



KENNEBUNK SEWER DISTRICT
FINANCIAL REPORT



DECEMBER 31, 2020 and 2019

Independently Audited By

Berry·Talbot·Royer
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Kennebunk Sewer District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Kennebunk Sewer District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kennebunk Sewer District as of December 31, 2020, and 2019, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension schedules on pages 3-9 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kennebunk Sewer District's basic financial statements. Schedules 3 to 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 3 to 5 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 3 to 5 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021, on our consideration of Kennebunk Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kennebunk Sewer District's internal control over financial reporting and compliance.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
April 27, 2021



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Management's Discussion and Analysis

December 31, 2020

Statement Overview of Financial Report

The District is a quasi-municipal Corporation established in 1955 by a special act of the Maine State Legislature. The District is responsible for providing and maintaining sewerage systems and related facilities to protect the local waters and provide benefit to the inhabitants of the town of Kennebunk. The District is governed by a five-person Board of Trustees who serves for staggered three-year terms.

The District uses a proprietary fund along with board designated funds. The District's fund is financed and operated in a manner similar to private businesses. The board designated funds are the sewer facility impact fees, collection system impact fees, equity buy in fees, and the capital reserve funds.

This Management's Discussion and Analysis (MD&A) serves as an introduction to the audited basic financial statements and notes. The MD&A is the District management's analysis of its financial condition and performance. It is presented to give the reader more insight on the District's finances.

The District's basic financial statements include:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to the Basic Financial Statements

Comparison of Financial Statements for Current and Prior Years

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 4,313,686	\$ 4,198,926	\$ 114,760	2.7%
Special Funds	1,985,318	1,899,512	85,806	4.5%
Capital Assets	<u>24,163,628</u>	<u>23,279,034</u>	<u>884,594</u>	3.8%
Total Assets	30,462,632	29,377,472	1,085,160	3.7%
Deferred Outflows of Resources	100,503	111,850	(11,347)	-10.1%
Current Liabilities	1,008,268	652,282	355,986	54.6%
Long-term Liabilities	<u>6,221,580</u>	<u>5,848,083</u>	<u>373,497</u>	6.4%
Total Liabilities	7,229,848	6,500,365	729,483	11.2%
Deferred Inflows of Resources	16,726	84,065	(67,339)	-80.1%
Net Investment in Capital Assets	18,826,548	18,403,476	423,072	2.3%
Restricted	768,457	939,567	(171,110)	-18.2%
Unrestricted	<u>3,721,556</u>	<u>3,561,849</u>	<u>159,707</u>	4.5%
Total Net Position	<u>\$ 23,316,561</u>	<u>\$ 22,904,892</u>	<u>\$ 411,669</u>	1.8%

Current Assets and Special Funds

The net increase of the current assets and special funds by \$114,760 was primarily due to the increase in cash.

There was an overall net increase in Cash and Cash Equivalents of \$200,566 primarily due to the increase in revenue and Sewer Equity buy in fees collected.

Capital Assets

Capital assets had a net increase of \$884,594. Changes in capital assets were as follows:

Additions		
Buildings		\$ 160,528
Pump stations		154,375
Sewers and forced mains		177,793
Transportation Equipment		57,944
Work in progress		<u>1,361,900</u>
Total additions		1,912,540
Disposals		
Other equipment		(24,776)
Work in Progress Completed		<u>(79,552)</u>
		<u>(104,328)</u>
Accumulated Depreciation		
Current year depreciation expense		(929,811)
Removal of depreciation for disposed-of assets		<u>6,193</u>
Change in Accumulated Depreciation		<u>(923,618)</u>
Net change in capital assets		<u>\$ 884,594</u>

Current Liabilities

Current liabilities increased by \$355,986 in 2020. This was primarily due to the amount due to contractors of the headworks upgrade.

Long-term Liabilities

Long-term liabilities, excluding pension liability, increased by a net of \$294,808. Increases of long-term liabilities were primarily due to the net of principal payments of long-term debts in the total amount of \$422,215 and the total drawings from the 2019 \$8 million bond anticipation note of \$718,129. The balance of accrued compensated absences was increased by of \$10,444. The decrease in deferred bond premiums by \$5,502 pertains to the current year amortization.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 3,391,494	\$ 3,289,285	\$ 102,209	3.1%
Operating Expenses	<u>(3,077,849)</u>	<u>(2,979,068)</u>	<u>(98,781)</u>	3.3%
Net Operating Income	313,645	310,217	3,428	1.1%
Net Non-Operating Expenses	<u>(85,981)</u>	<u>(94,230)</u>	<u>8,249</u>	-8.8%
Income Before Contributions	227,664	215,987	11,677	5.4%
Contributions	<u>184,005</u>	<u>162,598</u>	<u>21,407</u>	13.2%
Change in Net Position	411,669	378,585	33,084	8.7%
Beginning Net Position	<u>22,904,892</u>	<u>22,526,307</u>	<u>378,585</u>	1.7%
Ending Net Position	<u>\$ 23,316,561</u>	<u>\$ 22,904,892</u>	<u>\$ 411,669</u>	1.8%

Net Non-Operating Expenses

This item is primarily made up of interest expense, interest income from the operating and board designated funds, non-utility income, sewer charges refunds, and the loss on the disposal of operating property.

Special Funds Revenue

Special fund revenue, which is included in net non-operating revenue, consists of interest income collected during the year. It totaled \$8,961 in 2020.

