

Audited Financial Statements  
and Other Financial Information

**Waldoboro Utility District**

December 31, 2023



*Proven Expertise & Integrity*

WALDOBORO UTILITY DISTRICT

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DECEMBER 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Waldoboro Utility District  
Waldoboro, Maine

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the business-type activities of the Waldoboro Utility District, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Waldoboro Utility District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Waldoboro Utility District as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Waldoboro Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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

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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 Waldoboro Utility District's ability to continue as a going concern for approximately 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 Financial Statements

Our 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 our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements 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 controls 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 Waldoboro Utility 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 our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Waldoboro Utility District's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2024 on our consideration of the Waldoboro Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Waldoboro Utility District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Waldoboro Utility District's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
September 18, 2024

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**(UNAUDITED)**

The following management's discussion and analysis of the Waldoboro Utility District's financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the District's financial statements.

**Financial Statement Overview**

The Waldoboro Utility District's basic financial statements include the following components: 1) proprietary fund's financial statements and 2) notes to the financial statements.

**Basic Financial Statements**

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

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

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

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

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

The District's financial statements can be found on pages 8 through 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 District's financial statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

### Financial Analysis

Our analysis below focuses on the net position and changes in net position of the District's business type activities. The District's total net position decreased by \$57,931 from \$4,378,786 to \$4,320,855.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased to a balance of \$142,031 at the end of this year.

**Table 1**  
**Waldoboro Utility District**  
**Net Position**  
**December 31,**

|                                    | <u>2023</u>         | <u>2022</u><br>(Restated) |
|------------------------------------|---------------------|---------------------------|
| <b>Assets:</b>                     |                     |                           |
| Current Assets                     | \$ 296,242          | \$ 466,043                |
| Noncurrent Assets - Capital Assets | 4,296,255           | 4,273,623                 |
| Total Assets                       | <u>\$ 4,592,497</u> | <u>\$ 4,739,666</u>       |
| <b>Liabilities:</b>                |                     |                           |
| Current Liabilities                | 92,985              | 91,224                    |
| Noncurrent Liabilities             | 178,657             | 269,656                   |
| Total Liabilities                  | <u>271,642</u>      | <u>360,880</u>            |
| <b>Net Position:</b>               |                     |                           |
| Net Investment in Capital Assets   | 4,026,549           | 3,914,741                 |
| Restricted                         | 152,275             | 136,686                   |
| Unrestricted                       | 142,031             | 327,359                   |
| Total Net Position                 | <u>\$ 4,320,855</u> | <u>\$ 4,378,786</u>       |

**Table 2**  
**Waldoboro Utility District**  
**Changes in Net Position**  
**For the Years Ended December 31,**

|   | <u>2023</u>         | <u>2022</u><br><u>(Restated)</u> |
|---|---------------------|----------------------------------|
| Revenues:                                   |                     |                                  |
| Fees  | \$ 269,775          | \$ 282,937                       |
| APRA grant                                  | -                   | 200,000                          |
| Miscellaneous                               | 18,050              | 8,481                            |
| Total Revenues                              | <u>287,825</u>      | <u>491,418</u>                   |
| Expenses:                                   |                     |                                  |
| Wages and benefits                          | 53,752              | 48,411                           |
| General Administration                      | 10,154              | 5,875                            |
| Insurance                                   | 8,089               | 7,938                            |
| Professional fees                           | 13,234              | 14,459                           |
| Utilities                                   | 41,236              | 39,262                           |
| Generator fuel                              | 16,296              | 16,761                           |
| Repairs, maintenance and small improvements | 32,112              | 11,881                           |
| Small tools                                 | 296                 | 2,148                            |
| Depreciation                                | 159,697             | 161,155                          |
| Miscellaneous expenses                      | 10,890              | 12,058                           |
| Total Expenses                              | <u>345,756</u>      | <u>319,948</u>                   |
| Change in Net Position                      | (57,931)            | 171,470                          |
| Net Position - January 1                    | <u>4,378,786</u>    | <u>4,207,316</u>                 |
| Net Position - December 31                  | <u>\$ 4,320,855</u> | <u>\$ 4,378,786</u>              |

**Revenues and Expenses**

Revenues for the District decreased by 41.43% mainly attributed to the ARPA grant, while total expenses increased by 8.07% due mainly to increases in wages and benefits, general administration and repairs, maintenance and improvements.

## Capital Asset and Debt Administration

### Capital Assets

As of December 31, 2023, the net book value of capital assets recorded by the District increased by \$22,632 due to capital additions of \$182,329 less current year depreciation expense of \$159,697.

