

*BLUE HILL / SURRY TRANSFER STATION*

*FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR  
ENDED DECEMBER 31, 2020*

**BLUE HILL / SURRY TRANSFER STATION**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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# James W. Wadman

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**CERTIFIED PUBLIC ACCOUNTANT**

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## *INDEPENDENT AUDITOR'S REPORT*

Members of the Solid Waste Committee  
Blue Hill/Surry Transfer Station  
Blue Hill, ME 04614

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund of the Blue Hill/Surry Transfer Station (the Transfer Station) as of and for the fiscal year ended December 31, 2020, including the related notes to the financial statements, which collectively comprise the Transfer Station'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 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. 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.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Blue Hill/Surry Transfer Station, as of December 31, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Blue Hill/Surry Transfer Station's basic financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully Submitted,

***James W. Wadman, C.P.A.***

James W. Wadman, C.P.A.  
March 22, 2021

**BLUE HILL / SURRY TRANSFER STATION**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2020**

The management of the Blue Hill / Surry Transfer Station (the Transfer Station) offers readers of the Transfer Station's financial statements this narrative overview and analysis of the financial activities of the Transfer Station for the year ended December 31, 2020. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Position* – The assets of the Transfer Station exceeded its liabilities at the year ending December 31, 2020 by \$1,269,430 (presented as “net position”). Of this amount, \$419,413 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Transfer Station's ongoing obligations to citizens and creditors.

*Changes in Net Position* – The Transfer Station's total net position increased by \$22,911 (a 1.8% increase) for the year ended December 31, 2020.

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the year ended December 31, 2020; the Transfer Station's governmental funds reported a combined ending fund balance of \$651,866, an increase of \$59,870 in comparison with the prior year. Of this total fund balance, a deficit of \$59,166 represents general unassigned fund balance. This unassigned fund balance represents approximately -7.3% of the total general fund expenditures for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Transfer Station's basic financial statements. The Transfer Station's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and supplementary information. These components are described below:

**Government-wide Financial Statements**

The government-wide financial statements present the financial picture of the Transfer Station from the economic resources measurement focus using the accrual basis of accounting and are designed to provide readers with a broad overview of the Transfer Station's finances, in a manner similar to a private-sector business. They distinguish functions of the Transfer Station that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of net position includes all assets of the Transfer Station (including infrastructure) as well as all liabilities (including long-term debt), with the difference between the two reported as net position. The statement of activities shows how the Transfer Station's net position changed during the year, regardless of the timing of related cash flows. The government-wide financial statements can be found on pages 7 - 8 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements include statements for one category of activity – governmental funds.

The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to explain the differences between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 9 - 10 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 government-wide and the fund financial statements. The notes to the financial statements can be found on pages 11 - 15 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). Required supplementary information can be found on page 16 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

A large portion of the Transfer Station’s net position (48.7%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets); less any related debt used to acquire those assets that is still outstanding. The Transfer Station uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Transfer Station’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<i>Governmental Activities 2020</i>	<i>Governmental Activities 2019</i>
Current Assets	\$ 693,432	\$ 614,805
Capital Assets	\$ 617,563	\$ 654,522
<i>Total Assets</i>	\$ 1,310,995	\$ 1,269,327
Current Liabilities	\$ 40,813	\$ 22,056
Deferred Inflows	\$ 753	\$ 753
Net Position;		
Invested in Capital Assets	\$ 617,563	\$ 654,522
Restricted	\$ 232,453	\$ 192,453
Unrestricted	\$ 419,413	\$ 399,543
<i>Total Liabilities and Net Position</i>	\$ 1,310,995	\$ 1,269,327

An additional portion of the Transfer Station’s net position (18.3%) represents resources that are subject to external restrictions on their use. The remaining balance of unrestricted net position (33.0%) may be used to meet the government’s ongoing obligations to citizens and creditors.

