

WALDOBORO UTILITY DISTRICT

ANNUAL FINANCIAL REPORT  
with Independent Auditors Report

For the Year Ending December 31, 2019

WALDOBORO UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2019

Table of Contents

|  |            |
|--|------------|
|  | Statements |
| Independent Auditors Report                |            |
| Management's Discussion and Analysis       |            |
| General Purpose Financial Statements:      |            |
| Statement of Net Position                  | 1          |
| Statement of Activities                    | 2          |
| Statement of Cash Flows                    | 3          |
| Notes to the Combined Financial Statements |            |
| Additional Information                     | Schedule   |

# KEEL J. HOOD

Certified Public Accountant

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## INDEPENDENT AUDITORS REPORT

Board of Directors  
Waldoboro Utility District  
Waldoboro, Maine

March 5, 2020

I have audited the accompanying financial statements of Waldoboro Utility District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waldoboro Utility District as of December 31, 2019 and the changes

in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Required Supplementary Information

Management's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

*Paul J. Hood, CPA*

## Management's Discussion and Analysis

The following provides important background information and management's analysis of the District's financial performance for the fiscal year ended December 31, 2019. While reviewing this section please refer to the basic financial statements and accompanying notes.

### Financial Highlights

- Total assets of the District were \$4,966,926 at the end of 2019 a reduction of 1.1% from 2019. In the same period, total liabilities decreased 13.1% . (*See Statement 1*).
- Total revenues increased 0.2%; almost all of which came from user revenues. There was one new service connection (impact fees) this year. (*See Statement 2*).
- Total expenses were up by 0.7% over the previous year. Most of the increase was maintenance and depreciation reflecting the effort to keep the equipment in good operating condition and our investment in new equipment. (*See Statement 2*).
- The District is completely supported by user fees and in May 2016 the rates were increased by 5%.

### Overview of Financial Statements

In accordance with requirements set forth by the Governmental Accounting Standards Board, the District's financial statements employ the accrual basis of accounting in recognizing increase and decreases in economic resources. Accrual accounting recognizes all revenues and expenses during the year, regardless of when cash is received or paid.

The basic financial statements, presented for the year ended December 31, 2019 are comprised of:

- *Balance sheets*: The District presents its statement of position using the Statement of Net Assets format. The balance sheets (*Statement 1*) reflect the assets, liabilities and fund equity (net assets) of the District at year end.
- *Statement of Activities*: These statements reflect the transactions and events that have increased or decreased the District's total economic resources during the period (*Statement 2*). Revenues and expenses are classified as operating or nonoperating based on the nature of the transaction.
- *Statements of Cash Flows*: The Statement of Cash Flows and Increase in Cash reflect the sources and uses of cash separated into four categories of actives: Operating, Capital and Related, Noncapital and Investing (*Statement 3*).

The notes to the financial statements, presented at the end of the basic financial statements, are considered an integral part of the District's presentation of financial position, results of operations and changes in cash flows.

### Financial Analysis

#### Assets & Liabilities

As noted in the highlights above, the District's assets had a very slight reduction in 2019. This is similar to the decrease in previous years. These decreases are normal and reflect the reduced value of the system as it ages. The liabilities decreased as the long term debt was reduced.

### Revenues

In 2019 total revenues increased 0.2%. This is a normal trend reflecting local economic conditions beyond the District's control. There was one new service connection (increased customer base) that will increase revenues. No rate increase is being contemplated for 2020.

### Expenses

Total expenses increased by 0.7% during 2019. The increase is a reflection of increased maintenance in the wastewater collection and treatment system. This year saw the completion of the replacement of the aeration system in the first lagoon at the treatment facility. Replacement of the 100 HP pumps and controls at the Main Pump Station was also begun this year.