**Table 3**  
**Waldoboro Utility District**  
**Capital Assets (Net of Depreciation)**  
**December 31,**

|  | <b>2023</b>         | <b>2022</b><br><b>(Restated)</b> |
|--|---------------------|----------------------------------|
| Land                                   | \$ 77,941           | \$ 14,058                        |
| Facilities, buildings and improvements | 209,212             | 234,137                          |
| Machinery and equipment                | 154,291             | 24,796                           |
| Vehicles                               | 3,854,811           | 4,000,632                        |
| Total                                  | <u>\$ 4,296,255</u> | <u>\$ 4,273,623</u>              |

### Debt

At December 31, 2023, the District had \$269,706 in bonds outstanding versus \$358,882 last year, a decrease of 24.85%. For more detailed information refer to Note 4 of Notes to Financial Statements.

### Currently Known Facts, Decisions or Conditions

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

The District has steadily maintained a sufficient unrestricted net position to sustain operations for a period of approximately ten months, while also maintaining significant reserve accounts for future capital and program needs.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Waldoboro Utility District at 850 Union Road, Waldoboro, Maine 04572.

## WALDOBORO UTILITY DISTRICT

STATEMENT OF NET POSITION  
DECEMBER 31, 2023

|  | <u>Business-type<br/>Activities</u> |
|--|-------------------------------------|
| <b>ASSETS</b>  |                                     |
| Current assets:  |                                     |
| Cash and cash equivalents  | \$ 196,883                          |
| Accounts receivable (net of allowance<br>for uncollectibles)                 | 94,560                              |
| Due from other governments   | 3,842                               |
| Inventory  | 957                                 |
| Total current assets   | <u>296,242</u>                      |
| Noncurrent assets:   |                                     |
| Capital assets:  |                                     |
| Land, infrastructure and other assets not<br>being depreciated               | 77,941                              |
| Buildings and equipment, net of accumulated<br>depreciation                  | 4,218,314                           |
| Total noncurrent assets  | <u>4,296,255</u>                    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                       | <u><u>\$ 4,592,497</u></u>          |
| <b>LIABILITIES</b>   |                                     |
| Current liabilities:   |                                     |
| Accrued liabilities  | \$ 1,936                            |
| Current portion of long-term obligations                                     | 91,049                              |
| Total current liabilities  | <u>92,985</u>                       |
| Noncurrent liabilities   |                                     |
| Noncurrent portion of long-term obligations:                                 |                                     |
| Bonds payable  | 178,657                             |
| Total noncurrent liabilities   | <u>178,657</u>                      |
| <b>TOTAL LIABILITIES</b>   | <u>271,642</u>                      |
| <b>NET POSITION</b>  |                                     |
| Net investment in capital assets   | 4,026,549                           |
| Restricted   | 152,275                             |
| Unrestricted   | 142,031                             |
| <b>TOTAL NET POSITION</b>  | <u>4,320,855</u>                    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND NET POSITION</b> | <u><u>\$ 4,592,497</u></u>          |

See accompanying independent auditor's report and notes to financial statements.

## WALDOBORO UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2023

|   | Total<br>Business-type<br>Activities |
|---|--------------------------------------|
| OPERATING REVENUES                              |                                      |
| User fees                                       | \$ 269,775                           |
| Miscellaneous Income                            | 830                                  |
| TOTAL OPERATING REVENUES                        | <u>270,605</u>                       |
| OPERATING EXPENSES                              |                                      |
| Wages and benefits                              | 53,752                               |
| General Administration                          | 10,154                               |
| Insurance                                       | 8,089                                |
| Professional fees                               | 13,234                               |
| Utilities                                       | 41,236                               |
| Generator fuel                                  | 16,296                               |
| Repairs, maintenance and small improvements     | 32,112                               |
| Small tools                                     | 296                                  |
| Depreciation                                    | 159,697                              |
| Miscellaneous expenses                          | 1,569                                |
| TOTAL OPERATING EXPENSES                        | <u>336,435</u>                       |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(65,830)</u>                      |
| OTHER FINANCING SOURCES (USES)                  |                                      |
| Interest income - cash funds                    | 9,785                                |
| Interest income - liens                         | 7,435                                |
| Interest expense                                | (9,321)                              |
| TOTAL OTHER FINANCING SOURCES (USES)            | <u>7,899</u>                         |
| CHANGE IN NET POSITION                          | (57,931)                             |
| NET POSITION - JANUARY 1, RESTATED              | <u>4,378,786</u>                     |
| NET POSITION - DECEMBER 31                      | <u>\$ 4,320,855</u>                  |

See accompanying independent auditor's report and notes to financial statements.

