



## Addendum – Request for Proposals – Audit Services

7/11/2016

**Q:** Where can I find a copy of the Fiscal Year 2015 Audit Report?

A: A copy of the Fiscal Year 2015 Audit Report is attached to this Addendum.

**Q:** Who did last year's audit and were there any major issues?

A: Audit services for Fiscal Year 2015 were performed by Smith & Associates, located in Yarmouth, ME. There were no major issues found in the audit.

**Q:** What was the cost of your previous audit?

A: The cost of the Fiscal Year 2015 Audit was \$5,000.00

**Q:** What is your preferred timing for the audit and what deadlines do you have for completion?

A: As stated in the Request for Proposals, Section 5 – Project Schedule. The audit process will commence on or around August 1, 2016 with the following timeline:

1. The Proposer is to transmit one copy of the draft audit report to the LCWMD on or before September 30, 2016.
2. An exit conference with the LWCMD representatives and the Proposer will be held at the conclusion of field work. Observations and recommendations must be summarized in writing and discussed with the LCWMD.
3. The Proposer shall deliver 17 copies of the final audit reports to the LWCMD no later than October 31, 2016.
4. If deemed necessary by the Proposer a separate Management Letter including comments and recommendations for management recommendations shall be provided.

**Q:** Were there many adjusting entries proposed by the auditors last year?

A: There were six adjusting entries proposed. All suggested entries were incorporated into the books.

**Q:** The budgets and financial reports show that activity is increasing in your operations. Besides that, are any other major changes in operations expected that could impact the audit?

A: There are no changes in the District that will impact the audit.

**Q:** The RFP makes reference to the audit being subject to the GAO's Blue Book (Financial Audit Manual). My understanding is that this guidance applies to audits of federal entities and agencies, and calls for the financial

statements to be prepared in accordance with FASAB principles, as opposed to U.S. GAAP. Has something changed at Long Creek since 2015's audit?

A: The District occasionally receives funding from Federal or State Agencies. When this occurs, we need to follow these standards, because we receive funding directly from the Government. The Long Creek Watershed Management District is a Special Purpose District formed under state statute. We need our auditors to be aware of these guidelines in the event that federal or state funding is received. For Fiscal Year 2016 the District did not receive funding from the Federal or State Government.

**Q:** Similarly, the RFP makes reference to the audit being subject to MAAP. This hasn't been the case the last three years, so just was wondering if something has changed this last year in this area as well. If so, is there a Single Audit requirement now too?

A: Please see the answer to the above question.

**Q:** Have there been any significant changes to internal controls and policies over this past year?

A: No changes have been made to the internal control polices since they were last revised in March 2015 (the document can be found at [www.restorelongcreek.org/documents](http://www.restorelongcreek.org/documents))

# Long Creek Watershed Management District

August 13, 2015

SMITH & ASSOCIATES, CPAs  
500 US Route One – Suite 203  
Yarmouth, Maine 04096

We are providing this letter in connection with your audit of the statement of financial position of Long Creek Watershed Management District, as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 13, 2015, the following representations were made to you during your audit.

1. We understand the Smith & Associates, CPAs has performed the following procedures:

## **Scope and Objective of Audit**

Smith & Associates, CPAs has audited the statements of financial position of the Long Creek Watershed Management District as of June 30, 2015, and the related statements of activities and cash flows for the year then ended.

The objective of your audit was the expression of an opinion about whether our financial statements were fairly presented in all material respects, in conformity with U.S. generally accepted accounting principles. Your audit was conducted in accordance with auditing standards generally accepted in the United States of America and included tests of our accounting records and other procedures they considered necessary to enable us to express such an opinion.

## **Responsibilities of Auditor**

Smith & Associates, CPAs conducted Long Creek Watershed Management District audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that you plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the our management, as well as evaluating the overall presentation of the financial statements.

The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, your audit involved judgment about the number of transactions that were examined and the areas that were tested.

