**AGENDA**
**PORTLAND WATER DISTRICT**
**225 Douglass Street, Portland, Maine**
**Jeff P. Nixon Training Center**
**6:00 p.m., Tuesday, May 29, 2018**

| | | |
|---|---|---|
| 1. | Convene Meeting with Pledge of Allegiance and moment of silence. | President Lunt |
| 2. | Roll Call | Clerk |
| 3. | Acceptance of Minutes of Regular Meeting of April 23, 2018, and the Workshop Meeting of May 14, 2018. | President Lunt |
| 4. | Invitation for Public Comment | President Lunt |
| 5. | Reports: | |
| | ▪ Operations Committee Reports | Trustee Siviski |
| | ▪ Planning Committee Reports | Trustee Levinsky |
| | ▪ Administration & Finance Committee Reports | Trustee Willey |
| | ▪ General Manager's Report | General Manager |
| 6. | New Business | |
| | **A. Order 18-019** authorizing the General Manager to execute a contract with the City of Portland regarding a water conservation program for low-income customers in the District's service territory. | Administration & Finance Committee |
| | **B. Resolution 18-006** regarding the Audit Report for 2017. | Administration & Finance Committee |
| | **C. Order 18-020** authorizing a contract with Colby Company for engineering services for the Douglass Street HVAC Systems Evaluation. | Operations Committee |
| 7. | Executive Session. A motion may be made to go into Executive Session at any time during the meeting to discuss, pursuant to 1 M.R.S. §405(6)(A) personnel, 1 M.R.S. §405(6)(C) real estate, 1 M.R.S. §405 (6)(D) labor negotiations, or 1 M.R.S. §405(6)(E) legal matters. | President Lunt |
| 8. | Other Business. An item may be added to this agenda provided seven trustees vote to waive the rule regarding agendas. | President Lunt |
| 9. | Second Invitation for Public Comment. | President Lunt |
| 10. | Trustee Comments. | President Lunt |
| 11. | Adjournment. | President Lunt |

Donna M. Katsiaficas
Clerk

**Portland Water District**

**Board of Trustees Regular Meeting**

**May 29, 2018**

**New Business**

**Agenda Items 6A-6C**

Portland Water District
*From Sebago Lake To Casco Bay*

**BOARD OF TRUSTEES / AGENDA ITEM SUMMARY**

| | |
|---|---|
| Agenda Item: | 6A Order 18-019 |
| Date of Meeting: | May 29, 2018 |
| Subject: | Low Income Conservation Program |
| Presented By: | David Kane, Director of Administration and Finance |

---

## RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

> ORDERED, that the General Manager is authorized to execute a contract with the City of Portland to provide administrative services for a water conservation program for low income customers in the District's service territory; and
>
> BE IT FURTHER ORDERED, the revisions to the District's Terms and Conditions of water service related to the low income water conservation program, attached hereto as Exhibit A, are hereby adopted.

## BACKGROUND ANALYSIS

In 1995, the District requested authorization from the Maine Public Utilities Commission to establish a program in conjunction with the People's Regional Opportunity Program (PROP), now called Opportunity Alliance, that provides "financial assistance to low income residential customers for the purpose of taking positive steps towards reducing water consumption to make water more affordable." In 2017, Opportunity Alliance decided to no longer offer the program. The District searched for alternative service providers and became aware that the City of Portland's Housing Program could provide the service throughout our service territory. Subject to City Council's approval, the City Staff indicated they could provide the program on the same terms as Opportunity Alliance.

## FISCAL REVIEW / FUNDING

The budget include a $10,000 appropriation for the program.

## LEGAL REVIEW

Corporate Counsel reviewed the proposed motion and approved it as to form.

## CONCLUSION(S)

Staff recommends the proposed motion be approved. The Committee reviewed and recommended forwarding the proposed motion to the full Board for their consideration.

## ATTACHMENTS

1. Proposed Contract
2. Proposed T&C Change

**Attachment 1**

# City of Portland
**And**
**Portland Water District**

## CONTRACT FOR SERVICES

This contract made the first day of , 2018 is by and between the City of Portland (City) and the Portland Water District (PWD).

It is agreed that City will provide PWD a conservation program ("Program") for low income customers of PWD service areas. The goal of the Program is to assist low income customers to take positive steps towards conservation.

Criteria for Clients Receiving Services

1. Must be a client in PWD's service area who is a PWD customer.
2. Must be a client whose income is at 80% of area median income (AMI) as defined by US HUD.
3. Determination of eligibility will be made by City in review of client's application for services.
4. City will certify that client meets eligibility standards.
5. Referrals will be received from PWD, City staff, and other human service organizations, municipalities, and the public at large.
6. A waiting list will be developed and clients will be served on a first come, first served basis. Exceptions to this will be emergency situations which jeopardize health and/or safety.

Services to be Provided

City will provide to PWD the following services

1. City will conduct an awareness campaign which will include:
    a. Distribution of water conservation materials and new Program description to all clients residing in the District's service area.
    b. Distribution of Program brochures and posters to human service organizations, churches, municipalities, state government offices, City Program sites, and service organizations.
    c. Inclusion of Program description in City's weatherization packet.
    d. Instruction to eligible customers, one-on-one or in groups on water saving tips.

DRAFT

2. City will provide for the following conservation services:

   a. Repair or replacement of leaking / broken water service.
   b. Repair or replacement of toilet.
   c. Repair or replacement of kitchen faucets.
   d. Repair or replacement of bathtub faucets / shower heads.
   e. Repair or replacement of outside faucets.
   f. Installation of low flow shower head.
   g. Installation of low flow aerator.
   h. Installation of toilet dam.
   i. Other conservation repairs or replacement as identified under conservation audit.
   j. Repair or replacement of leaky or broken water pipes.

Labor and materials for the above services will be provided by qualified subcontractors. City will attempt to obtain subcontractor prices at lowest cost by obtaining estimates from at least two subcontractors in the client service area. In the event that City can not obtain estimates from two subcontractors, City shall document that it made a reasonable attempt to obtain two quotes form qualified subcontractors.
Low flow shower head and aerator should be installed in any client's home receiving repair services provided under this contract.

The maximum amount granted for services per client will be $2,000.

Program Flow

City will provide services to clients in the following manner:

1. Eligibility determination.
2. Client home visit made by City employee. Conservation audit performed.
3. Recommended improvements reviewed with client and City Housing Coordinator.
4. Plan of remediation developed and approved.
5. Subcontractor estimates received. Subcontract let. Work is completed.
6. City employee visits site to inspect the subcontractor's work and to secure customer signature of satisfaction.
7. 10% of all sites will be visited and inspected by City Housing Coordinator.

DRAFT

Payment Provisions

1. At PWD's discretion, a contribution will be submitted to City prior to services being provided.

2. City will provide PWD with a report on how the contributions to the program were distributed by month end after service is provided. This report will include:

   a. Names of clients, services provided, subcontractor costs and invoices, and PWD customer bill with account number; and,

   b. Amount for City services.

3. City administrative costs shall not exceed 15% of the costs rendered to clients.

Renewal

This contract may be extended on an annual basis. PWD and City will determine a mutually agreed upon contribution amount at the time of each contract extension. This contract shall continue on a year-to-year basis unless ninety (90) days written notice of termination is given by either party to the contract. Upon termination all unspent monies shall be returned to the PWD by the City.

| | |
|---|---|
| Jon Jennings<br>City Manager<br>City of Portland<br><br>389 Congress St.<br>Portland, ME 04101 | Carrie Lewis<br>General Manager<br>PWD<br><br>225 Douglass Street<br>Portland, ME 04102 |

DRAFT

PORTLAND WATER DISTRICT

TERMS AND CONDITIONS

## 33) LOW-INCOME CUSTOMER ASSISTANCE PROGRAM

### 33-A) General Program Description

1. The District is supporting, in conjunction with City of Portland (COP) a program to provide financial assistance to low-income residential customers for the purpose of taking positive steps towards reducing water consumption to make water more affordable.

2. The District has authorized COP to administer a program to repair, replace or install plumbing fixtures and water saving devices with regard to the following:

   leaking or broken water pipes
   toilets
   hot water tank
   kitchen faucets
   bathtub faucets
   showerheads
   outside faucets
   toilet dams
   low-flow devices

3. This program will be offered to all qualified residential customers of the District.

### 33-B) Program Participation Requirements

1. A qualified residential customer must:

   a. Own and occupy a year-round residence within the District service area.

   b. Be low-income qualified, by showing evidence of having an annual household income that is 80% of area median income (AMI) as defined by US HUD.

PORTLAND WATER DISTRICT

TERMS AND CONDITIONS

2. Must demonstrate through a home audit provided by OA, a need for the program's services.

**33-C) General Provisions**

1. The dwelling unit owner must agree to leave in place at the premises any water saving measures installed under this program.

2. COP will determine customer eligibility, complete a home audit, develop a remediation plan, subcontract work to be completed, and inspect completed work.

3. Qualified applicants will be assisted on a first come, first served basis up to the allocated amount provided to the program by the District. Exceptions will be made at the discretion of OA for emergency situations that jeopardize health or safety.

4. The District will fund this program on an annual basis and reserves the right to discontinue program support at any time.

**33-D) Miscellaneous**

1. The District along with municipalities, COP Central Intake and Outreach staff, Human Service organizations, and the public at large, will refer homeowners to COP for qualification.

2. All specific services provided by this program will be delivered to qualified participants at no cost to the participant.

Portland Water District
*From Sebago Lake To Casco Bay*

# BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

| | |
|---|---|
| Agenda Item: | 6B Resolution 18-006 |
| Date of Meeting: | May 29, 2018 |
| Subject: | 2017 Audit Report |
| Presented By: | Thomas Quirk, Finance Director |

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## RECOMMENDATION

The following proposed motion is presented to the Board of Trustees for its consideration:

> WHEREAS the Bylaws of the District require that an annual audit report on the financial affairs of the District be presented to the Board of Trustees for acceptance, and
>
> WHEREAS the Board of Trustees previously appointed the accounting firm of MacPage LLC to conduct the audit of 2017 financial affairs, and
>
> WHEREAS MacPage LLC has conducted the audit of 2017 and presented their unqualified opinion to the Board of Trustees,
>
> NOW THEREFORE BE IT RESOLVED that the Board of Trustees accepts the Audit Report for 2017 and authorizes its distribution as required by Section 21 of the Charter of the District.

## BACKGROUND ANALYSIS

On May 14, 2018, MacPage LLC presented the results of the 2017 audit to the Administrative and Finance Committee. Among the items presented were the:

- Auditors Communication to the Board of Trustees;
- Financial Report for the year ending December 31, 2017
- Management Letter for the year ending December 31, 2017

## ANALYSIS

Government Auditing Standards require independent auditors to report:

- The scope and timing of the audit;
- Significant audit findings;
- Difficulties encountered in performing the audit;
- Corrected and uncorrected misstatement;
- Disagreements with management;
- Management representations;
- Management consultations with other independent accountants, and
- Other audit findings or issues.