## WALDOBORO UTILITY DISTRICT

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023

|   | <u>Business-type<br/>Activities</u> |
|---|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                                     |
| Receipts from customers   | \$ 274,250                          |
| Other receipts  | 830                                 |
| Payments to employees   | (53,752)                            |
| Payments to suppliers   | (123,048)                           |
| NET CASH PROVIDED (USED) BY OPERATING<br>ACTIVITIES   | <u>98,280</u>                       |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                                     |
| Interest income   | 17,220                              |
| Purchase of capital assets  | (182,329)                           |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES  | <u>(165,109)</u>                    |
| CASH FLOWS FROM CAPITAL AND RELATED<br>FINANCING ACTIVITIES:  |                                     |
| Principal paid on capital debt  | (89,176)                            |
| Interest paid on capital debt   | (9,321)                             |
| NET CASH (USED) BY CAPITAL AND RELATED<br>FINANCING ACTIVITIES                                      | <u>(98,497)</u>                     |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  | (165,326)                           |
| CASH AND CASH EQUIVALENTS - JANUARY 1   | <u>362,209</u>                      |
| CASH AND CASH EQUIVALENTS - DECEMBER 31   | <u>\$ 196,883</u>                   |
| RECONCILIATION OF OPERATING INCOME (LOSS)<br>TO NET CASH PROVIDED (USED) BY OPERATING<br>ACTIVITIES |                                     |
| Operating income (loss)   | \$ (65,830)                         |
| Adjustments to reconcile operating income to<br>net cash provided (used) by operating activities:   |                                     |
| Depreciation expense  | 159,697                             |
| Changes in operating assets and liabilities:  |                                     |
| (Increase) decrease in accounts receivable  | 8,124                               |
| (Increase) decrease in due from other governments   | (3,842)                             |
| (Increase) decrease in inventory  | 193                                 |
| Increase (decrease) in accounts payable   | (1,208)                             |
| Increase (decrease) in accrued liabilities  | 1,146                               |
|   | <u>\$ 98,280</u>                    |

See accompanying independent auditor's report and notes to financial statements.

WALDOBORO UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity**

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

**Implementation of New Accounting Standards**

During the year ended December 31, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

**Measurement Focus - Basic Financial Statements**

1. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds:

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

**Basis of Accounting**

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

1. Accrual

Business-type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Deposits and Investments**

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

It is the District's policy to value investments at fair value. None of the District's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Money market mutual funds

Receivables include amounts due from local governments and businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$98,402 for the year ended December 31, 2023.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives, except for certain assets that have elected to defer a portion of the depreciation to future years to coincide with the related debt.

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

|  |                |
|--|----------------|
| Structures                                   | 50 - 100 years |
| Wells and springs                            | 50 years       |
| Pumping equipment, services and hydrants     | 33 years       |
| Water treatment                              | 50 years       |
| Reservoirs/standpipes and distribution mains | 67 years       |
| Meters                                       | 13 years       |
| Laboratory equipment and miscellaneous       | 10 years       |

**Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from business-type resources are reported as liabilities in the financial statements. The District's long-term obligations consist of

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bonds payable, accrued compensated absences and net pension liability/(asset).

Long-term debt for proprietary funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures

**Net Position**

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

**Program Revenues**

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

**Operating/Nonoperating Revenues**

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

**Encumbrance Accounting**

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

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Use of Estimates**

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

NOTE 2 - DEPOSITS AND INVESTMENTS

The District's investment policies, which follow state statutes, authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all District's funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The District does not have a policy covering custodial credit risk.

At December 31, 2023, the District's cash balance amounting to \$196,883 were comprised of bank deposits of \$195,789. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the District's cash balance. All of these deposits were fully insured by Federal Deposit Insurance Corporation (FDIC) and consequently were not exposed to custodial credit risk.

| <u>Account Type</u> | <u>Bank<br/>Balance</u> |
|---------------------|-------------------------|
| Sweep account       | <u>\$ 195,789</u>       |

**Investments:**

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

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

At December 31, 2023, the District had \$0 in investments.

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

NOTE 3 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023:

|                                | Balance,<br>1/1/23<br>(Restated) | Additions        | Disposals   | Balance,<br>12/31/23 |
|--------------------------------|----------------------------------|------------------|-------------|----------------------|
| Non-depreciated assets:        |                                  |                  |             |                      |
| Land                           | \$ 14,058                        | \$ -             | \$ -        | \$ 14,058            |
| Construction in progress       | 16,000                           | 47,883           | -           | 63,883               |
|                                | <u>30,058</u>                    | <u>47,883</u>    | <u>-</u>    | <u>77,941</u>        |
| Depreciated assets:            |                                  |                  |             |                      |
| Pumping stations               | 327,413                          | -                | -           | 327,413              |
| Equipment                      | 131,870                          | 134,446          | -           | 266,316              |
| Lagoon and related             | 6,975,680                        | -                | -           | 6,975,680            |
|                                | <u>7,434,963</u>                 | <u>134,446</u>   | <u>-</u>    | <u>7,569,409</u>     |
| Less: accumulated depreciation |                                  |                  |             |                      |
| Pumping stations               | (109,275)                        | (8,926)          | -           | (118,201)            |
| Equipment                      | (107,076)                        | (4,949)          | -           | (112,025)            |
| Lagoon and related             | (2,975,047)                      | (145,822)        | -           | (3,120,869)          |
|                                | <u>(3,191,398)</u>               | <u>(159,697)</u> | <u>-</u>    | <u>(3,351,095)</u>   |
| Net depreciated assets         | <u>4,243,565</u>                 | <u>(25,251)</u>  | <u>-</u>    | <u>4,218,314</u>     |
| Total net capital assets       | <u>\$ 4,273,623</u>              | <u>\$ 22,632</u> | <u>\$ -</u> | <u>\$ 4,296,255</u>  |

| Annual depreciation: |                   |
|----------------------|-------------------|
| Pumping stations     | \$ 8,926          |
| Equipment            | 4,949             |
| Lagoon and related   | 145,822           |
|                      | <u>\$ 159,697</u> |

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 4 - LONG-TERM DEBT

A summary of general long-term debt for the year ended December 31, 2023 is as follows:

|               | Balance,<br>1/1/23 | Additions | Deletions   | Balance,<br>12/31/23 | Current<br>Portion |
|---------------|--------------------|-----------|-------------|----------------------|--------------------|
| Bonds payable | \$ 358,882         | \$ -      | \$ (89,176) | \$ 269,706           | \$ 91,049          |

The following is a description of the outstanding bonds payable:

|   |                   |
|---|-------------------|
| 2004 Wastewater Refunding Bond payable to the Maine Municipal Bond Bank, due in varying annual installments through April, 2024, interest is charged at a fixed rate of 1.53% per annum.        | \$ 87,316         |
| 2019 Rural Development Bond payable to United States Department of Agriculture, in varying annual installments through December, 2058, interest is charged at a fixed rate of 1.875% per annum. | <u>182,390</u>    |
| Total Bonds Payable   | <u>\$ 269,706</u> |

The following is a summary of the outstanding bond principal and interest requirements for the fiscal years ending December 31:

|           | Principal         | Interest         | Total             |
|-----------|-------------------|------------------|-------------------|
| 2024      | 91,049            | 4,755            | 95,804            |
| 2025      | 3,803             | 3,349            | 7,152             |
| 2026      | 3,874             | 3,278            | 7,152             |
| 2027      | 3,947             | 3,205            | 7,152             |
| 2028-2032 | 20,872            | 14,887           | 35,759            |
| 2033-2037 | 22,904            | 12,855           | 35,759            |
| 2038-2042 | 25,133            | 10,626           | 35,759            |
| 2043-2047 | 27,630            | 8,179            | 35,809            |
| 2048-2052 | 30,264            | 5,495            | 35,759            |
| 2053-2058 | 33,210            | 2,549            | 35,759            |
| 2058-2062 | 7,020             | 132              | 7,152             |
|           | <u>\$ 269,706</u> | <u>\$ 69,310</u> | <u>\$ 339,016</u> |

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended December 31, 2023 was \$9,321.

WALDOBORO UTILITY DISTRICT

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 5 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the District at December 31, 2023.

|                                  |                     |
|----------------------------------|---------------------|
| Invested in capital assets       | \$ 7,647,350        |
| Accumulated depreciation         | (3,351,095)         |
| Outstanding capital related debt | <u>(269,706)</u>    |
|                                  | <u>\$ 4,026,549</u> |

NOTE 6 - RISK ASSESSMENT

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

NOTE 7 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the District's financial position.

NOTE 8 - RESTATEMENTS

In 2023, the District determined that certain transactions in prior years had been incorrectly recorded or omitted, therefore, a restatement to the business-type activities. The beginning capital assets and net position decreased by \$872 to correct for an overstatement of capital assets. The restatement decreased the beginning net position from \$4,379,658 to \$4,378,876.



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

Board of Trustees  
Waldoboro Utility District  
Waldoboro, Maine

We have audited, in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Waldoboro Utility District as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Waldoboro Utility District's basic financial statements and have issued our report thereon dated September 18, 2024.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waldoboro Utility District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of the Waldoboro Utility District in a separate letter dated August 14, 2024.

#### Purpose of this Report

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

*RHR Smith & Company*

Buxton, Maine  
September 18, 2024