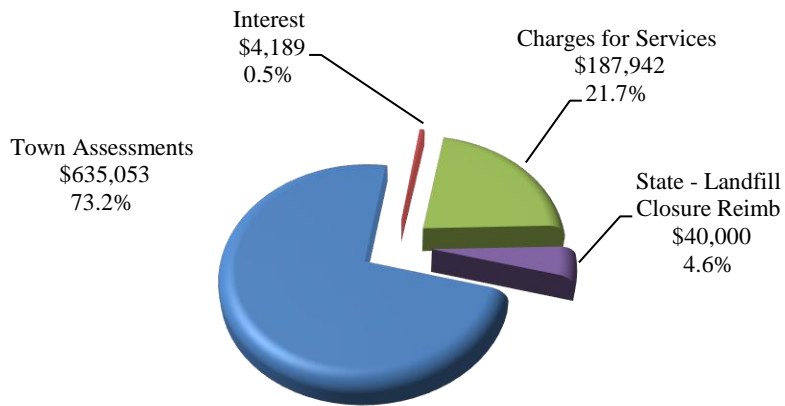
**Changes in Net Position**

Governmental activities increased the Transfer Station’s net position by \$22,911. This increase was primarily due to increased rates and assessments.

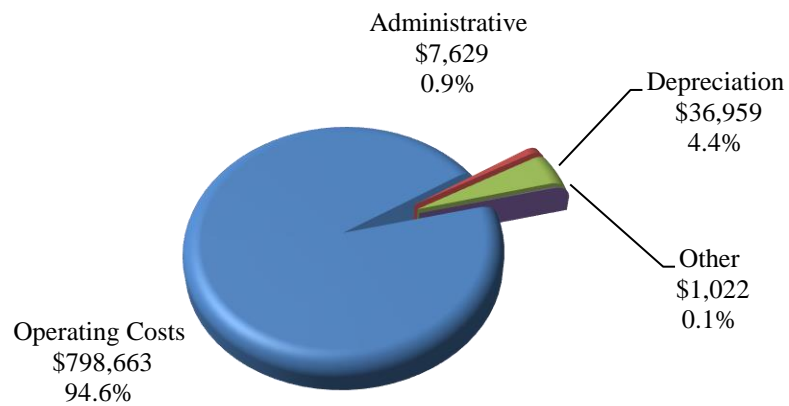
	<i>Governmental Activities 2020</i>	<i>Governmental Activities 2019</i>
<i>Revenues;</i>		
Town Assessments	\$ 635,053	\$ 588,014
Program Revenues	\$ 187,942	\$ 119,523
Interest	\$ 4,189	\$ 4,772
State – Landfill	\$ 40,000	\$ 40,000
Other	\$ 0	\$ 2,421
<i>Total Revenues</i>	\$ 867,184	\$ 754,730

<i>Expenses;</i>		
Operating Costs	\$ 798,663	\$ 795,255
Administrative	\$ 7,629	\$ 8,699
Depreciation	\$ 36,959	\$ 36,959
Other	\$ 1,022	\$ 610
Closure Costs	\$ 0	\$ 750
<i>Total Expenses</i>	\$ 844,273	\$ 842,273
Changes in Net Position	\$ 22,911	\$ (87,543)

### Revenues by Source - Governmental



### Expenditures by Source - Governmental



## **FINANCIAL ANALYSIS OF THE TRANSFER STATION'S INDIVIDUAL FUNDS**

### **Governmental Funds**

The focus of the Transfer Station's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Transfer Station's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Transfer Station's governmental funds reported ending fund balances of \$651,866, an increase of \$59,870 in comparison with the prior year. Approximately -9.1 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for new spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$81,215 positive variance in revenues. This is primarily due to higher than anticipated service volume and unbudgeted closure reimbursements.
- \$38,340 negative variance in expenditures. This is primarily due to higher than anticipated tipping fees due to the increased volume noted in the revenue variance.

### **CAPITAL ASSET ADMINISTRATION**

#### **Capital Assets**

The Transfer Station's investment in capital assets for its governmental activities amounts to \$1,230,918; net of accumulated depreciation of \$613,355, leaving a net book value of \$617,563. There were no current year additions, retirements or impairments. Additional information on the Transfer Station's capital assets can be found in Note 3 of the notes to the financial statements on page 14 of this report.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Transfer Station's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Transfer Station's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Blue Hill and Surry Town Offices.



**BLUE HILL/SURRY TRANSFER STATION**  
**STATEMENT OF POSITION**  
**DECEMBER 31, 2020**

(Exhibit I)