**FISCAL REVIEW / FUNDING**
None.

**LEGAL REVIEW**
Corporate Counsel reviewed the proposed motion and approved it as to form.

**CONCLUSION**
The Administration and Finance Committee reviewed and recommends acceptance of the annual Audit Report.

**ATTACHMENTS**
A - Auditors Communication to the Board of Trustees
B - Financial Report for the year ending December 31, 2017
C - Management Letter for the year ending December 31, 2017

MACPAGE™ Accessible Approachable Accountable

To the Board of Trustees
Portland Water District
Portland, Maine

We have audited the financial statements of each major fund of Portland Water District (the District) for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Portland Water District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the District's depreciation of capital assets is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the useful lives and calculation of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the actuarial net pension liabilities as of December 31, 2017 is based on amounts calculated by the District's consulting actuary. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued sick liability as of December 31, 2017 is based on amounts calculated by the District's consulting actuary in accordance with the vesting method of Governmental Accounting Standards Board Statement No. 16. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the value of the District's contributed capital is based on the District's estimated costs. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of pension plans in Note 4 to the financial statements is significant to the financial statements as it is important for the users of the financial statements to understand the defined benefit plan provided to employees and the potential future benefit obligations of the District.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not encounter any misstatements during the audit and did not propose any audit adjustments.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 26, 2018.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matter

We applied certain limited procedures to the Management's Discussion and Analysis, Schedules of Changes in the District's Net Pension Liability and Related Ratios - Bargaining and Non-Bargaining Unit Pension Plan, Schedule of Investment Returns, Schedule of District's Contributions, and Schedule of Investment Returns Annual Money-Weighted Rate of Return, Net of Investment Expense and Schedule of Funding Progress for the OPEB Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of Portland Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Macpage LLC

Augusta, Maine
April 26, 2018

**Financial Report**

**December 31, 2017**

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# Independent Auditors' Report

To the Board of Trustees
Portland Water District
Portland, Maine

***Report on the Financial Statements***

We have audited the accompanying financial statements of each major fund of Portland Water District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Portland Water District's basic financial statements as listed in the contents page.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Portland Water District, as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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macpage.com

To the Board of Trustees
Portland Water District

***Other Matter***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-17 and Schedules of Changes in the District's Net Pension Liability and Related Ratios - Bargaining and Non-Bargaining Unit Pension Plan, Schedule of Investment Returns, Schedule of District's Contributions, and Schedule of Investment Returns Annual Money-Weighted Rate of Return, Net of Investment Expense on pages 60-62 and Schedules of Funding Progress for the Other Postemployment Benefit Plan (OPEB) on page 63 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.

Macpage LLC

Augusta, Maine
April 26, 2018

# Introduction of the Financial Statements

## *Overview of Financial Report*

The Portland Water District (the District) is a quasi-municipal organization providing water and wastewater services. The District uses eight proprietary funds that are financed and operated in a manner similar to private businesses and two pension trust funds. The District's Water Fund serves eleven towns and cities in the greater Portland, Maine area. The District's seven Wastewater Funds serve the following Maine municipalities: Cape Elizabeth, Cumberland, Falmouth, Gorham, Portland, Westbrook and Windham.

This Management 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 into the District's finances.

The District's basic financial statements include the:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Statement of Fiduciary Net Position/Changes in Fiduciary Net Position
- Notes to Financial Statements

## *Financial Highlights*

The District's financial condition remained strong in 2017. Among the items of note:

Change in Net Position before Contributions – This item was $1.70 million in 2017, just 1.1% less than 2016.

Operating Revenues – These revenues increased $0.75 million (1.8%) in 2017. Wastewater Assessments were up 5.1% ($0.89 million) due to increases in Cape Elizabeth, Cumberland, Falmouth, Portland and Windham chiefly to cover the costs related to capital improvements. Metered Water revenue ($20.85 million) was down 0.4% following a strong year in 2016.

Operating Expense – These expenses rose 2.1% ($0.79 million) in 2017. Increases in Salaries & Wages (3.1% or $0.31 million), Depreciation (4.6% or $0.42 million) and Biosolids Disposal (22.6% or $0.34 million) were partially offset by decreases in Employee Benefits (1.4% or $0.08 million), Contracted Services (2.5% or $0.11 million) and Materials & Supplies (12.9% or $0.24 million).

Net Capital Assets ($283.2 million) had a net increase of 3.4% ($9.29 million) in 2017. New capital asset additions included typical water infrastructure such as water mains ($8.14 million) and additions in wastewater with the completion of the aeration project at Portland's East End Wastewater Treatment Facility and Falmouth's Mill Creek Wastewater Pump Station and related force mains.

The District's bonded debt increased from $83.74 million in 2016 to $86.00 million at the end of 2017. New debt in Water ($5.60 million), Cape Elizabeth Wastewater ($0.39 million), Falmouth Wastewater ($0.88 million) and Portland Wastewater ($1.90 million) were offset by retirements of debt of $6.50 million.

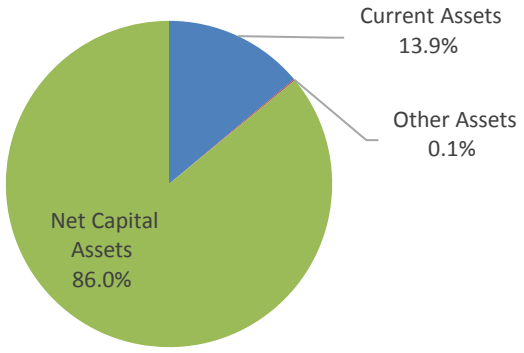
The District's financial ratios remain strong with an overall current ratio of 2.89 and debt coverage ratio of 1.58.

# Comparison of Financial Statements for Current and Prior Years

## Statement of Net Position (Condensed)

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Current Assets | $ 45,809,639 | $ 44,578,266 | $ 1,231,373 | 2.8% |
| Net Capital Assets | 283,217,823 | 273,925,842 | 9,291,981 | 3.4% |
| Other Assets | 448,674 | 560,773 | (112,099) | (20.0)% |
| Non-Current Assets | 283,666,497 | 274,486,615 | 9,179,882 | 3.3% |
| **Total Assets** | **329,476,136** | **319,064,881** | **10,411,255** | **3.3%** |
| **Deferred Outflows** | **1,618,467** | **1,097,004** | **521,463** | **47.5%** |
| **Total Assets and Deferred Outflows** | **$ 331,094,603** | **$ 320,161,885** | **$ 10,932,718** | **3.4%** |
| Current Liabilities | $ 15,857,775 | $ 12,731,409 | $ 3,126,366 | 24.6% |
| Long-Term Debt/Payables | 79,243,095 | 77,511,224 | 1,731,871 | 2.2% |
| Other Non-Current Liabilities | 9,181,359 | 10,176,912 | (995,553) | (9.8)% |
| Non Current Liabilities | 88,424,454 | 87,688,136 | 736,318 | 0.8% |
| **Total Liabilities** | **104,282,229** | **100,419,545** | **3,862,684** | **3.8%** |
| **Deferred Inflows** | **3,149,282** | **971,924** | **2,177,358** | **224.0%** |
| Net Position: | | | | |
| Net Invested in Capital Assets | 197,712,038 | 191,714,552 | 5,997,486 | 3.1% |
| Unrestricted | 25,951,054 | 27,055,864 | (1,104,810) | (4.1)% |
| **Total Net Position** | **223,663,092** | **218,770,416** | **4,892,676** | **2.2%** |
| **Total Liabilities, Deferred Inflows and Net Position** | **$ 331,094,603** | **$ 320,161,885** | **$ 10,932,718** | **3.4%** |

## *District Assets*



## Current Assets

Current Assets increased $1.23 million (2.8%) in 2017. This growth is primarily the result of increased cash and investments due to positive operating results during 2017.

## Net Capital Assets

Net Capital Assets increased $9.29 million (3.4%) during 2017:

| | Additions | Reductions | Net Change |
|---|---|---|---|
| Utility Property | $25,666,020 | $ (529,521) | $25,136,499 |
| Construction Work in Progress | 2,874,153 | (8,864,906) | (5,990,753) |
| Allowance for Depreciation | (10,224,232) | 370,467 | (9,853,765) |
| | $18,315,941 | $(9,023,960) | $ 9,291,981 |

The major additions to Utility Property for 2017 were:

- $8.14 million, water distribution mains in various communities
- $6.94 million, wastewater treatment equipment primarily in Portland Wastewater
- $2.23 million, wastewater interceptor structures primarily in Falmouth Wastewater
- $2.22 million, wastewater pumping station structures primarily in Falmouth Wastewater
- $1.92 million, wastewater pumping station equipment primarily in Falmouth Wastewater

Construction Work in Progress (CWIP) decreased by $5.99 million in 2017. This reduction occurred as two major projects, the aeration upgrade at the Portland East End Wastewater Treatment Facility and the Falmouth Mill Creek Wastewater Pump Station (and related force mains), were completed during the year.

The Allowance for Depreciation grew 4.8% ($9.85 million) in 2017. The change was in line with prior years.

For more detail, please refer to the Notes to the Financial Statements.

## Other Assets

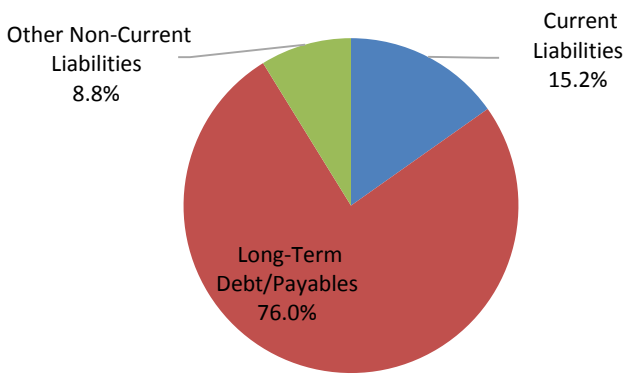
Other Assets, which decreased $112,099 in 2017, consist of the long-term portion of notes receivable as well as the costs of studies the District amortizes over a number of years. The decrease was primarily due to costs associated with studies relating to wastewater assets being moved to CWIP or being written off to operating expense.

## Deferred Outflows

Deferred Outflows of resources represents a consumption of net position that applies to a future period(s) that will not be recognized as an outflow of resources (expense/expenditure) until then. The District has Deferred Outflows for its pension and for a 2016 bond refunding. In the 2017 financials, the 47.5% ($521,463) increase in Deferred Outflow represents the increase in the portion relating to the pension, due the significant increase in the market value of pension investments, somewhat offset by the first full year amortization from the 2016 bond refunding.

Details on both of these items can be found in the Notes to the Financial Statements.

## District Liabilities




## Current Liabilities

| Description | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Accounts Payable & Accrued Payroll | $ 7,234,565 | $ 4,499,989 | $ 2,734,576 | 60.8% |
| Customer Deposits | 348,521 | 275,786 | 72,735 | 26.4% |
| Construction Retainage | 278,616 | 520,507 | (241,891) | 46.5% |
| Current Portion - Long-Term Debt | 6,896,888 | 6,378,828 | 518,060 | 8.1% |
| All Other Current Liabilities | 1,099,185 | 1,056,299 | 42,886 | 4.1% |
| | $ 15,857,775 | $ 12,731,409 | $ 3,126,366 | 24.6% |

Current Liabilities increased 24.6% ($3.13 million) between 2016 and 2017.

Accounts Payable & Accrued Payroll rose 60.8% ($2.73 million) in 2017 due to the need to accrue $3.10 million for completed water capital projects for which vendors had not yet been billed the District as of year-end. The Current Portion of Long-Term Debt increased 8.1% ($0.52 million) as new debt issued in 2017 outpaced the retirement of existing debt. These items were somewhat offset by a reduction in Construction Retainage ($0.24 million or 46.5%) due to the completion of some large construction projects.

## Long-Term Debt/Bond Rating

In 2017, the District issued bonds for the Water Fund. Moody's and Standard & Poors (S&P), respectively assigned ratings of Aa3 and AA.