WALDOBORO UTILITY DISTRICT  
Statement of Net Position  
December 31, 2019

| <b>ASSETS</b>                                   |                             |                         |
|---|-----------------------------|-------------------------|
| Current Assets                                  |                             |                         |
| Cash  |                             | \$ 181,468              |
| Receivables:                                    |                             |                         |
| Sewer liens                                     |                             | 86,275                  |
| Prepaid fuel                                    |                             | 563                     |
|   | Total Current Assets        | <u>268,306</u>          |
| Fixed Assets                                    |                             |                         |
| Lagoon and related                              |                             | 7,389,397               |
|   | Total Fixed Assets          | <u>7,389,397</u>        |
| Accumulated Depreciation                        |                             | (2,690,777)             |
|   | Net Fixed Assets            | <u>4,698,620</u>        |
|   | Total Assets                | <u><u>4,966,926</u></u> |
| <br><b>LIABILITIES AND NET POSITION</b>         |                             |                         |
| Liabilities:                                    |                             |                         |
| Current Liabilities:                            |                             |                         |
| Accounts payable                                |                             | 778                     |
| Accrued interest                                |                             | 2,210                   |
| Current portion of long-term debt               |                             | 99,479                  |
|   | Total current liabilities   | <u>102,467</u>          |
| Long-term Liabilities:                          |                             |                         |
| Bonds payable                                   |                             | 450,817                 |
| Notes payable                                   |                             | 196,598                 |
| Less current portion of long-term debt          |                             | (99,479)                |
|   | Total long-term liabilities | <u>547,936</u>          |
|   | Total Liabilities           | <u>650,403</u>          |
| Net Position:                                   |                             |                         |
| Invested in capital assets, net of related debt |                             | 4,051,205               |
| Unrestricted:                                   |                             |                         |
| Appropriated net position                       |                             | 113,988                 |
| Unappropriated                                  |                             | 151,330                 |
|   | Total Net Position          | <u>4,316,523</u>        |
| Total Liabilities and Net Position              |                             | <u>\$ 4,966,926</u>     |

WALDOBORO UTILITY DISTRICT  
Statement of Activities  
For the Year Ending December 31, 2019

**Operating Revenues:**

|               |            |
|---------------|------------|
| Sewer fees    | \$ 255,526 |
| Impact fees   | 999        |
| Miscellaneous | 616        |

|                          |                |
|--------------------------|----------------|
| Total Operating Revenues | <u>257,141</u> |
|--------------------------|----------------|

**Operating Expenses:**

|                         |         |
|-------------------------|---------|
| Labor                   | 38,239  |
| Labor related           | 2,933   |
| General administration  | 4,238   |
| Insurance               | 7,288   |
| Professional fees       | 14,112  |
| Utilities               | 37,817  |
| Generator fuel          | 11,156  |
| Mileage                 | 166     |
| Sewer line maintenance  | 5,522   |
| Depreciation            | 158,338 |
| Miscellaneous           | 2,051   |
| Sewer line maintenance  | 4,900   |
| Plant parts and repairs | 18,290  |

|                |                |
|----------------|----------------|
| Total Expenses | <u>305,050</u> |
|----------------|----------------|

|                  |                 |
|------------------|-----------------|
| Operating Income | <u>(47,909)</u> |
|------------------|-----------------|

**Nonoperating Revenues and Expenses:**

|                        |          |
|------------------------|----------|
| Interest on cash funds | 436      |
| Interest on sewer fees | 3,416    |
| Interest expense       | (14,369) |
| Operating grant        | 99,696   |

|  |               |
|--|---------------|
| Total Nonoperating Revenues and Expenses | <u>89,179</u> |
|--|---------------|

|                          |                     |
|--------------------------|---------------------|
| Net Income               | 41,270              |
| Net Position - Beginning | <u>4,275,253</u>    |
| Net Position - Ending    | <u>\$ 4,316,523</u> |

WALDOBORO UTILITY DISTRICT  
Statement of Cash Flows  
For the Year Ended December 31, 2019