	<u>Assets</u>	<u>Governmental Activities</u>
Cash and Cash Equivalents		\$674,574
Accounts Receivable		\$18,858
<u>Capital Assets</u>		
Land		\$27,303
Other Capital Assets, net of Accumulated Depreciation		\$590,261
Total Capital Assets		<u>\$617,563</u>
<u>Total Assets</u>		<u>\$1,310,995</u>
	<u>Liabilities, Deferred Inflows and Net Position</u>	
<u>Liabilities</u>		
Accounts Payable		<u>\$40,813</u>
<u>Total Liabilities</u>		<u>\$40,813</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Prepaid Dumping Fees		<u>\$753</u>
<u>Total Deferred Inflows of Resources</u>		<u>\$753</u>
<u>Net Position</u>		
Net Investment in Capital Assets		\$617,563
Restricted		\$232,453
Unrestricted		<u>\$419,413</u>
<u>Total Net Position</u>		<u>\$1,269,430</u>
<u>Total Liabilities, Deferred Inflows and Net Position</u>		<u>\$1,310,995</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BLUE HILL/SURRY TRANSFER STATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

(Exhibit II)

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>		<b><u>Net (Expense)</u></b>
		<b><u>Charges for</u></b> <b><u>Services</u></b>	<b><u>Operating</u></b> <b><u>Grants</u></b>	<b><u>Revenue and Changes</u></b> <b><u>in Net Position</u></b>
<b><u>Primary Government</u></b>				<b><u>Governmental</u></b> <b><u>Activities</u></b>
<b><u>Governmental Activities</u></b>				
Operating Costs	\$798,663	\$187,942		(\$610,721)
Administrative Expenses	\$7,629			(\$7,629)
Depreciation	\$36,959			(\$36,959)
Other Expenditures	\$1,022			(\$1,022)
<b><u>Total Governmental Activities</u></b>	<b><u>\$844,273</u></b>	<b><u>\$187,942</u></b>	<b><u>\$0</u></b>	<b><u>(\$656,331)</u></b>
<b><u>Total Primary Government</u></b>	<b><u>\$844,273</u></b>	<b><u>\$187,942</u></b>	<b><u>\$0</u></b>	<b><u>(\$656,331)</u></b>
<b><u>General Revenues:</u></b>				
Town Assessments				\$635,053
State Reimbursement for Landfill Closure				\$40,000
Interest Earned				\$4,189
<b><u>Total Revenues</u></b>				<b><u>\$679,242</u></b>
<b><u>Changes in Net Position</u></b>				<b><u>\$22,911</u></b>
<b><u>Net Position - Beginning</u></b>				<b><u>\$1,246,518</u></b>
<b><u>Net Position - Ending</u></b>				<b><u>\$1,269,430</u></b>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BLUE HILL/SURRY TRANSFER STATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

(Exhibit III)

<u>Assets</u>	<u>General Fund</u>
Cash-Checking, Savings and On Hand	\$674,574
Accounts Receivable	\$18,858
<u>Total Assets</u>	<u>\$693,432</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>	
<u>Liabilities:</u>	
Accounts Payable	\$40,813
<u>Total Liabilities</u>	<u>\$40,813</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue	\$753
<u>Total Deferred Inflows of Resources</u>	<u>\$753</u>
<u>Fund Balances:</u>	
<u>Restricted</u>	
Reserve for Closing	\$232,453
<u>Assigned</u>	
Reserve for Equipment Purchases	\$153,902
Reserve for Capital Improvements	\$269,470
Reserve for Transition	\$55,207
Unassigned	(\$59,166)
<u>Total Fund Balances</u>	<u>\$651,866</u>
<u>Total Liabilities, Deferred Inflows &amp; Fund Balances</u>	<u>\$693,432</u>
<u>Total Fund Balance - Governmental Funds</u>	\$651,866
<i>Net position reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	\$617,563
<u>Net Position of Governmental Activities</u>	<u>\$1,269,430</u>

*The Notes to the Financial Statements are an Integral Part of this Statement.*

**BLUE HILL/SURRY TRANSFER STATION**

(Exhibit IV)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>
<i>Revenues:</i>	
Town Assessments	\$635,053
PERC / MRC Rebates	\$21,288
Recycling	\$33,028
Demolition	\$122,239
White Goods	\$1,932
Burn Pile	\$5,455
State Reimbursement for Landfill Closure	\$40,000
Fines and Fees	\$4,000
Interest Earned	\$4,189
	<hr/>
<i>Total Revenues</i>	\$867,184
	<hr/>
<i>Expenditures:</i>	
<i>Current</i>	
Wages and Benefits	\$173,193
Transportation and Tipping Fees	\$559,573
Repairs & Maintenance	\$29,799
Telephone and Utilities	\$7,545
Administrative Expenses	\$7,629
Engineering	\$16,918
Other Professional Services	\$9,625
Supplies	\$2,011
Other Expenditures	\$1,022
	<hr/>
<i>Total Expenses</i>	\$807,314
	<hr/>
<i>Excess of Revenues Over Expenses</i>	\$59,870
	<hr/>
<i>Beginning Fund Balances</i>	\$591,996
	<hr/>
<i>Ending Fund Balances</i>	\$651,866
	<hr/> <hr/>
<i>Reconciliation to Statement of Activities, change in Net Position:</i>	
Net Change in Fund Balances - Above	\$59,870
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources.	
Therefore, depreciation expense is not reported as expenditures in Governmental Funds.	(\$36,959)
	<hr/>
<i>Change in Net Position of Governmental Activities</i>	\$22,911
	<hr/> <hr/>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BLUE HILL/SURRY TRANSFER STATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Blue Hill / Surry Transfer Station (the Transfer Station) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the governmental accounting and financial reporting principles. The more significant of the Transfer Station's accounting principles are described below.