## Long-Term Debt/Payables

| Bonded Debt: | Beginning | Issued | Forgiven | Retired | Ending |
|---|---|---|---|---|---|
| Water | $ 46,141,170 | $ 5,600,000 | | $ (3,328,850) | $ 48,412,320 |
| Wastewater: | | | | | |
| Cape Elizabeth | 2,235,500 | 387,000 | | (146,250) | 2,476,250 |
| Cumberland | 62,500 | | | (6,250) | 56,250 |
| Falmouth | 4,000,000 | 880,000 | (120,000) | (200,000) | 4,560,000 |
| Gorham | 3,436,677 | | | (303,069) | 3,133,608 |
| Portland | 22,612,852 | 1,900,000 | | (1,972,354) | 22,540,498 |
| Westbrook | 4,042,743 | | | (326,170) | 3,716,573 |
| Windham | 1,212,970 | | | (100,886) | 1,112,084 |
| Total Bonded Debt | 83,744,412 | 8,767,000 | (120,000) | (6,383,829) | 86,007,583 |
| (Less: current portion) | (6,378,828) | | | | (6,896,888) |
| Non-Current | $ 77,365,584 | | | | $ 79,110,695 |

| Notes Payable: | Beginning | Issued | Forgiven | Retired | Ending |
|---|---|---|---|---|---|
| Wastewater: | | | | | |
| Windham | $ 158,880 | | | $ (13,240) | $ 145,640 |
| Total Notes Payable | 158,880 | | | (13,240) | 145,640 |
| (Less: current portion) | (13,240) | | | | (13,240) |
| Non-Current | 145,640 | | | | 132,400 |
| | | | | | |
| Non-Current LT Debt | $ 77,511,224 | | | | $ 79,243,095 |

This category consists of general revenue bonds and notes payable. During 2017, the balance of Long-Term Debt/Payables increased 2.2% or $1.73 million. Issuances of $8.65 million were offset by retirements of $6.38 million. For more detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes On All Funds – Long-Term Debt.

## Other Non-Current Liabilities

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Customer Advances & Other Liabilities | $ 2,210,699 | $ 2,074,829 | $ 135,870 | 6.5% |
| Compensated Absences - Non Current | 829,216 | 817,350 | 11,866 | 1.5% |
| Net Pension Liability | 6,141,444 | 7,284,733 | (1,143,289) | (15.7)% |
| | $ 9,181,359 | $ 10,176,912 | $ (995,553) | (9.8)% |

The net pension liability decreased 15.7% ($1.14 million) due to the significant increase in the market value of pension investments; please refer to the Notes to the Financial Statements for more information. This increase is somewhat offset by the increase in Customer Advances & Other Liabilities which grew primarily because of a growth in unamortized bond premiums on bonds issued in 2017.

## Deferred Inflows

Deferred Inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District's Deferred Inflows, which increased $2.18 million, relate to the pension plan and are determined annually by an outside actuary. Details on this item can be found in the Notes to the Financial Statements.

## Statement of Revenues, Expenses & Changes in Net Position (Condensed)

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Operating Revenue | $ 42,056,624 | $ 41,304,624 | $ 752,000 | 1.8% |
| Non-Operating Revenue | 532,903 | 402,492 | 130,411 | 32.4% |
| Total Revenues | 42,589,527 | 41,707,116 | 882,411 | 2.1% |
| | | | | |
| Operating Expense | 38,702,741 | 37,915,424 | 787,317 | 2.1% |
| Non-Operating Expense | 2,217,079 | 2,103,937 | 113,142 | 5.4% |
| Total Expenses | 40,919,820 | 40,019,361 | 900,459 | 2.3% |
| | | | | |
| Change in Net Position before Capital Contributions | 1,669,707 | 1,687,755 | (18,048) | (1.1)% |
| Capital Contributions | 3,222,969 | 2,488,658 | 734,311 | 29.5% |
| Change in Net Position | 4,892,676 | 4,176,413 | 716,263 | 17.2% |
| Beginning Net Position | 218,770,416 | 214,594,003 | 4,176,413 | 1.9% |
| Ending Net Position | $ 223,663,092 | $ 218,770,416 | $ 4,892,676 | 2.2% |

## Operating Revenue

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Metered Water Revenue | $ 20,845,675 | $ 20,937,121 | $ (91,446) | (0.4%) |
| Wastewater Assessments | 18,418,704 | 17,529,312 | 889,392 | 5.1% |
| Public & Private Fire Protection | 2,340,570 | 2,283,539 | 57,031 | 2.5% |
| Other Operating Revenue | 451,675 | 554,652 | (102,977) | (18.6%) |
| Total Operating Revenue | $ 42,056,624 | $ 41,304,624 | $ 752,000 | 1.8% |

Metered Water Revenue ($20.85 million) - The District's metered customers are billed monthly. The billing includes a minimum charge (based on the size of the meter) for the first hundred cubic feet (HCF) of water and a charge for each additional HCF of water used. Starting in 2016, water rates were solely set by the District's Board of Trustees; approval from the State of Maine's Public Utilities Commission was no longer needed. In May 2017, metered rates increased an average of 1.0% over the previous year. Consumption in 2017 was 8.49 million HCF, a decrease of 3.7% from the previous year's 8.82 million HCF. While 2017 usage was above average, 2016 was considered a drought year.

Wastewater Assessments ($18.42 million) - These assessments were paid by the local municipalities to the District for providing wastewater services such as interception, treatment, and contracted billing and system maintenance services. The District's Board of Trustees sets assessments annually. Assessments were increased in five (5) of the seven (7) wastewater funds mostly due to capital projects in those areas.

Public and Private Fire Protection ($2.34 million) - This revenue includes charges to local municipalities for water capacity available for public firefighting needs as well as for private sprinkler systems. The District's Board of Trustees sets these rates; in May 2017, the rates increased an average of 1.0%. In addition, there was also a small increase in the number of Private Fire customers.

## Operating Revenue - Continued

Other Operating Revenue ($0.45 million) – Revenue in this category includes interest charges and late fees on Water Fund receivable balances as well as income charged to septage haulers for dumping at wastewater treatment facilities. Revenue was down 18.6% ($103k) due to small decreases in fees in the Water fund and septage hauler revenue in the Wastewater funds.

## Operating Revenue by Fund

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Water | $ 23,380,552 | $ 23,507,826 | $ (127,274) | (0.5)% |
| Wastewater: | | | | |
| Cape Elizabeth | 1,468,692 | 1,443,408 | 25,284 | 1.8% |
| Cumberland | 844,584 | 750,072 | 94,512 | 12.6% |
| Falmouth | 263,604 | 36,012 | 227,592 | 632.0% |
| Gorham | 1,117,093 | 1,123,708 | (6,615) | (0.6)% |
| Portland | 11,983,597 | 11,410,550 | 573,047 | 5.0% |
| Westbrook | 2,635,785 | 2,677,780 | (41,995) | (1.6)% |
| Windham | 362,717 | 355,268 | 7,449 | 2.1% |
| | $ 42,056,624 | $ 41,304,624 | $ 752,000 | 1.8% |

For the Water Fund, Operating Revenue primarily consists of metered water consumption and fire protection services. Metered Water sales decreased $91k (0.4%) due to lower metered usage in 2017. Fire Protection revenue was up $57k (2.5%) due to the 2017 rate increase and a small increase in customers. Other Operating Revenue declined $103k (18.6%) as miscellaneous fees declined.

In the Wastewater (WW) Funds, the largest component of Operating Revenue is the wastewater assessments. The Cumberland and Falmouth funds had large increases related to costs involving the recently completed Mill Creek Wastewater Pump Station. Assessments also increased in Cape Elizabeth (1.8%), Portland (4.7%) and Windham (2.5%) to cover increased debt service and/or operating costs.

Additionally, some WW Funds receive income from septage haulers dumping loads at the treatment plants. Dumping volumes were up at Portland's East End Plant but down at the Westbrook Plant that splits the revenue between the Gorham, Westbrook and Windham Funds.

## Non-Operating Revenue

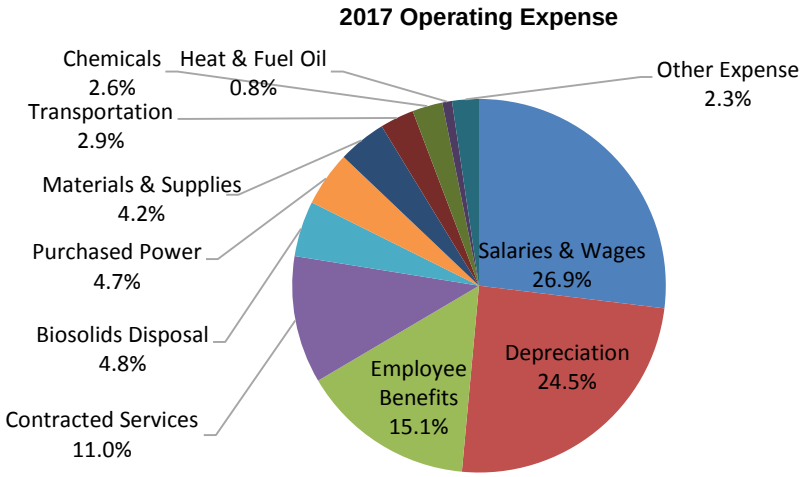
| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Interest Income | $ 275,377 | $ 163,062 | $ 112,315 | 68.9% |
| Miscellaneous Income | 257,526 | 239,430 | 18,096 | 7.6% |
| | $ 532,903 | $ 402,492 | $ 130,411 | 32.4% |

Interest Income increased $112,315 (68.9%) in 2017. The principal objective of the District's investment policy is safety while attaining an appropriate rate of return. The income gain in 2017 can be attributed to both higher rates of return as interest rates rise and higher on hand cash balances due to positive operating results.

Miscellaneous Income includes non-operational items such as grants and reimbursements for expenses offset by the cost to retire capital assets. In 2017, the District recognized $37.9k in reimbursements from the Federal Emergency Management Agency (FEMA) for costs incurred in response to a wind storm in late October. In addition, the cost to retire capital assets declined $28.7k in 2017. These items were partly offset by a decrease in revenue related to renting space on a District water tower to cell phone providers and income related to timber harvested from the District's tree growth land around Sebago Lake.

## Operating Expense

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Salaries & Wages | $ 10,423,555 | $ 10,114,266 | $ 309,289 | 3.1% |
| Depreciation | 9,494,234 | 9,075,357 | 418,877 | 4.6% |
| Employee Benefits | 5,825,409 | 5,907,182 | (81,773) | (1.4)% |
| Contracted Services | 4,268,301 | 4,376,286 | (107,985) | (2.5)% |
| Biosolids Disposal | 1,862,526 | 1,518,719 | 343,807 | 22.6% |
| Purchased Power | 1,836,535 | 1,728,375 | 108,160 | 6.3% |
| Materials & Supplies | 1,616,529 | 1,855,522 | (238,993) | (12.9)% |
| Transportation | 1,140,010 | 1,101,984 | 38,026 | 3.5% |
| Chemicals | 1,016,025 | 1,029,538 | (13,513) | (1.3)% |
| Heat & Fuel Oil | 323,431 | 345,010 | (21,579) | (6.3)% |
| Other Expense | 896,186 | 863,185 | 33,001 | 3.8% |
| | $ 38,702,741 | $ 37,915,424 | $ 787,317 | 2.1% |




## Operating Expense Category Explanations

Salaries/Wages – Salaries and Wages expense increased 3.1% ($309,289). One major factor was the 2.5% average pay rate increase. The Salaries and Wages increase was also affected by higher overtime hours and an increase in the liability for sick time due to employees upon retirement (as calculated by the District's actuary).

Depreciation Expense – This expense went from $9.08 million in 2016 to $9.49 million in 2017, an increase of 4.6%. The Water, Falmouth and Portland funds saw increases in expense related to asset additions in those funds. Those additions included water mains and related infrastructure, the Falmouth Mill Creek pump station and related force mains and the aeration project at the Portland East End Wastewater Treatment facility. The other wastewater divisions experienced small reductions in expense as they had few (if any) asset additions and older assets became fully depreciated.

Employee Benefits – Benefits expense was down $81,773 (1.4%) in 2017. The District's pension expense, which the District's actuary calculates annually, was down $500,400 from the previous year due in great part to a rise in the market value of the plan's investments.

## Operating Expense Category Explanations - Continued

Contracted Services - This category, which is comprised of services provided to the District by outside vendors, decreased 2.5% ($107,985) in 2017. The decreases look significant compared to last years because maintenance services and contractor construction had one-time large projects that were not present in 2017. One such project was the restoration of the Shore Acres tank for use as a cell phone tower and also contractor construction associated with a 30" main break in Gorham in 2016.