Operating Expenses – Depreciation Expense

Depreciation expense, included in Operating Expenses, increased from \$922,221 in 2019 to \$929,811 in 2020, an increase of 0.82%. There is no significant increase in 2020.

Operating Expenses – Other

Non-depreciating operating expense increased from \$2,056,847 in 2019 to 2,148,038 in 2020, an increase of 4.4%. The expenses consisted of:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and Wages	\$ 335,167	\$ 335,776	\$ (609)	-0.2%
Fringe Benefits	138,925	141,359	(2,434)	-1.7%
Insurance	100,708	95,165	5,543	5.8%
Legal and Audit Fees	14,334	29,911	(15,577)	-52.1%
Contracted Services	34,103	29,952	4,151	13.9%
Office Supplies	8,845	17,916	(9,071)	-50.6%
Postage	14,423	11,988	2,435	20.3%
Travel and Trips to Seminars	4,693	6,373	(1,680)	-26.4%
Permits and Fees	8,550	6,900	1,650	23.9%
Miscellaneous Expenses	20,619	23,583	(2,964)	-12.6%
Plant Maintenance & Operations	671,924	648,306	23,618	3.6%
Maintenance & Operations Personnel	776,590	693,171	83,419	12.0%
Vehicle Maintenance & Operations	19,157	16,447	2,710	16.5%
Total other operating expenses	<u>\$ 2,148,038</u>	<u>\$ 2,056,847</u>	<u>\$ 91,191</u>	4.4%

Maintenance & Operations Personnel: The increase is mainly due to the increase in the salaries and wages and fringe benefits of the operation employees. There are two new employees in 2020. In addition, one employee who was on short term disability in 2019 received a longevity pay increase in 2020. In 2020, the Union employees' contract was renewed, and they received an average of 4% salary increase. An operator who was hired towards the end of 2019, was promoted to lead operator in 2020 and received a 26% salary increase.

Plant Maintenance and Operations: The increase was due to unexpected pump stations repairs in 2020 because of the breakdowns.

Legal and Audit Fees: This decreased because funds were budgeted in anticipation of a lawsuit pertaining to perfluoroalkyl and polyfluoroalkyl chemicals, collectively known as PFAS contained in biosolids which was never filed.

Office Supplies: It decreased because there was no office equipment purchases in 2020 that was expensed.

Contributions

Contributions occur when development takes place within the District's service area and ownership of capital assets are transferred to District. In addition, sewer impact fees and equity buy in fees are one-time charges collected for new construction or change of use that result in more wastewater discharged to the public sewer. The contributions for 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Sewer Equity Buy In Fees / Impact Fees, Net	\$ 184,005	\$ 162,598	\$ 21,407	13.2%

Overall Financial Position and Results of Operations

To determine the change in the District's financial position in the past year we have focused on two elements: financial ratios and revenue stability.

Financial Ratios

Two of the key financial ratios for analyzing the District's financial position are the current ratio and the coverage ratio. During 2020, the current ratio decreased from 6.44 to 4.28. The decrease was mainly attributed to the increase in accounts payable due to the headworks upgrade construction. The headworks upgrade construction is being funded through the \$8 million Bond Anticipation Note. The coverage ratio slightly decreased from 2.42 to 2.41.

	<u>2020</u>	<u>2019</u>
Current Assets	\$ 4,313,686	\$ 4,198,926
Current Liabilities	\$ 1,008,268	\$ 652,282
Current Ratio	4.28	6.44
Operating Revenue	\$ 3,391,494	\$ 3,289,285
Interest Income	22,851	28,530
Non-Utility Income	-	23,622
Gross Revenue	3,414,345	3,341,437
Operating Expenses	3,077,849	2,979,068
Less: Depreciation	929,811	922,221
Expenses before Depreciation	2,148,038	2,056,847
Net Available for Debt Service	<u>\$ 1,266,307</u>	<u>\$ 1,284,590</u>
Principal Payments	\$ 422,215	\$ 420,977
Interest Expense	102,250	110,302
Total Debt Service	<u>\$ 524,465</u>	<u>\$ 531,279</u>
Net Available for Debt Service	<u>\$ 1,266,307</u>	<u>\$ 1,284,590</u>
Total Debt Service	<u>\$ 524,465</u>	<u>\$ 531,279</u>
Coverage Ratio	2.41	2.42

Revenue Stability

Most of the District's operating revenue, 98.96% in 2020 and 99.52% in 2019, comes from sewer user fees. These revenue sources are stable and were relatively unchanged.

Significant Revenues and Expenses of Individual Funds

Operating and Management Fund

Operating revenue increased in 2020 by 3.1% over last year while expenses increased by 3.3%. This resulted in net operating income slightly increasing over last year by \$3,428.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 3,391,494	\$ 3,289,285	\$ 102,209	3.1%
Operating Expenses	<u>(3,077,849)</u>	<u>(2,979,068)</u>	<u>(98,781)</u>	3.3%
	<u>\$ 313,645</u>	<u>\$ 310,217</u>	<u>\$ 3,428</u>	1.1%

Sewer Impact Fund

Sewer facility impact fees and equity buy in fees are one-time charges for new construction or changes of use that result in more wastewater discharged to the public sewer. Funds collected will help defray the costs of the present and any future upgrades to the wastewater treatment facility. In the case of Equity Buy-In Fees, they may be used to help meet the capital needs of the District.