|  |                     |
|--|---------------------|
| <b>Cash Flows From Operating Activities:</b>                                       |                     |
| Receipts from customers  | \$ 252,846          |
| Other income   | 1,615               |
| Payments for services and supplies   | (105,383)           |
| Payments to employees  | (41,203)            |
|  | <hr/>               |
| Net Cash Provided by Operating Activities  | 107,875             |
| <hr/>  |                     |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                   |                     |
| Acquisition of fixed assets  | (202,932)           |
| Retirement of debt   | (97,389)            |
| Interest expense   | (15,419)            |
|  | <hr/>               |
| Net Cash Used by Capital and Related Financing Activities                          | (315,740)           |
| <hr/>  |                     |
| <b>Cash Flows from Investing Activities:</b>                                       |                     |
| Interest on cash accounts  | 3,852               |
| Capital grant proceeds   | 99,696              |
|  | <hr/>               |
| Net Cash Provided by Investing Activities  | 103,548             |
| <hr/>  |                     |
| Net Increase in Cash   | (104,317)           |
| Cash Balance - Beginning   | 285,785             |
| Cash Balance - Ending  | <hr/> <hr/> 181,468 |
| <hr/>  |                     |
| <b>Cash Flows From Operating Activities:</b>                                       |                     |
| Operating income (loss)  | (47,909)            |
| Adjustments to Reconcile Operating Income to Cash Flows from Operating Activities: |                     |
| Depreciation expense   | 158,338             |
| Increase (Decrease) in accounts receivable   | (2,680)             |
| Increase (Decrease) in prepaid fuel  | 157                 |
| Increase (Decrease) in accounts payable  | (31)                |
|  | <hr/>               |
| Net Cash Provided by Operating Activities  | \$ 107,875          |
| <hr/> <hr/>  |                     |

Waldoboro Utilities District  
Notes to the Financial Statements  
December 31, 2019

Note 1 - Summary of Significant Accounting Policies

General Statement

Waldoboro Utilities District (The District ) is an organization for the towns people 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<br><u>Division</u> |
|-----------------------|--------------------------|
| Equipment reserve     | \$ 21,180                |
| SSDC                  | 4,029                    |
| Debt                  | 63,133                   |
| Sludge removal        | <u>25,646</u>            |
| Total Appropriated \$ | <u><u>113,988</u></u>    |

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.

Note 1 - Summary of Significant Accounting Policies, continued

Federal and State Grant Revenue

Capital grant revenue is recorded as other nonoperating income. For the year ended December 31, 2019, 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, 2019, the deposits of the District covered by federal depository insurance was \$280,975 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.

2. Long-term Debt

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2019:

|  |    |                |
|--|----|----------------|
| Long-term debt payable <u>at January 1, 2019</u> | \$ | 744,804        |
| Deductions - Debt retired                        |    | (97,389)       |
| Long-term debt payable at December 31, 2019      | \$ | <u>647,415</u> |
| Interest paid                                    |    | <u>15,419</u>  |

Note 1 - Summary of Significant Accounting Policies, continued

Long-term debt payable at December 31, 2019 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 | 2.0%                 | 2021                       | \$ 31,430                  |
| MMBB Revolving loan fund | 2.0%                 | 2024                       | 419,387                    |
| Rural Development note   | 1.88%                | 2058                       | 196,598                    |
| Totals                   |                      |                            | <u>\$ 647,415</u>          |

The annual requirement to amortize all long-term debt outstanding as of December 31, 2019 including interest payments are as follows:

| <u>Year</u> | <u>Principal</u>  | <u>Interest</u>   |
|-------------|-------------------|-------------------|
| 2020        | \$ 99,479         | 13,858            |
| 2021        | 101,614           | 12,264            |
| 2022        | 87,440            | 10,555            |
| 2023        | 89,226            | 9,220             |
| 2024        | 91,049            | 7,858             |
| 2025-2029   | 19,741            | 16,018            |
| 2030-2034   | 21,662            | 14,097            |
| 2035-2039   | 28,795            | 14,115            |
| 2040-2044   | 26,573            | 9,185             |
| 2045-2049   | 29,160            | 6,599             |
| 2050-2054   | 31,998            | 3,761             |
| 2055-2058   | 20,678            | 780               |
| Total       | <u>\$ 647,415</u> | <u>\$ 118,310</u> |

5. 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>Depreciation Life</u> | <u>Cost</u>         | <u>Depreciation Expense</u> |
|---------------------|--------------------------|---------------------|-----------------------------|
| Land                | 0                        | \$ 14,058           | 0                           |
| Pumping stations    | 50                       | 327,413             | 9,482                       |
| Equipment           | 8,3,&5                   | 88,820              | 2,825                       |
| Lagoon and related  | 50                       | 6,959,106           | 146,031                     |
|                     |                          | <u>\$ 7,389,397</u> | <u>\$ 158,338</u>           |

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:

Note 1 - Summary of Significant Accounting Policies, continued

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

5. Subsequent Events

The District's management has concluded that no events that occurred prior to December 31, 2019 and before March 5, 2020 require disclosure as subsequent events.