Purchased Power – Overall power costs increased 6.3% ($108,160) in 2017. The East End Wastewater Treatment Facility (EEWTF) experienced lower prices overall that helped to offset the $60,448 additional cost for capacity charges. The Westbrook Wastewater Treatment Facility had increased usage in 2017 resulting in an increase of $37,220. The India Street Pump Station (ISPS) also had an increase in capacity costs. Along with medium and small wastewater accounts, higher demand prices brought overall pump station costs to $40,820 more than 2016.

Materials/Supplies - Expenses in this group include parts and supplies purchased directly from outside vendors or items drawn out of the District's inventory stockroom. This expense is made up of thousands of individual purchases and stock issuances; the annual expense varies depending on the volume and types of repairs/maintenance being performed. One factor impacting last year's expense was the $136,000 disposal of obsolete on-hand inventory that was not recurring this year. In 2017, this expense category was down 12.9% ($238,993).

Biosolids Disposal - The District contracts with an outside vendor to remove and dispose of biosolids from its wastewater treatment facilities. Biosolids disposal expenses were higher in 2017 by 22.6% ($343,807) primarily due to operational issues at the Portland East End wastewater treatment facility that produced a sludge with a higher water content that increased the weight (and thus volume) disposed.

Transportation - Transportation costs are based on vehicle usage and a predefined hourly rate for each class of vehicle. The sum of these charges equals the cost of operating the vehicle fleet as well as depreciation. In 2017, costs increased by 3.5% ($38,026) due primarily to higher maintenance costs.

Chemicals - Overall, chemical costs decreased 1.3% ($13,513) in 2017 as most chemical per unit prices were the same or lower in 2016.

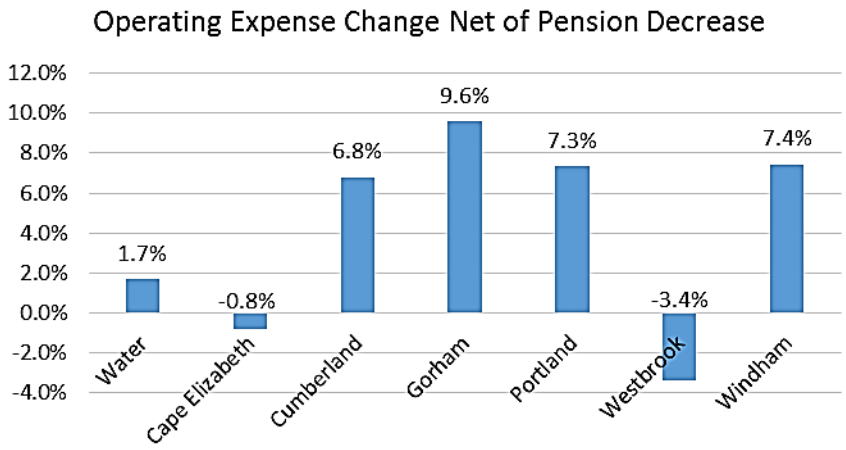
Heating & Fuel Oil – These costs decreased 6.3% ($21,579). The price of heating oil was lower in 2017 than the previous year.

Other Expense –This category includes items such as other utilities (water, wastewater, telephone), preliminary surveys, insurance and regulatory expenses. This category was down 3.8% ($33,001) in 2017. A large contributor to the decrease is a drop in the other advertising by $18,352 and lower expenses for training.

## Operating Expense by Fund

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Water | $ 20,703,978 | $ 20,664,451 | $ 39,527 | 0.2% |
| Wastewater: | | | | |
| Cape Elizabeth | 1,701,100 | 1,731,601 | (30,501) | (1.8)% |
| Cumberland | 931,854 | 879,871 | 51,983 | 5.9% |
| Falmouth | 87,735 | 11,633 | 76,102 | 654.2% |
| Gorham | 1,114,592 | 1,028,060 | 86,532 | 8.4% |
| Portland | 11,634,916 | 10,975,900 | 659,016 | 6.0% |
| Westbrook | 2,270,534 | 2,380,421 | (109,887) | (4.6)% |
| Windham | 258,032 | 243,487 | 14,545 | 6.0% |
| | $ 38,702,741 | $ 37,915,424 | $ 787,317 | 2.1% |

Pension expenses (which are included above) were $500,400 lower in 2017 than the previous year. The Operating Expense by Fund without the pension decrease was:




Water Fund – Expenses were flat as higher labor/benefit expenses in 2017 were offset as 2016 expenses for water tank maintenance and the write-off of obsolete materials inventory did not recur.

Cape Elizabeth – There were fewer maintenance issues here in 2017; in addition depreciation expense declined $13.6k.

Cumberland & Falmouth – Cumberland's expense rose due to costs related to the Mill Creek wastewater pump station while Falmouth (who owns the asset and charges Cumberland a percentage of its costs) saw depreciation expense rise $70.0k as construction was completed.

Gorham – This area saw a rise in maintenance issues in the area's wastewater pump stations as well as costs related to raising manholes due to municipal street paving.

Portland – Biosolids disposal costs rose $363.6k due to operation issues which increased the percentage of water in the material resulting in higher weight, (the cost basis). In addition, the completion of the aeration upgrade helped drive the $243.6k increase in depreciation expense.

Westbrook – Expenses were lower in labor/benefits due to a labor realignment after a staff retirement as well as lower biosolids disposal and depreciation expenses.

Windham – Costs were higher in 2017 mostly due to higher than normal maintenance issues at the area's wastewater pump stations.

## Non-Operating Expense

Due to rising levels of debt, Interest/Amortization expense increased 5.6%. The Loss on Sale/Retirement recognizes the retirement of long-term assets that had not yet been fully depreciated. The 2017 results are typical given the long useful life of some District assets and increased only 2.0% over the previous year.

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Interest/Amortization Expense | $ 2,084,740 | $ 1,974,226 | $ 110,514 | 5.6% |
| Loss on Sale/Retirement | 132,339 | 129,711 | 2,628 | 2.0% |
| | $ 2,217,079 | $ 2,103,937 | $ 113,142 | 5.4% |

## Contributions

Contributions are non-exchange transactions in which the District takes ownership of fixed assets constructed and/or paid for by outside parties. Water contributions for mains, services, meters and hydrants occur as developers install water infrastructure each year. The other Water contribution in 2017 was a grant received for a water quality monitoring buoy. The contributions in Wastewater were related to the Mill Creek pump station ($953k) and East End aeration projects ($203k).

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| Water Distribution Mains | $ 1,392,413 | $ 1,993,427 | $ (601,014) | (30.1)% |
| Water Services | 305,329 | 226,657 | 78,672 | 34.7% |
| Water Meters | 257,259 | 150,904 | 106,355 | 70.5% |
| Hydrants | 90,204 | 117,670 | (27,466) | (23.3)% |
| Other Water Assets | 21,000 | - | 21,000 | n/a |
| Wastewater - Falmouth | 1,156,764 | - | 1,156,764 | n/a |
| | $ 3,222,969 | $ 2,488,658 | $ 734,311 | 29.5% |

# Overall Financial Position

To determine the change in the District's financial position in the past year, we have focused on two elements: Financial Ratios and Revenue Stability.

## *Financial Ratios*

### Current Ratio by Fund

The Current Ratio (Current Assets divided by Current Liabilities) measures an organization's ability to meet short-term obligation.

| | 2017 | 2016 |
|---|---|---|
| Water | 2.70 | 3.68 |
| Wastewater: | | |
| Cape Elizabeth | 2.53 | 2.07 |
| Cumberland | 5.19 | 5.50 |
| Falmouth | 0.45 | 2.78 |
| Gorham | 4.01 | 4.26 |
| Portland | 2.72 | 2.50 |
| Westbrook | 9.19 | 9.48 |
| Windham | 3.84 | 3.84 |
| All Funds Combined | 2.89 | 3.50 |

The Falmouth fund is almost entirely made up of the Mill Creek pump station and the related debt. The next year's bond principal payment is the majority of the current liability. The Town of Falmouth is legally obligated to fund the payment of the debt payments which they do through the next year's assessment.

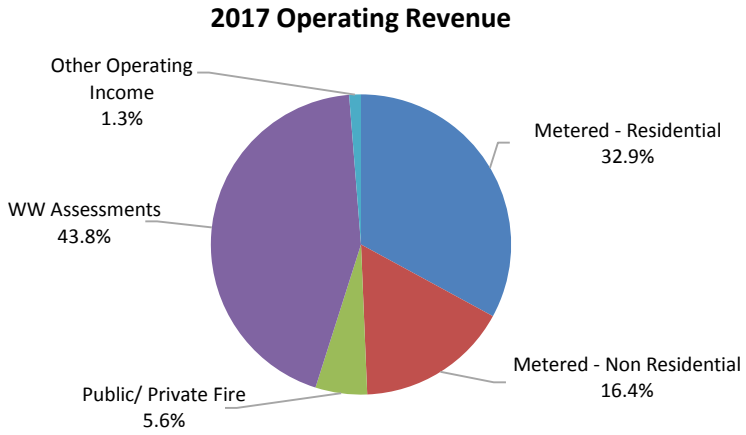
### Debt Coverage Ratio by Fund

The Debt Coverage Ratio (Net Operating Income/Total Debt Service) shows an organizations ability to meet debt service payments and should generally be above 1.0.

| | 2017 | 2016 |
|---|---|---|
| Water | 1.73 | 1.87 |
| Wastewater: | | |
| Cape Elizabeth | 1.50 | 1.24 |
| Cumberland | 7.33 | 5.17 |
| Falmouth | 0.98 | 0.88 |
| Gorham | 1.12 | 1.35 |
| Portland | 1.34 | 1.55 |
| Westbrook | 1.97 | 1.83 |
| Windham | 1.39 | 1.45 |
| All Funds Combined | 1.58 | 1.73 |

## *Revenue Stability*

Most of the District's Operating Revenue (98.9% in 2017 and 2016), came from three sources: Metered Water Revenue, Wastewater Assessments, and Public/Private Fire Protection charges.




Metered Water Revenue (49.6%) – Metered water rates are set by the District's Board of Trustees. These rate changes allow the District to maintain operations and pay debt service. The District had approximately 52,620 metered customers at the end of 2017; the largest ten customers only represented 8.6% of water operating revenue.

Wastewater Assessments (43.8%) - These assessments are paid by the local municipalities served by the District and are funded by sewer user charges. Legally, the District is obligated to set the assessments at an amount needed to operate the wastewater facilities and pay the related debt service.

Public/Private Fire Projection (5.6%) – Public Fire charges are paid by the eleven municipalities served by the District, Private Fire has 2,319 customers.