The District's staff recalculates the fee on a yearly basis using the most current audit year information. In 2020, the Equity Buy-In Fee for a single-family dwelling was set at \$4,645 and \$4,423 in 2019. At the September 1, 2015 Trustee Meeting, the trustees adopted the State of Maine Subsurface Wastewater Disposal Rules, August 3, 2015 for the primary method of determining flow from residential and commercial buildings.

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Sewer Equity Buy In Fees /				
Impact Fees, Net	\$ 184,005	\$ 162,598	\$ 21,407	13.2%
Impact Fees' Interest Income	<u>4,445</u>	<u>7,699</u>	<u>(3,254)</u>	-42.3%
Totals	<u>\$ 188,450</u>	<u>\$ 170,297</u>	<u>\$ 18,153</u>	10.7%

There were 51 sewer connections in 2020 compared to 28 in 2019. Of the 51 sewer connections in 2020, 47 were residential units, and 4 were commercial units.

There is a total of 4 customers that are on a payment plan. Those that are on a payment plan, revenue is recognized when payment is received. The equity buy in fee revenue is also affected by the amount of prepayments from the vacant lots fee and ready to serve fee which were recorded as revenue at the time they were received by the District and a reduction to the equity buy in fee at the time of sewer line connection.

Capital Reserves Fund

Interest income earned and sewer development fees on the fund designated by the board for capital reserves were as follows:

	<u>2020</u>	<u>2019</u>	<u>\$ Change</u>	<u>% Change</u>
Utility Income (Designated)	-	23,622	(23,622)	100.0%
Capital Reserves' Interest Income	<u>4,516</u>	<u>5,703</u>	<u>(1,187)</u>	-20.8%
	<u>\$ 4,516</u>	<u>\$ 29,325</u>	<u>\$ (24,809)</u>	-84.6%

Significant Budget Variances

The District is not legally required to adopt budgetary accounting and reporting. However, an annual budget is prepared by management and approved by the Board of Trustees. The budget is prepared on the operating and maintenance costs, which includes the debt service and transfer to the capital fund, and on the capital expenditures.

Significant Capital Asset and Long-term Debt Activity

Every year, the District Manager prepares the capital budget. He submits this to the Board of Trustees for approval. Throughout the year, capital purchases are made and paid for through the operating and maintenance fund. In October or November of each year, the Board votes to reimburse the operating and maintenance account for the amount that has been spent on capital expenditures from the previous year. The reimbursement will be funded by the special funds. If capital expenditures are incurred during the year, which are not included in the capital budget, the District Manager will submit this expenditure to the Board of Trustees for approval for the transfers of funds from the special funds to the operating and maintenance fund.

Capital Assets

Overall, net utility property increased by \$884,594 from \$23,279,034 to \$24,163,628. The allowance for depreciation increased by \$923,618, net of dispositions.

Long Term Debt

The total bonded debt, including the bond anticipation note, (both Long-term debt and current portion) activity of 2020 is detailed below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bonds payable	\$ 5,758,172	\$ 718,129	\$ (422,215)	\$ 6,054,086

Currently Known Facts and Decisions

The construction of the headworks upgrade is in the process. The District obtained a bond anticipation note of \$8,000,000 in 2019 to fund the headworks upgrade. The District is drawing down the proceeds in installments and the accumulated drawdowns as of the yearend 2020 totaled \$938,344. In addition, the unused balance from the 2015 bond is also being used. It is expected that the project will be completed in 2022 and permanent financing will occur at that time for the 2019 bond anticipation note.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Kennebunk Sewer District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael Bolduc, District Manager, Kennebunk Sewer District, P.O. Box 648, Kennebunk, ME 04043 - 0648.

BASIC FINANCIAL STATEMENTS

Kennebunk Sewer District
Statements of Net Position
As of December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash	\$ 2,835,108	\$ 2,537,242
Cash Held by Third Party	768,457	939,567
Accounts Receivable	633,399	655,153
Prepaid Expenses	<u>76,722</u>	<u>66,964</u>
Total Current Assets	4,313,686	4,198,926
Special Funds - Internally Restricted and Board Designated:		
Cash and Investments	1,985,318	1,899,512
Utility Property:		
Operating Property	35,440,606	34,914,742
Accumulated Depreciation	<u>(13,985,990)</u>	<u>(13,062,372)</u>
	21,454,616	21,852,370
Work In Progress	<u>2,709,012</u>	<u>1,426,664</u>
Net Utility Property	<u>24,163,628</u>	<u>23,279,034</u>
TOTAL ASSETS	30,462,632	29,377,472
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	100,503	111,850
LIABILITIES		
Current Liabilities:		
Accounts Payable	544,029	191,050
Accrued Liabilities	19,074	24,443
Accrued Interest	11,400	9,072
Current Portion of Long-Term Debt (Includes Current Portion of Deferred Bond Premiums of \$5,297)	<u>433,765</u>	<u>427,717</u>
Total Current Liabilities	1,008,268	652,282
Long-Term Liabilities		
Bonds Payable (Includes Long-term portion of Deferred Bond Premiums of \$46,154)	5,671,772	5,387,408
Accrued Compensated Absences	135,494	125,050
Net Pension Liability	<u>414,314</u>	<u>335,625</u>
Total Long-Term Liabilities	<u>6,221,580</u>	<u>5,848,083</u>
TOTAL LIABILITIES	<u>7,229,848</u>	<u>6,500,365</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	16,726	84,065
NET POSITION		
Net Investment in Capital Assets	18,826,548	18,403,476
Restricted	768,457	939,567
Unrestricted	<u>3,721,556</u>	<u>3,561,849</u>
TOTAL NET POSITION	<u>\$ 23,316,561</u>	<u>\$ 22,904,892</u>

The accompanying notes are an integral part of these financial statements.

