

KENNEBUNK, KENNEBUNKPORT AND WELLS WATER DISTRICT

97th Annual Report

January 1, 2018 – December 31, 2018

92 Main Street, P.O. Box 88
Kennebunk, ME 04043
207-985-3385

TRUSTEES AND OFFICERS

1/1/18 through 6/30/18



From left, Treasurer Wayne Brockway, Assistant Superintendent Scott Minor, Trustee Richard Littlefield (Ogunquit), Trustee Jim Burrows (Kennebunkport), Trustee Tom Oliver (Wells), Trustee Bob Emmons (Kennebunk) and Superintendent Norm Labbe

7/1/18 through 12/31/18



From left, Trustee Jim Burrows (Kennebunkport), Treasurer Wayne Brockway, Superintendent Norm Labbe, Trustee Bob Emmons (Kennebunk), Trustee Tom Oliver (Wells), Trustee Fred Lynk (Ogunquit) and Assistant Superintendent Scott Minor

2018 REPORT OF THE KENNEBUNK, KENNEBUNKPORT AND WELLS WATER DISTRICT

The Kennebunk, Kennebunkport and Wells Water District is a non-profit, quasi-municipal public water utility that was established in 1921 by an act of the Maine State Legislature. The Water District serves an area that encompasses the Towns of Kennebunk, Kennebunkport, Wells, Ogunquit, Arundel and small portions of Biddeford and York. The area includes a population which varies seasonally from about 30,000 to over 100,000. It is directed by a four-member Board of Trustees, one elected from each of the towns of Kennebunk, Kennebunkport, Wells and Ogunquit.

2018 was a strong year for the Water District. Although not record-breaking as with 2016, it compared reasonably well on several fronts. Compared with 2017, 2018 saw a 0.6% increase in water production and a 6.7% increase in total operating revenues. From a financial perspective, we received \$7.47 million in total operating revenues, as compared to \$7.0 million in 2017. All of this contributed to a projected (unaudited) net income for 2018 of approximately \$180,000, as compared to a net income of \$270,000 in 2017. Overall, the primary drivers for water production and revenues are related to weather conditions during the warmer months and long-term customer growth, as follows.

Precipitation during 2018, as measured at our Branch Brook Filtration Plant, was significant, placing sixth highest since 1871. The majority of the precipitation took place during the fall and therefore did not significantly impact peak season water demands. As a result, 2018 water production was 1.068 billion gallons; the fifth highest annual water production on record and 5.0% below the record 1.125 billion gallons produced in 2016. Our groundwater sources produced 399.4 million gallons, which was 37.4% of all water production for 2018. From a customer growth perspective, it appears the local economy is still healthy, with 119 customers added in 2018. This compares with 147 in 2017 and 166 in 2016, resulting in a customer growth rate of about 1%. Our customer base now stands at 13,927 metered accounts.

This was the eighth year in a row that we have been successful in being awarded a low-interest SRF (State Revolving Loan Fund) financing package. Since 2008, through SRF financing, we have installed \$11.0 million of infrastructure to date with grants totaling \$0.5 million and a total bonded debt of \$10.5 million having an average bond interest rate of only 0.90%.

We have once again achieved the lowest ever “experience modification factor” that our Workmen’s Compensation insurance carrier has ever seen for a water utility. This factor, which measures the actual workmen’s compensation claim history of an employer, directly affects the insurance premium paid by that employer. For us, the modification factor of 0.60 (down from 0.61 in 2017) will result in our 2019 workmen’s compensation insurance premium being reduced to 60% of the “standard” amount. Being that we perform much more construction-related work than that of a typical water utility, this low factor is a very significant statistic and indicative of our employees’ commitment to workplace safety. On a related note, the Maine Department of Labor once again renewed our S.H.A.P.E. (Safety and Health Award for Public Employers) certification for the fourth consecutive time since first awarded in 2009. We are very proud of our worker safety and health programs and overall safety record and are grateful for the formal recognition as a S.H.A.P.E. certified employer.

2018 marked our record year for “baby boomer” retirements. When including two previously announced retirements for early 2019, five employees retired with a total of over 180 years of District experience. This also represents over 10% of our total work force. Having had a succession planning strategy in place for several years will help assure a smooth transition, with no noticeable changes in our level of service to our customers. We thank our retirees for

their years of dedicated service and wish them all a long and happy retirement. For more information on these folks, see recent issues of *What's on Tap* at <http://kkw.org/archived-newsletters>.

As previously reported, in February of 2017 we shut down our Kennebunk River Well as a precautionary measure, as a result of discovering trace amounts of perfluorinated compounds (PFAS) in the well's water. Although the level of this unregulated contaminant was below the US EPA's recommended Lifetime Health Advisory Level (and given the ongoing research efforts to determine more conclusive health information), it was felt that erring on the side of caution was in the best interests of our customers. During 2018, after completing a series of small-scale pilot studies, we placed into service a 1 million gallon per day pilot filter to remove the PFAS on a full-scale basis. As anticipated, the pilot was successful. As a result, we have budgeted for the construction of a permanent facility for the filters in 2019. The details of this topic are further described on the home page of our website at www.kkw.org and in recent issues of our newsletter *What's on Tap*.

We are well into the conversion of our customers' water meters to a new Automated Metering Infrastructure (AMI) technology. For several decades, our customers' meters were either of the "straight read" or "generator-remote read" type. Both types required a person to visit the premises to get a meter reading. The generator-remote technology is no longer available. The new AMI technology uses a very small, low-power radio to transmit the water consumption data directly to our office on a daily basis. The radio is powered by a D-cell sized battery which has an expected 16 to 20-year life. In 2018, our crews installed 3,031 new AMI meters. As of the end of the year, 7,198 of our 13,927 customers are now served with AMI meters. For more information on our conversion to AMI meters, visit www.kkw.org.

As previously reported, in 2017 we made a significant change in our water disinfection regimen, with the primary water disinfectant changing from free chlorine to chloramines. The main reason for the change was to make our water fully compatible with other nearby, interconnected water utilities. The change has also resulted in several water quality-related benefits, from the minimization of corrosion and disinfection by-products to the elimination of the free chlorine smell. We are pleased to report that the conversion has been very successful, with the subsequent corrosion control test results being the lowest on record, as summarized in the District's annual Water Quality Report in the Summer 2018 issue of *What's on Tap*.

With all of the recent discussion relating to the poor condition of America's infrastructure, we are pleased to report that for the past 25 years, the District has averaged replacing 0.87% of its distribution system per year. This is close to the desired water industry "gold standard" of 1% per year, based upon an expected 100-year usable life for water mains. Very few other water utilities have maintained such an aggressive (yet appropriate) water main replacement schedule. We have accomplished this task while keeping water rates below that of the average Maine water utility. On a related note, despite maintaining this aggressive infrastructure replacement program, we have a relatively low cost of debt service, which currently stands at 12.3% of revenues. In other words, only about 1/8 (one eighth) of each revenue dollar goes toward the payment on debt service (principal and interest). From a water utility perspective, this is extremely low, as water utilities are very capital intensive and usually carry a disproportionately large amount of debt as compared to other businesses.

The following is a partial list of distribution projects funded by the District and installed by our personnel during 2018. These projects typically relate to our goals of coordination with State and Town roadway projects, optimizing water quality, enhancing fire suppression capabilities and improving system reliability by replacing outdated and substandard facilities with an eye toward accommodating anticipated growth.

- Wildes District Road, Kennebunkport: Replaced 1710' of 8" cement (AC) main with 12" PVC main in conjunction with a Town drainage and roadway reconstruction project.
- North Street, Kennebunkport: Replaced 1962' of obsolete 6" cast iron (CI) main with 12" Ductile Iron (DI) main in conjunction with a Town roadway reconstruction project.
- West Street, Kennebunkport: Replaced 458' of old 6" CI main with 8" high density polyethylene (HDPE) main (in conjunction with the Town's shim and overlay project).
- Oak Street, Kennebunkport: Replaced 927' of old 6" CI main with 8" high density polyethylene (HDPE) main and DI main (in conjunction with the Town's shim and overlay project).
- Land's End Road, Kennebunkport: Replaced 380' of 2" galvanized (GI) seasonal main with 3" HDPE main.
- Harbor Drive, Kennebunkport: Replaced 792' of 2" GI seasonal main with 2" HDPE main.
- Storer Street, Kennebunk: Replaced 1778' of old 10"CI main with 12" HDPE and DI main in conjunction with sewer work and Town road reconstruction project.

In addition to the above projects, individuals and developers funded several water main extensions totaling 2,616 feet in length, as compared to 9,000 feet installed in 2017.

Drinking water quality remains a top priority. We are pleased to report that in addition to making significant water quality improvements with our unique blending of groundwater and surface water, all State and Federal water quality standards were met during 2018. By maintaining a dedicated, well-trained staff and continually upgrading our process equipment and control systems, we continually assure the highest degree of reliability in the quality of drinking water for our customers.

Our customers and all other interested parties are welcome to contact us at our business office at 92 Main Street in Kennebunk or visit our website at www.kkw.org, like us on Facebook ([facebook.com/kkwwaterdist](https://www.facebook.com/kkwwaterdist)) or follow us on Twitter (@[kkwaterdist](https://twitter.com/kkwwaterdist)). Electronic bill notifications, reminders, as well as online payment options are all available and tailored to suit our customers' needs. Current and past issues of our popular semi-annual newsletter *What's on Tap* are also on our website. As always, we welcome your input, as our mission is *to provide the best quality of water and customer service at the lowest reasonable cost.*

The Trustees of the Kennebunk, Kennebunkport & Wells Water District appreciate the continuing extraordinary effort and dedication of their employees, as well as the support and cooperation of their customers, area contractors and State and local municipal officials.

Respectfully submitted,
Thomas P. Oliver, President
Robert A. Emmons, Vice President
James E. Burrows, Trustee
Frederick A. Lynk, Trustee

Normand R. Labbe, P.E. Superintendent
Scott J. Minor, P.E. Assistant Superintendent
Wayne A. Brockway, MBA Treasurer

KKW KENNEBUNK, KENNEBUNKPORT
AND WELLS WATER DISTRICT

Annual Financial Statements
For the Years Ended December 31, 2018 and 2017

Independently Audited By

Berry·Talbot·Royer
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

| | | |
|---|--|----|
| Independent Auditor’s Report | | 1 |
| Management’s Discussion and Analysis | | 3 |
| Basic Financial Statements | | |
| Statement 1 | Statements of Net Position | 13 |
| Statement 2 | Statements of Revenues, Expenses, and Changes in Net Position | 15 |
| Statement 3 | Statements of Cash Flows | 16 |
| Statement 4 | Statements of Plan Net Position - Fiduciary Funds | 18 |
| Statement 5 | Statements of Changes in Plan Net Position - Fiduciary Funds | 19 |
| Notes to the Basic Financial Statements | | 20 |
| Required Supplementary Information | | |
| Schedule 1 | Schedule of the District’s Proportionate Share of the Net Pension Liability – MainePERS PLD Consolidated Plan | 39 |
| Schedule 2 | Schedule of the District’s Employer Contributions – MainePERS PLD Consolidated Plan | 40 |
| Schedule 3 | Schedule of Funding Progress – Post-retirement Medical Plan | 41 |
| Schedule 4 | Schedule of Employer Contributions – Post-retirement Medical Plan | 42 |
| Other Supplementary Information | | |
| Schedule 5 | Schedule of Changes in Net Position | 43 |
| Schedule 6 | Schedules of Operating Expenses | 44 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Kennebunk, Kennebunkport, and Wells Water District

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Kennebunk, Kennebunkport, and Wells Water District as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities and the aggregate remaining fund information of Kennebunk, Kennebunkport, and Wells Water District as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 12 and Schedules 1 through 4 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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. Schedules 5 and 6 are presented for purposes of additional analysis and are not a required part of the financial statements.