## *Significant Changes to Individual Funds*

## *Pension Trust Funds*

### Statement of Net Position

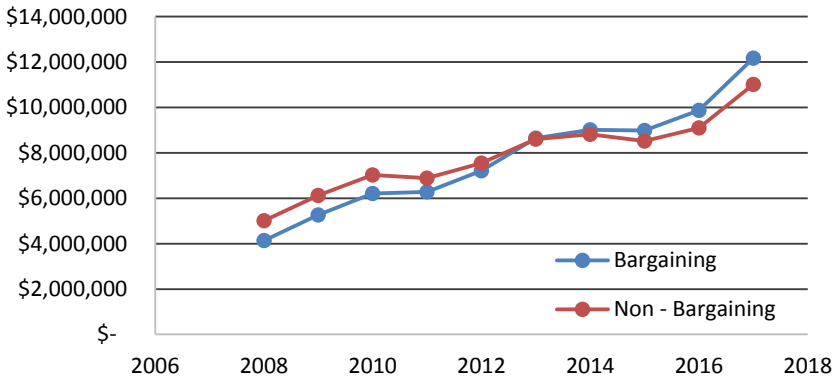
| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| **Bargaining Unit:** | | | | |
| Cash and Cash Equivalents | $ 274,324 | $ 145,813 | $ 128,511 | 88.1% |
| Investments | | | | |
| Fixed Income | 2,419,869 | 2,004,037 | 415,832 | 20.7% |
| Domestic & Internation Equities | 9,481,212 | 7,718,872 | 1,762,340 | 22.8% |
| | 11,901,081 | 9,722,909 | 2,178,172 | 22.4% |
| Interest Receivable | 992 | 837 | 155 | 18.5% |
| Total Assets | **$ 12,176,397** | **$ 9,869,559** | **$ 2,306,838** | **23.4%** |
| **Non-Bargaining Unit:** | | | | |
| Cash and Cash Equivalents | $ 235,552 | $ 134,994 | $ 100,558 | 74.5% |
| Investments | | | | |
| Fixed Income | 2,346,152 | 1,849,316 | 496,836 | 26.9% |
| Domestic & Internation Equities | 8,435,764 | 7,111,103 | 1,324,661 | 18.6% |
| | 10,781,916 | 8,960,419 | 1,821,497 | 20.3% |
| Interest Receivable | 908 | 775 | 133 | 17.2% |
| Total Assets | **$ 11,018,376** | **$ 9,096,188** | **$ 1,922,188** | **21.1%** |

### Statement of Revenues, Expenses & Changes in Net Position

| | 2017 | 2016 | Diff | Diff % |
|---|---|---|---|---|
| **Bargaining Unit:** | | | | |
| Employer Contributions | $ 870,877 | $ 684,363 | $ 186,514 | 27.3% |
| Net Investment Income | 2,067,151 | 781,667 | 1,285,484 | 164.5% |
| Total Additions | 2,938,028 | 1,466,030 | 1,471,998 | 100.4% |
| Benefit Payments | 631,191 | 584,988 | 46,203 | 7.9% |
| Net Increase in Position | 2,306,837 | 881,042 | 1,425,795 | 161.8% |
| Beginning Year | 9,869,559 | 8,988,517 | 881,042 | 9.8% |
| Ending Year | **$ 12,176,396** | **$ 9,869,559** | **$ 2,306,837** | **23.4%** |
| **Non-Bargaining Unit:** | | | | |
| Employer Contributions | $ 712,137 | $ 515,637 | $ 196,500 | 38.1% |
| Net Investment Income | 1,867,678 | 687,358 | 1,180,320 | 171.7% |
| Total Additions | 2,579,815 | 1,202,995 | 1,376,820 | 114.4% |
| Benefit Payments | 657,627 | 621,009 | 36,618 | 5.9% |
| Net Increase in Position | 1,922,188 | 581,986 | 1,340,202 | 230.3% |
| Beginning Year | 9,096,188 | 8,514,202 | 581,986 | 6.8% |
| Ending Year | **$ 11,018,376** | **$ 9,096,188** | **$ 1,922,188** | **21.1%** |

The ending balances for the pension funds over the past ten years have been:

| | Bargaining | Diff | Diff % | Non-Bargaining | Diff | Diff % |
|---|---|---|---|---|---|---|
| 2008 | $ 4,141,067 | $ (1,150,563) | (21.7)% | $ 5,011,900 | $(1,629,860) | (24.5)% |
| 2009 | 5,266,825 | 1,125,758 | 27.2% | 6,118,202 | 1,106,302 | 22.1% |
| 2010 | 6,208,480 | 941,655 | 17.9% | 7,020,744 | 902,542 | 14.8% |
| 2011 | 6,272,588 | 64,108 | 1.0% | 6,890,757 | (129,987) | (1.9)% |
| 2012 | 7,214,219 | 941,631 | 15.0% | 7,554,655 | 663,898 | 9.6% |
| 2013 | 8,645,546 | 1,431,327 | 19.8% | 8,611,262 | 1,056,607 | 14.0% |
| 2014 | 9,017,043 | 371,497 | 4.3% | 8,823,096 | 211,834 | 2.5% |
| 2015 | 8,988,517 | (28,526) | (0.3)% | 8,514,202 | (308,894) | (3.6)% |
| 2016 | 9,869,559 | 881,042 | 9.8% | 9,096,188 | 581,986 | 6.8% |
| 2017 | 12,176,397 | 2,306,838 | 23.4% | 11,018,376 | 1,922,188 | 21.1% |




The combined employer contribution of $1.58 million was $0.38 million higher than 2016. Investment income went from $1.47 million 2016 to $3.93 million in 2017. Benefit payments rose modestly going from $1.21 million in 2016 to $1.29 million in 2017.

The defined benefit plan was closed to new bargaining unit employees hired after December 31, 2010 and new non-bargaining unit employees hired after December 31, 2011.

## Request for Information

This financial report is designed to provide a general overview of the Portland Water District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Thomas Quirk, Director of Financial Services, Portland Water District, 225 Douglass Street, Portland, ME 04104.

# Statement of Net Position - Proprietary Funds

**December 31, 2017**

**ASSETS**

| | Water Systems | Cape Elizabeth | Cumberland |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | $ 3,444,580 | $ 161,347 | $ 110,363 |
| Investments | 19,731,618 | 986,168 | 674,557 |
| Accounts receivable, net allowance for doubtful accounts of $208,050 for water systems | 3,479,664 | 15,485 | 8,298 |
| Notes receivable, current | - | - | - |
| Inventories | 1,436,138 | - | - |
| Prepaid expenses | 448,824 | 5,933 | - |
| Trustee held funds | 9,929 | - | - |
| **Total Current Assets** | 28,550,753 | 1,168,933 | 793,218 |
| **Non-Current Assets** | | | |
| **Capital Assets:** | | | |
| Operating property | 313,230,287 | 16,291,142 | 7,787,781 |
| Accumulated depreciation | (111,860,042) | (11,134,382) | (5,133,524) |
| Net operating property | 201,370,245 | 5,156,760 | 2,654,257 |
| Construction in progress | 1,604,161 | 189,951 | 58,791 |
| **Net Capital Assets** | 202,974,406 | 5,346,711 | 2,713,048 |
| **Charges and Other Assets:** | | | |
| Notes receivable | 198,853 | - | - |
| Maintenance and other costs | - | - | - |
| Preliminary surveys | - | - | - |
| **Total Charges & Other Assets** | 198,853 | - | - |
| **Total Non-Current Assets** | 203,173,259 | 5,346,711 | 2,713,048 |
| **Total Assets** | 231,724,012 | 6,515,644 | 3,506,266 |
| **Deferred Outflows:** | | | |
| Deferred outflows of pension resources | 892,361 | 49,961 | 20,154 |
| Deferred outflows on bond refunding | 180,000 | - | - |
| | 1,072,361 | 49,961 | 20,154 |
| **Total Assets and Deferred Outflows** | $ 232,796,373 | $ 6,565,605 | $ 3,526,420 |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

| Wastewater Funds | | | | | |
|---|---|---|---|---|---|
| **Falmouth** | **Gorham** | **Portland** | **Westbrook** | **Windham** | **TOTAL** |
| $ 4,916 | $ 178,959 | $ 1,174,890 | $ 643,721 | $ 66,980 | $ 5,785,756 |
| 30,046 | 1,093,812 | 7,181,063 | 3,608,996 | 409,393 | 33,715,653 |
| | | | | | |
| - | 2,470 | 40,459 | 5,580 | - | 3,551,956 |
| - | - | - | 13,240 | - | 13,240 |
| - | - | - | - | - | 1,436,138 |
| - | - | 44,037 | 9,675 | - | 508,469 |
| 150,989 | - | 637,509 | - | - | 798,427 |
| 185,951 | 1,275,241 | 9,077,958 | 4,281,212 | 476,373 | 45,809,639 |
| | | | | | |
| 5,713,427 | 17,636,645 | 112,024,954 | 21,459,094 | 3,007,348 | 497,150,678 |
| (75,668) | (8,601,510) | (65,124,532) | (14,084,199) | (1,123,871) | (217,137,728) |
| 5,637,759 | 9,035,135 | 46,900,422 | 7,374,895 | 1,883,477 | 280,012,950 |
| - | 199,295 | 621,099 | 487,109 | 44,467 | 3,204,873 |
| 5,637,759 | 9,234,430 | 47,521,521 | 7,862,004 | 1,927,944 | 283,217,823 |
| | | | | | |
| - | - | - | 132,400 | - | 331,253 |
| - | - | - | 24,498 | - | 24,498 |
| - | - | 92,923 | - | - | 92,923 |
| - | - | 92,923 | 156,898 | - | 448,674 |
| | | | | | |
| 5,637,759 | 9,234,430 | 47,614,444 | 8,018,902 | 1,927,944 | 283,666,497 |
| | | | | | |
| 5,823,710 | 10,509,671 | 56,692,402 | 12,300,114 | 2,404,317 | 329,476,136 |
| | | | | | |
| - | 30,130 | 354,541 | 83,763 | 7,557 | 1,438,467 |
| - | - | - | - | - | 180,000 |
| - | 30,130 | 354,541 | 83,763 | 7,557 | 1,618,467 |
| | | | | | |
| $ 5,823,710 | $ 10,539,801 | $ 57,046,943 | $ 12,383,877 | $ 2,411,874 | $ 331,094,603 |

## Statement of Net Position - Proprietary Funds - Continued

**December 31, 2017**

**LIABIILITIES AND NET POSITION**

| | Water Systems | Cape Elizabeth | Cumberland |
|---|---|---|---|
| **Current Liabilities** | | | |
| Accounts payable and accrued payroll | $ 5,320,758 | $ 290,472 | $ 136,489 |
| Accrued interest | 242,138 | 6,723 | 67 |
| Customer deposits | 338,521 | - | 10,000 |
| Construction retainage | 197,346 | - | - |
| Current portion - compensated absences | 730,929 | - | - |
| Current portion - notes payable | - | - | - |
| Current portion - bonds | 3,759,669 | 165,600 | 6,250 |
| **Total Current Liabilities** | 10,589,361 | 462,795 | 152,806 |
| **Non-Current Liabilities:** | | | |
| Customer advances and other liabilities | 2,073,240 | - | - |
| Compensated absences - non-current | 829,216 | - | - |
| Net pension liability | 3,795,319 | 226,858 | 79,440 |
| Total other non-current liabilities | 6,697,775 | 226,858 | 79,440 |
| Long-term debt - notes payable | - | - | - |
| Long-term debt - bonds | 44,652,651 | 2,310,650 | 50,000 |
| Total long-term debt - notes and bonds | 44,652,651 | 2,310,650 | 50,000 |
| **Total Non-Current Liabilities** | 51,350,426 | 2,537,508 | 129,440 |
| **Total Liabilities** | 61,939,787 | 3,000,303 | 282,246 |
| **Deferred Inflows** | | | |
| Deferred inflows of pension resources | 1,976,437 | 113,643 | 42,449 |
| **Net Position** | | | |
| Invested in Capital Assets | 154,572,015 | 2,870,461 | 2,656,798 |
| Unrestricted | 14,308,134 | 581,198 | 544,927 |
| **Total Net Position** | 168,880,149 | 3,451,659 | 3,201,725 |
| **Total Liabilities, Deferred Inflows & Net Position** | $ 232,796,373 | $ 6,565,605 | $ 3,526,420 |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

| Wastewater Funds | | | | | |
|---|---|---|---|---|---|
| **Falmouth** | **Gorham** | **Portland** | **Westbrook** | **Windham** | **TOTAL** |
| $ 166,500 | $ 16,620 | $ 1,181,429 | $ 121,646 | $ 651 | $ 7,234,565 |
| 7,600 | 12,781 | 58,602 | 17,831 | 9,274 | 355,016 |
| - | - | - | - | - | 348,521 |
| - | - | 81,270 | - | - | 278,616 |
| - | - | - | - | - | 730,929 |
| - | - | - | - | 13,240 | 13,240 |
| 238,000 | 288,469 | 2,011,845 | 326,170 | 100,885 | 6,896,888 |
| 412,100 | 317,870 | 3,333,146 | 465,647 | 124,050 | 15,857,775 |
| - | - | 77,400 | 60,059 | - | 2,210,699 |
| - | - | - | - | - | 829,216 |
| - | 132,598 | 1,508,251 | 368,250 | 30,728 | 6,141,444 |
| - | 132,598 | 1,585,651 | 428,309 | 30,728 | 9,181,359 |
| - | - | - | - | 132,400 | 132,400 |
| 4,322,000 | 2,845,139 | 20,528,653 | 3,390,403 | 1,011,199 | 79,110,695 |
| 4,322,000 | 2,845,139 | 20,528,653 | 3,390,403 | 1,143,599 | 79,243,095 |
| 4,322,000 | 2,977,737 | 22,114,304 | 3,818,712 | 1,174,327 | 88,424,454 |
| 4,734,100 | 3,295,607 | 25,447,450 | 4,284,359 | 1,298,377 | 104,282,229 |
| - | 61,628 | 765,126 | 172,343 | 17,656 | 3,149,282 |
| 1,077,759 | 6,100,822 | 25,618,532 | 4,145,431 | 670,220 | 197,712,038 |
| 11,851 | 1,081,744 | 5,215,835 | 3,781,744 | 425,621 | 25,951,054 |
| 1,089,610 | 7,182,566 | 30,834,367 | 7,927,175 | 1,095,841 | 223,663,092 |
| $ 5,823,710 | $ 10,539,801 | $ 57,046,943 | $ 12,383,877 | $ 2,411,874 | $ 331,094,603 |

## Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds

**Year Ended December 31, 2017**

| | | Wastewater Funds | | | |
|---|---|---|---|---|---|
| | Water Systems | Cape Elizabeth | Cumberland | Falmouth | Gorham |
| **Operating Revenues** | | | | | |
| Water revenues | $ 23,186,245 | $ - | $ - | $ - | $ - |
| Wastewater assessments | - | 1,468,692 | 844,584 | 263,604 | 1,106,148 |
| Other operating revenues | 194,307 | - | - | - | 10,945 |
| Total Operating Revenues | 23,380,552 | 1,468,692 | 844,584 | 263,604 | 1,117,093 |
| **Operating Expenses** | | | | | |
| Operations | 5,970,881 | 724,386 | 479,786 | - | 374,695 |
| Maintenance | 6,158,399 | 109,943 | 157,469 | - | 69,172 |
| Customer accounting and collections | 943,648 | 30,491 | 15,161 | 12,067 | 23,413 |
| Administrative and general | 2,600,101 | 335,850 | 120,199 | - | 235,481 |
| Taxes on operating property | 50,283 | - | - | - | - |
| Depreciation not allocated elsewhere | 4,980,666 | 500,430 | 159,239 | 75,668 | 411,831 |
| Total Operating Expenses | 20,703,978 | 1,701,100 | 931,854 | 87,735 | 1,114,592 |
| **Operating Income (Loss)** | 2,676,574 | (232,408) | (87,270) | 175,869 | 2,501 |
| **Non-Operating Revenues (Expenses)** | | | | | |
| Interest income | 149,771 | 6,887 | 5,632 | 1,874 | 11,449 |
| Miscellaneous income | 227,697 | 9,548 | 8,298 | - | 2,470 |
| Gain on sale/disposal of operating property | (130,955) | (1,384) | - | - | - |
| Interest and amortization expense | (1,309,656) | (44,000) | (5,476) | (58,054) | (78,349) |
| Net Non-Operating Revenues (Expenses) | (1,063,143) | (28,949) | 8,454 | (56,180) | (64,430) |
| **Change in Net Position Before Contributions** | 1,613,431 | (261,357) | (78,816) | 119,689 | (61,929) |
| **Capital Contributions** | 2,066,205 | - | - | 953,427 | - |
| **Change in Net Position** | 3,679,636 | (261,357) | (78,816) | 1,073,116 | (61,929) |
| **Net Position, Beginning of Year** | 165,200,513 | 3,713,016 | 3,280,541 | 16,494 | 7,244,495 |
| **Net Position, End of Year** | $ 168,880,149 | $ 3,451,659 | $ 3,201,725 | $ 1,089,610 | $ 7,182,566 |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

| Portland | Westbrook | Windham | TOTAL |
|---|---|---|---|
| $ - | $ - | $ - | $ 23,186,245 |
| 11,841,972 | 2,533,176 | 360,528 | 18,418,704 |
| 141,625 | 102,609 | 2,189 | 451,675 |
| 11,983,597 | 2,635,785 | 362,717 | 42,056,624 |
| | | | |
| 5,751,070 | 1,110,279 | 96,594 | 14,507,691 |
| 257,422 | 65,743 | 20,371 | 6,838,519 |
| 199,807 | 55,068 | 1,140 | 1,280,795 |
| 2,610,660 | 567,438 | 61,492 | 6,531,221 |
| - | - | - | 50,283 |
| 2,815,957 | 472,006 | 78,435 | 9,494,232 |
| 11,634,916 | 2,270,534 | 258,032 | 38,702,741 |
| | | | |
| 348,681 | 365,251 | 104,685 | 3,353,883 |
| | | | |
| 59,492 | 36,547 | 3,725 | 275,377 |
| 9,089 | 424 | - | 257,526 |
| - | - | - | (132,339) |
| (438,430) | (117,486) | (33,289) | (2,084,740) |
| (369,849) | (80,515) | (29,564) | (1,684,176) |
| | | | |
| (21,168) | 284,736 | 75,121 | 1,669,707 |
| | | | |
| 203,337 | - | - | 3,222,969 |
| | | | |
| 182,169 | 284,736 | 75,121 | 4,892,676 |
| | | | |
| 30,652,198 | 7,642,439 | 1,020,720 | 218,770,416 |
| | | | |
| $ 30,834,367 | $ 7,927,175 | $ 1,095,841 | $ 223,663,092 |

# Statement of Cash Flows - Proprietary Funds

**For the Year Ended December 31, 2017**

| | Water Systems | Cape Elizabeth | Cumberland |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | $ 23,228,013 | $ 1,453,207 | $ 836,286 |
| Payments to suppliers | (4,906,760) | (800,922) | (627,309) |
| Payments to employees | (6,318,997) | (354,119) | (117,681) |
| **Net cash flows from operating activities** | 12,002,256 | 298,166 | 91,296 |
| **Cash flows from capital and related financing activities** | | | |
| Proceeds from bonds | 5,600,000 | 387,000 | - |
| Bond principal forgiven | - | - | - |
| Principal payments bonds | (3,328,850) | (146,250) | (6,250) |
| Notes payable payments | - | - | - |
| Transfer from trustee funds | 152,894 | - | - |
| New trustee funds | - | - | - |
| Interest paid | (1,288,644) | (42,485) | (5,483) |
| Acquisitions and construction of operating property | (11,342,821) | (219,013) | (69,628) |
| Proceeds from sale of operating property | 9,716 | - | - |
| Payments for preliminary plant survey | - | - | - |
| **Net cash flows from capital and related financing activities** | (10,197,705) | (20,748) | (81,361) |
| **Cash flows from investing activities** | | | |
| Investments - transfer to water | (13,105,729) | 733,963 | 654,159 |
| Investments - purchases | (19,306,667) | - | - |
| Investments - sales | 16,733,766 | - | - |
| Investments - transfer from water | 13,984,035 | (986,168) | (674,557) |
| Interest income received | 149,771 | 6,887 | 5,632 |
| Payments on notes receivable | 5,768 | - | - |
| **Net cash flows from investing activities** | (1,539,056) | (245,318) | (14,766) |
| **Net change in cash** | 265,495 | 32,100 | (4,831) |
| **Cash and cash equivalents - beginning of year** | 3,179,085 | 129,247 | 115,194 |
| **Cash and cash equivalents - end of year** | $ 3,444,580 | $ 161,347 | $ 110,363 |
| **Reconciliation of operating income to net cash flows from operating activities** | | | |
| Operating income (loss) | $ 2,676,574 | $ (232,408) | $ (87,270) |
| Depreciation and amortization | 5,710,666 | 500,430 | 159,239 |
| Amortization | 17,000 | - | - |
| Miscellaneous income | 227,697 | 9,548 | 8,298 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (152,539) | (15,485) | (8,298) |
| Inventories | 58,026 | - | - |
| Prepaids | (3,234) | (5,100) | - |
| Accounts payable and accrued payroll | 2,880,463 | 23,985 | 3,047 |
| Compensated absences | 45,425 | - | - |
| Customer deposits | 62,735 | - | 10,000 |
| Net pension liability and deferred inflows (outflows) | 295,786 | 17,196 | 6,280 |
| Bond refunding deferred outflow | 44,700 | - | - |
| Customer advances and other liabilities | 138,957 | - | - |
| **Net cash flows from operating activities** | $ 12,002,256 | $ 298,166 | $ 91,296 |
| **Noncash investing, capital and financing activities** | | | |
| Capital contributions | $ 2,066,205 | $ - | $ - |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

| Wastewater Funds | | | | | | |
|---|---|---|---|---|---|---|
| **Falmouth** | **Gorham** | **Portland** | **Westbrook** | **Windham** | **TOTAL** |
| $ 279,806 | $ 1,114,623 | $ 11,964,074 | $ 2,647,867 | $ 362,717 | $ 41,886,593 |
| (242,390) | (457,998) | (6,077,657) | (1,228,806) | (118,357) | $ (14,460,199) |
| (5,297) | (228,816) | (2,554,987) | (495,882) | (58,243) | (10,134,022) |
| 32,119 | 427,809 | 3,331,430 | 923,179 | 186,117 | 17,292,372 |
| | | | | | |
| 880,000 | - | 1,900,000 | - | - | 8,767,000 |
| (120,000) | - | - | - | - | (120,000) |
| (200,000) | (303,069) | (1,972,354) | (326,170) | (100,885) | (6,383,828) |
| - | - | - | - | (13,240) | (13,240) |
| 2,383,892 | - | 1,978,789 | - | - | 4,515,575 |
| (880,000) | - | (1,900,000) | - | - | (2,780,000) |
| (57,121) | (79,606) | (448,885) | (119,039) | (34,150) | (2,075,413) |
| (2,026,630) | (187,903) | (2,331,727) | (404,739) | (42,979) | (16,625,440) |
| - | - | - | - | - | 9,716 |
| - | - | (86,009) | 27,200 | - | (58,809) |
| (19,859) | (570,578) | (2,860,186) | (822,748) | (191,254) | (14,764,439) |
| | | | | | |
| 17,710 | 1,193,859 | 6,653,564 | 3,446,227 | 406,247 | - |
| - | - | - | - | - | (19,306,667) |
| - | - | - | - | - | 16,733,766 |
| (30,046) | (1,093,812) | (7,181,063) | (3,608,996) | (409,393) | - |
| 1,874 | 11,449 | 59,492 | 36,547 | 3,725 | 275,377 |
| - | - | - | 13,240 | - | 19,008 |
| (10,462) | 111,496 | (468,007) | (112,982) | 579 | (2,278,516) |
| | | | | | |
| 1,798 | (31,273) | 3,237 | (12,551) | (4,558) | 249,417 |
| | | | | | |
| 3,118 | 210,232 | 1,171,653 | 656,272 | 71,538 | 5,536,339 |
| | | | | | |
| $ 4,916 | $ 178,959 | $ 1,174,890 | $ 643,721 | $ 66,980 | $ 5,785,756 |
| | | | | | |
| | | | | | |
| $ 175,869 | $ 2,501 | $ 348,681 | $ 365,251 | $ 104,685 | $ 3,353,883 |
| 75,668 | 411,831 | 2,815,957 | 472,006 | 78,435 | 10,224,232 |
| - | - | 68,750 | 14,400 | - | 100,150 |
| - | 2,470 | 9,089 | 424 | - | 257,526 |
| | | | | | |
| 16,202 | (2,470) | (19,523) | 12,082 | - | (170,031) |
| - | - | - | - | - | 58,026 |
| - | 77 | (21,516) | (2,853) | - | (32,626) |
| (235,620) | 4,311 | 27,691 | 30,279 | 420 | 2,734,576 |
| - | - | - | - | - | 45,425 |
| - | - | - | - | - | 72,735 |
| - | 9,089 | 112,823 | 24,785 | 2,577 | 468,536 |
| - | - | - | - | - | 44,700 |
| - | - | (10,522) | 6,805 | - | 135,240 |
| $ 32,119 | $ 427,809 | $ 3,331,430 | $ 923,179 | $ 186,117 | $ 17,292,372 |
| | | | | | |
| $ 953,427 | $ - | $ 203,337 | $ - | $ - | $ 3,222,969 |

**Statement of Fiduciary Net Position - Pension Trust Funds**

**December 31, 2017**

**ASSETS**

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 509,876 |
| Investments | | |
| Equity mutual funds | | 13,488,753 |
| Common stock | | 4,149,657 |
| Fixed income - mutual funds | | 4,766,020 |
| Commodity - mutual funds | | 278,567 |
| | | 22,682,997 |
| Interest receivable | | 1,900 |
| **Total Assets** | $ | 23,194,773 |
| Restricted for pension benefits | | 23,194,773 |
| **Total Net Position** | $ | 23,194,773 |

See independent auditors' report.