Kennebunk Sewer District
 Statements of Revenues, Expenses, and Changes in Net Position
 For the Years Ended December 31,

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Sewer Charges, Net of Abatements	\$ 3,356,139	\$ 3,273,542
Other Sewer Services	<u>35,355</u>	<u>15,743</u>
Total Operating Revenues	3,391,494	3,289,285
OPERATING EXPENSES		
General and Administration	680,365	698,923
Plant Maintenance and Operation	671,925	648,306
Maintenance and Operating Personnel Costs	776,590	693,171
Vehicle Maintenance and Operation	19,158	16,447
Depreciation Expense	<u>929,811</u>	<u>922,221</u>
Total Operating Expenses	<u>3,077,849</u>	<u>2,979,068</u>
NET OPERATING INCOME	313,645	310,217
NON-OPERATING REVENUES OR (EXPENSES)		
Interest Income (Undesignated)	13,890	15,128
Special Funds' Interest Income	8,961	13,402
Interest Expense	(102,250)	(110,302)
Utility Income (Designated)	-	23,622
Loss on Disposal of Assets	<u>(6,582)</u>	<u>(36,080)</u>
Net Non-operating Revenues or (Expenses)	<u>(85,981)</u>	<u>(94,230)</u>
INCOME BEFORE CONTRIBUTIONS	227,664	215,987
CONTRIBUTIONS		
Sewer Equity Buy In Fees/ Impact Fees, Net	<u>184,005</u>	<u>162,598</u>
CHANGE IN NET POSITION	411,669	378,585
NET POSITION - AT BEGINNING OF YEAR	<u>22,904,892</u>	<u>22,526,307</u>
NET POSITION - AT END OF YEAR	<u>\$ 23,316,561</u>	<u>\$ 22,904,892</u>

Kennebunk Sewer District
Statements of Cash Flows
For the Years Ended December 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 3,413,248	\$ 3,233,979
Cash Payments to Suppliers and Contractors	(1,238,627)	(1,218,660)
Cash Payments to Employee Services	(880,965)	(831,425)
Net Cash Provided by Operating Activities	1,293,656	1,183,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of Long-Term Debt	(422,215)	(420,977)
Interest Payments	(108,726)	(115,729)
Sewer Equity Buy In Fees/ Impact Fees Collected, Net	184,005	162,598
Cash Drawn from Third Party	889,240	755,322
Proceeds from Sale of Capital Asset	12,000	-
Expenditures for Utility Property	(1,487,139)	(1,005,556)
Net Cash Used by Financing Activities	(932,835)	(624,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	22,851	28,529
Net Cash Provided by Investing Activities	22,851	28,529
NET INCREASE IN CASH AND CASH EQUIVALENTS	383,672	588,081
CASH AND CASH EQUIVALENTS - AT BEGINNING OF YEAR	4,436,754	3,848,673
CASH AND CASH EQUIVALENTS - AT END OF YEAR	\$ 4,820,426	\$ 4,436,754
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash Components:		
Internally Restricted and Board Designated	\$ 1,985,318	\$ 1,899,512
Operating	2,835,108	2,537,242
	\$ 4,820,426	\$ 4,436,754

Kennebunk Sewer District
Statements of Cash Flows
For the Years Ended December 31,

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 313,645	\$ 310,217
Non-Operating Income	-	23,622
Adjustments not affecting cash:		
Depreciation	929,811	922,221
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	21,754	(78,928)
Prepaid Expenses	(9,758)	(9,921)
Deferred Outflows	11,347	(11,004)
(Decrease) Increase in:		
Accounts Payable	10,432	(36,622)
Accrued Liabilities	5,075	(10,418)
Net Pension Liability	78,689	60,317
Deferred Inflows	(67,339)	14,410
Net Cash Provided by Operating Activities	\$ 1,293,656	\$ 1,183,894

Kennebunk Sewer District
Statements of Cash Flows
For the Years Ended December 31,

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 313,645	\$ 310,217
Non-Operating Income	-	23,622
Adjustments not affecting cash:		
Depreciation	929,811	922,221
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	21,754	(78,928)
Prepaid Expenses	(9,758)	(9,921)
Deferred Outflows	11,347	(11,004)
(Decrease) Increase in:		
Accounts Payable	10,432	(36,622)
Accrued Liabilities	5,075	(10,418)
Net Pension Liability	78,689	60,317
Deferred Inflows	(67,339)	14,410
Net Cash Provided by Operating Activities	\$ 1,293,656	\$ 1,183,894

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

This summary of significant accounting policies of the Kennebunk Sewer District, hereinafter called the “District”, is presented to assist in understanding the representations of the District’s management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business

The District is a quasi-municipal corporation established in 1955 by a special act of the Maine State Legislature to provide and maintain a sewerage system and related facilities for the benefit of the inhabitants of the District. The District is governed by a five-person Board of Trustees who serves for staggered three-year terms. The District extends normal trade credit to their customers, which consist of residential dwellings, commercial entities, and governmental agencies.

Basis of Accounting

The accounting records of the District are maintained and the financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used.