Schedules 5 and 6 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Berry Talbot Royer
Falmouth, Maine
Certified Public Accountants
May 13, 2019

Trustees:
Richard H. Littlefield, President
James E. Burrows, Vice President
Thomas P. Oliver
Robert A. Emmons

Kennebunk, Kennebunkport and Wells Water District

Normand R. Labbe, Superintendent
Scott J. Minor, Assistant Superintendent
Wayne A. Brockway, Treasurer

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Kennebunk, Kennebunkport and Wells Water District Management's Discussion and Analysis

Year Ended December 31, 2018

Introduction of the Financial Statements

The District was established in 1921 as a quasi-municipal water utility district organized by a special act of the Maine State Legislature to provide and maintain a water treatment and distribution system for the inhabitants of the District. The District serves the Towns of Kennebunk, Kennebunkport, Wells, Ogunquit and portions of Arundel, York, and Biddeford. The District is governed by a four member Board of Trustees, one elected from each of the Towns of Kennebunk, Kennebunkport, Wells, and Ogunquit. The District is regulated by the Maine Public Utilities Commission (MPUC).

The District uses a proprietary fund with two board designated funds. The District's fund is financed and operated in a manner similar to private businesses. The two board designated funds are the water supply protection fund and the system development fund. The District also has a Fiduciary Trust for its Post-Employment Benefits which is managed in accordance with GASB guidelines.

This Management's Discussion and Analysis (MD&A) serves as an introduction to the audited basic financial statements and notes. The MD&A is the District management's analysis of its financial condition and performance. It is presented to give the reader more insight on the District's finances.

The District's basic financial statements include:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Statements of Plan Net Position – Fiduciary Funds
- Statements of Changes in Plan Net Position – Fiduciary Funds
- Notes to Financial Statements

In addition to the basic financial statements, the District also presents required supplementary information (RSI) which includes this MD&A along with the schedules relating to the District's pension plan and other post-employment benefit medical plan.

And, finally, the District presents other supplementary information (OSI) in the Schedule of Changes in Net Position and Schedule of Operating Expenses. These are not required and are not part of the District's basic financial statements, but are presented for the purpose of additional analysis.

Comparison of Financial Statements for Current and Prior Years**Condensed Statements of Net Position**

| | 2018 | 2017 | \$ Difference | % Difference |
|----------------------------------|---------------------|---------------------|---------------------|-----------------|
| Current Assets | \$ 2,180,778 | \$ 2,267,758 | \$ (86,980) | -3.8% |
| Special Funds | 1,009,641 | 947,604 | 62,037 | 6.5% |
| Capital Assets | 51,275,553 | 48,934,684 | 2,340,869 | 4.8% |
| Other Assets | <u>65,484</u> | <u>65,484</u> | <u>-</u> | 0.0% |
| Total Assets | 54,531,456 | 52,215,530 | 2,315,926 | 4.4% |
| Deferred outflows of resources | 490,811 | 1,052,473 | (561,662) | -53.4% |
| Current Liabilities | 1,804,684 | 2,036,139 | (231,455) | -11.4% |
| Long-term Debt | 8,247,761 | 7,374,666 | 873,095 | 11.8% |
| Other Liabilities | <u>3,594,733</u> | <u>3,845,998</u> | <u>(251,265)</u> | -6.5% |
| Total Liabilities | 13,647,178 | 13,256,803 | 390,375 | 2.9% |
| Deferred inflows of resources | <u>351,376</u> | <u>835,744</u> | <u>(484,368)</u> | -58.0% |
| Net Investment in Capital Assets | 41,789,767 | 40,066,422 | 1,723,345 | 4.3% |
| Unrestricted Net Position | <u>(766,054)</u> | <u>(890,966)</u> | <u>124,912</u> | 14.0% |
| Total Net Position | <u>\$41,023,713</u> | <u>\$39,175,456</u> | <u>\$ 1,848,257</u> | 4.7% |

Current Assets

The decrease in current assets by \$86,980 is primarily due to a decrease in operating cash.

Special Funds

During 2018 Special Funds increased by a net amount of \$62,037. The fund's cash was increased during 2018 by \$58,498, appropriated by the Trustees based on 2017 earnings. The combined investment income in 2018 for all Special Funds was \$3,540 (compared to \$2,181 in 2017).

Capital Assets

Capital assets grew by \$2,340,869 in 2018. That increase consisted of:

| | <u>Additions</u> | <u>Retirements</u> | <u>Net Change</u> |
|-------------------------------|---------------------|---------------------|---------------------|
| Utility property | \$ 3,085,435 | \$ (293,074) | \$ 2,792,361 |
| Construction Work in Progress | 889,421 | (356,939) | 532,482 |
| Allowance for Depreciation | <u>(1,265,598)</u> | <u>281,624</u> | <u>(983,974)</u> |
| Totals | <u>\$ 2,709,258</u> | <u>\$ (368,389)</u> | <u>\$ 2,340,869</u> |

The additions to utility property included \$1,346,218 of transmissions and distribution mains. Utility Property retirements totaled \$293,073 during 2018; the largest amount was \$166,269 of meters.

Other Assets

Other assets consist of non-utility property which is land (\$33,493) and prepayments made on groundwater recharge costs (\$31,991).

Deferred Outflows of Resources

Deferred outflows relate to the District's pension plan and to the OPEB. The net decrease in 2018 for the District's pension plan of \$665,292 is the result of changes in projections, assumptions, the difference between actual performance and projected performance of earnings on pension plan investments. The pension plan is administered by MainePERS. The net increase in 2018 related to the OPEB of \$103,630 is the difference between the liability and investment experience that was different than expected.

Current Liabilities

Current liabilities decreased by a net amount of \$231,455 in 2018 primarily from net decreases in the outstanding line of credit.

Long-term Debt

Long-term debt increased by a net amount of \$873,095 in 2018. The increase was largely due to two new bonds, with issuance totaling \$1,624,387, and off-set by debt repayments totaling \$827,994. The remaining difference represents the changes in the current portion of long-term debt and payments on capital leases.

Other Liabilities

The primary reason for the \$251,265 net decrease in Other Liabilities was due to changes in the District's net pension liability, which is actuarially calculated and changes as result of varying inputs and estimations.

Deferred Inflows of Resources

Deferred inflows relate to the District's pension plan and to the OPEB. The net decrease in 2018 of \$494,723 is the result of changes in projections, assumptions, the difference between actual performance and projected performance of earnings on pension plan investments. The pension plan is administered by MainePERS. The net increase in 2018 related to the OPEB of \$10,355 is the difference in assumption changes.

Total Net Position

Overall, the District's Total Net Position increased by \$1,848,257 from 2017 to 2018. Most of the net position is in net investment in capital assets, leaving the District with a negative unrestricted net position of \$766,054.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

| | <u>2018</u> | <u>2017</u> | <u>\$ Difference</u> | <u>% Difference</u> |
|--------------------------|---------------------|---------------------|----------------------|---------------------|
| Operating Revenue | \$ 7,117,163 | \$ 6,649,736 | \$ 467,427 | 7.0% |
| Depreciation Expense | 1,265,598 | 1,248,389 | 17,209 | 1.4% |
| Other Operating Expenses | <u>4,989,471</u> | <u>4,953,925</u> | <u>35,546</u> | 0.7% |
| Total Operating Expenses | <u>6,255,069</u> | <u>6,202,314</u> | <u>52,755</u> | 0.9% |
| Operating Income | 862,094 | 447,422 | 414,672 | 92.7% |
| Net Non-operating Income | 226,460 | 185,283 | 41,177 | 22.2% |
| Contributions | <u>759,703</u> | <u>445,191</u> | <u>314,512</u> | 70.6% |
| Change in Net Position | 1,848,257 | 1,077,896 | 770,361 | 71.5% |
| Beginning Net Position | <u>39,175,456</u> | <u>38,097,560</u> | <u>1,077,896</u> | 2.8% |
| Ending Net Position | <u>\$41,023,713</u> | <u>\$39,175,456</u> | <u>\$ 1,848,257</u> | 4.7% |

Operating Revenue

In 2018, metered water revenue accounted for 85.7% of total operating revenue, while public and private fire protection accounted for 13.2%.

Metered water revenue (\$6.09 million) - The District's Annual metered customers are billed quarterly. The billing includes a minimum charge (based on the size of their meter) for a minimum allowance of cubic feet of water and a charge for each additional hundred cubic feet of water used above the respective minimums. Its Seasonal customers are billed a minimum charge in the spring and billed again in the summer and/or in the fall if consumption exceeds the yearly minimum allowance based upon a separate seasonal rate schedule. Metered water rates are regulated by the MPUC. During 2018, metered water revenue increased by 7.25% (\$412,168) due to a 4.7% increase in pumpage from 2017, which resulted in a 7.3% increase in billed consumption.

Public and private fire protection (\$0.93 million) - This revenue includes charges to local municipalities for hydrants (public fire) and private/non-municipal organizations for ready to use water capacity for both hydrants and sprinkler systems. Fire protection charges are also regulated by the MPUC. Public and Private Fire Protection Revenue for 2018 increased by 5.9% from 2017.

Depreciation Expense

Depreciation expense increased from \$1,248,389 in 2017 to \$1,265,598 in 2018, an increase of 1.4%. This increase can be attributed to the general growth in capital assets during 2018.

Other Operating Expenses

Non-depreciation operating expense increased by \$35,546 between 2018 and 2017, more than that of which occurred in the contracted services and equipment rentals categories. Other categories had off-setting increases and decreases, as detailed below.

| | 2018 | 2017 | \$ Difference | % Difference |
|-------------------------------------|---------------------|---------------------|------------------|-----------------|
| Salaries/wages | \$ 2,034,079 | \$ 1,968,923 | \$ 65,156 | 3.3% |
| Employee benefits | 1,523,202 | 1,821,739 | (298,537) | -16.4% |
| Purchased water, power & chemicals | 529,625 | 485,888 | 43,737 | 9.0% |
| Operational & maintenance supplies | 297,652 | 278,793 | 18,859 | 6.8% |
| Legal and audit fees | 28,302 | 24,210 | 4,092 | 16.9% |
| Contracted services & equip rentals | 510,294 | 316,573 | 193,721 | 61.2% |
| Vehicle maintenance | (56,712) | (57,680) | 968 | -1.7% |
| Bad debt expense | (506) | (1,631) | 1,125 | -69.0% |
| Insurance | 90,586 | 90,372 | 214 | 0.2% |
| Miscellaneous expenses | 32,949 | 26,738 | 6,211 | 23.2% |
| Totals | <u>\$ 4,989,471</u> | <u>\$ 4,953,925</u> | <u>\$ 35,546</u> | 0.7% |

Expense category explanations:

Salaries/wages - This line item represents the amount of salaries and wages that were expensed in these years, not the total salary and wages paid to the employees. Portions of the amount of salaries and wages paid to the employees are capitalized, and therefore are included in the Statement of Net Position. Overall, there was a 3.3% increase reflecting general wage raises for the year offset by normal employee turnover wage differentials (e.g., long-time retiring employees versus newly hired employees).

Employee benefits – Total Employee Benefits decreased by a net amount of \$298,537 in 2018 due to the Pension and Post Retirement benefit adjustments.

Purchased water, power & chemicals – Despite the District's increase in total pumpage during 2018 of 4.5%, there was an overall increase in these costs of \$43K (9.0% increase from 2017). Purchased Power costs increased by 4.93% (\$14K over 2017) as a result of normal price increases. Filtration Plant Chemical costs were 4.5% higher (\$8K more than 2017), primarily due to an overall decrease in groundwater production from 2017. The District's ground water sources produced 37.4% of the District's total pumpage during 2018 (up from 26.4% in 2017). Purchased water costs increased by 218% (\$21K more than 2017) due to the resumption of water extraction at the Kennebunk River Well during 2018.

Operational and maintenance supplies - This category includes all material & supply expenses related to the operation and maintenance of the Plant, Distribution and Administrative areas and include items such as maintenance and repair parts, lab supplies, tools, office supplies, telephone, waste disposal, safety equipment and training, and miscellaneous expenses. These expenses increased by \$18,859 or 6.8% overall from 2017.

Legal and Audit Fees – Legal and audit fees increased by \$4,092 or 16.9% from 2017.

Contracted Services & Equipment Rentals - This category, which includes a large array of services provided to the District by outside vendors, increased by 61.2% or approx. \$193K during 2018. A significant portion of this increase related to a contract for tank painting.

Expense category explanations (Continued):

Vehicle Maintenance – Net vehicle maintenance expense decreased by \$968 in 2018, but was still a “negative” expense for the year due allocating equipment usage to capital projects. These expenses are capitalized and will be expensed as part of the related capital assets’ depreciation in future years.

