

Audited Financial Statements  
and Other Financial Information

**Livermore Falls  
Sewerage Treatment Plant**

June 30, 2020



*Proven Expertise & Integrity*

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

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## INDEPENDENT AUDITORS' REPORT

Joint Sewer Committee  
Livermore Falls Sewerage Treatment Plant  
Livermore Falls, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of Livermore Falls Sewerage Treatment Plant, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708      (207) 929-4606      Fax: (207) 929-4609  
www.rhrsmith.com

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position Livermore Falls Sewerage Treatment Plant as of June 30, 2020 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023, on our consideration of the Livermore Falls Sewerage Treatment Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Livermore Falls Sewerage Treatment Plant's internal control over financial reporting and compliance.



Buxton, Maine  
February 14, 2023

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020  
(UNAUDITED)**

The following management's discussion and analysis of Livermore Falls Sewerage Treatment Plant's financial performance provides an overview of the Plant's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Plant's financial statements.

**Financial Statement Overview**

The Livermore Falls Sewerage Treatment Plant's basic financial statements include the following components: 1) proprietary funds financial statements and 2) notes to the financial statements.

**Basic Financial Statements**

The basic financial statements for the Plant include the statement of net position, statement of revenues, expenses and changes in fund net position and statement of cash flows. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

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

*Statement of Net Position* - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Plant is improving or deteriorating.

*Statement of Revenues, Expenses and Changes in Net Position* - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

The Plant's financial statements can be found on pages 7 through 9 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Plant's financial statements. The Notes to Financial Statements can be found following the Statements of Cash Flows.

### The Treatment Plant as a Whole

Our analysis below focuses on the net position and changes in net position of the Treatment Plant's business-type activities. The Treatment Plant's total net position increased by \$119,352 from \$5,422,406 to \$5,541,758.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased to a deficit balance of \$137,808 at the end of this year.

**Table 1**  
**Livermore Falls Sewerage Treatment Plant**  
**Net Position**  
**June 30,**

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Current Assets	\$ 109,318	\$ 92,081
Noncurrent Assets:		
Capital Assets	5,416,776	5,262,526
Other Assets	219,980	188,667
Total Assets	<u>5,746,074</u>	<u>5,543,274</u>
<b>Liabilities:</b>		
Current Liabilities	204,316	120,868
Total Liabilities	<u>204,316</u>	<u>120,868</u>
<b>Net Position:</b>		
Net Investment in Capital Assets	5,416,776	5,262,526
Restricted	262,790	200,029
Unrestricted (Deficit)	<u>(137,808)</u>	<u>(40,149)</u>
Total Net Position	<u>\$5,541,758</u>	<u>\$5,422,406</u>

## Revenues and Expenses

Revenues for the Treatment Plant's business-type activities increased by 52.88% primarily due to an increase in miscellaneous income. Total expenses increased by 1.52%, primarily the result of an increase in contract services, which was partially offset by decreases in utilities, repairs and maintenance and miscellaneous.

**Table 2**  
**Livermore Falls Sewerage Treatment Plant**  
**Changes in Net Position**  
**June 30,**

	2020	2019
<b>Revenues</b>		
Intergovernmental	\$ 12,000	\$ -
Charges for services	403,498	378,218
Miscellaneous income	220,546	37,826
Total Revenues	636,044	416,044
<b>Expenses</b>		
Payroll	161,394	157,142
Insurances	101,906	95,773
Utilities	56,268	63,933
Contract services	71,164	34,958
Repairs and maintenance	6,427	15,899
Supplies	29,795	26,440
Minor equipment	77	1,007
Professional fees	3,053	4,087
Depreciation	80,913	85,975
Miscellaneous	5,695	23,734
Total Expenses	516,692	508,948
Change in Net Position	119,352	(92,904)
Net Position - July 1	5,422,406	5,515,310
Net Position - June 30	\$ 5,541,758	\$ 5,422,406

The cost of all business-type activities this year was \$516,692 compared to \$508,948 last year. As shown in the Statements of Revenues, Expenses and Changes in Net Position on page 8, the Plant had an operating profit of \$119,352.

## Capital Asset and Debt Administration

### Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Treatment Plant increased by \$154,250 from the prior year. The increase is a result of capital asset additions of \$235,163 less current year depreciation expense of \$80,913.

**Table 3**  
**Livermore Falls Sewerage Treatment Plant**  
**Capital Assets (Net of Depreciation)**  
**June 30,**

	<u>2020</u>	<u>2019</u>
Land	\$ 46,842	\$ 46,842
Construction in progress	235,163	-
Treatment plant	5,134,771	5,214,227
Equipment and vehicles	-	1,457
Total	<u>\$ 5,416,776</u>	<u>\$ 5,262,526</u>

### Debt

As of June 30, 2020, the Livermore Falls Sewerage Treatment Plant had no outstanding debt.

### Currently Known Facts, Decisions or Conditions

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

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

### Economic Factors and Next Year's Budgets and Rates

The Treatment Plant is working toward maintaining a sufficient unrestricted net position to sustain government operations for a period of approximately three months, while also maintaining reserve accounts for future capital and program needs.