Basis of Presentation

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s proprietary funds are the net charges to customers for sewer usage. Operating expenses include expenses on plant maintenance and operations, vehicle operations and maintenance, maintenance and operating personnel costs, administrative and general, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating income and expenses.

Revenue Recognition

The District’s revenue is comprised of fixed and variable fees for residential and commercial customers. Fixed charges are assessed to pay outstanding debt and budgeted operations and maintenance expenses. Water consumption is used to assess variable fees. The District bills quarterly and the current year charges are based on prior year water usage plus current year fixed charges.

Cash and Investments

For purposes of the statement of cash flows, the District includes cash on hand, deposits in banks including certificates of deposits, and money market funds.

Maine statutes authorize investments in obligations of the U. S. Treasury and U. S. Agencies, and repurchase agreements. The District invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid, and attain a reasonable market rate of return. Investments are reported at cost; there is no significant difference between the fair value and cost of investments.

Cash Held by Third Parties

Cash held by third parties consists of amounts held for the District by the Maine Municipal Bond Bank to be used for the renovation project.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The District has determined that it is not necessary for them to maintain an allowance for doubtful accounts. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. However, the District is permitted by the State of Maine to lien property if sewer bills remain unpaid. Furthermore, the District has the authority to foreclose on property eighteen months after the filing of liens if the liens and associated costs remain unpaid.

Utility Property

Utility property is stated at cost and depreciated on the straight-line method over their estimated useful lives. Repairs and maintenance are expensed as incurred.

Capitalization Policy

Expenditures that increase the value or productive capacity of assets are capitalized. Charges for additions to utility plant accounts include all reasonable and necessary costs for labor, materials, and overhead plus an allowance for the current cost of funds used for construction purposes. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in non-operating revenues or expenses.

Contributions in Aid of Construction

Pursuant to the Governmental Accounting Standards Board Standards, contributions in aid are reported as income.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$388 and \$1,489 for 2020 and 2019, respectively.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources of \$100,503 of which \$65,550 is related to a pension obligation as of June 30, 2020, and \$34,953 of contributions made subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources of \$16,726 related to a pension obligation as of June 30, 2020.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of MainePERS Participating Local District Consolidated Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan's net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions were measured at June 30, 2020, the latest measurement data available.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Net Position Classifications

Net position is required to be classified into the following components:

Net Investment in Capital Assets – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

	2020	2019
		restated
Capital assets	\$ 38,149,618	\$ 36,341,406
Accumulated depreciation	(13,985,990)	(13,062,372)
Bonds and notes payable	(5,337,080)	(4,875,558)
Net investment in capital assets	\$ 18,826,548	\$ 18,403,476

Restricted – This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: SPECIAL FUNDS, DEPOSITS, INVESTMENTS, AND CASH HELD BY THIRD PARTY

The Board of Trustees has internally restricted various cash and investment accounts for future capital projects. In addition to the sewer equity buy-in fees and impact fees and the capital reserve amounts listed below, the Trustees have internally restricted amounts set aside for the plant design (\$73,474), the remaining administration building bond proceeds (\$19,357), and the headworks upgrade (\$100,869). As of December 31, 2020, and 2019, the other special fund balances are as follows:

Special Fund - Sewer Equity Buy-In Fees and Impact Fees

The District collects equity buy in fees and facility impact fees in order to provide funds for future capital needs. These fees are considered contributed capital and are included in revenue pursuant to the Governmental Accounting Standards Board. The net amount collected during 2020 and 2019 was \$184,005 and \$162,598, respectively.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 2: SPECIAL FUNDS, DEPOSITS, INVESTMENTS, AND CASH HELD BY THIRD PARTY
(Continued)

Special Fund - Sewer Equity Buy-In Fees and Impact Fees (Continued)

The unexpended portion of collected equity buy in fees and facility impact fees is segregated and internally restricted to use for utility property additions and improvements, and are invested as follows at December 31, 2020 and 2019:

	2020	2019
Cash	\$ 923,879	\$ 921,757
Restricted investment earnings	\$ 4,445	\$ 7,699

Special Fund - Capital Reserve

Equipment purchases, capital replacement, and other reserves funds are appropriated by the District's Board of Trustees from earnings, and are invested as follows at December 31, 2020 and 2019:

	2020	2019
Cash	\$ 867,739	\$ 737,290
Restricted investment earnings	\$ 4,516	\$ 5,703

The District invests all available funds at the highest possible rates while avoiding unreasonable risk. Generally, the District invests excess funds in savings accounts, money market accounts, and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the bank's failure, the District will not be able to recover the value of its deposits and investments that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk.

Cash Deposits

As of December 31, 2020, the District reported cash of \$4,820,426 with a bank balance of \$4,903,324. Of the District's bank balances, \$660,120 was covered by FDIC insurance and \$4,243,204 was exposed to custodial credit risk. Of the balance exposed to custodial credit risk, all of it was collateralized by securities held by the pledging bank, but not in the District's name.