Bad Debt Expense – The District uses a five year averaging formula each year to determine the level of bad debt expense required. It has remained low and relatively flat over the years.

Miscellaneous Expenses – Miscellaneous expenses increased 23% in 2018, where the increase is attributed to items and events related to the retirement of three long term employees.

Net Non-Operating Income

Non-Operating Revenue primarily consists of Tank Rental Revenues (\$354K). Non-Operating Expenses is made up mostly of Interest Expense (\$111K) and Taxes Other Than Income Tax (\$48K). Net Non-Operating Income increased by \$41,177 between 2017 and 2018.

Contributions

Contributions occur when development takes place within the District's service area. The contributions for 2018 and 2017 were as follows:

| | <u>2018</u> | <u>2017</u> | <u>\$ Difference</u> | <u>% Difference</u> |
|----------------------------|-------------------|-------------------|----------------------|---------------------|
| Main Extensions | \$ 328,379 | \$ 141,477 | \$ 186,902 | 132.1% |
| System Development Charges | 237,961 | 250,637 | (12,676) | -5.1% |
| Meters | 58,363 | 53,077 | 5,286 | 10.0% |
| Boosters | 135,000 | - | 135,000 | 0.0% |
| Totals | <u>\$ 759,703</u> | <u>\$ 445,191</u> | <u>\$ 314,512</u> | 70.6% |

Overall Financial Position and Results of Operations

To determine a quick overview of the District's financial position in the past year we have focused on two elements: financial ratios and revenue stability.

Financial Ratios

Two of the key financial ratios for analyzing the District's financial position are the current ratio and the coverage ratio.

During 2018, the District's current ratio increased from 1.11 to 1.21. This means that at year end 2018, the District has \$1.21 in current (liquid) assets for every dollar that it owes in current liabilities. This ratio is held low primarily due to the outstanding short-term notes at year end.

The District's coverage ratio decreased from 1.18 in 2017 to 0.98 in 2018. This means that for the year ended 2018, the District generated \$0.98 in net revenues to satisfy every dollar of principal and interest payments.

| <i>Current Ratio</i> | <u>2018</u> | <u>2017</u> |
|--------------------------------|---------------------|---------------------|
| Current Assets | \$ 2,180,778 | \$ 2,267,758 |
| Current Liabilities | 1,804,684 | 2,036,139 |
| Current Ratio | 1.21 | 1.11 |
| <i>Coverage Ratio</i> | <u>2018</u> | <u>2017</u> |
| Operating Revenue | \$ 7,117,163 | \$ 6,649,736 |
| Non-operating Rental Revenue | 354,929 | 348,421 |
| Interest income | 6,463 | 4,319 |
| Miscellaneous Income | <u>34,953</u> | <u>25,296</u> |
| Gross revenues | 7,513,508 | 7,027,772 |
| Total Operating expenses | 6,255,069 | 6,202,314 |
| Depreciation | <u>(1,265,598)</u> | <u>(1,248,389)</u> |
| Other Operating Expenses | <u>4,989,471</u> | <u>4,953,925</u> |
| Net available for debt service | <u>\$ 2,524,037</u> | <u>\$ 2,073,847</u> |
| Principal payments | \$ 2,457,157 | \$ 1,642,176 |
| Interest expense | <u>111,169</u> | <u>109,400</u> |
| Total debt service | <u>\$ 2,568,326</u> | <u>\$ 1,751,576</u> |
| Coverage Ratio | 0.98 | 1.18 |

Revenue Stability

Water rates, both metered and fire protection, are regulated by the MPUC, which allows the District to set rates to maintain operations and pay debt service. The District had an open rate case before the MPUC for a 6.6% increase across the board; increase became effective April 2018.

Most of the District's operating revenue, 99% in both 2018 and 2017, comes from water assessments. These revenue sources are normally quite stable. There was a 7.25% increase from 2017 in metered revenues.

In addition, the District's metered water customer base is not concentrated. Residential customers, who make up 12,672 of the District's 13,927 metered connections (91%), provided 61.3% of all operating revenue in 2018 and 61.0% in 2017. Non-residential metered customers represented 24.4% of operating revenue in 2018 and 24.6% in 2017.

Fire protection (public and private) was 13.17% of all operating revenue for 2018, and 13.31% in 2017.

The District's operating revenue by type for 2018 and 2017 is summarized below:

| | 2018 | | 2017 | |
|---------------------------|---------------------|--------|---------------------|--------|
| | \$ | % | \$ | % |
| Metered - residential | \$ 4,361,685 | 61.3% | \$ 4,053,967 | 61.0% |
| Metered - non-residential | 1,737,151 | 24.4% | 1,632,702 | 24.6% |
| Public fire | 753,222 | 10.6% | 711,029 | 10.7% |
| Private fire | 184,125 | 2.6% | 174,107 | 2.6% |
| Other operational revenue | 80,980 | 1.1% | 77,931 | 1.1% |
| Total operating revenue | <u>\$ 7,117,163</u> | 100.0% | <u>\$ 6,649,736</u> | 100.0% |

Significant Changes to Individual Funds**Operating and Management Fund**

Operating revenue increased by 7.03% in 2018 which resulted from a 7.3% increase in billed consumption.

Operating expenses (excluding depreciation) were up 0.70% overall from 2017. The major expense increases occurred in contracted services and the major expense decreases occurred in employee benefits, as discussed above.

Water Supply Protection Fund

Changes in the Water Supply Protection Fund for 2018 and 2017 are summarized below:

| | <u>2018</u> | <u>2017</u> | <u>% Difference</u> | <u>% Difference</u> |
|----------------------------|------------------|------------------|-------------------------|-------------------------|
| Interest Income | \$ 3,539 | \$ 2,181 | \$ 1,358 | 62.3% |
| Appropriations to the Fund | <u>91,215</u> | <u>58,498</u> | <u>32,717</u> | 55.9% |
| Net Change to the Fund | <u>\$ 94,754</u> | <u>\$ 60,679</u> | <u>\$ 34,075</u> | 56.2% |

System Development Fund

Increases in the System Development Fund were due only to interest income in 2018 and 2017. Interest earned was \$3 in 2018 and 2017.

Other Post-Employment Benefit Fund (OPEB)

In December, 2011 the District formed a Fiduciary Trust for its Post-Employment Benefits in accordance with GASB guidelines. The District has made a formal commitment to provide contributions to the fund. The fund balance at year end for 2018 and 2017 were:

| | <u>2018</u> | <u>2017</u> | <u>% Difference</u> | <u>% Difference</u> |
|-------------------|--------------|--------------|-------------------------|-------------------------|
| OPEB Fund Balance | \$ 1,268,896 | \$ 1,289,080 | \$ (20,184) | -1.6% |

Significant Budget Variances

The District is not legally required to adopt budgetary accounting and reporting. However, an annual budget is prepared by management and approved by the Board of Trustees. The budget is prepared for the operating revenues and expenses.

Significant Capital Asset and Long-term Debt Activity

Every year, the Superintendent prepares the capital budget with input from the management staff. He submits this to the Board of Trustees for approval. If a capital expenditure is incurred during the year which is not included in the capital budget, the Superintendent will submit this expenditure to the Board of Trustees for supplemental approval.

Overall, gross utility property increased by \$2.79 million in 2018. The allowance for depreciation grew by \$984K and construction work in progress increased by \$532K. Net utility property increased from \$48.9 million in 2017 to \$51.3 million in 2018.

Long Term Debt

In November 2018, the District received \$1.6 million in proceeds from a bond issue. The bond proceeds are related to two 2018 SRF projects. The first project was an IUP project and the second related to the replacement of various meters.

The total bonded debt and capital leases activity for 2018 is detailed below:

| | <u>Beginning</u> | <u>Issues</u> | <u>Retirements</u> | <u>Ending</u> |
|----------------|------------------|---------------|--------------------|---------------|
| Bonded debt | \$ 8,084,526 | \$ 1,624,387 | \$ (827,994) | \$ 8,880,919 |
| Capital leases | 108,939 | - | (23,168) | 85,771 |

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Kennebunk, Kennebunkport and Wells Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Wayne A. Brockway, Treasurer,
KK&W Water District
P.O. Box 88, Kennebunk, ME 04043.

Statements of Net Position

Statement 1

As of December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,042,942 | \$ 1,263,768 |
| Accounts receivable - trade, net | 594,948 | 517,402 |
| Accounts receivable - other | 8,569 | 7,764 |
| Materials and supplies inventory | 399,615 | 402,633 |
| Prepaid expenses | <u>134,704</u> | <u>76,191</u> |
| Total current assets | 2,180,778 | 2,267,758 |
| Special funds | | |
| Water supply protection fund | 1,008,549 | 946,515 |
| System development fund | <u>1,092</u> | <u>1,089</u> |
| Total other special funds | 1,009,641 | 947,604 |
| Utility, plant, and equipment in service | 71,974,471 | 69,182,110 |
| Accumulated depreciation | <u>(21,588,339)</u> | <u>(20,604,365)</u> |
| Net utility, plant, and equipment in service | 50,386,132 | 48,577,745 |
| Construction work in progress | <u>889,421</u> | <u>356,939</u> |
| Total net utility, plant, and equipment | 51,275,553 | 48,934,684 |
| Other assets | | |
| Non-utility property | 33,493 | 33,493 |
| Groundwater recharge cost prepayments | <u>31,991</u> | <u>31,991</u> |
| Total other assets | 65,484 | 65,484 |
| Total Assets | 54,531,456 | 52,215,530 |
| Deferred Outflows of Resources | | |
| Deferred outflows for pensions | 387,181 | 1,052,473 |
| Deferred outflows for OPEB | <u>103,630</u> | <u>-</u> |
| Total deferred outflows of resources | 490,811 | 1,052,473 |

Statements of Net Position
As of December 31, 2018 and 2017

Statement 1 (Continued)

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$ 173,521 | \$ 159,119 |
| Other accrued liabilities | 44,297 | 28,942 |
| Compensated absences | 370,957 | 373,961 |
| Line of credit | 496,980 | 654,390 |
| Current portion of capital leases | 22,389 | 23,167 |
| Current portion of long-term debt | <u>696,540</u> | <u>796,560</u> |
| Total current liabilities | 1,804,684 | 2,036,139 |
| Long-term debt: | | |
| Long-term portion of capital leases | 63,382 | 85,772 |
| Long-term portion of long-term debt (including deferred debt refunds of \$0 and \$929 for 2018 and 2017) | <u>8,184,379</u> | <u>7,288,894</u> |
| Total long-term debt | 8,247,761 | 7,374,666 |
| Other long-term liabilities: | | |
| Customer advances for construction | 1,187,213 | 1,068,654 |
| Post retirement benefits | 1,084,695 | 791,992 |
| Net pension liability | <u>1,322,825</u> | <u>1,985,352</u> |
| Total other long-term liabilities | <u>3,594,733</u> | <u>3,845,998</u> |
| Total Liabilities | <u>13,647,178</u> | <u>13,256,803</u> |
| Deferred Inflows of Resources | | |
| Deferred inflows from pensions | 341,021 | 835,744 |
| Deferred inflows from OPEB | <u>10,355</u> | <u>-</u> |
| Total deferred inflows of resources | 351,376 | 835,744 |
| Net Position | | |
| Net Investment in Capital Assets | 41,789,767 | 40,066,422 |
| Unrestricted | <u>(766,054)</u> | <u>(890,966)</u> |
| Total Net Position | <u>\$ 41,023,713</u> | <u>\$ 39,175,456</u> |