**A. Financial Reporting Entity**

The accompanying financial statements present the government of the Blue Hill / Surry Transfer Station, which is identified based upon the criteria identified in Governmental Accounting Standards Board (GASB) Statement 15, *The Financial Reporting Entity*. The Transfer Station is governed under a Committee form of government. The Transfer Station engages in the disposal of solid waste for several area communities. The Blue Hill / Surry Transfer Station was formed in 1984 by joint resolution of the Towns of Blue Hill and Surry providing for the establishment and operation of solid waste disposal facilities. The Transfer Station is governed by a Solid Waste Committee consisting of three selectmen from each Town. All capital expenditures and operating expenses of the Transfer Station are paid on the basis of 2/3 from the Town of Blue Hill, 1/3 from the Town of Surry and from assessments to other area towns. The financial statements of the Transfer Station consist only of the funds of the Transfer Station.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the Transfer Station. The material effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and various intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when transactions occur and expenses and deductions are recorded when a liability is incurred, regardless of the timing of related cash flows. Town assessments are recognized as revenues in the year for which they are levied (intended to finance). Grants are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Transfer Station considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, are recorded only when payment is due.

Town assessments, recycling sales and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Transfer Station.

The Transfer Station reports unavailable revenue on its governmental fund financial statements. Unavailable revenues arise when

a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the Transfer Station before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Transfer Station has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and the revenue is recognized.

D. Assets, Liabilities and Net Position or Fund Equity

Cash

The Transfer Station's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition.

Accounts Receivable and Accounts Payable

All material receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Inventories

The Transfer Station does not assign an inventory value to recyclable materials due to the lack of an objective basis. Materials are received at no cost, and commodities markets are inherently unstable in terms of both demand and price.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Transfer Station as assets with an initial, individual cost of more than \$2,500 and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-25
Equipment	5-10

Deferred Inflows/Outflows of Resources

In addition to assets and liabilities, the statement of net position and the governmental fund balance sheet will report a separate section for deferred outflows and/or inflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period(s) and therefore will not be recognized as an expense/expenditure until then. Deferred inflows or resources represent and acquisition of net position that applies to future period(s) and therefore will not be recognized as revenue until that time. The Transfer Station has no items that qualify as deferred outflows of resources, but it does have an item that qualifies as a deferred inflow. This amount is considered unavailable and will be recognized as an inflow of resources (revenue) in the period that the amounts become available.

Fund Balances

The Transfer Station has identified December 31, 2020 fund balances on the face of the balance sheet that comprise a hierarchy based primarily on the extent to which the Transfer Station is bound to observe constraints imposed upon the use of its resources reported in governmental funds.

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Transfer Station classifies governmental fund balance as follows:

*Non-spendable* - includes fund balance amount that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* - includes fund balance amount that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through town meeting voting by both the Town of Blue Hill and the Town of Surry and does not lapse at year-end.

*Assigned* - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the Solid Waste Committee.

*Unassigned* - includes positive fund balance within the general fund, which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The Transfer Station consider restricted, committed, assigned and unassigned amounts to be spent in the order when expenditures are incurred for which any of those amounts are available.

The Committee is authorized to make assignments pursuant to their appointments and the assignments are based upon future need.

#### Net Position

Net position are required to be classified into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* - This component of net position consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted* - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulation of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$232,453 of restricted net position.

*Unrestricted* - This component consist of net position that do not meet the definition of "restricted" or "net investment in capital assets".

#### E. Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the Solid Waste Committee. Budgets are established in accordance with generally accepted accounting principles.