Cash Held by Third Parties

In 2014, the Trustees voted to upgrade certain sections of the plant. The District borrowed \$2,750,000 for that project from Maine Municipal Bond Bank (MMBB) from which they have drawn down \$1,981,543. The balance of the funds belonging to the District is held by MMBB (the custodian). These amounts are invested by the custodian in US government obligations. Management believes the custodial credit risk of these assets to be low. As of December 31, 2020, the carrying value of amounts held by the MMBB was \$768,457. Carrying value approximates fair value. None of the underlying securities are in the District's name.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Ending Balance</u>
<i>Utility Property Not Being Depreciated</i>				
Land and easements	\$ 111,506	\$ -	\$ -	\$ 111,506
Work in progress	1,426,664	1,361,900	(79,552)	2,709,012
Totals	<u>1,538,170</u>	<u>1,361,900</u>	<u>(79,552)</u>	<u>2,820,518</u>
<i>Utility Property Being Depreciated</i>				
Buildings	19,857,335	160,529	(24,776)	19,993,088
Pump station	7,846,386	154,375	-	8,000,761
Sewers and forced mains	6,701,579	98,241	79,552	6,879,372
Transportation equipment	255,881	57,943	-	313,824
Other equipment	142,055	-	-	142,055
Totals	<u>34,803,236</u>	<u>471,088</u>	<u>54,776</u>	<u>35,329,100</u>
Total Utility Property Cost	36,341,406	1,832,988	(24,776)	38,149,618
Accumulated depreciation	<u>(13,062,372)</u>	<u>(929,811)</u>	<u>6,193</u>	<u>(13,985,990)</u>
Net utility property	<u>\$ 23,279,034</u>	<u>\$ 903,177</u>	<u>\$ (18,583)</u>	<u>\$ 24,163,628</u>

The District's depreciation expense for the years ended December 31, 2020 and 2019 was \$929,811 and \$922,221 respectively. The depreciation expenses of utility property acquired by capital grants and by donation are included in the above amount.

NOTE 4: LONG-TERM DEBT

Long-term debt is summarized as follows at December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Bonds payable	\$ 5,758,172	\$ 718,129	\$ (422,215)	\$ 6,054,086	\$ 428,468
Deferred Bond Premiums	<u>56,953</u>	<u>-</u>	<u>(5,502)</u>	<u>51,451</u>	<u>5,297</u>
Totals	<u>\$ 5,815,125</u>	<u>\$ 718,129</u>	<u>\$ (427,717)</u>	<u>\$ 6,105,537</u>	<u>\$ 433,765</u>

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 4: LONG-TERM DEBT (Continued)

Details of the District's outstanding bonds are as follows:

	<u>Maine Municipal Bond Bank</u>	<u>Maine Municipal Bond Bank</u>	<u>Maine Municipal Bond Bank</u>	<u>U.S.Bank National Association</u>
Bond Type	CWSRF	CWSRF	CWSRF	Revenue
Issue Date	9/22/2004	7/1/2005	11/13/2015	5/1/2017
Maturity Date	10/1/2024	4/1/2025	11/1/2035	7/1/2037
Annual Interest Rate	1.500%	1.460%	1.000%	3.0% to 4.0%
Original Issue Amount	\$ 2,000,000	\$ 2,140,000	\$ 2,750,000	\$ 2,400,000
			From \$122,749	From \$75,000 to
Annual Principal Payments	\$ 100,000	\$ 107,000	to \$145,372	\$160,000
Balance, december 31, 2020	\$ 400,000	\$ 535,000	\$ 2,035,742	\$ 2,145,000

Scheduled maturities of the long-term debts are as follows:

<u>Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2021	\$ 428,468	\$ 114,792	\$ 543,260
2022	656,161	104,847	761,008
2023	660,207	94,705	754,912
2024	669,298	84,515	753,813
2025	578,439	73,678	652,117
2026 - 2030	1,328,906	278,431	1,607,337
2031 - 2035	1,417,607	141,733	1,559,340
2036 - 2038	<u>315,000</u>	<u>15,437</u>	<u>330,437</u>
Totals	<u>\$ 6,054,086</u>	<u>\$ 908,138</u>	<u>\$ 6,962,224</u>

On February 1, 2019, the District obtained a Bond Anticipation Note from the Maine Municipal Bond Bank in the amount of \$8,000,000 to fund the headworks upgrade. The District is able to take down the proceeds in installments. At December 31, 2020, a total of \$938,344 was withdrawn from it. The District shall pay interest on the amount it receives from the date of each draw until the final maturity of the note. The loan is expected to be converted into a long-term debt in year 2022 with an annual interest rate of 1.25% payable over 30 years.

Interest expense for 2020 and 2019 was \$102,250 and \$110,302, respectively.

Deferred Bond Premiums

When issuing long-term debt, bond premiums received at the time of sale are capitalized and amortized over the term of the bond, decreasing interest expense in subsequent years. The total reduction of interest expense for years ended 2020 and 2019 was \$5,502 and \$5,707, respectively. Deferred bond premiums remaining as of December 31, 2020 and 2019, were \$51,451 and \$56,953, respectively.

NOTE 5: COMPENSATED ABSENCES

The District's employee benefits include two types of compensated absences, accrued sick time and accrued vacation time. Employees with 5 or more years of continuous service qualify for accrued sick time payouts upon retirement, with payments equal to 50% of accumulated sick time for service between 5 and 10 years and payouts of 100% of accumulated sick time for employees with more than 10 years of continuous service. The total accrued sick time and accrued vacation time liability as of December 31, 2020 and 2019 was \$135,494 and \$125,050, respectively.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 6: EMPLOYEE RETIREMENT PLANS

MEPERS Defined Benefit Plan

Effective July 1, 1995, the District became a participant of the Maine Public Employees State Retirement System's (MEPERS) multiple employer cost sharing consolidated retirement plan. Accordingly, due to the consolidation, details of the pension obligation pertaining to the District can no longer be presented. Additional information may be obtained from the MEPERS, 46 State House Station; Augusta, Maine 04333-0046.

