,181	\$ 310,402
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	4.27%	2.64%	3.98%
Plan fiduciary net position as a percentage of the total OPEB liability	67.26%	67.26%	55.40%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Lincoln Sanitary District
Schedule of District OPEB Contributions
Participating Local Districts Plan
Last 10 Fiscal Years*
For the years ended December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 1,228	\$ 1,194	\$ 954
Contributions in relation to the contractually required contribution	<u>(1,228)</u>	<u>(1,194)</u>	<u>(954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unit's covered-employee payroll	\$ 303,250	\$ 326,181	\$ 310,402
Contributions as a percentage of covered-employee payroll	0.40%	0.37%	0.31%

* The amounts presented for each fiscal year available were determined as of June 30 of the previous year

Lincoln Sanitary District
Schedule of Operating Expenses - Budget to Actual
Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
COLLECTION SYSTEMS			
Maintenance of equipment	\$ 1,435	\$ 601	\$ 834
Maintenance of sewers	4,180	3,115	1,065
Maintenance of manholes	5,240	6,267	(1,027)
Supplies and expense	<u>625</u>	<u>612</u>	<u>13</u>
Total collection systems	<u>\$ 11,480</u>	<u>\$ 10,595</u>	<u>\$ 885</u>
WASTEWATER PUMPING			
Fuel	\$ 700	\$ 877	\$ (177)
Power	27,532	27,200	332
Water	720	625	95
Maintenance of equipment	3,000	3,065	(65)
Maintenance of building and grounds	250	-	250
Supplies	<u>50</u>	<u>-</u>	<u>50</u>
Total wastewater pumping	<u>\$ 32,252</u>	<u>\$ 31,767</u>	<u>\$ 485</u>
WASTEWATER TREATMENT			
Heat	\$ 18,688	\$ 16,992	\$ 1,696
Power	45,500	40,224	5,276
Maintenance of buildings and grounds	1,400	1,324	76
Water	2,220	2,207	13
Maintenance of equipment	9,000	7,444	1,556
Service contracts	5,045	1,959	3,086
Laboratory expense	6,161	7,385	(1,224)
Chemicals	14,878	11,703	3,175
Truck expense	8,140	18,242	(10,102)
Supplies and expense	4,646	12,528	(7,882)
Crew expense	2,295	2,109	186
Labor expense	<u>216,703</u>	<u>213,339</u>	<u>3,364</u>
Total wastewater treatment	<u>\$ 334,676</u>	<u>\$ 335,456</u>	<u>\$ (780)</u>

Lincoln Sanitary District
Schedule of Operating Expenses - Budget to Actual (Continued)
Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ADMINISTRATION AND GENERAL			
Trustee compensation	\$ 3,220	\$ 2,710	\$ 510
Salaries - general office	132,339	136,694	(4,355)
Employee insurance	108,623	101,026	7,597
Employee retirement	59,977	49,438	10,539
Insurance	27,500	27,419	81
Office equipment maintenance	3,120	2,317	803
Postage	8,050	4,999	3,051
Telephone	3,960	3,987	(27)
Supplies and expense	2,211	1,537	674
Legal services	8,350	9,405	(1,055)
Audit	6,000	7,600	(1,600)
Publications and dues	850	985	(135)
Water meter reading expense	15,000	14,839	161
Technical training	2,000	1,296	704
Travel expense	200	-	200
	<u>\$ 381,400</u>	<u>\$ 364,252</u>	<u>\$ 17,148</u>
DEPRECIATION*	<u>-</u>	<u>528,249</u>	<u>(528,249)</u>
Totals	<u>\$ 759,808</u>	<u>\$ 1,270,319</u>	<u>\$ (510,511)</u>

*The District does not budget for depreciation expense.



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**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
Lincoln Sanitary District

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 Lincoln Sanitary District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Lincoln Sanitary District's basic financial statements and have issued our report thereon dated July 10, 2023

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln Sanitary District's internal control over financial reporting (internal control) as a basis for designing 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 Lincoln Sanitary District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 Lincoln Sanitary District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Shantree Whibodan & Associates

Bangor, Maine
July 10, 2023