Your procedures included tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, and financial institutions.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because Smith & Associates, CPAs will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by you, even though the audit was properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, the audit was not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, they informed us of any material errors and any fraudulent financial reporting or misappropriation of assets that come to your attention. Smith & Associates, CPAs informed us of any violations of laws or governmental regulations that come to your attention, unless clearly inconsequential. Your responsibility as auditors, is limited to the period covered by your audit and does not extend to any later periods for which they are not engaged as auditors.

Smith & Associates audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. The audit wasn't designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, you communicated to us and those charged with governance, internal control related matters that required communication under professional standards.

In addition, you have provided the District with the following nonattest services:

- Prepare the financial statements based on information in the trial balance and other relevant information that is provided by, and was the responsibility of, management.

Smith & Associates professional standards require that you remain independent with respect to your audit clients, including those situations when they also provide nonattest services, such as those identified above. As a result, we accept the responsibilities set forth below related to your performance of nonattest service as a part of this engagement:

- Assumed all management responsibilities.
- Oversaw the services by designating an individual, within senior management, who possessed suitable skill, knowledge, and/or experience.
- Evaluate the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

### **Management Responsibilities**

We were responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience who oversaw any other nonattest services Smith & Associates, CPAs provided; and evaluated the adequacy and results of those services and accepted responsibility for them.

### **Engagement Administration**

Wayne C. Smith was the engagement partner and was responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

### **Reporting**

Smith & Associates, CPAs will issue a written report upon the completion of your audit of the District's financial statements. Your report will be addressed to the Governing Board and those charged with management.

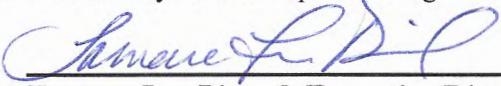
### **Financial Statements**


2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirement of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter, if applicable.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

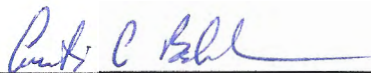
### **Information Provided**

12. We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. Except as made known to you we have no knowledge of any fraud or suspected fraud affecting the Organization involving:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
17. We have disclosed to you all know instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
18. We are not aware of any pending or threatened litigations, claims, or assessments, or unasserted claims or assessments that are required to be disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
19. We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
20. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
21. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
22. Long Creek Watershed Management District. is an exempt Organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature:  Date: August 13, 2015  
Tamara Lee Pinard, Executive Director

Signature:  Date: August 13, 2015  
Chris Brewer, Fiscal Agent

Signature:  Date: August 13, 2015  
Governing Board Member

Smith & Associates, CPAs  
A Professional Association

500 US Route One, Suite 203 • Yarmouth, Maine 04096  
Ph (207) 846-8881 • Fax (207) 846-8882  
www.smithassociatescpa.com

August 13, 2015

LONG CREEK WATERSHED MANAGEMENT DISTRICT  
Attn: Chris Brewer, Fiscal Agent  
35 Main Street, Suite 3  
Windham, Maine 04062

Dear Chris,

Enclosed, please find preliminary draft copies of the financial statements and required communications for the Long Creek Watershed Management District as of June 30, 2015, and for the fiscal year then ended. At your earliest convenience, please review carefully, make any necessary revisions or comments and return them to me. If there are no revisions this letter should be signed and returned to our office.

**Please sign the attached Client Representation letter.** This letter is dated the last day the auditor has formally reviewed the workpapers. **The Approval Letter and Client Representation Letter must be returned within 10 business days or additional audit work will be needed per professional accounting standards and may be billed for additional services at our standard rates.**

If you should have any questions regarding these documents please do not hesitate to call the office.

Very truly yours,

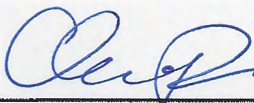


Wayne J. Smith, Principal  
SMITH & ASSOCIATES, CPAs

WCS/eam

Enclosures

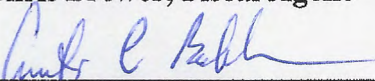
I have reviewed the financial statements and required communications and agree with the contents of both.



