

WALDOBORO UTILITY DISTRICT

ANNUAL FINANCIAL REPORT
with Independent Auditor's Report

For the Year Ending December 31, 2022

WALDOBORO UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
With Independent Auditor's Report
Year Ended December 31, 2022
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INDEPENDENT AUDITOR'S REPORT

March 28, 2023

Board of Directors
Waldoboro Utility District
Waldoboro, Maine

Opinion

I have audited the accompanying financial statements of Waldoboro Utility District (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the District, and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Thelma Hood, CPA

WALDOBORO UTILITY DISTRICT
Statement of Net Position
December 31, 2022

ASSETS

Current Assets:	
Cash	\$ 362,209
Receivables:	
Sewer fees	34,350
Accrued fees	68,334
Prepaid fuel	1,150
	<hr/>
Total Current Assets	466,043
Noncurrent Assets:	
Capital assets, net	4,274,495
	<hr/>
Total Noncurrent Assets	4,274,495
Total Assets	<u>4,740,538</u>

LIABILITIES AND NET POSITION

Liabilities:	
Current Liabilities:	
Accounts payable	1,208
Accrued interest	790
Bonds payable, current portion	85,562
Notes payable, current portion	3,664
	<hr/>
Total current liabilities	91,224
Long-term Liabilities:	
Bonds payable, noncurrent portion	87,316
Notes payable, noncurrent portion	182,340
	<hr/>
Total long-term liabilities	269,656
Total Liabilities	<u>360,880</u>
Net Position:	
Invested in capital assets, net of related debt	3,915,613
Unrestricted:	
Appropriated net position	136,686
Unappropriated	327,359
	<hr/>
Total Net Position	4,379,658
Total Liabilities and Net Position \$	<u>4,740,538</u>

WALDOBORO UTILITY DISTRICT
Statement of Activities
For the Year Ending December 31, 2022

Operating Revenues:

Sewer fees	\$ 281,938
Impact fees	999
Miscellaneous	430

Total Operating Revenues	<u>283,367</u>
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Operating Expenses:

Labor	48,411
General administration	5,875
Insurance	7,938
Professional fees	14,459
Utilities	39,262
Generator fuel	16,761
Repairs, maintenance, and small improvements	11,881
Small tools	2,148
Mileage	809
Depreciation	161,155
Miscellaneous	999

Total Expenses	<u>309,698</u>
Operating Income	<u>(26,331)</u>

Nonoperating Revenues and Expenses:

Interest on cash funds	86
Interest on sewer fees	7,965
ARPA grant	200,000
Interest expense	(10,250)

Total Nonoperating Revenues and Expenses	<u>197,801</u>
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Net Income	<u>171,470</u>
Net Position - Beginning	<u>4,208,188</u>
Net Position - Ending	<u>\$ 4,379,658</u>

The accompanying notes to the financial statements are an integral part of this statement.

WALDOBORO UTILITY DISTRICT
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities:	
Receipts from customers	\$ 282,192
Other income	1,429
Payments for services and supplies	(99,344)
Payments to employees	(49,220)
	<hr/>
Net Cash Provided by Operating Activities	135,057
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	(16,000)
Retirement of debt	(87,440)
Interest expense	(10,580)
Capital Grant proceeds	200,000
	<hr/>
Net Cash Used by Capital and Related Financing Activities	85,980
Cash Flows from Investing Activities:	
Interest on cash accounts	8,050
	<hr/>
Net Cash Provided by Investing Activities	8,050
Net Increase in Cash	229,087
Cash Balance - Beginning	133,122
Cash Balance - Ending	<hr/> <hr/> 362,209
Cash Flows From Operating Activities:	
Operating income (loss)	(26,331)
Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities:	
Depreciation expense	161,155
(Increase) Decrease in accounts receivable	9,897
(Increase) Decrease in accrued fees	(9,643)
(Increase) Decrease in prepaid fuel	(75)
Increase (Decrease) in accounts payable	54
	<hr/>
Net Cash Provided by Operating Activities	\$ <hr/> <hr/> 135,057

The accompanying notes to the financial statements are an integral part of this statement.

Waldoboro Utilities District
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

General Statement

Waldoboro Utilities District (The District) is an organization for the townspeople within the Town of Waldoboro. Its purpose is to operate as a Sewer treatment plant. The basic operations of the District are financed by fees.

The accounting and reporting policies of the District relating to the proprietary fund in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

Reporting Entity

The District's general purpose financial statements include the accounts of all the District's operations. The criteria for including other organizations within the District's reporting entity, as set forth in NCGA Statement No. 3, "Defining the Reporting Entity", primarily include the degree of oversight responsibility maintained by the Executive Board. Examples of oversight responsibility include financial interdependency, selection of governing authority designation of management, ability to significantly influence operations and accountability for fiscal matters. Member governments have not been included within the District's general purpose financial statements because none of the criteria of NCGA Statement No. 3 have been met.