## **Contacting the Treatment Plant's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Treatment Plant's finances and to show the Treatment Plant's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treatment Plant's Treasurer at 2 Main Street, Livermore Falls, Maine 04254.

STATEMENT A

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

STATEMENTS OF NET POSITION  
JUNE 30,

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 47,089	\$ 10,774
Accounts receivable (net of allowance for uncollectibles)	26,815	26,800
Due from other governments	35,414	54,507
Total current assets	109,318	92,081
Noncurrent assets:		
Capital assets:		
Land and other assets not being depreciated	282,005	46,842
Buildings and equipment, net of accumulated depreciation	5,134,771	5,215,684
Total noncurrent assets	5,416,776	5,262,526
Other assets:		
Restricted cash	219,980	188,667
Total other assets	219,980	188,667
<b>TOTAL ASSETS</b>	<b>\$ 5,746,074</b>	<b>\$ 5,543,274</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 22,955	\$ 19,412
Accrued compensated absences	18,959	18,959
Due to other governments	162,402	82,497
Total current liabilities	204,316	120,868
<b>TOTAL LIABILITIES</b>	204,316	120,868
<b>NET POSITION</b>		
Net investment in capital assets	5,416,776	5,262,526
Restricted	262,790	200,029
Unrestricted (deficit)	(137,808)	(40,149)
<b>TOTAL NET POSITION</b>	5,541,758	5,422,406
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 5,746,074</b>	<b>\$ 5,543,274</b>

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

## LIVERMORE FALLS SEWERAGE TREATMENT PLANT

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Intergovernmental	\$ 12,000	\$ -
Charges for services	403,498	378,218
Miscellaneous income	219,970	37,407
TOTAL OPERATING REVENUES	<u>635,468</u>	<u>415,625</u>
OPERATING EXPENSES		
Payroll	161,394	157,142
Insurances	101,906	95,773
Utilities	56,268	63,933
Contract services	71,164	34,958
Repairs and maintenance	6,427	15,899
Supplies	29,795	26,440
Minor equipment	77	1,007
Professional fees	3,053	4,087
Depreciation	80,913	85,975
Miscellaneous	5,695	23,734
TOTAL OPERATING EXPENSES	<u>516,692</u>	<u>508,948</u>
OPERATING INCOME (LOSS)	<u>118,776</u>	<u>(93,323)</u>
NONOPERATING REVENUE (EXPENSES)		
Interest income	576	419
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>576</u>	<u>419</u>
CHANGE IN NET POSITION	119,352	(92,904)
NET POSITION - JULY 1	<u>5,422,406</u>	<u>5,515,310</u>
NET POSITION - JUNE 30	<u>\$ 5,541,758</u>	<u>\$ 5,422,406</u>

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

STATEMENT C  
LIVERMORE FALLS SEWERAGE TREATMENT PLANT

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 734,466	\$ 453,039
Payments to suppliers/employees	(432,251)	(424,607)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	302,215	28,432
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	576	419
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	576	419
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital asset purchases	(235,163)	-
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	(235,163)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	67,628	28,851
CASH AND CASH EQUIVALENTS - JULY 1	199,441	170,590
CASH AND CASH EQUIVALENTS - JUNE 30	\$ 267,069	\$ 199,441
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents in current assets	\$ 47,089	\$ 10,774
Restricted cash and cash equivalents	219,980	188,667
TOTAL CASH AND CASH EQUIVALENTS	\$ 267,069	\$ 199,441
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 118,776	\$ (93,323)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	80,913	85,975
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(15)	-
(Increase) decrease in due from other governments	98,998	37,414
Increase (decrease) in accounts payable	3,543	(10,024)
Increase (decrease) in accrued payroll	-	(2,919)
Increase (decrease) in accrued compensated absences	-	11,309
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 302,215	\$ 28,432

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

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

Livermore Falls Sewerage Treatment Plant (the Treatment Plant) is a joint venture entered into by the Towns of Livermore Falls and Jay in 1972. The purpose of the joint venture is to construct and operate a sewerage treatment system. The agreement states that the capital cost be prorated between the two municipalities. In addition, the agreement describes the cost allocation methods to be used for the operation, maintenance and construction of lines, interceptor sewer lines, pumping stations and pollution abatement facilities.

The responsibility for the administration of the joint venture agreement is delegated to a joint committee comprised of three residents for each Town. Members of the joint committee are appointed by the municipal officers of each municipality for a term of three years.

**Reporting Entity**

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

**COVID-19 Outbreak**

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

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. The state of emergency expired on June 30, 2021.

*Impact on and Results of Operations*

In accordance with Executive Order 19, issued by the Governor of Maine on March 24, 2020, Treatment Plant facilities were temporarily closed to the public and all nonessential services to its inhabitants were suspended.