The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Fiduciary Net Position - Pension Trust Funds**

**Year Ended December 31, 2017**

| | |
|---|---|
| **Additions:** | |
| **Employer Contributions** | $ 1,583,014 |
| **Investment Income** | |
| Interest and dividends | 668,888 |
| Net gain on sale of assets | 842,906 |
| Net depreciation of investments | 2,423,036 |
| **Net Investment Income** | 3,934,830 |
| **Total Additions** | 5,517,844 |
| **Deductions:** | |
| Benefits | (1,288,818) |
| **Change in Position** | 4,229,026 |
| **Net Position - Beginning of Year** | 18,965,747 |
| **Net Position - End of Year** | $ 23,194,773 |

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2017**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

Portland Water District (the District) was incorporated in 1908 under the laws of the State of Maine. The territories and people of the Cities of Portland, South Portland and Westbrook and the Towns of Cape Elizabeth, Cumberland, Falmouth, Gorham, Raymond, Scarborough and Windham constitute the public municipal. The District provides water and wastewater services including billing services to Greater Portland municipalities. Water services are provided to the Cities of Portland, South Portland and Westbrook and the Towns of Cape Elizabeth, Cumberland, Falmouth, Gorham, Raymond, Scarborough, Standish, Yarmouth and Windham. Wastewater services are provided to the Cities of Portland and Westbrook and the Towns of Cape Elizabeth, Cumberland, Falmouth, Gorham and Windham. An 11-member publicly elected Board of Trustees oversees and directs the District's operation. The water service is partially regulated by the Maine Public Utilities Commission (PUC).

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. Management applied criteria as set forth in accounting principles generally accepted in the United States of America (GAAP) to determine if other component units should be included in defining the reporting entity. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the District's ability to exercise financial accountability. Application of this criterion and determination of the type of presentation involves considering whether the activity benefits the District and is generally available to its customers. It is the District's judgment, based on all pertinent facts derived from the analysis of this criterion, that there are no other component units that should be included as part of the reporting entity.

### Measurement Focus, Basis of Accounting and Basis of Presentation

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions and activities. A fund is a separate accounting entity with a self-balancing set of accounts. The District has the following fund types:

***Proprietary funds*** are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Proprietary funds used by the District include enterprise funds as described below.

***Enterprise funds*** are used to account for operations that are financed and operated in a manner similar to private business. The District maintains seven enterprise funds – Wastewater Funds for Cape Elizabeth, Cumberland, Falmouth, Gorham, Portland, Westbrook and Windham and a Water Fund.

***Fiduciary funds*** account for assets held by the District in a trustee capacity. Trust funds account for the assets held by the District under terms of a formal trust agreement. The District maintains two pension fiduciary funds. The District's non-bargaining unit employees' pension trust and the District's bargaining unit employees' pension trust financial statements are prepared using the accrual basis of accounting. Employer costs are equal to the change in the net pension liability and are recognized in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.*

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Measurement Focus, Basis of Accounting and Basis of Presentation - Continued**

Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

**Cash & Cash Equivalents (Deposits and Investments) - Proprietary Funds**

The District considers all highly liquid debt instruments purchased with an initial maturity of two years or less to be cash and cash equivalents.

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

Investments are reported at fair value, except that investments with a remaining maturity at time of purchase of one year or less are reported at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

*Credit Risk:*

Credit risk is the risk that the entity in which the fund has invested may be unable to redeem investments when they mature. The District's proprietary fund investment policy limits investments to:

- U.S. government obligations and U.S. government agency obligations which have a liquid market with a readily determinable market value.
- Certificates of deposit and other deposits at financial institutions, that are fully insured or collateralized.
- Commercial paper rated the highest tier.
- Repurchase agreements and money market mutual funds whose underlying securities consist of the items above.
- Local government investment cooperatives made up of government securities or broadly diversified money market investments.

*Concentration Credit Risk*

Concentration of credit risk is the risk caused by the lack of diversification in the portfolio. The District’s investment policy strives to avoid over concentration from a specific issuer or business section. The exception to this guideline is investments involving U.S. Treasury securities.

*Custodial Credit Risk:*

Custodial credit risk is the risk that in the event of failure by the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

The District's investment policy does not address custodial credit risk. Overnight funds are invested in a money market mutual fund which is made up of U.S. government and agency instruments. The District’s U.S. agency instruments are held by the District’s bank in the District’s name.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

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

**Cash & Cash Equivalents (Deposits and Investments) - Proprietary Funds - Continued**

*Interest Rate Risk:*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value on an investment.

The investment policy calls for investment in securities with varying maturities and investing a portion of the portfolio in money market funds or other overnight investments to ensure appropriate liquidity. The maturity of investments is limited to two years or less. Reserve funds may be invested in assets with maturities of over two years, however, no single investment can exceed three years and the weighted average maturity of the entire reserve fund should not exceed two and one-half years.

**Investments - Pension Trust Funds**

*Method used to value investments:*

Investments are reported at fair value, except that investments with a remaining maturity at time of purchase of one year or less are reported at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate.

*Credit Risk/Concentration Credit Risk:*

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the District's Board of Trustees. It is the policy of the District's Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2017:

| Asset Class | Minimum | Target | Maximum |
|---|---|---|---|
| U.S. Equities | 30% | 40% | 50% |
| International Equities | 10% | 25% | 30% |
| Bonds | 20% | 25% | 40% |
| Alternatives | 0% | 10% | 15% |
| Cash and Equivalents | 0% | 0% | 30% |

There were no changes to the allocation policy during 2017. As of December 31, 2017, the investment portfolio does not hold any investment in any one organization greater than 5% of either of the plan's fiduciary net position.

*Rate of Return:*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension expense, was 19.98% and 19.85% for the Bargaining and Non-Bargaining Units Plan, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Custodial Credit Risk:*

The District's Pension Fund investment policy does not address custodial credit risk. The District's pension investments are held by a trust company in the District's name. The trust company acts as the District's custodian.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

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

**Investments - Pension Trust Funds - Continued**

*Interest Rate Risk:*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value on an investment. The investment policy for the pension fund does not directly address interest rate risk.

**Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the District uses various methods, including market, income and cost approaches. Based on these approaches, the District often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the District is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the District performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the year ended December 31, 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

*Certificates of Deposit:* The fair value of marketable securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

*U.S. Treasury and Agency Securities:* In general, U.S. government and agency securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

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

**Accounts Receivable**

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to trade accounts receivable. Allowance for doubtful accounts as of December 31, 2017 was $208,050. The District has the ability to place a lien on property with past due balances.

**Inventories**

The District's inventories are comprised of fuel, materials and supplies used in the daily operations of the District. Inventory used in various projects that increase the water or wastewater system's life is capitalized and depreciated in capital assets over the appropriate useful life. Inventory used in system repairs is expensed in the period in which the repair occurs. Inventory is stated at weighted average cost.

**Capital Assets**

Donated operating and non-operating property, recorded as capital assets, are recorded at their estimated fair value at the date of donation. Capitalized operating and non-operating property are recorded at cost, including direct and a portion of indirect overhead. The District's policy has been to set the capitalization threshold for reporting capital assets at $10,000 and a life exceeding one year.

Depreciation is computed using the straight-line method at rates intended to amortize, over the useful life of the underlying property, the original cost. Useful lives of the assets range from 5 to 77 years:

*Water Capital Assets:*

5 to 10 years - Vehicles
8 to 20 years - Pumping and General Equipment
25 years - Meters
33 years - Treatment Equipment, Distribution Mains (less than six inches) and Services
50 years - Wells and Hydrants
59 years - Reservoirs, Tanks and Standpipes
67 years - Intakes
77 years - Transmission Mains and Distribution Mains (six inches and larger)

*Wastewater Capital Assets:*

8 to 10 years - General Equipment
20 years - Treatment Equipment
33 years - Structural Appurtenances
50 years - Structures, Force Mains and Interceptors

Depreciation on the water and individual wastewater system assets, built with aggregate contributions in aid of construction, is included in operating expenses. Contributions in aid of construction are recognized as revenue in the year contributed. Interest costs incurred during construction of major projects are capitalized and amortized over the life of the related asset.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

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

**Preliminary Surveys for Plant Expansion or Modification**

Expenses incurred for preliminary surveys for plant expansion or modification are capitalized and charged to the capital asset when the project is completed or to expense if the project is abandoned.

**Maintenance and Other Costs**

Certain maintenance and other costs are capitalized and amortized on a straight-line basis over periods as approved by the Maine PUC which approximate methods and periods under GAAP. Amortization costs for 2017 were $14,400.

**Compensated Absences**

The District's policy is to accrue for employee vacation when the employee vests in such benefits. It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. Upon retirement, employees can be paid up to a maximum of 400 hours of unused sick pay. The estimated sick leave balance due to employees upon retirement is calculated and accrued in accordance with the vesting method of GASB Statement No. 16, *Accounting for Compensated Absences*.

**Deferred Outflows & Inflows**

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) that will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section of deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

These deferred outflows and inflows are related to the recognition of the net pension liability and a 2016 bond refunding. In the case of the pension, these items can include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between the District's contributions and proportionate share of contributions, and also District pension contributions subsequent to the measurement date. For the bond refunding, the deferred outflow is utilized to amortize the loss on the refund over the remaining life of the original bonds.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements**

*Postemployment Benefits Other Than Pensions*

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The new statement is effective for periods beginning after June 15, 2017. The District has determined the impact of this accounting pronouncement will be insignificant to its financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgets

An annual budget is prepared by management and approved by the elected Board of Trustees for each of the proprietary funds. The budget is prepared on a departmental basis. The budget is prepared according to GAAP, except that:

- The funding for capital acquisitions and debt principal payments are considered expenses in all funds.
- Depreciation is not considered an expense.
- Contributions are not considered revenue.
- The funding of the pension is considered an expense.
- Gain/loss on disposal of capital assets.