Chris Brewer, Fiscal Agent

Date

8/21/2015



Governing Board Member

Date

8/21/2015

**LONG CREEK WATERSHED MANAGEMENT  
DISTRICT**

**WINDHAM, MAINE**

**FINANCIAL AUDIT REPORT**

**JUNE 30, 2015**



**LONG CREEK WATERSHED MANAGEMENT DISTRICT**  
**Windham, Maine**  
**JUNE 30, 2015**

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# Smith & Associates, CPAs

*A Professional Association*

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## **REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

### **Independent Auditors' Report**

Governing Board and Executive Director  
LONG CREEK WATERSHED MANAGEMENT DISTRICT  
Windham, Maine

We have audited the accompanying financial statements of Long Creek Watershed Management District, (a non-profit organization) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### **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 an opinion 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 financial position of the Long Creek Watershed Management District as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Smith & Associates*

**SMITH & ASSOCIATES, CPAs**

*A Professional Association*

**Yarmouth, Maine**

**August 13, 2015**

**LONG CREEK WATERSHED MANAGEMENT DISTRICT  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015**

**Assets**

*Current Assets*

Cash and Cash Equivalents	\$ 1,476,876
Accounts Receivable	<u>84,271</u>
<i>Total Current Assets</i>	<u>\$ 1,561,147</u>

*Non-Current Assets*

Property and Equipment, Net of Depreciation	\$ 3,287,451
Work in Progress	1,795,840
Unamortized Debt Expense	<u>14,019</u>
<i>Total Non-Current Assets</i>	<u>\$ 5,097,310</u>

**Total Assets** \$ 6,658,457

**Liabilities**

*Current Liabilities*

Accounts Payable	\$ 398,894
Accrued Liabilities	138,173
Deferred Revenues	26,294
Current Portion of Long-Term Debt	<u>75,758</u>
<i>Total Current Liabilities</i>	<u>\$ 639,119</u>

*Long-Term Liabilities*

Long Term Debt, Net of Current Portion 1,136,375

**Total Liabilities** \$ 1,775,494

**Net Assets**

Unrestricted \$ 4,882,963

See Notes to Financial Statements.

**LONG CREEK WATERSHED MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Operating Revenues</b>	
Construction and Maintenance	\$1,066,400
Good Housekeeping	348,238
Monitoring	153,604
Administration	110,857
Other Income	5,810
Stream Restoration	<u>3,336</u>
<b>Total Operating Revenues</b>	<b><u>\$1,688,245</u></b>
<b>Operating Expenses</b>	
Project Management	\$ 360,298
Construction and Maintenance	136,804
Sweeping	114,352
Depreciation and Amortization Expense	77,696
Monitoring	47,069
Professional Fees	17,218
Catch Basin Cleaning	9,448
Meeting Expenses	8,971
Advertising	6,460
Insurance	4,637
Supplies	1,023
Dues and Subscriptions	655
Printing and Postage	476
Consultant Fees	0
Database Management	<u>0</u>
<b>Total Operating Expenses</b>	<b><u>\$ 785,107</u></b>
<b>Net Operating Income</b>	<b>\$ 903,138</b>
<b>Non-Operating Revenues</b>	
Interest and Dividends	<u>7,124</u>
<b>Changes in Net Assets</b>	<b>\$ 910,262</b>
<b>Net Assets at Beginning of Year</b>	<b>3,677,725</b>
<b>Prior Period Adjustment</b>	<u>294,976</u>
<b>Net Assets at End of Year</b>	<b><u>\$4,882,963</u></b>

See Notes to Financial Statements.