As of June 30, 2020, there were 301 employers participating in the plan.

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 (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of the PLD). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. 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 her/his 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.

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 1.92%.

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. 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.

Financial Reporting

The Plan issues stand-alone financial reports which can be found online at:

<http://www.maineipers.org/Publications/Publications.htm#Annual Reports>

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 6: EMPLOYEE RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions were measured at June 30, 2020, the latest measurement date available, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These amounts are reported on the District's financial statements as of December 31, 2020. The District's deferred outflows of resources related to pensions balance, as of the measurement date, was increased by contributions to pensions made in the last half of the current fiscal year. These amounts were adjusted accordingly as reductions to expenses in the Statement of Activities.

At December 31, 2020, the District reported a liability for its share of the net pension liability of \$414,314.

The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts and the member employers, actuarially determined. At June 30, 2020, the District's proportion was 0.104279%, which was an decrease of .005524% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the District recognized pension expense of \$22,697. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	\$ 24,862	\$ 4,555
Change of assumptions	13,728	-
Net difference between projected and actual earnings on pension plan investments	26,960	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	12,171
District contributions subsequent to the measurement date	34,953	-
Total	\$ 100,503	\$ 16,726

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 6: EMPLOYEE RETIREMENT PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, except the District's contribution subsequent to the measurement date of \$34,953, will be recognized in pension expense as follows:

	PLD Plan
2021	\$ (13,048)
2022	16,021
2023	22,900
2024	22,951
Total	\$ 48,824

Actuarial Methods and Assumptions

The collective total pension liability for the Plans was determined by an actuarial valuation as of June 30, 2020 and 2019, 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 develop 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 or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her 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.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 6: RETIREMENT PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Amortization (Continued)

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 and June 30, 2019 are as follows:

Investment Rate of Return – 6.75% per annum for the year ended June 30, 2020 and 2019, compounded annually.

Inflation Rate – 2.75% per annum for the years ended June 30, 2020 and 2019.

Salary Increases, Merit and Inflation – members of the PLD Consolidated Plan, 2.75% plus merit component based on each employee’s years of service for the year ended June 30, 2020 and 2.75% to 9.00% for the year ended June 30, 2019.

Mortality Rates – For the years ended June 30, 2020 and 2019, for active members and non-disabled retirees of the participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used; for all recipients of disability benefits, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.

Cost of Living Benefit Increases – 1.91% for the year ended June 30, 2020 and 2019 for participating local districts.

The long-term expected rate of return on pension plan assets 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 arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	30.0%	6.00%
US Government	7.5%	2.30%
Private equity	15.0%	7.60%
Real assets:		
Real estate	10.0%	5.20%
Infrastructure	10.0%	5.30%
Natural resources	5.0%	5.00%
Traditional credit	7.5%	3.00%
Alternative credit	5.0%	7.20%
Diversifiers	10.0%	5.90%

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 6: EMPLOYEE RETIREMENT PLANS (Continued)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used by the Plan to measure the collective total pension liability was 6.75% for 2020 and 2019. 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following table show how the collective net pension liability as of June 30, 2020 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
PLD Plan			
Net pension liability	\$ 870,721	\$ 414,314	\$ 40,712

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial report.

MEPERS Defined Contribution Plan

MEPERS 401(a) Defined Contribution Plan - The District adopted the Maine Public Employees State Retirement System Defined Contribution plan for the benefit of its employees. Employees are eligible to participate after six months of service. Each participant shall make pre-tax contributions to the plan at 6.5% of gross compensation. The plan was amended to allow the District to contribute 4.70% to the plan on behalf of the participating employees. Employees are vested in employer contributions after three years of participation.

MEPERS Deferred Compensation Plan

The District offers a deferred compensation plan to its employees and is established pursuant to legislation and in accordance with the requirements of Section 457 of the United States Internal Revenue Code of 1986. Under the plan, eligible employees may contribute a portion of their salary on a pre-tax basis up to the maximum annual contribution allowed by the IRS. The Maine Public Employees State Retirement System sponsors the plan and the District's contributions on behalf of the participants is discretionary. Currently, the District contributes 4.70% to the plan on behalf of the participating employee.

NOTE 7: INCOME TAX STATUS

The District qualifies as a tax-exempt organization under the provisions of the Internal Revenue code and, accordingly, its revenue is not subject to any State or Federal income taxes.

Kennebunk Sewer District
Notes to the Basic Financial Statements
December 31, 2020

NOTE 8: OTHER DISCLOSURES

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions; and natural disaster for which the District carries commercial insurance. Based on the coverage provided by commercial insurance purchased, the District is not aware of material actual or potential claim liabilities, which is to be recorded at December 31, 2020.

Litigation

The District is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the District has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the District.

NOTE 9: SUBSEQUENT EVENTS

The bond anticipation note that the District obtained in 2019 is expected to be converted into a long-term debt in year 2022 with an annual interest rate of 1.25% payable over 30 years.