Statements of Revenues, Expenses, and Changes in Net Position Statement 2
For the Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|--|---------------|---------------|
| Operating Revenues | | |
| Metered - residential | \$ 4,361,685 | \$ 4,053,967 |
| Metered - commercial | 1,737,151 | 1,632,702 |
| Public fire protection | 753,222 | 711,029 |
| Private fire protection | 184,125 | 174,107 |
| Local municipalities | 57,922 | 57,304 |
| Miscellaneous service revenues | 23,058 | 20,627 |
| Total operating revenues | 7,117,163 | 6,649,736 |
| Operating Expenses | | |
| Operations and maintenance | 4,989,471 | 4,953,925 |
| Depreciation | 1,265,598 | 1,248,389 |
| Total operating expenses | 6,255,069 | 6,202,314 |
| Operating Income | 862,094 | 447,422 |
| Non-Operating Income | | |
| Rental revenues | 354,929 | 348,421 |
| Interest income | 6,463 | 4,319 |
| Merchandise and jobbing income | 7,648 | 8,795 |
| Miscellaneous non-utility income | 10,718 | 8,493 |
| Gain on disposal of assets | 16,587 | 8,008 |
| Total non-operating income | 396,345 | 378,036 |
| Non-Operating Expenses | | |
| Interest expense | 111,169 | 109,400 |
| Taxes other than income tax | 48,023 | 42,633 |
| Loss on disposal of assets | 1,193 | 36,720 |
| Bond issue costs | 9,500 | 4,000 |
| Total non-operating expenses | 169,885 | 192,753 |
| Change in Net Position Before Contributions | 1,088,554 | 632,705 |
| Contributions | | |
| Mains, services, meters, and hydrants | 759,703 | 445,191 |
| Change in Net Position | 1,848,257 | 1,077,896 |
| Beginning Net Position | 39,175,456 | 38,097,560 |
| Ending Net Position | \$ 41,023,713 | \$ 39,175,456 |

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

Statement 3

For the Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Cash received from customers | \$ 7,057,180 | \$ 6,724,582 |
| Cash payments to suppliers and contractors | (1,516,495) | (1,274,409) |
| Cash payments for employee services | <u>(3,751,635)</u> | <u>(3,668,875)</u> |
| Net cash provided by operating activities | 1,789,050 | 1,781,298 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from borrowings | 3,096,140 | 2,162,847 |
| Repayment of borrowings | (2,457,157) | (1,642,176) |
| Repayment of capital lease obligations | (23,168) | (16,017) |
| Increase in bonds receivable | - | 37,796 |
| Payment of bond issue costs | (9,500) | (4,000) |
| Interest paid | (109,461) | (112,838) |
| Transfer of funds from the Water Supply Protection Fund | 200,000 | - |
| Transfer of funds to the Water Supply Protection Fund | (258,498) | (323,268) |
| Acquisitions and construction of operating property | (3,617,917) | (2,438,260) |
| Proceeds from sales of fixed assets | 16,857 | 8,008 |
| Losses on disposal of fixed assets | (1,193) | (36,720) |
| Contributions in aid of construction received | <u>796,168</u> | <u>523,971</u> |
| Net cash used by capital and related financing activities | (2,367,729) | (1,840,657) |
| Cash Flows from Investing Activities | | |
| Rent income | 354,929 | 348,421 |
| Interest income received | 6,463 | 4,319 |
| Reinvested investment income | <u>(3,539)</u> | <u>(2,181)</u> |
| Net cash provided by investing activities | <u>357,853</u> | <u>350,559</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (220,826) | 291,200 |
| Beginning Cash and Cash Equivalents | <u>1,263,768</u> | <u>972,568</u> |
| Ending Cash and Cash Equivalents | <u>\$ 1,042,942</u> | <u>\$ 1,263,768</u> |

Statements of Cash Flows

Statement 3 (Continued)

For the Years Ended December 31, 2018 and 2017

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Operating income | \$ 862,094 | \$ 447,422 |
| Jobbing income | 7,648 | 8,795 |
| Miscellaneous non-utility income | 10,718 | 8,495 |
| Taxes other than income | (48,023) | (42,633) |
| Adjustments not affecting cash: | | |
| Depreciation | 1,265,598 | 1,248,389 |
| Net actuarial adjustment for pension costs | (491,958) | 141,282 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (78,350) | 57,556 |
| Inventory | 3,018 | 79,053 |
| Prepaid expense | (58,514) | (2,246) |
| (Decrease) increase in: | | |
| Accounts payable | 14,402 | (145,735) |
| Other accrued liabilities | 9,714 | (4,990) |
| Post retirement benefits | <u>292,703</u> | <u>(14,090)</u> |
| Net cash provided by operating activities | <u>\$ 1,789,050</u> | <u>\$ 1,781,298</u> |

Statements of Plan Net Position - Fiduciary Funds
 As of December 31, 2018 and 2017

Statement 4

| | 2018 | | |
|--------------------------|---------------------|-------------------|---------------------|
| | OPEB Medical | OPEB Sicktime | Total |
| Assets | | | |
| Cash and investments | \$ 1,115,776 | \$ 153,120 | \$ 1,268,896 |
| Liabilities | | | |
| Due to KKWWD | 11,104 | - | 11,104 |
| Plan Net Position | | | |
| Restricted for OPEB | <u>\$ 1,104,672</u> | <u>\$ 153,120</u> | <u>\$ 1,257,792</u> |
| | | | |
| | 2017 | | |
| | OPEB Medical | OPEB Sicktime | Total |
| Assets | | | |
| Cash and investments | \$ 1,109,665 | \$ 179,415 | \$ 1,289,080 |
| Liabilities | | | |
| Due to KKWWD | - | - | - |
| Plan Net Position | | | |
| Restricted for OPEB | <u>\$ 1,109,665</u> | <u>\$ 179,415</u> | <u>\$ 1,289,080</u> |

Statements of Changes in Plan Net Position - Fiduciary Funds

Statement 5

For the Years Ended December 31, 2018 and 2017

| | 2018 | | |
|--|---------------------|-------------------|---------------------|
| | OPEB Medical | OPEB Sicktime | Total |
| Additions | | | |
| District contributions | \$ 111,243 | \$ 11,408 | \$ 122,651 |
| Net increase (decrease) in investment fair value | (64,638) | (8,194) | (72,832) |
| Interest, dividends, and other investment income | 28,447 | 4,599 | 33,046 |
| Total additions | 75,052 | 7,813 | 82,865 |
| Deductions | | | |
| Benefits paid | 69,398 | 32,439 | 101,837 |
| Administrative expense | 10,647 | 1,669 | 12,316 |
| Total deductions | 80,045 | 34,108 | 114,153 |
| Changes in Plan Net Position | (4,993) | (26,295) | (31,288) |
| Beginning Plan Net Position | 1,109,665 | 179,415 | 1,289,080 |
| Ending Plan Net Position | <u>\$ 1,104,672</u> | <u>\$ 153,120</u> | <u>\$ 1,257,792</u> |
| | | | |
| | 2017 | | |
| | OPEB Medical | OPEB Sicktime | Total |
| Additions | | | |
| District contributions | \$ 111,243 | \$ 11,091 | \$ 122,334 |
| Net increase (decrease) in investment fair value | 86,395 | 13,243 | 99,638 |
| Interest, dividends, and other investment income | 23,780 | 3,771 | 27,551 |
| Total additions | 221,418 | 28,105 | 249,523 |
| Deductions | | | |
| Benefits paid | 48,884 | 5,290 | 54,174 |
| Administrative expense | 9,809 | 1,601 | 11,410 |
| Total deductions | 58,693 | 6,891 | 65,584 |
| Changes in Plan Net Position | 162,725 | 21,214 | 183,939 |
| Beginning Plan Net Position | 946,940 | 158,201 | 1,105,141 |
| Ending Plan Net Position | <u>\$ 1,109,665</u> | <u>\$ 179,415</u> | <u>\$ 1,289,080</u> |

The accompanying notes are an integral part of these statements.

Note 1: Summary of Accounting Policies

The summary of significant accounting policies of Kennebunk, Kennebunkport, and Wells Water District (the District) are presented to assist in understanding the representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business

The District was established in 1921 as a quasi-municipal corporation organized by a special act of the Maine State Legislature to provide and maintain a water treatment and distribution system for the inhabitants of the District. The District serves the Towns of Kennebunk, Kennebunkport, Wells, Ogunquit and portions of Biddeford, Arundel and York, and is governed by a four member Board of Trustees, one elected from each of the Towns of Kennebunk, Kennebunkport, Ogunquit and Wells, and is regulated by the Maine Public Utilities Commission (MPUC). The District extends credit to its customers that consist of residential, commercial, and governmental entities at regular terms without collateral.

The Retiree Welfare Benefit Trust of the Kennebunk, Kennebunkport and Wells Water District (the Trust) is governed by the Board of Trustees and a 3-member Investment Committee. Although it is legally separate from the Kennebunk, Kennebunkport and Wells Water District, the Trust is reported as if it were part of the primary government because its sole purpose is to hold and disburse, as necessary, funds intended for the benefit payments of the District's employees and retirees. The activity and balances of the Trust are presented as fiduciary funds.

Basis of Accounting

The financial statements of the District have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Enterprise Funds – The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units utilizing an enterprise fund to account for its operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the periodic determination of revenues earned, expenses incurred, and net income is desired for purposes of facilitating management control and accountability. The District complies with Governmental Accounting Standards Board (GASB) pronouncements relating to governmental entities that use proprietary fund accounting to basic financial statements, and management discussion and analysis report.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are the net charges to customers for water usage. Operating expenses include expenses on source and pumping operations and maintenance, water treatment, transportation and distribution operations and maintenance, customer accounts, administrative and general, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating income and expenses. Rental revenues from various wireless cellular companies are treated as non-operating income.

Fiduciary Funds – Pension and other employee benefit trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Note 1: Summary of Accounting Policies (Continued)**Cash and Cash Equivalents**

For purposes of the statement of cash flows the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Maine statutes authorize investments in obligations of the U.S. Treasury and U.S. Agencies, and repurchase agreements. The District invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid, and attain a reasonable market rate of return. Investments are reported at fair market value.

Allowance for Bad Debts

The District uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts.

Materials and Supplies Inventory

Materials and supplies inventory is valued at the lower of cost or net realizable value using the weighted average cost method.

Utility Plant

Utility plant is stated at cost and depreciation is calculated on the straight-line method at rates established by the MPUC. Useful lives, pursuant to Chapter 680 of MPUC rules, range from 5 to 100 years. Utility property retirements are charged in total to the accumulated depreciation account when they occur.

Capitalization Policy

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. The amounts charged to utility plant accounts represent all reasonable and necessary costs, including labor, materials, overhead, equipment charges, and interest costs incurred during the construction period. Routine maintenance and repairs are expended as incurred.

Contributions in Aid of Construction

Contributions in aid of construction are reported as income.

OPEB Contributions

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as employees earn the rights to the benefits.

Note 1: Summary of Accounting Policies (Continued)

Net Position Classification

Net position is required to be classified into the following components:

Net Investment in Capital Assets – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

| | 2018 | 2017 |
|----------------------------------|---------------|---------------|
| Capital assets | \$ 72,863,892 | \$ 69,539,049 |
| Accumulated depreciation | (21,588,339) | (20,604,365) |
| Bonds, notes, and leases payable | (9,463,670) | (8,847,854) |
| Deferred bond interest | - | (929) |
| Accrued interest payable | (22,116) | (19,479) |
| Net investment in capital assets | \$ 41,789,767 | \$ 40,066,422 |

Restricted – This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2: Deposits and Investments

Deposits

For deposits, custodial credit risk is the risk that, in the event of the bank’s failure, the District will not be able to recover the value of its deposits and investments that are in the possession of an outside party.

As of December 31, 2018 and 2017, the District reported deposits of \$2,052,283 and \$2,211,072, respectively, with a bank balance of \$2,208,887 and \$2,343,473, respectively. As of December 31, 2018, of the District’s bank balance, \$500,000 was covered by FDIC insurance and the remainder was collateralized with securities held by the pledging bank not in the District’s name.

As of December 31, 2018 and 2017, the OPEB Trust funds included cash and cash equivalents with a balance of \$167,855 and \$165,443, respectively. The Trust funds are collateralized with securities held by the pledging bank not in the District’s name.

Note 2: Deposits and Investments (Continued)**Investments**

For investments, custodial credit risk is the risk that, in 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 the outside party. The District's investment policy does not specifically address custodial credit risk.

As of December 31, 2018 and 2017, \$1,101,041 and \$1,123,637 of the District's OPEB Trust funds, respectively, were invested in stocks and bonds held by the trust department in the District's name.

The District's investment policy as applicable to the OPEB Trust funds is the Income with Moderate Growth which allows investments in high quality bonds with short and intermediate maturities as well as high quality common stocks and equity funds.