**LONG CREEK WATERSHED MANAGEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Cash Flows Provided by (Used) in Operating Activities</b>	
Cash Received from Customers and Governments	\$ 1,663,768
Cash Payments to Suppliers and Contractors	<u>(395,907)</u>
<b>Net Cash Flows Provided by (Used) in Operating Activities</b>	<u>\$ 1,267,861</u>
<b>Net Cash Provided by (Used) in Capital and Related Financing Activities</b>	
Repayments of Long-Term Debt	\$ (75,758)
Payments for Work in Progress	<u>(1,465,744)</u>
<b>Net Cash Provided by (Used) in Capital and Related Financing Activities</b>	<u>\$ (1,541,502)</u>
<b>Net Cash Provided by (Used) in Investing Activities</b>	
Interest Income Received	<u>\$ 7,124</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ (266,517)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,743,393</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,476,876</u>
<b>Reconciliation of Net Operating Income to Net Cash Provided by (Used) in Operating Activities</b>	
Net Operating Income	\$ 903,138
Depreciation and Amortization	77,696
<i>Changes in Assets and Liabilities</i>	
(Increase) Decrease in Accounts Receivable	(13,982)
Increase (Decrease) in Accounts Payable	184,335
Increase (Decrease) in Accrued Liabilities	127,171
Increase (Decrease) in Deferred Revenues	<u>(10,495)</u>
<b>Net Cash Provided by (Used) in Operating Activities</b>	<u>\$ 1,267,863</u>

See Notes to Financial Statements.

**LONG CREEK WATERSHED MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Long Creek Watershed Management District is a nonprofit 501(c)(3) organization established on July 1, 2010. The District's purpose is to implement the Long Creek Watershed Management Plan (the Plan). The Plan is intended to improve the Long Creek Watershed, which encompasses portions of four Maine municipalities: Scarborough, Westbrook, Portland, and South Portland. The Plan includes but is not limited to design, engineering, construction, installation, operation and maintenance, and monitoring of public and private storm-water management structures, facilities and improvements, including structural and non-structural Best Management Practices, in and along Long Creek and within the Long Creek Watershed; to monitor the effectiveness of the Plan and condition of the Long Creek and the Long Creek Watershed, to make any changes to that Plan; to identify, apply for, accept and spend State, Federal or other available funding sources from year-to-year, and to assess fees upon Participating Landowners for the implementation and continuing operation. It is governed by a sixteen member Governing Board, of which fourteen are appointed by the participating municipalities, and two are appointed by the participating landowners.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Significant accounting policies are described below.

**A. Basis of Accounting and Presentation**

The financial statement have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statements have been prepared in accordance with requirements of the Financial Accounting Standards Board (FASB) for *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB, the District is required to report information regarding its financial position and activities according to three classes of net assets.

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the District and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets restricted by the Donor to be maintained by the District in perpetuity.

The net assets of the District and changes therein are classified as unrestricted.

**B. Cash and Cash Equivalents**

Cash and cash equivalents include bank deposits, certificates of deposit, and money market savings.

**LONG CREEK WATERSHED MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Property and Equipment**

Property and equipment are stated at cost, or for donated assets, fair market value at date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Contributions used to acquire property and equipment are reported as temporarily restricted support. The District reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The District reclassifies temporarily restricted net assets to unrestricted net assets at that time. Proceeds from the sale of plant assets, if unrestricted, are recorded as changes in unrestricted net assets. Expenditures for maintenance and repairs are expensed currently, while major improvements, structural renovations and betterments are capitalized and depreciated. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets, which range from 5-50 years.

**D. Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities and the reported revenues and expenses.

**E. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

**F. Accounts Receivable**

Accounts Receivable is stated as the amount management expects to collect from outstanding balances.

**G. Allowance for Doubtful Accounts**

Collateral from the participants is generally not required. The management has determined that providing an allowance for doubtful accounts would not have a material effect on the financial statements. They provide an allowance as needed and there was none at fiscal year end.