#### F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Note 2 - Cash

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Transfer Station's deposit policy for custodial credit risk required compliance with the provisions authorized by Maine State Statutes. The Transfer Station requires that, at the time funds are deposited, there is collateral in place to cover deposits in excess of the FDIC insurance limits.

State Statutes require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the government in the amount of the government's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The financial institution holding the Town's cash accounts is participating in the FDIC Transaction Account Guarantee Program. Under the program, all accounts, including non-interest bearing accounts, are aggregated and are insured up to \$250,000 in total by the FDIC. Any cash deposits, including certificates of deposit, in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account and thus no custodial credit risk exists.

At year-end, the carrying value of the Transfer Station's deposits were \$674,274 and the bank balance was \$745,865. The Transfer Station has no uninsured and uncollateralized deposits as of 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>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated</u>				
Land	\$27,303			\$27,303
<u>Capital assets being depreciated</u>				
Buildings and Improvements	\$896,963			\$896,963
Equipment	\$306,652			\$306,652
<u>Total capital assets being depreciated</u>	<u>\$1,203,615</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,203,615</u>
<u>Less accumulated depreciation for</u>				
Buildings and Improvements	\$410,766	\$28,874		\$439,640
Equipment	\$165,629	\$8,085		\$173,714
<u>Total accumulated depreciation</u>	<u>\$576,395</u>	<u>\$36,959</u>	<u>\$0</u>	<u>\$613,354</u>
<u>Net capital assets being depreciated</u>	<u>\$627,219</u>	<u>(\$36,959)</u>	<u>\$0</u>	<u>\$590,261</u>
<u>Governmental Activities, Capital Assets, net</u>	<u>\$654,522</u>	<u>(\$36,959)</u>	<u>\$0</u>	<u>\$617,563</u>

## Note 4 - Contingencies

A major source of financial support for the Transfer Station is the municipal appropriations from Blue Hill, Surry and the other area towns. A reduction of this support could have a significant adverse impact on the Transfer Station.

## Note 5 - Restricted Net Position

The Transfer Station reports restricted net position totaling \$232,453 on its statement of net position. This restricted net position represents estimated closure costs for the Landfill. See also Note 9 for additional information.

## Note 6 - Risk Management

The Transfer Station is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which it carries municipal and commercial insurance. Management is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2020.



### **Note 7 - Pending Litigation**

According to management, there are no matters that would result in material adverse losses, claims or assessments against the Transfer Station through the date of the audit report.

### **Note 8 - Joint Venture**

The Transfer Station is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe and environmentally sound methods of solid waste disposal. The Transfer Station's proportionate interest in the net position of the MRC on June 30, 2019, the date of MRC's most recent audited financial statements, was \$678,476 (3.91%). Complete financial statements may be obtained online at [www.mrcmaine.org](http://www.mrcmaine.org) or by contacting MRC at (207)664-1700.

As of March 31, 2018, the waste disposal contract between MRC and Penobscot Energy Recovery Company (PERC) expired. As a result of this expiring contract and negotiated agreement, MRC no longer has ownership interest in PERC as of March 31, 2018.

In September 2016, in anticipation of the end of the PERC contract, the Towns of Blue Hill and Surry, as the owners of the Transfer Station, signed a new "Municipal Joinder Agreement" with MRC, as did 100+ other member towns. This Agreement committed the Transfer Station to send its solid waste to a new facility to be developed by Fiberright, LLC. in Hampden, or as otherwise directed by MRC, for 15 years after the facility began commercial operation, which occurred on November 1, 2019. The commitment thus runs until November 1, 2034. The Fiberright plant closed in 2020 for financial reasons and since then, per MRC's direction, the Transfer Station's solid waste has been delivered to PERC or to a landfill. Bondholders and MRC are working to find a new owner/operator for the Hampden facility.

### **Note 9 - Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Transfer Station to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. During 2015, the Transfer Station, stopped accepting the waste and performed closure procedures. Over a number of years, the Transfer Station has assessed estimated closure costs to member towns in order to reserve that money for the closure and postclosure care costs. The Transfer Station also receives funding from the State of Maine which is allocated to the reserve for closure and postclosure care costs. As of December 31, 2020, the Transfer Station has \$232,453 remaining in the closure reserve for use in the postclosure maintenance and monitoring functions.