At December 31, 2018 and 2017, investments in the OPEB trust funds consisted of the following:

| | 2018 | | 2017 | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | Cost Basis | Fair Value | Cost Basis | Fair Value |
| Cash and cash equivalents | \$ 167,855 | \$ 167,855 | \$ 165,443 | \$ 165,443 |
| Mutual funds - fixed income | 716,362 | 689,317 | 673,791 | 667,851 |
| Real assets | 13,695 | 13,177 | 10,412 | 12,984 |
| Mutual funds - equity | 197,125 | 186,579 | 188,125 | 225,089 |
| Common stock | 156,050 | 211,968 | 137,421 | 217,713 |
| Total OPEB Trust Funds | <u>\$ 1,251,087</u> | <u>\$ 1,268,896</u> | <u>\$ 1,175,192</u> | <u>\$ 1,289,080</u> |

Maine statutes authorize the District to invest in obligations of the U.S. Government and U.S. Agencies and instrumentalities, repurchase agreements, and certain corporate stocks and bonds. As of December 31, 2018 and 2017, the District's investments for the OPEB trust funds in debt securities were rated as follows:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Mutual funds - fixed income - not rated | \$ 689,317 | \$ 667,851 |
| Total OPEB debt securities | <u>\$ 689,317</u> | <u>\$ 667,851</u> |

Note 3: Accounts Receivable - Trade

The amount of accounts receivable is shown net of allowance for bad debts at December 31, 2018 and 2017 were:

| | 2018 | 2017 |
|----------------------------------|-------------------|-------------------|
| Accounts receivable | \$ 598,017 | \$ 520,860 |
| Allowance for bad debts | <u>(3,069)</u> | <u>(3,458)</u> |
| Accounts receivable - trade, net | <u>\$ 594,948</u> | <u>\$ 517,402</u> |

Note 4: Utility Plant and Equipment

The following is a summary of utility plant and equipment activity for the year ended December 31, 2018:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|
| <i>Property Not Being Depreciated</i> | | | | |
| Organizational Costs | \$ 50,709 | \$ - | \$ - | \$ 50,709 |
| Land | 4,140,302 | - | - | 4,140,302 |
| Construction work in progress | 356,939 | 889,421 | (356,939) | 889,421 |
| <i>Property Being Depreciated</i> | | | | |
| Structures | 4,986,102 | 123,196 | - | 5,109,298 |
| Impounding dams and reservoirs | 70,097 | - | - | 70,097 |
| Intake and suction mains | 17,455 | - | - | 17,455 |
| Wells | 1,583,972 | - | - | 1,583,972 |
| Pumping equipment | 2,387,308 | 140,535 | (63,500) | 2,464,343 |
| Purification equipment | 2,277,306 | 3,529 | - | 2,280,835 |
| Tanks and standpipes | 2,331,956 | 60,563 | - | 2,392,519 |
| Transmission and distribution mains | 37,270,701 | 1,346,218 | - | 38,616,919 |
| Services | 6,591,276 | 197,434 | (3,750) | 6,784,960 |
| Meters | 3,319,747 | 995,809 | (166,269) | 4,149,287 |
| Fire hydrants | 1,322,704 | 43,198 | (450) | 1,365,452 |
| General equipment | <u>2,832,475</u> | <u>174,952</u> | <u>(59,104)</u> | <u>2,948,323</u> |
| Gross plant and equipment | 69,539,049 | 3,974,855 | (650,012) | 72,863,892 |
| Accumulated depreciation | <u>(20,604,365)</u> | <u>(1,265,598)</u> | <u>281,624</u> | <u>(21,588,339)</u> |
| Net plant and equipment | <u>\$ 48,934,684</u> | <u>\$ 2,709,257</u> | <u>\$ (368,388)</u> | <u>\$ 51,275,553</u> |

Depreciation expense for the years ended December 31, 2018 and 2017 was \$1,265,598 and \$1,248,389, respectively.

Note 5: Other Special Funds

The Board of Trustee’s has internally restricted funds for future capital projects. These internally restricted funds were invested in certificates of deposit. These special fund balances as of December 31, 2018 and 2017 are as follows:

Water Supply Protection Fund

Pursuant to Maine Revised Statutes Title 35-A §6113, a consumer-owned water utility may establish a water supply protection fund to which a sum may be credited annually from surplus funds. The balance of the fund (cash and amounts to be appropriated) as of December 31, 2018 and 2017 was \$1,085,764 and \$1,005,013, respectively.

System Development Fund

In accordance with the MPUC regulations, the District is authorized to impose a charge to customers who expand their water capacity. All funds collected must be segregated and maintained in a separate interest bearing account and the revenue dedicated as required by law. The District submits to the MPUC a financial activity report annually. The balance of the fund as of December 31, 2018 and 2017, was \$1,092 and \$1,089, respectively.

Note 6: Long-Term Debt

Annual scheduled maturities of long-term debt and notes payable are as follows:

| | Principal | Interest | Total |
|--------------------------|---------------------|-------------------|---------------------|
| Fiscal year 2019 | \$ 696,540 | \$ 124,449 | \$ 820,989 |
| Fiscal year 2020 | 699,842 | 113,707 | 813,549 |
| Fiscal year 2021 | 636,524 | 101,636 | 738,160 |
| Fiscal year 2022 | 558,265 | 91,612 | 649,877 |
| Fiscal year 2023 | 561,725 | 83,140 | 644,865 |
| Fiscal years 2024 - 2028 | 2,862,585 | 296,127 | 3,158,712 |
| Fiscal years 2029 - 2033 | 2,063,681 | 141,277 | 2,204,958 |
| Fiscal years 2034 - 2038 | 801,757 | 41,100 | 842,857 |
| Totals | <u>\$ 8,880,919</u> | <u>\$ 993,048</u> | <u>\$ 9,873,967</u> |

Interest expense on long-term debt, net of decreases from deferred bond refund amortization, was \$97,412 and \$105,234 for the years ended December 31, 2018 and 2017, respectively.

Deferred Bond Refinancing Refunds

Refunds received from bond refinancing are amortized over the life of the bond, decreasing interest expense in subsequent years. The total reduction of interest expense for years ended 2018 and 2017 was \$929 and \$1,955, respectively. There were no deferred bond refunds remaining as of December 31, 2018. Deferred bond refunds remaining as of December 31, 2017, were \$929.

Note 6: Long-Term Debt (Continued)

Long-term bonds payable and notes payable activity for the year ended December 31, 2018 is as follows:

| | Beginning Balance | Additions | Repayment | Ending Balance |
|---|----------------------|---------------------|---------------------|---------------------|
| <i>Bonds Payable</i> | | | | |
| \$1,204,159 bond issued July 1998, 5.000% - 7.850% interest rate, matures November 2018. | 97,977 | - | (97,977) | - |
| \$1,250,000 bond issued October 2003, 2.085% - 4.285% interest rate, matures November 2018. | 83,334 | - | (83,334) | - |
| \$1,000,000 bond issued October 2005, 3.000% - 5.700% interest rate, matures November 2020. | 200,001 | - | (66,667) | 133,334 |
| \$1,000,000 bond issued October 2006, 1.800% - 6.250% interest rate, matures November 2021. | 266,668 | - | (66,667) | 200,001 |
| \$757,350 bond issued November 2008, 2.840% interest rate, matures October 2028. | 468,212 | - | (36,858) | 431,354 |
| \$1,250,000 bond issued October 2009, 2.000% - 5.500% interest rate, matures November 2029. | 750,000 | - | (62,500) | 687,500 |
| \$2,027,000 bond issued September 2011, 0.000% interest rate, matures April 2031. | 1,132,433 | - | (83,883) | 1,048,550 |
| \$1,315,545 bond issued July 2012, 1.000% interest rate, matures April 2032. | 960,242 | - | (59,654) | 900,588 |
| \$934,343 bond issued December 2013, 1.210% interest rate, matures October 2033. | 765,009 | - | (43,622) | 721,387 |
| \$375,000 bond issued April 2015, 0.010% interest rate, matures October 2029. | 300,045 | - | (24,990) | 275,055 |
| \$874,321 bond issued April 2015, 0.010% interest rate, matures October 2034. | 744,838 | - | (43,291) | 701,547 |
| \$1,511,525 bond issued August 2016, 1.000% interest rate, matures July 2036. | 1,442,879 | - | (69,333) | 1,373,546 |
| \$985,680 bond issued October 2017, 1.000% interest rate, matures January 2037. | 812,888 | - | (42,783) | 770,105 |
| \$692,157 bond issued November 2018, 1.000% interest rate, matures November 2037. | - | 692,157 | (31,435) | 660,722 |
| \$932,230 bond issued November 2018, 2.200% - 4.227% interest rate, matures November 2038 | - | 932,230 | - | 932,230 |
| Total bonds payable | 8,024,526 | 1,624,387 | (812,994) | 8,835,919 |
| <i>Notes Payable</i> | | | | |
| \$135,000 note issued November 2012, 3.000% interest rate, matures November 2021. | 60,000 | - | (15,000) | 45,000 |
| Total notes payable | 60,000 | - | (15,000) | 45,000 |
| Total long-term debt | 8,084,526 | <u>\$ 1,624,387</u> | <u>\$ (827,994)</u> | 8,880,919 |
| Current portion | 796,560 | | | 696,540 |
| Non-current portion | <u>\$ 7,287,966</u> | | | <u>\$ 8,184,379</u> |

Note 7: Line of Credit

Activity on the District's line of credit during the year ended December 31, 2018 is as follows:

| | Beginning Balance | Additions | Repayment | Ending Balance |
|----------------|----------------------|--------------|----------------|-------------------|
| Line of credit | \$ 654,390 | \$ 1,471,753 | \$ (1,629,163) | \$ 496,980 |

Note 8: Capital Leases

The District leased equipment under an agreement that is classified as capital leases. The cost of the equipment under capital lease is included in the statement of net position as part of the utility, plant, and equipment in service in the amount of \$143,311 at both December 31, 2018 and 2017. Accumulated amortization of the leased equipment at December 31, 2018 and 2017 was \$26,935 and \$12,604, respectively. Amortization of assets under capital leases is included in depreciation expense.

Interest expense related to capital leases was \$3,182 and \$1,284 for the years ended December 31, 2018 and 2017, respectively.

Minimum future lease payments for capital leases held by the District as the year ended December 31, 2018 are as follows:

| | |
|--|------------------|
| Lease payments due in 2019 | \$ 24,845 |
| Lease payments due in 2020 | 24,845 |
| Lease payments due in 2021 | 24,845 |
| Lease payments due in 2022 | <u>16,564</u> |
| Total minimum lease payments | 91,099 |
| Amounts representing interest | <u>(5,328)</u> |
| Present value of net minimum lease payments | 85,771 |
| Current portion of capital lease obligations | <u>(22,389)</u> |
| Non-current portion of capital lease obligations | <u>\$ 63,382</u> |

Note 9: Accrued Compensated Absences

The change in compensated absences for the year ended December 31, 2018 is as follows:

| | Beginning Balance | Net (Decrease) Increase | Ending Balance |
|--------------------------|----------------------|-------------------------------|-------------------|
| Accrued vacation | \$ 308,434 | \$ (17,104) | \$ 291,330 |
| Accrued compensated time | <u>65,527</u> | <u>14,100</u> | <u>79,627</u> |
| Totals | <u>\$ 373,961</u> | <u>\$ (3,004)</u> | <u>\$ 370,957</u> |

Note 10: Customer Advances for Construction

The District receives advances for construction from, or on behalf of, customers. Unused advances are refunded to the customers once the projects are completed. Customers' advances aggregated to \$1,187,213 and \$1,068,654 as of December 31, 2018 and 2017, respectively.

Note 11: Pensions

Effective July 1, 1996, the District became a participant of the Maine Public Employees State Retirement System's (MainePERS or the System) multiple employer cost sharing consolidated retirement plan. Accordingly, due to the consolidation, details of the pension obligation pertaining to the District can no longer be presented. Additional information may be obtained from the MainePERS, 46 State House Station; Augusta, Maine 04333-0046.

As of June 30, 2018, there were 304 employers participating in the plan.

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of the PLD). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.4%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2018 and 2017, the District reported a liability of \$1,322,825 and \$1,985,352, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. As of December 31, 2018 and 2017, the District's proportion was 0.483% and 0.485%.