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 27, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Kennebunk Sewer District
Schedule of the District's Proportionate Share of the Net Pension Liability
MainePERS Participating Local District Plan
Employer ID: 0201

For the Fiscal Year Ended	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered- employee payroll	District's proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.104279%	\$ 414,314	\$ 691,062	59.95%	88.35%
2019	0.109803%	335,625	643,842	52.13%	90.62%
2018	0.100596%	275,308	610,329	45.11%	91.14%
2017	0.098412%	402,935	551,208	73.10%	86.43%
2016	0.094775%	503,569	487,555	103.28%	81.61%
2015	0.079958%	255,103	337,442	75.60%	88.27%
2014	0.076322%	117,445	362,524	32.40%	94.10%
2013	0.079097%	243,824	409,281	59.57%	87.50%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Kennebunk Sewer District
Schedule of the District's Employer Contributions
MainePERS Participating Local District Plan
Employer ID: 0201

For the Fiscal Year Ended	Contractually required contributions	District's contributions in relation to the contractually required contributions	District's contribution deficiency (excess)	District's covered- employee payroll	District's contributions as a percentage of its covered- employee payroll
2020	\$ 72,561	\$ 72,561	-	\$ 691,062	10.50%
2019	64,384	64,384	-	643,842	10.00%
2018	59,910	59,910	-	610,329	9.82%
2017	52,640	52,640	-	551,208	9.55%
2016	44,855	44,855	-	487,555	9.20%
2015	32,685	32,685	-	337,442	9.69%
2014	25,929	25,929	-	362,524	7.15%
2013	19,990	19,990	-	409,281	4.88%

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

Kennebunk Sewer District
Schedules of Operating Expenses
For the Years Ended December 31,

	<u>2020</u>	<u>2019</u>
GENERAL AND ADMINISTRATION		
Salaries and Wages	\$ 335,167	\$ 335,776
Fringe Benefits	138,925	141,359
Insurance	100,708	95,165
Legal and Audit Fees	14,334	29,911
Contractual Services	34,103	29,952
Office Supplies	8,845	17,916
Postage	14,423	11,988
Travel and Trips to Seminars	4,693	6,373
Permits and Fees	8,550	6,900
Equipment Maintenance Contracts and Repairs	15,588	12,552
Bank Charges	99	238
Advertising	388	1,489
Dues and Subscriptions	4,542	2,350
Miscellaneous Expense	-	6,954
Total General and Administration	<u>680,365</u>	<u>698,923</u>
PLANT MAINTENANCE AND OPERATION		
Utilities	194,778	243,054
Maintenance and Repairs	168,708	142,535
Chemical Supplies	89,387	75,010
Sludge Spreading and Analysis	113,029	104,673
General and Miscellaneous	64,913	54,370
Tools and Supplies	11,082	4,411
Telephone and Pagers	7,686	7,899
Uniforms	6,930	5,243
Safety Equipment and Training	13,002	8,966
Waste Disposal	<u>2,410</u>	<u>2,145</u>
Total Plant Maintenance and Operation	671,925	648,306
MAINTENANCE AND OPERATING PERSONNEL COSTS		
Salaries and Wages	549,023	487,808
Fringe Benefits	<u>227,567</u>	<u>205,363</u>
Total Maintenance and Operating Personnel Costs	776,590	693,171
VEHICLE MAINTENANCE AND OPERATION		
Fuel, Tires and Lubrication	8,895	11,606
Maintenance and Repairs	<u>10,263</u>	<u>4,841</u>
Total Vehicle Maintenance and Operation	19,158	16,447
DEPRECIATION EXPENSE	<u>929,811</u>	<u>922,221</u>
TOTAL OPERATING EXPENSES	<u>\$ 3,077,849</u>	<u>\$ 2,979,068</u>

Kennebunk Sewer District
Schedules of Investment Earnings
For the Years Ended December 31,

	<u>2020</u>	<u>2019</u>
INTEREST INCOME		
Internally Restricted Reserves:		
Impact Fees	\$ 4,445	\$ 7,699
Capital Reserves	<u>4,516</u>	<u>5,703</u>
Total	8,961	13,402
Operating Funds:		
Interest Income - Undesignated	<u>13,890</u>	<u>15,128</u>
Total Investment Earnings	<u>\$ 22,851</u>	<u>\$ 28,530</u>

Kennebunk Sewer District
Schedules of Cash and Investments
As of December 31,

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	Bank	
Change Fund	\$ 100	\$ 100
Petty Cash - Administration	100	100
Operating and Maintenance - Checking	Kennebunk Savings Bank 192,575	191,472
Operation and Maintenance - Savings	Kennebunk Savings Bank 1,629,118	1,656,182
Rate Stabilization Fund	Kennebunk Savings Bank <u>1,013,215</u>	<u>689,388</u>
 Total Current Assets - Cash and Cash Equivalents	 2,835,108	 2,537,242
 SPECIAL FUNDS - INTERNALLY RESTRICTED AND BOARD DESIGNATED		
Cash and Cash Equivalents	Bank	
Cash - Equity Buy in Fee	Kennebunk Savings Bank 754,433	629,157
Turnpike Zone - Impact Fees	Kennebunk Savings Bank 9,326	7,556
2015 SRF Infrastructure Bond	Kennebunk Savings Bank 73,474	111,259
Administration Building	Kennebunk Savings Bank 19,357	67,431
Certificate of Deposit	Saco and Biddeford Savings 160,120	285,044
Capital Reserve	Kennebunk Savings Bank 867,739	737,290
Headworks Upgrade	Kennebunk Savings Bank <u>100,869</u>	<u>61,775</u>
 Total Special Funds - Cash and Cash Equivalents	 <u>1,985,318</u>	 <u>1,899,512</u>
 TOTAL CASH AND INVESTMENTS	 <u>\$ 4,820,426</u>	 <u>\$ 4,436,754</u>