**H. Unamortized Debt Expense**

Costs of \$18,691 incurred to issue long-term bonds are amortized on straight-line basis over the term of the bond issue for 20 years. Amortization expense for fiscal year ended June 30, 2015 was \$934.



**LONG CREEK WATERSHED MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Deferred Revenues**

Deferred revenues consist primarily of advance payments from the members. The advance payments received are recorded as revenues at the time the first installment of the assessment is due.

**J. Advertising Expenses**

The District expenses its advertising costs as incurred. The total expenses incurred in fiscal year ending June 30, 2015 were \$0.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The District maintains its cash in bank deposit accounts at various financial institutions, which may exceed federally reserved limits. The District has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

In conjunction with its organizational structure, the District paid for management consulting and accounting services to Cumberland County Soil & Water District. Total payments during fiscal year ended June 30, 2015 were \$407,746.

**NOTE 4 – 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 any material actual or potential claim liabilities, which should be recorded at June 30, 2015.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and Equipment are stated as following at June 30, 2015.

	Beginning Balance July 1	Additions	Ending Balance June 30
Equipment	\$ 25,425	\$ 0	\$ 25,425
Infrastructure	<u>3,583,802</u>	<u>0</u>	<u>3,583,802</u>
Subtotal	\$ 3,609,227	\$ 0	\$ 3,609,227
Less: Accumulated Depreciation	<u>(245,015)</u>	<u>(76,761)</u>	<u>(321,776)</u>
Subtotal	\$ 3,364,212	\$ (76,761)	\$ 3,287,451
Construction-in-Progress	<u>330,096</u>	<u>1,465,744</u>	<u>1,795,840</u>
<b>Net Property and Equipment</b>	<b><u>\$ 3,694,308</u></b>	<b><u>\$ 1,388,983</u></b>	<b><u>\$ 5,083,291</u></b>

**LONG CREEK WATERSHED MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2015.

	Beginning Balance <u>July 1</u>	<u>Additions</u>	<u>Repayments</u>	Ending Balance <u>June 30</u>	Due Within <u>One Year</u>
Loan Payable	\$ 1,287,892	\$ 0	\$ 75,758	\$ 1,212,133	\$ 75,758

Long-term debt as of June 30, 2015 consists of the following:

**Maine Municipal Bond Bank**

2010 Clean Water Revolving Loan, Dated January 20, 2011; Annual Installment Payments of \$75,758, Interest at 0% Per Annum. Final Installment Due March 1, 2031, Authorized and Issued \$1,515,166.

\$ 1,212,133

Schedule of future payments:

<u>Year</u>	<u>Principal</u>
2015/16	\$ 75,758
2016/17	75,758
2017/18	75,758
2018/19	75,758
2019/20	75,759
2020/25	378,792
2025/30	378,792
2030/35	<u>75,758</u>
<b>Total</b>	<b><u>\$ 1,212,133</u></b>

**NOTE 7 – 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.

Management believes that the District is not required under IRS regulations to file a Form 990, Return of Organization Exempt from Income Tax. Management does not believe that the District is liable for taxes on unrelated business income. There are no tax return open for examination.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Long Creek Watershed has signed contracts related to construction work in progress. The Organization is responsible for payment on the contracts as work is completed. The contract has not been completed as of June 30, 2015.

**LONG CREEK WATERSHED MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Long Creek's member landowners will receive credits to their account for construction projects for which they incur expenses directly. Management is not able to estimate the extent of the projects and therefore the applicable credit to the accounts.

**NOTE 9 – PRIOR PERIOD ADJUSTMENT**

During the prior fiscal year ended June 30, 2014, Long Creek Watershed Management District charged construction in progress to various expense accounts. The prior period adjustment increases the construction in progress by \$294,976 with a resultant increase in net assets. This adjustment does not affect current period changes in net assets.

**NOTE 10 – DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through August 13, 2015, the date on which the financial statements were available to be issued.