For the years ended December 31, 2018 and 2017, the District recognized pension expense of \$(211,946) and \$397,003, respectively.

Note 11: Pensions (Continued)

As of December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 4,142 | \$ 14,529 |
| Net difference between projected and actual earnings on pension plan investments | - | 319,409 |
| Changes of assumptions | 211,131 | - |
| Changes in proportion | 27,797 | 7,083 |
| District contributions subsequent to the measurement date | <u>144,111</u> | <u>-</u> |
| Totals, December 31, 2018 | <u>\$ 387,181</u> | <u>\$ 341,021</u> |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| <i>For fiscal year 2017</i> | | |
| Differences between expected and actual experience | \$ - | \$ 95,382 |
| Net difference between projected and actual earnings on pension plan investments | 684,210 | 738,801 |
| Changes of assumptions | 168,941 | - |
| Changes in proportion | 66,028 | 1,561 |
| District contributions subsequent to the measurement date | <u>122,427</u> | <u>-</u> |
| Totals, December 31, 2017 | <u>\$ 1,041,606</u> | <u>\$ 835,744</u> |

Deferred outflows relating to pensions resulting from District contributions subsequent to the measurement date in the amount of \$144,111, as of December 31, 2018, will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2018, will be recognized in pension expense as follows:

| | |
|------------------|--------------------|
| Fiscal year 2019 | \$ 197,430 |
| Fiscal year 2020 | 4,466 |
| Fiscal year 2021 | (217,293) |
| Fiscal year 2022 | <u>(82,554)</u> |
| Total | <u>\$ (97,951)</u> |

Note 11: Pensions (Continued)**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2018, using the following methods and assumptions, applied to all periods included in the measurement.

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the Plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability (UAAL).

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 are as follows:

- *Investment Rate of Return* – 6.75% per annum for the year ended June 30, 2018 and 6.875% for year ended June 30, 2017, compounded annually.
- *Inflation Rate* – 2.75% per annum for the years ended June 30, 2018 and 2017.
- *Annual Salary Increases, Merit, and Inflation* – members of the PLD Consolidated Plan, 2.75% to 9.00% for the years ended June 30, 2018 and 2017.
- *Cost of Living Benefit Increases* – 1.91% for the year ended June 30, 2018 and 2.20% for year ending June 30, 2017 for participating local districts.
- *Mortality Rates* – For the years ended June 30, 2018 and 2017, for active members and non-disabled retirees of the participating local districts, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.

Note 11: Pensions (Continued)

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2018, are summarized in the following table. Assets of the Plan are commingled for investment purposes.

| | Target Allocation | Long-term Expected Real Rates of Return |
|--------------------|----------------------|--|
| Public Equities | 30.0% | 6.0% |
| US Government | 7.5% | 2.3% |
| Private equity | 15.0% | 7.6% |
| Real assets: | | |
| Real estate | 10.0% | 5.2% |
| Infrastructure | 10.0% | 5.3% |
| Natural Resources | 5.0% | 5.0% |
| Traditional Credit | 7.5% | 3.0% |
| Alternative Credit | 5.0% | 4.2% |
| Diversifiers | 10.0% | 5.9% |

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2018 and 6.875% for 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--|------------------------|-------------------------------------|------------------------|
| PLD Plan District's proportionate share of the net pension liability | \$ 3,117,723 | \$ 1,322,825 | \$ (354,912) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MainePERS financial report.

Note 11: Pensions (Continued)

Financial Reporting

The Plan issues stand-alone financial reports which can be found online at:

<http://www.mainepeps.org/Publications/Publications.htm#Annual Reports>

Note 12: Other Post-Retirement Employment Benefits (OPEB)

Post-Retirement Medical Plan (Medical Plan)

Plan Description

On September 26, 1991, the Board of Trustees voted to offer post-retirement health insurance to the District's employees. The Kennebunk, Kennebunkport, Wells Water District's post-retirement medical plan is a single employer defined benefit medical plan administered by the Retiree Welfare Benefit Trust of the Kennebunk, Kennebunkport and Wells Water District. The District provides certain health care benefits for retired employees. To become eligible for the benefits, the employees have to work for a minimum of 5 years and be at least 60 years old and retire immediately upon leaving the District's employment. Employees will receive 1 year of paid health insurance benefits for each 5 years of service performed. All classes of employees are covered by the plan. The Kennebunk, Kennebunkport, Wells Water District's post-retirement medical plan does not issue a stand-alone financial report.

Membership of the medical plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

| | |
|-------------------------------------|----------|
| Active employees | 42 |
| Retired employees and beneficiaries | <u>8</u> |
| Total | 50 |

The required contribution is based on the normal cost determined using the Entry Age Actuarial Cost Method. Under this method, an allocation of liability to past service and future service is made by spreading the costs over an employee's career as a level dollar amount. No employee contributions are required by the plan. The Board of Trustees has the authority to amend the benefits provisions of the postemployment medical plan. Administrative costs are financed through investment earnings. For the years ended December 31, 2018 and 2017, the District contributed \$111,243 to the plan. The balance of the plan assets was invested into cash, cash equivalents, and other financial instruments in accordance with the plan's investing objectives established by the 3-member appointed trustee board.

Note 12: Other Post-Retirement Employment Benefits (OPEB) (Continued)*Annual OPEB Cost and Net OPEB Obligation (Medical Plan)*

The District's medical plan benefit cost is calculated based on annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of Government Accounting Standards and was applied prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year. The following table shows the components of the District's annual medical plan cost for the year, the amount actually contributed to the plan, and changes in the District's medical plan obligation based on an actuarial valuation as of December 31, 2018 and 2017

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Annual required contribution | \$ 121,858 | \$ 111,243 |
| Interest on net OPEB obligation | 93,276 | 34,476 |
| Adjustment to annual required contribution | <u>187,976</u> | <u>(45,167)</u> |
| Annual OPEB cost | 403,110 | 100,552 |
| Contributions made | <u>(111,243)</u> | <u>(111,243)</u> |
| Change in net OPEB obligation | 291,867 | (10,691) |
| Net OPEB obligation - beginning of year | <u>678,830</u> | <u>689,521</u> |
| Net OPEB obligation - end of year | <u>\$ 970,697</u> | <u>\$ 678,830</u> |

The District's annual medical plan cost, the percentage of annual medical plan cost contributed to the plan by the District, and the net post-retirement obligation for 2018 and the two preceding years were as follows:

| | 2018 | 2017 | 2016 |
|--|------------|------------|------------|
| Annual OPEB cost | \$ 403,110 | \$ 100,552 | \$ 104,575 |
| Percentage of annual OPEB cost contributed | 28% | 111% | 120% |
| Net OPEB obligation | \$ 970,697 | \$ 678,830 | \$ 689,521 |

Note 12: Other Post-Retirement Employee Benefits (OPEB) (Continued)**Post-Retirement Medical Plan (Medical Plan)***Change in Plan Assets*

A summary of the changes in the medical plan's assets during the year ended December 31, 2018, is as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Fair value of plan assets - beginning of year | \$ 1,109,665 | \$ 946,940 |
| District contributions | 111,243 | 111,243 |
| Net investment earnings | (46,838) | 100,366 |
| Benefits paid | <u>(69,398)</u> | <u>(48,884)</u> |
| Fair value of plan assets - end of year | <u>\$ 1,104,672</u> | <u>\$ 1,109,665</u> |

Funded Status and Funding Progress

The funded status of the medical plan as of the most recent valuation date of December 31, 2018, is as follows:

| | |
|---|---------------------|
| Actuarial value of assets | \$ 1,104,672 |
| Actuarial accrued liability (AAL) | <u>(2,086,472)</u> |
| Unfunded AAL (UAAL) | <u>\$ (981,800)</u> |
| Funded ratio | 52.94% |
| Covered payroll | \$ 3,052,639 |
| UAAL as a percentage of covered payroll | -32.16% |

The required schedule of funding progress immediately follows the notes and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. Information about the funded status of the plan as of the most recent actuarial valuation is included as required supplementary information.

Actuarial Methods and Assumptions

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. The required contribution was determined as part of the December 31, 2018 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a 5% investment rate of return. The actuarial value of employer medical plan assets as of the valuation date is equal to the fair value of plan assets. The unfunded actuarial liability adjustment is the annual level dollar amortization of the unfunded actuarial accrued liability over 30 years.

Note 12: Other Post-Retirement Employee Benefits (OPEB) (Continued)**Post-Retirement Sick Time Reimbursement Benefit Plan (Sick Time Plan)***Plan Description*

The District provides post-retirement sick time reimbursement benefits to its employees. All classes of employees are covered by the sick time plan. All full-time employees who retire from the District will be paid for a portion of their accumulated unused sick leave on a basis of 1% per year of employment to a maximum of 60 days. The employee must have worked for the District a minimum of ten years to be eligible. No employee contributions are required by the plan. The Board of Trustees has the authority to amend the benefits provisions of the sick time plan. Administrative costs are financed through investment earnings. For the years ended December 31, 2018 and 2017, the District contributed \$11,408 and \$11,091 to the sick time plan, respectively. The balance of the sick time plan's assets was invested into cash, cash equivalents and other financial instruments in accordance with the plan's investing objectives established by the 3-member trustee board.

Change in Accumulated Post-Retirement Benefit Obligation

As of December 31, 2018 and 2017, the date of the latest actuarial valuation, the summary of the changes in the sick time plan obligation is as follows:

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Benefit obligation - beginning of year | \$ 292,577 | \$ 274,762 |
| Service cost | 6,018 | 5,887 |
| Interest cost | 7,256 | 7,593 |
| Actuarial (gain) / loss | (6,294) | 4,335 |
| Benefits paid | (32,439) | - |
| Benefit obligation - end of year | <u>\$ 267,118</u> | <u>\$ 292,577</u> |

The above obligation is presented in the balance sheet as part of the post-retirement benefits and is reported as a long-term obligation.

Change in Plan Assets

A summary of the changes in the sick time plan's assets during the years ended December 31, 2018 and 2017, is as follows:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Fair value of plan assets - beginning of year | \$ 179,415 | \$ 158,201 |
| District contributions | 11,408 | 11,091 |
| Net investment earnings | (5,264) | 15,413 |
| Benefits paid | (32,439) | (5,290) |
| Fair value of plan assets - end of year | <u>\$ 153,120</u> | <u>\$ 179,415</u> |

Note 12: Other Post-Retirement Employee Benefits (OPEB) (Continued)

Funded Status and Funding Progress

The funded status of the sick time plan as of December 31, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|----------------------------------|--------------|--------------|
| Fair value of plan assets | \$ 153,120 | \$ 179,415 |
| Benefit obligation - end of year | (267,118) | (292,577) |
| Unfunded benefit obligations | \$ (113,998) | \$ (113,162) |
| | | |
| Funded ratio | 57.32% | 61.32% |

Actuarial Methods and Assumptions

The determination of the sick time plan’s net periodic pension costs includes assumptions about the discount rate and an estimate for the long-term return on plan assets. The discount rate assumption was 3.74% and 3.04% for fiscal years 2018 and 2017, respectively. The estimated long-term rate of return on plan assets of 5.00% for both fiscal years 2018 and 2017. The sick time plan’s net periodic pension costs were \$11,408 and \$11,091 for the years ended December 31, 2018 and 2017, respectively.

The following benefit payments, which reflect expected future service, as appropriate, that are expected to be paid over the next 10 years are as follows:

| | Estimated Benefit Payments |
|--------------------------|----------------------------------|
| Fiscal year 2019 | \$ 79,297 |
| Fiscal year 2020 | - |
| Fiscal year 2021 | 20,803 |
| Fiscal year 2022 | 42,907 |
| Fiscal year 2023 | 22,132 |
| Fiscal years 2024 - 2028 | 106,858 |

Note 13: Appropriations of Net Position

The District has established appropriated net position for various purposes. At December 31, 2018 and 2017, appropriated net position was as follows:

Funded Debt Retired through Surplus

The District’s policy is to appropriate from net income, annually, an amount equal to the principal payment of the bonds. Appropriations at December 31, 2018 and 2017 were \$812,995 and \$726,070, respectively. The appropriated funded debt retired through surplus balance at December 31, 2018 and 2017 was \$19,334,499 and \$18,521,504.