### **Note 10 - Participant's Shares**

Participant's Shares at December 31, 2020 are as follows;

	<i>Blue Hill</i> <i>(2/3 share)</i>	<i>Surry</i> <i>(1/3 share)</i>	<i>Total</i>
Assets	\$873,997	\$436,998	\$1,310,995
Liabilities	\$27,209	\$13,604	\$40,813
Deferred Inflows	\$502	\$251	\$753
Net Position	\$846,286	\$423,143	\$1,269,430
Revenues	\$578,123	\$289,061	\$867,184
Expenses	\$562,848	\$281,424	\$844,273
Changes in Net Position	\$15,274	\$7,637	\$22,911

### **Note 11 - Subsequent Events**

The Covid-19 Pandemic has resulted in a substantial global economic shut down. This shut down has resulted in a number of factors that could result in an adverse impact to the Transfer Station. Significant unemployment, disruption of supply chain for goods and services, significant devaluation of investments, business closures and the necessity for social distancing are among the obstacles that the Transfer Station must manage on a daily and long-term basis. These obstacles are likely to have a significant impact on the Transfer Station's revenue stream and cash flow. It is expected that the Transfer Station will have to prioritize expenditures and potentially delay the expenditure of funds on projects that are less essential in nature.

**BLUE HILL/SURRY TRANSFER STATION**

(Exhibit V)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****BUDGET (BUDGET BASIS) AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2020**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b><u>Revenues:</u></b>				
Town Assessments	\$635,052	\$635,052	\$635,053	\$1
PERC / MRC Rebates	\$20,000	\$20,000	\$21,288	\$1,288
Recycling	\$21,750	\$21,750	\$33,028	\$11,278
Demolition	\$94,667	\$94,667	\$122,239	\$27,572
Burn Pile	\$2,000	\$2,000	\$2,095	\$95
White Goods	\$2,500	\$2,500	\$1,932	(\$568)
State Reimbursement for Landfill Closure	\$0	\$0	\$40,000	\$40,000
Fines and Fees	\$0	\$0	\$4,000	\$4,000
Interest Earned	\$10,000	\$10,000	\$4,189	(\$5,811)
Burn Pile	\$0	\$0	\$3,360	\$3,360
<b><u>Total Revenues</u></b>	<b><u>\$785,969</u></b>	<b><u>\$785,969</u></b>	<b><u>\$867,184</u></b>	<b><u>\$81,215</u></b>
<b><u>Expenses:</u></b>				
Wages and Benefits	\$177,499	\$177,499	\$173,193	\$4,306
Transportation and Tipping Fees	\$499,700	\$499,700	\$559,573	(\$59,873)
Repairs & Maintenance	\$29,925	\$29,925	\$29,799	\$126
Telephone and Utilities	\$9,100	\$9,100	\$7,545	\$1,555
Administrative Expenses	\$11,700	\$11,700	\$7,629	\$4,071
Engineering	\$17,500	\$17,500	\$16,918	\$582
Other Professional Services	\$18,000	\$18,000	\$9,625	\$8,375
Supplies	\$2,050	\$2,050	\$2,011	\$39
Other Expenditures	\$3,500	\$3,500	\$1,022	\$2,478
<b><u>Total Expenses</u></b>	<b><u>\$768,974</u></b>	<b><u>\$768,974</u></b>	<b><u>\$807,314</u></b>	<b><u>(\$38,340)</u></b>
<b><u>Excess of Revenues Over Expenses</u></b>	<b><u>\$16,995</u></b>	<b><u>\$16,995</u></b>	<b><u>\$59,870</u></b>	<b><u>\$42,875</u></b>
<b><u>Beginning Fund Balance</u></b>	<b><u>\$591,996</u></b>	<b><u>\$591,996</u></b>	<b><u>\$591,996</u></b>	<b><u>\$0</u></b>
<b><u>Ending Fund Balance</u></b>	<b><u>\$608,991</u></b>	<b><u>\$608,991</u></b>	<b><u>\$651,866</u></b>	<b><u>\$42,875</u></b>

**BLUE HILL/SURRY TRANSFER STATION**  
**SCHEDULE OF RESERVE FUNDS**  
**DECEMBER 31, 2020**

(Exhibit A-1)

	<u>Equipment</u>	<u>Capital Improvement</u>	<u>Transition</u>	<u>Closure</u>
<u>Balance Beginning of Year</u>	\$155,552	\$269,470	\$55,207	\$192,453
<u>Activity:</u>				
Revenues				\$40,000
Expenditures	(\$1,650)			
<u>Balance End of Year</u>	<u>\$153,902</u>	<u>\$269,470</u>	<u>\$55,207</u>	<u>\$232,453</u>