*Impact on Finances*

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

*Expected Federal/State Support*

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

*Conclusion*

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

**Implementation of New Accounting Standards**

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

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

**Measurement Focus - Basic Financial Statements**

1. Proprietary Funds

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

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds used by the Treatment Plant:

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

**Basis of Accounting**

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

1. Accrual

Proprietary funds are reported in the same way that *all* activities are reported in the government-wide financial statements, using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**Restricted Cash**

Certain resources of the Plant are set aside per interlocal agreement and are classified as restricted cash on the statement of net position because their use is limited to capital reserves. These funds are set aside to subsidize potential deficiencies from the Plant's operation that could adversely affect equipment replacement.

**Deposits and Investments**

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

It is the Plant's policy to value investments at fair value. None of the Plant's investments are reported at amortized cost. The Plant Treasurer is authorized by State Statutes to invest all excess funds in the following:



LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Livermore Falls Sewerage Treatment Plant has no formal investment policy but instead follows the State of Maine Statutes.

**Receivables**

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$62,229 for the year ended June 30, 2020.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

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

Estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Long-term Obligations**

All long-term obligations to be repaid from business-type resources are reported as liabilities in financial statements. The long-term obligations consist of accrued compensated absences.

**Net Position**

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

**Program Revenues**

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

**Operating/Nonoperating Enterprise Fund Revenues**

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

**Encumbrance Accounting**

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

**Use of Estimates**

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

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

The Plant's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle.

**Deposits:**

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

At June 30, 2020, the Plant's cash and cash equivalents amounting to \$267,069 were comprised of bank deposits of \$247,570. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Plant's cash balance. All of these bank deposits were fully covered by federal depository insurance and consequently was not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Savings accounts	\$ 177,270
ICS accounts	70,300
	<u>\$ 247,570</u>

**Investments:**

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

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plant does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At June 30, 2020, the Plant had \$0 of investments.

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

NOTE 3 - DUE FROM OTHER GOVERNMENTS

The amounts on the balance sheet classified as due from other governments represents amounts owed to the Treatment Plant by the Towns of Livermore Falls and Jay. The individual balances are as follows:

	<u>2020</u>	<u>2019</u>
Due from Town of Livermore Falls	\$ 19,407	\$ 24,378
Due from Town of Jay	<u>16,007</u>	<u>30,129</u>
	<u>\$ 35,414</u>	<u>\$ 54,507</u>

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Disposals	Balance, 6/30/20
Non-depreciated assets:				
Land	\$ 46,842	\$ -	\$ -	\$ 46,842
Construction in progress	-	235,163	-	235,163
	<u>46,842</u>	<u>235,163</u>	<u>-</u>	<u>282,005</u>
Depreciated assets:				
Treatment plant	7,231,522	-	-	7,231,522
Pumping station	78,619	-	-	78,619
Interceptors	274,360	-	-	274,360
Equipment	434,510	-	-	434,510
Vehicles	37,983	-	-	37,983
	<u>8,056,994</u>	<u>-</u>	<u>-</u>	<u>8,056,994</u>
Less: accumulated depreciation	<u>(2,841,310)</u>	<u>(80,913)</u>	<u>-</u>	<u>(2,922,223)</u>
Net capital assets	<u>5,215,684</u>	<u>(80,913)</u>	<u>-</u>	<u>5,134,771</u>
Total net assets	<u>\$ 5,262,526</u>	<u>\$ 154,250</u>	<u>\$ -</u>	<u>\$ 5,416,776</u>

NOTE 5 - OTHER LONG-TERM OBLIGATIONS

A summary of the other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
Accrued compensated absences	<u>\$ 18,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,959</u>	<u>\$ 18,959</u>

Please see Note 6 for detailed information on the accrued compensated absences.

NOTE 6 - ACCRUED COMPENSATED ABSENCES

The Plant's policies regarding vacation and sick time permit employees to accumulate earned but unused sick leave but not unused vacation time without prior approval. Proprietary funds report the liability as it is incurred. As of June 30, 2020, the Plant's liability for accrued compensated absences is \$18,959.

LIVERMORE FALLS SEWERAGE TREATMENT PLANT

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7 - RESTRICTED NET POSITION

The following net position has been restricted at June 30, 2020 for the following purposes:

	<u>2020</u>	<u>2019</u>
Reserved for future equipment replacement	<u>\$ 262,790</u>	<u>\$ 200,029</u>

NOTE 8 - RISK MANAGEMENT

The Plant is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Plant carries commercial insurance.

Based on the coverage provided by the commercial insurance purchased, the Plant is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2020. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

NOTE 9 - COMPARATIVE DATA/RECLASSIFICATIONS

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



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Joint Sewer Committee  
Livermore Falls Sewerage Treatment Plant  
Livermore Falls, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Livermore Falls Sewerage Treatment Plant as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Livermore Falls Sewerage Treatment Plant's basic financial statements and have issued our report thereon dated February 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Livermore Falls Sewerage Treatment Plant's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livermore Falls Sewerage Treatment Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of the Livermore Falls Sewerage Treatment Plant's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

3 Old Orchard Road, Buxton, Maine 04093  
Tel: (800) 300-7708 (207) 929-4606 Fax: (207) 929-4609  
www.rhrsmith.com

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 the Livermore Falls Sewerage Treatment Plant's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Livermore Falls Sewerage Treatment Plant in a separate letter dated February 14, 2023.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
February 14, 2023