Note 13: Appropriations of Net Position (Continued)*Water Supply Protection Fund and Restricted Reserves*

Pursuant to Maine Revised Statutes Title 35-A §6113, a consumer-owned water utility may establish a water supply protection fund to which a sum may be credited annually from surplus funds. The annual credit may not exceed 5% of the prior year's total revenue. In addition, the maximum fund accumulation is 15% of the prior year's revenue. Interest earned in the fund must remain in the fund and be used solely for the purposes of the fund. For the years ended December 31, 2018 and 2017, the District voted to appropriate \$91,215 and \$58,498 to the Water Supply Protection reserve, respectively. The interest income for the years ended 2018 and 2017 was \$3,450 and \$2,181. During 2018, the District approved \$14,000 to be used from reserve funds. The cumulative balance of the reserve at December 31, 2018 and 2017 was \$1,086,856 and \$1,006,102, respectively.

Mortgage Payment Appropriation

The District appropriates from net income and/or the Water Supply Protection Reserve as allowed by the Maine law, annually, an amount equal to the year's principal payment on the land mortgage. The appropriated mortgage payment balance at December 31, 2018 and 2017 was \$1,540,000 and \$1,525,000, respectively.

Note 14: Operating Lease Commitment

The District renewed its three-year license agreement for accounting software, equipment and services. The agreement was renewed as of July 1, 2017 and expires on June 30, 2020. Under the agreement, the District is obligated to pay minimum annual license fees of \$77,331 per year.

Note 15: Revenue from Operating Leases

The District leases various water tank sites to wireless cellular companies under long-term operating leases. The leases are primarily five-year terms with consecutive renewal terms. Rental increases are generally equal to the change in the CPI index during such year. Rental revenues are recognized as earned over the term of the leases. For the years ended 2018 and 2017 total rental revenue was \$354,929 and \$348,421, respectively.

Note 16: Income Tax Status

The District qualifies as a tax exempt organization under the provisions of the Internal Revenue code and is not subject to any State or Federal income taxes.

Note 17: Contingency Allowance 7% Test

Pursuant Maine Revised Statutes Title 35-A §6112, if the District provides for an annual contingency allowance that has been collected through rates and where, in each of three consecutive years, the allowance is equal to or greater than 7% of the its annual operating expenses, it shall notify customers in writing of the over-collection and hold a public hearing to address the issue. For the purposes of this test operating expenses are composed of operation and maintenance expenses, depreciation and amortization, and taxes other than income taxes.

The District's contingency allowance did not exceed the 7% maximum for fiscal years 2018 or 2017.

Note 18: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carries commercial insurance. Based on the coverage provided by commercial insurance purchased, the District is not aware of any material actual or potential claim liabilities that should be recorded at December 31, 2018 and 2017. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

Litigation

The District is subject to certain legal proceedings and claims which arise in the normal course of conducting its activities. In the opinion of management, the District has defensible positions.

Note 19: Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 13, 2019, the date the financial statements were available to be issued.

On March 7, 2019, a contract was entered into between KS StateBank and Kennebunk, Kennebunkport and Wells Water District for a dump truck lease in the amount of \$130,235. The date of the first payment will be April 7, 2019 and the term of the lease will be for 5 years at a rate of approximately 4.30%.

**Schedule of the District's Proportionate Share
of the Net Pension Liability**

Schedule 1

MainePERS Participating Local Districts Plan (PLD) Consolidated Plan
Employer ID: P0255

| For the Fiscal Year Ended | District's proportion of the net pension liability | District's proportionate share of the net pension liability | District's covered- employee payroll | District's proportionate share of the net pension liability as a percentage of its covered- employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------------------|--|---|---|--|--|
| 2018 | 0.483352% | \$ 1,322,825 | \$ 3,052,639 | 43.33% | 91.14% |
| 2017 | 0.484897% | 1,985,352 | 2,840,852 | 69.89% | 86.43% |
| 2016 | 0.475900% | 2,528,603 | 2,754,507 | 91.80% | 81.61% |
| 2015 | 0.458222% | 1,461,942 | 2,667,712 | 54.80% | 88.27% |
| 2014 | 0.441494% | 679,376 | 2,554,283 | 26.60% | 94.10% |

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available

Schedule of the District's Employer Contributions

Schedule 2

MainePERS Participating Local Districts (PLD) Consolidated Plan

Employer ID: P0255

| For the Fiscal Year Ended | Contractually required contributions | District's contributions in relation to the contractually required contributions | District's contribution deficiency (excess) | District's covered- employee payroll | District's contributions as a percentage of its covered- employee payroll |
|---------------------------------|--|--|--|---|---|
| 2018 | \$ 280,012 | \$ 280,012 | \$ - | \$ 3,052,639 | 9.17% |
| 2017 | 255,721 | 255,721 | - | 2,840,852 | 9.00% |
| 2016 | 238,497 | 238,497 | - | 2,754,507 | 8.66% |
| 2015 | 206,582 | 206,582 | - | 2,667,712 | 7.74% |
| 2014 | 169,387 | 169,387 | - | 2,554,283 | 6.63% |

Note: This schedule is intended to show information for ten years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available

Schedule of Funding Progress - Post Retirement Medical Plan

Schedule 3

As of December 31st for the Years Listed

| Actuarial Valuation Year | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|---|--|--|------------------------------------|-------------------------|----------------------------|---|
| 2008 | \$ - | \$ 993,784 | \$ (993,784) | 0.00% | \$ 2,226,147 | -44.64% |
| 2009 | - | 1,377,889 | (1,377,889) | 0.00% | 2,191,546 | -62.87% |
| 2010 | - | 1,508,180 | (1,508,180) | 0.00% | 2,431,733 | -62.02% |
| 2011 | 578,616 | 1,232,312 | (653,696) | 46.95% | 2,310,423 | -28.29% |
| 2012 | 638,729 | 1,322,713 | (683,984) | 48.29% | 2,402,950 | -28.46% |
| 2013 | 709,988 | 1,377,085 | (667,097) | 51.56% | 2,526,409 | -26.40% |
| 2014 | 787,672 | 1,577,326 | (789,654) | 49.94% | 2,554,283 | -30.91% |
| 2015 | 832,108 | 1,812,137 | (980,029) | 45.92% | 2,667,712 | -36.74% |
| 2016 | 946,940 | 1,959,006 | (1,012,066) | 48.34% | 2,754,507 | -36.74% |
| 2017 | 1,109,665 | 1,788,495 | (678,830) | 62.04% | 2,840,852 | -23.90% |
| 2018 | 1,104,672 | 2,086,472 | (981,800) | 52.94% | 3,052,639 | -32.16% |

Schedule of Employer Contributions - Post Retirement Medical Plan
For the Years Ended December 31st for the Years Listed

Schedule 4

| <u>Contribution Year</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|------------------------------|---|-----------------------------------|
| 2008 | \$ 126,339 | 60.59% |
| 2009 | 136,327 | 29.98% |
| 2010 | 152,622 | 7.70% |
| 2011 | 163,289 | 372.11% |
| 2012 | 84,795 | 79.17% |
| 2013 | 87,470 | 79.81% |
| 2014 | 85,815 | 100.00% |
| 2015 | 92,836 | 100.00% |
| 2016 | 125,900 | 100.00% |
| 2017 | 111,243 | 100.00% |
| 2018 | 121,858 | 91.29% |

Schedule of Changes in Net Position

Schedule 5

For the Year Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

| | 2018 | | | | | | 2017 |
|----------------------------|-------------------------------------|---------------------|--|---|---------------------|----------------------|----------------------|
| | Appropriated | | | Unappropriated | | | |
| | Funded Debt Retired Through Surplus | Mortgage Payment | Water Supply Protection Fund and Restricted Reserves | Contributions in Aid of Construction (CIAC) | Unappropriated | Total | Total |
| Beginning Balance | \$ 18,521,504 | \$ 1,525,000 | \$ 1,006,102 | \$ 12,624,262 | \$ 5,498,588 | \$ 39,175,456 | \$ 38,097,559 |
| Net income before CIAC | - | - | 3,539 | - | 1,362,086 | 1,365,625 | 892,536 |
| Additions to CIAC | - | - | - | 759,703 | - | 759,703 | 445,191 |
| Amortization of CIAC | - | - | - | (277,071) | - | (277,071) | (259,830) |
| Use of restricted reserves | - | - | (14,000) | - | 14,000 | - | - |
| Current year appropriation | - | - | 91,215 | - | (91,215) | - | - |
| Loan principal payments | 812,995 | 15,000 | - | - | (827,995) | - | - |
| Ending Balance | <u>\$ 19,334,499</u> | <u>\$ 1,540,000</u> | <u>\$ 1,086,856</u> | <u>\$ 13,106,894</u> | <u>\$ 5,955,464</u> | <u>\$ 41,023,713</u> | <u>\$ 39,175,456</u> |

Schedules of Operating Expenses

Schedule 6

For the Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|--------------|--------------|
| Source and Pumping Operations | | |
| Labor | \$ 135,543 | \$ 130,888 |
| Officer | 8,854 | 8,976 |
| Pensions and benefits | 108,130 | 129,409 |
| Purchased water | 30,683 | 9,621 |
| Purchased power | 261,963 | 249,995 |
| Transportation expense | (4,369) | (4,481) |
| Materials and supplies | (85,979) | (75,850) |
| Contractual services | 31,632 | 29,639 |
| Equipment rental | 401 | 400 |
| Insurance - vehicles | 1,356 | 1,396 |
| Insurance - workers' compensation | <u>1,597</u> | <u>1,522</u> |
| Total source and pumping operations | 489,811 | 481,515 |
| Source and Pumping Maintenance | | |
| Labor | 200,856 | 213,152 |
| Officer | 13,120 | 14,618 |
| Pensions and benefits | 160,234 | 210,743 |
| Materials and supplies | 79,932 | 105,901 |
| Contractual services | 12,243 | 11,259 |
| Transportation expense | (6,474) | (7,297) |
| Insurance - vehicles | 2,009 | 2,274 |
| Insurance - workers' compensation | <u>2,366</u> | <u>2,479</u> |
| Total source and pumping maintenance | 464,286 | 553,129 |
| Water Treatment | | |
| Labor | 236,135 | 215,492 |
| Officer | 15,424 | 14,778 |
| Pensions and benefits | 188,378 | 213,057 |
| Purchased power | 19,481 | 21,246 |
| Materials and supplies | 39,742 | 26,323 |
| Chemicals | 192,042 | 183,800 |
| Contractual services | 46,057 | 43,403 |
| Transportation expense | (7,611) | (7,377) |
| Equipment Rental | 2,500 | - |
| Insurance - vehicles | 2,362 | 2,299 |
| Insurance - workers' compensation | <u>2,781</u> | <u>2,506</u> |
| Total water treatment | 737,291 | 715,527 |

Schedules of Operating Expenses

Schedule 6 (Continued)

For the Years Ended December 31, 2018 and 2017

Transportation and Distribution - Operations

| | | |
|--|------------|------------|
| Labor | \$ 441,250 | \$ 427,751 |
| Officer | 28,823 | 29,335 |
| Pensions and benefits | 352,010 | 422,917 |
| Purchased power | 15,303 | 11,672 |
| Materials and supplies | 30,487 | 25,948 |
| Contractual services | 3,029 | 3,063 |
| Transportation expense | (14,222) | (14,644) |
| Insurance - vehicles | 4,414 | 4,563 |
| Insurance - workers' compensation | 5,197 | 4,974 |
| Total transportation and distribution - operations | 866,291 | 915,579 |

Transportation and Distribution - Maintenance

| | | |
|---|---------|---------|
| Labor | 263,729 | 227,138 |
| Officer | 17,227 | 15,577 |
| Pensions and benefits | 210,391 | 224,571 |
| Materials and supplies | 139,234 | 94,264 |
| Contractual services | 166,632 | 17,861 |
| Transportation expense | (8,500) | (7,776) |
| Insurance - vehicles | 2,638 | 2,423 |
| Insurance - workers' compensation | 3,106 | 2,641 |
| Total transportation and distribution - maintenance | 794,457 | 576,699 |