Basis of Presentation

The accounts of the District utilize the accrual basis of accounting whereby revenues are recognized as earned and expenses are recognized as obligations are incurred. Resources are accounted for in individual accounts based upon the purposes for which they are to be spent and the restrictions, if any on the spending activities. The District uses appropriated fund equities to restrict assets for the following purposes:

Purpose:	Sewer <u>Division</u>
Debt	\$ 46,444
Equipment Reserve	56,773
Sludge removal	33,469
Total Appropriated \$	<u><u>136,686</u></u>

Note 1: Summary of Significant Accounting Policies, continued

Proprietary Fund Type

Enterprise Fund - accounts for the financing of operations expected to be reimbursed from results of operations. The major sources of revenue are user fees.

Federal and State Grant Revenue

Capital grant revenue is recorded as other nonoperating income. For the year ended December 31, 2021, the District received no contributed grants. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

User Fees

All customers are required to pay fees to The District. Fees are determined by usage rates set annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period.

Other Revenues

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

Cash

Deposits are carried at cost which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash." At December 31, 2021, the deposits of the District covered by federal depository insurance was \$133,129 with no amount uninsured.

Materials and Supplies

Inventories of materials and supplies are stated at lower of cost or market. Cost is determined principally on a first-in, first-out basis. Most inventory consists of hardware that has a significant shelf life.

Operating and Nonoperating Property

Operating and nonoperating property are recorded at cost or, in the case of contributed property, at the fair market value at the date of acquisition. Depreciation is computed on the straight line method based upon the estimated useful lives of the assets as follows:

Operating Property

Sewer Division - Useful lives ranging from ten to fifty years, in accordance with federal regulations as indicated in the Federal Register, Environmental Protection Agency, Water Pollution Control.

Note 2: Operating property

Operating and nonoperating property are recorded at cost or, in the case of contributed property, at the fair market value at the date of acquisition. Depreciation is computed on the straight line method based upon the estimated useful lives of the assets as follows:

<u>Fixed Assets</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Depreciation Expense</u>
Land	N/A	\$ 14,058	\$ N/A
Pumping stations	18, 50	327,413	9,482
Equipment	3, 5, 8	131,870	4,950
Lagoon and related	25, 40, 50	6,962,625	146,723
		<u>\$ 7,435,966</u>	<u>\$ 161,155</u>

	<u>Balance Jan 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec 31, 2022</u>
Assets not being depreciated:				
Land	\$ 14,058	\$	\$	\$ 14,058
Assets being depreciated:				
Pumping Stations	327,413	16,000		343,413
Equipment	131,870			131,870
Lagoon and related	6,962,625			6,962,625
	<u>7,435,966</u>	<u>16,000</u>	<u>0</u>	<u>7,451,966</u>
Less accumulated depreciation:				
Pumping Stations	99,794	9,482		109,276
Equipment	102,124	4,950		107,074
Lagoon and related	2,814,398	146,723		2,961,121
	<u>3,016,316</u>	<u>161,155</u>	<u>0</u>	<u>3,177,471</u>
Capital Assets, net	<u>\$ 4,419,650</u>	<u>\$ (145,155)</u>	<u>\$ 0</u>	<u>\$ 4,274,495</u>

Note 3: Long-term Debt

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

Long-term debt payable at January 1, 2022	\$ 446,322
Deductions - Debt retired	(87,440)
Additions - Debt Proceeds	0
Long-term debt payable at December 31, 2022	<u>\$ 358,882</u>
Interest paid	<u>7,483</u>

Long-term debt payable at December 31, 2021 is comprised of the following:

<u>Sewer Division</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance End of Year</u>
MMBB revolving loan fund	2.026%	2024	172,877
Rural Development note	1.875%	2058	186,005
Total			<u>\$ 358,882</u>

Note 3: Long-term Debt, continued

The annual requirement to amortize all long-term debt outstanding as of December 31, 2022 including interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 89,226	9,220
2024	91,049	7,858
2025	3,803	3,349
2026	3,874	3,278
2027	3,947	3,205
2028-2032	20,872	14,887
2033-2037	22,904	12,855
2038-2042	25,133	10,626
2043-2047	27,579	8,180
2048-2052	30,263	5,495
2053-2057	33,209	2,550
2058-2062	7,023	132
	Total \$ 358,882	\$ 81,635

The District also has an outstanding line of credit in the amount of \$150,000 with First National Bank. As of December 31, 2022, the District had not drawn any funds on the line of credit.

Note 4: Risk Assessment & Contingencies

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance coverage for part of its risk management. Currently, the District purchases insurance for the following:

The property, general liability and employee dishonesty insurance is carried with the Maine Municipal Association Property & Casualty Pool.

Note 5: Subsequent Events

The District's management has concluded that no events that occurred prior to December 31, 2022 and before March 27, 2023 require disclosure as subsequent events.