Customer Accounts Expenses

| | | |
|-----------------------------------|---------|---------|
| Labor | 214,070 | 218,883 |
| Officers | 33,607 | 37,723 |
| Pensions and benefits | 185,471 | 237,424 |
| Materials and supplies | 20,474 | 22,350 |
| Contractual services | 157,493 | 157,634 |
| Transportation expense | (6,900) | (7,493) |
| Insurance - vehicles | 2,142 | 2,335 |
| Insurance - workers' compensation | 2,738 | 2,793 |
| Bad debt expense | (506) | (1,631) |
| Total customer accounts expenses | 608,589 | 670,018 |

Schedules of Operating Expenses

Schedule 6 (Continued)

For the Years Ended December 31, 2018 and 2017

Administrative and General Expenses

| | | |
|---|---------------------|---------------------|
| Labor | \$ 267,953 | \$ 251,570 |
| Officers | 157,488 | 163,042 |
| Pensions and benefits | 318,588 | 383,618 |
| Purchased power | 10,153 | 9,554 |
| Materials and supplies | 73,762 | 79,857 |
| Contractual services | 118,609 | 77,524 |
| Insurance - general liability | 50,495 | 50,971 |
| Transportation expense | (8,636) | (8,612) |
| Insurance - vehicles | 2,681 | 2,684 |
| Insurance - workers' compensation | 4,704 | 4,512 |
| Miscellaneous expense | <u>32,949</u> | <u>26,738</u> |
| Total administrative and general expenses | <u>1,028,746</u> | <u>1,041,458</u> |
| Operating Expenses before Depreciation | 4,989,471 | 4,953,925 |
| Depreciation Expense | <u>1,265,598</u> | <u>1,248,389</u> |
| Total Operating Expenses | <u>\$ 6,255,069</u> | <u>\$ 6,202,314</u> |

2018 OPERATIONAL REPORT

PERSONNEL

Education:

The District’s employees attended several educational meetings and seminars covering many subjects that included:

- | | |
|--|--|
| <ul style="list-style-type: none"> Applied Hydraulics Ergonomics in the Workplace Confined Space Simulated Rescue DOT Reasonable Cause Supervisory Training Work Zone Safety & Traffic Control Fire Extinguisher Safety Heartsaver First Aid, CPR, AED Asbestos Supervisor/Contractor Refresher Treatment & Distribution I & II Cert. Prep Treatment & Distribution III & IV Cert. Prep Basic and Advanced Erosion and Sedimentation Control Practices Disaster Management for Water Utilities Forklift Training Risk Management Plan Water Loss Management Safe Work Procedures for Respirable Crystalline Silica in Construction | <ul style="list-style-type: none"> Chainsaw Safety Lock Out Tag Out Backflow Prevention Video Display Terminal Training Bloodborne Pathogens Sexual Harassment Trenching and Excavation Residential Sprinklers Hazardous Communications Communicating Risk to Your Customers Perfluorinated Compounds (PFASs) Management Candidate School Developing Your Emotional Intelligence Extremely Hazardous Substance Plan Chlorine System Review Cybersecurity Awareness Hearing Conservation Training and Evaluation |
|--|--|

SERVICES

| | | |
|--------------------------|-----------------|------------------------------|
| <u>New Installations</u> | <u>Renewals</u> | <u>Total Active Services</u> |
| 47 | 75 | 11,502 |

METERING

Meters:

| | |
|--|--------|
| Number in service at beginning of year | 13,808 |
| New installations | 119 |
| Number in service at end of year | 13,927 |

Meters serving seasonal customers are installed in the spring and after removal during the fall are tested then stored for the winter. Area plumbers, along with District personnel, set seasonal meters in a cooperative program which is not only beneficial to the District, but to the customer and the plumber as well. As a result of the cooperation received from the area plumbers, the success of the program has continued.

MAINS**DISTRIBUTION MAINS IN SERVICE (FEET)**

| | <u>SIZE</u> | <u>2017</u> | <u>ADDED</u> | <u>RETIRED</u> | <u>2018</u> |
|---------|--------------------|--------------------|---------------------|-----------------------|--------------------|
| Deep | 20" | 75,218 | | | 75,218 |
| Deep | 16" | 112,846 | | | 112,846 |
| Deep | 12" | 186,982 | 6,166 | | 193,148 |
| Deep | 10" | 105,505 | | 1,418 | |
| Deep | 8" | 335,179 | 2,645 | 1,704 | 336,120 |
| Surface | 8" | 1,932 | | | 1,932 |
| Deep | 6" | 145,786 | | 3,316 | 142,470 |
| Surface | 6" | 1,745 | | | 1,745 |
| Deep | 4' | 20,932 | 162 | | 21,094 |
| Surface | 4" | 3,801 | | | 3,801 |
| Deep | 3" | 11,434 | | | 11,434 |
| Surface | 3" | 31,128 | 380 | | 31,508 |
| Deep | 2½" | 279 | | | 279 |
| Surface | 2½" | 388 | | | 388 |
| Deep | 2" | 58,069 | 52 | | 58,121 |
| Surface | 2" | 14,586 | 1,099 | 1,264 | 14,421 |
| Deep | 1½" | 918 | | | 918 |
| Surface | 1½" | 7,062 | | | 7,062 |
| Deep | 1¼" | 3,188 | | | 3,188 |
| Surface | 1¼" | 3,034 | | | 3,034 |
| Deep | 1" | 10,299 | | 16 | 10,283 |
| Surface | 1" | 20,689 | | | 20,689 |
| Deep | ¾" | 2,856 | | | 2,856 |
| Surface | ¾" | <u>4,065</u> | | | |
| | | 1,157,921 | 10,504 | 7,718 | 1,160,707 |

2018 MAINS INSTALLED

| <u>TOWN</u> | <u>LOCATION</u> | <u>SIZE</u> | <u>MATERIAL</u> | <u>LENGTH</u> | <u>REMARKS</u> |
|----------------------|------------------------|--------------------|------------------------|----------------------|-----------------------|
| <u>Arundel</u> | Cottage Preserve | 12" | DI | 1117' | Main Extension |
| <u>Biddeford</u> | Alcott Lane | 2" | Copper | 37' | Main Extension |
| | | 2" | PVC | 250' | Main Extension |
| <u>Kennebunk</u> | Longfellow Lane | 8" | DI | 42' | Main Extension |
| | | 8" | PVC | 827' | Main Extension |
| | | 4" | PVC | 132' | Main Extension |
| | Storer Street | 12" | DI | 155' | Main Relay |
| | | 12" | HDPE | 1128' | Main Relay |
| | Larrabee Way | 4" | HDPE | 30' | Main Relay |
| | Grasshopper Lane | 2" | PVC | 36' | Main Relay |
| | Lord Street | 2" | Copper | 16' | Main Relay |
| | Webhannet Place | 8" | PVC | 183' | Main Extension |
| <u>Kennebunkport</u> | Harbor Drive | 2" | CTS Plastic | 32' | Main Relay |
| | | 2" | HDPE | 760' | Main Relay |
| | Lands End Road | 3" | HDPE | 380' | Main Relay |
| | | 2" | HDPE | 20' | Main Relay |
| | North Street | 12" | DI | 1962' | Main Relay |
| | Oak Street | 8" | HDPE | 896' | Main Relay |
| | | 8" | DI | 31' | Main Relay |
| | West Street | 8" | HDPE | 458' | Main Relay |
| | Wildes District Road | 12" | PVC | 1598' | Main Relay |
| | | 12" | DI | 106' | Main Relay |
| <u>Ogunquit</u> | Norseman Lane | 8" | PVC | 180' | Main Relay |
| <u>Wells</u> | Main Street | 8" | DI | 28' | Main Extension |

HYDRANTS - 2018

During 2018, 2 public and 11 private hydrants were installed, no public hydrants were abandoned and 1 private hydrant became public, making a total of 736 public and 298 private hydrants in the District's system.

Installations

| TOWN | NO. | OWNERSHIP | LOCATION |
|---------------|------------|------------------|--|
| Arundel | 6-12 | Private | Patriots Way @ Frontier Way intersection |
| | 6-13 | Private | Patriots Way @ 58 Patriots Way |
| | 6-14 | Private | Frontier Way @ 12 Frontier Way |
| Kennebunk | 1-194 | Public | Lake Brook Drive @ Port Road |
| | 1-195 | Private | Lake Brook Drive @ Turnaround |
| | 1-196 | Private | Webhannet Place @ Unit #7 |
| | 1-197 | Private | Webhannet Place @ Unit #13 |
| | 1-198 | Private | Webhannet Place @ Unit #30 |
| | 1-199 | Private | Longfellow Lane @ Unit #22 |
| | 1-200 | Private | Longfellow Lane @ Unit #19 |
| | 1-201 | Private | Longfellow Lane @ Unit #10 |
| Kennebunkport | 2-111 | Public | North Street @ #121 North Street |
| Wells | 4-102 | Private | Millbrooke Farm Drive |

Replacements

| TOWN | NO. | OWNERSHIP | LOCATION |
|---------------|------------|------------------|---|
| Kennebunk | 1-70 | Public | 19 Storer Street across from Sayward Street |
| | 1-71 | Public | 45 Storer Street |
| | 1-84.1 | Public | 89 Fletcher @ middle entrance to High School |
| | 1-87.2 | Public | 149 Fletcher Street @ Maine Turnpike Northbound |
| | 1-94 | Public | Alfred Road @ Thompson Road |
| Kennebunkport | 2-12 | Public | Corner of Oak Street and West Street |
| | 2-13 | Public | Corner of Oak Street and Locke Street |
| | 2-70 | Public | 140 Wildes District Road across from Lands End Road |
| Wells | 4-10 | Public | 1650 Post Road |

Abandoned

| TOWN | NO. | OWNERSHIP | LOCATION |
|-------------|------------|------------------|-----------------|
| --- | --- | --- | --- |

Transferred from Private to Public

| TOWN | NO. | OWNERSHIP | LOCATION |
|-------------|------------|------------------|-----------------|
| -- | -- | -- | -- |

MONTHLY PUMPING RECORDS**Gallons Pumped**

| | | <u>2017</u> | <u>2018</u> |
|------------------|-----------------------|----------------------|----------------------|
| January | | 48,457,700 | 56,822,800 |
| February | | 44,982,100 | 47,084,900 |
| March | | 51,048,400 | 50,080,800 |
| April | | 58,402,700 | 59,647,800 |
| May | | 84,285,500 | 95,752,800 |
| June | | 122,748,300 | 134,309,800 |
| July | | 164,700,700 | 173,124,000 |
| August | | 163,295,400 | 160,339,700 |
| September | | 121,149,100 | 116,443,800 |
| October | | 94,138,100 | 69,940,800 |
| November | | 50,548,500 | 50,922,900 |
| December | | 52,379,300 | 50,852,900 |
| Subtotals | (KKWWD) | 1,056,135,800 | 1,065,323,000 |
| | (Biddeford/Saco) | 7,383,700 | 3,253,100 |
| | (York Water District) | 0 | 0 |
| TOTAL | | 1,063,519,500 | 1,068,576,100 |

MONTHLY SNOW AND RAINFALL

| | <u>2017</u> | | <u>2018</u> | |
|----------------------------|--------------------|----------------|--------------------|----------------|
| | Snow Inches | Rain Inches | Snow Inches | Rain Inches |
| January | 17.2 | 1.68 | 19.2 | 1.44 |
| February | 48.9 | 4.42 | 17.3 | 2.51 |
| March | 28.1 | 1.36 | 34.2 | 0.82 |
| April | 16.3 | 4.98 | --- | 7.32 |
| May | --- | 6.01 | --- | 1.03 |
| June | --- | 2.55 | --- | 4.08 |
| July | --- | 1.97 | --- | 6.72 |
| August | --- | 3.06 | --- | 3.16 |
| September | --- | 2.12 | --- | 5.80 |
| October | --- | 4.03 | --- | 5.22 |
| November | --- | 2.18 | 16.0 | 10.04 |
| December | 19.6 | 0.84 | 3.0 | 3.09 |
| Subtotals | 130.1 | 35.20 | 89.70 | 51.23 |
| Snow/Liquid Equivalent | | 13.01 | | 8.97 |
| TOTAL PRECIPITATION | | 48.21 | | 60.20 |