## NOTE 3 - DETAILED NOTES ON ALL FUNDS

### Cash & Investments

The carrying amount of the District's deposits with financial institutions was $5,535,475 at December 31, 2017 and the bank balance was $6,621,830. The District held certificates of deposit carried at $11,872,169. The total deposits were categorized as follows:

| | Bank Balances | Certificates of Deposit | Total Deposits |
|---|---|---|---|
| Amount Insured | $ 6,224,536 | $ 11,869,181 | $ 18,093,717 |
| Amount Uninsured | 397,294 | 2,988 | 400,282 |
| | $ 6,621,830 | $ 11,872,169 | $ 18,493,999 |

A reconciliation of cash, cash equivalents and investments as shown on the Statement of Net Position is as follows:

| | |
|---|---|
| Cash on Hand | $ 1,300 |
| Investment Account Cash | 248,982 |
| Carrying Value of Deposits | 5,535,474 |
| Certificates of Deposit | 11,872,169 |
| U.S. Agency Securities | 500,000 |
| U.S. Treasury Securities | 21,343,484 |
| | $ 39,501,409 |

Fair value of assets measured on a recurring basis at December 31, 2017 are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Certificates of Deposit | $ 11,872,169 | $ 11,619,181 | $ 252,988 | |
| U.S. Agency Securities | 500,000 | - | 500,000 | |
| U.S Treasury Securities | 21,343,484 | - | 21,343,484 | |
| | $ 33,715,653 | $ 11,619,181 | $ 22,096,472 | |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Investment Ratings – Pension Trust Funds**

The holdings in the fixed income mutual funds were rated by Standard & Poors as having ratings of AAA to A. Ratings were not available for the equity mutual funds.

**Notes Receivable**

During the year, the District had two notes receivable, one in the Water Fund and the other to the Westbrook Wastewater Fund.

The Water Fund Note is due from the Town of Gorham. The Note has no interest and the terms require the Town to make annual payments to the District equal to the amount collected as part of a special impact fee. The Town will continue making these payments until the full amount due is paid. If the full amount has not been paid by June 2019, the Town will pay the remaining balance to the District.

The note receivable to the Westbrook Wastewater Fund is related to the purchase of assets by the Windham Wastewater Fund. The note was originated in 2008, has an average annual interest rate of 4.395% and has a 20 year term starting in 2008.

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 | Current | Non-Current |
|---|---|---|---|---|---|---|
| **Water Fund:** | | | | | | |
| Town of Gorham | $ 204,621 | $ - | $ (5,768) | **$ 198,853** | $ - | $ 198,853 |
| **Westbrook Wastewater Fund:** | | | | | | |
| Windham Wastewater Fund | 158,880 | - | (13,240) | **145,640** | 13,240 | 132,400 |
| **Total of all Notes** | $ 363,501 | $ - | $ (19,008) | **$ 344,493** | $ 13,240 | $ 331,253 |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Capital Assets**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Water Fund:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 3,264,440 | $ 427,410 | $ - | **$ 3,691,850** |
| Land Rights | 1,628,782 | - | - | **1,628,782** |
| Plant Acquisition Adjustment | 155,189 | - | (17,000) | **138,189** |
| Organization | 173,472 | - | - | **173,472** |
| Non-Utility Property | 103,935 | - | - | **103,935** |
| Franchises | 26,161 | - | - | **26,161** |
| Forestation of Land | 16,318 | - | - | **16,318** |
| Property Held for Future Use | 7,425 | - | - | **7,425** |
| | 5,375,722 | 427,410 | (17,000) | **5,786,132** |
| **Operating Property, being depreciated** | | | | |
| Distribution Mains | 160,916,714 | 8,139,373 | (55,579) | **169,000,508** |
| Services | 32,880,759 | 1,744,049 | - | **34,624,808** |
| Structures & Improvements | 28,902,440 | 88,018 | - | **28,990,458** |
| Water Treatment Equipment | 14,314,760 | 43,893 | - | **14,358,653** |
| Transmission Mains | 13,430,883 | - | - | **13,430,883** |
| Meters & Meter Installations | 11,768,295 | 460,229 | (100,154) | **12,128,370** |
| Reservoirs & Standpipes | 11,090,541 | - | - | **11,090,541** |
| Hydrants | 10,360,244 | 557,634 | (91,390) | **10,826,488** |
| Vehicles | 3,241,138 | 384,797 | (244,322) | **3,381,613** |
| Lake, River & Other Intakes | 2,363,460 | - | - | **2,363,460** |
| Communication Equipment | 1,266,485 | - | - | **1,266,485** |
| Pumping Equipment | 1,574,291 | 11,982 | - | **1,586,273** |
| Wells & Springs | 989,248 | - | - | **989,248** |
| Computer Equipment | 804,187 | 132,787 | - | **936,974** |
| Power Equipment | 832,009 | - | - | **832,009** |
| Office Furniture & Equipment | 603,059 | 14,345 | - | **617,404** |
| Shop Equipment | 288,562 | - | - | **288,562** |
| Garage Equipment | 232,652 | - | - | **232,652** |
| Radio Equipment | 184,313 | 141,877 | - | **326,190** |
| Laboratory Equipment | 113,415 | - | - | **113,415** |
| Stores Equipment | 59,161 | - | - | **59,161** |
| | 296,216,616 | 11,718,984 | (491,445) | **307,444,155** |
| **Total Operating Property** | $ 301,592,338 | $ 12,146,394 | $ (508,445) | **$ 313,230,287** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Water Fund (continued):** | | | | |
| **Less, accumulated depreciation for:** | | | | |
| Distribution Mains | $ 43,806,358 | $ 2,340,938 | $ (23,238) | **$ 46,124,058** |
| Services | 17,523,736 | 745,364 | - | **18,269,100** |
| Structures & Improvements | 13,357,966 | 612,307 | - | **13,970,273** |
| Transmission Mains | 6,926,666 | 153,441 | - | **7,080,107** |
| Reservoirs & Standpipes | 4,695,340 | 199,273 | - | **4,894,613** |
| Water Treatment Equipment | 3,679,495 | 427,697 | - | **4,107,192** |
| Hydrants | 3,641,678 | 212,260 | (48,686) | **3,805,252** |
| Meters | 4,108,716 | 479,936 | (40,634) | **4,548,018** |
| Vehicles | 2,126,736 | 258,951 | (238,216) | **2,147,471** |
| Intakes Suction Mains | 1,800,226 | 24,813 | - | **1,825,039** |
| Pumping Equipment | 1,431,558 | 19,352 | - | **1,450,910** |
| Communication Equipment | 1,075,350 | 40,957 | - | **1,116,307** |
| Power Equipment | 684,827 | 30,997 | - | **715,824** |
| Office Equipment | 529,660 | 60,835 | - | **590,495** |
| Shop Equipment | 261,691 | 1,738 | - | **263,429** |
| Computer Equipment | 184,740 | 56,045 | - | **240,785** |
| Garage Equipment | 231,339 | 7,576 | - | **238,915** |
| Wells & Springs | 166,588 | 19,643 | - | **186,231** |
| Radio Equipment | 139,042 | 14,118 | - | **153,160** |
| Laboratory Equipment | 87,692 | 3,430 | - | **91,122** |
| Stores Equipment | 40,746 | 995 | - | **41,741** |
| | 106,500,150 | 5,710,666 | (350,774) | **111,860,042** |
| Construction Work in Progress | 417,140 | 1,446,066 | (259,045) | **1,604,161** |
| Net Capital Assets | $195,509,328 | $ 7,881,794 | $ (416,716) | **$ 202,974,406** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Cape Elizabeth Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 130,048 | $ - | $ - | **$ 130,048** |
| Land Rights | 95,111 | - | - | **95,111** |
| | 225,159 | - | - | **225,159** |
| **Operating Property, being depreciated** | | | | |
| Interceptor Structures | 6,304,273 | - | - | **6,304,273** |
| Treatment Plant Equipment | 3,083,973 | - | (2,386) | **3,081,587** |
| Pumping Station Equipment | 2,689,982 | 35,843 | (3,822) | **2,722,003** |
| Treatment Plant Structures | 2,527,271 | 11,650 | - | **2,538,921** |
| Pumping Station Structures | 1,237,034 | - | - | **1,237,034** |
| General Equipment | 170,795 | 40 | - | **170,835** |
| Interceptor Equipment | 11,330 | - | - | **11,330** |
| Solids Handling Equipment | - | - | - | - |
| | 16,024,658 | 47,533 | (6,208) | **16,065,983** |
| **Total Operating Property** | 16,249,817 | 47,533 | (6,208) | **16,291,142** |
| **Less, accumulated depreciation for:** | | | | |
| Interceptor Structures | 3,868,856 | 126,166 | - | **3,995,022** |
| Treatment Plant Equipment | 2,214,117 | 172,740 | (1,193) | **2,385,664** |
| Pumping Station Equipment | 1,850,250 | 114,557 | (3,631) | **1,961,176** |
| Treatment Plant Structures | 1,747,479 | 50,592 | - | **1,798,071** |
| Pumping Station Structures | 884,004 | 21,369 | - | **905,373** |
| General Equipment | 72,964 | 14,859 | - | **87,823** |
| Interceptor Equipment | 1,106 | 147 | - | **1,253** |
| Solids Handling Equipment | - | - | - | - |
| | 10,638,776 | 500,430 | (4,824) | **11,134,382** |
| **Construction Work in Progress** | 18,471 | 184,292 | (12,812) | **189,951** |
| **Net Capital Assets** | $ 5,629,512 | $ (268,605) | $ (14,196) | **$ 5,346,711** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Cumberland Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 89,005 | $ - | $ - | **$ 89,005** |
| **Operating Property, being depreciated** | | | | |
| Interceptor Structures | 5,589,695 | - | - | **5,589,695** |
| Pumping Station Structures | 1,041,213 | - | - | **1,041,213** |
| Pumping Station Equipment | 942,593 | 35,765 | - | **978,358** |
| Treatment Plant Equipment | 47,416 | - | - | **47,416** |
| General Equipment | 41,881 | - | - | **41,881** |
| Interceptor Equipment | 213 | - | - | **213** |
| | 7,663,011 | 35,765 | - | **7,698,776** |
| **Total Operating Property** | 7,752,016 | 35,765 | - | **7,787,781** |
| **Less, accumulated depreciation for:** | | | | |
| Interceptor Structures | 3,388,554 | 111,794 | - | **3,500,348** |
| Pumping Station Structures | 739,364 | 14,450 | - | **753,814** |
| Pumping Station Equipment | 763,741 | 31,600 | - | **795,341** |
| Treatment Plant Equipment | 41,427 | 798 | - | **42,225** |
| General Equipment | 40,986 | 597 | - | **41,583** |
| Interceptor Equipment | 213 | - | - | **213** |
| Solids Handling Structures | - | - | - | - |
| | 4,974,285 | 159,239 | - | **5,133,524** |
| **Construction Work in Progress** | 24,928 | 58,791 | (24,928) | **58,791** |
| **Net Capital Assets** | $ 2,802,659 | $ (64,683) | $ (24,928) | **$ 2,713,048** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Falmouth Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ - | $ 10,527 | $ - | **$ 10,527** |
| **Operating Property, being depreciated** | | | | |
| Pumping Station Structures | - | 2,226,400 | - | **2,226,400** |
| Pumping Station Equipment | - | 1,242,600 | - | **1,242,600** |
| Interceptor Structures | - | 2,233,900 | - | **2,233,900** |
| | - | 5,702,900 | - | **5,702,900** |
| **Total Operating Property** | - | 5,713,427 | - | **5,713,427** |
| **Less, accumulated depreciation for:** | | | | |
| Pumping Station Structures | - | 22,264 | - | **22,264** |
| Pumping Station Equipment | - | 31,065 | - | **31,065** |
| Interceptor Structures | - | 22,339 | - | **22,339** |
| | - | 75,668 | - | **75,668** |
| **Construction Work in Progress** | 2,733,370 | - | (2,733,370) | - |
| **Net Capital Assets** | $ - | $ 5,637,759 | $ - | **$ 5,637,759** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Gorham Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 185,466 | $ - | $ - | **$ 185,466** |
| Land Rights | 157,770 | - | - | **157,770** |
| | 343,236 | - | - | **343,236** |
| **Operating Property, being depreciated** | | | | |
| Interceptor Structures | 11,495,137 | - | - | **11,495,137** |
| Pumping Station Structures | 1,966,330 | - | - | **1,966,330** |
| Pumping Station Equipment | 1,792,733 | 23,672 | (6,110) | **1,810,295** |
| Treatment Plant Structures | 1,014,980 | - | - | **1,014,980** |
| Treatment Plant Equipment | 954,163 | 3,995 | - | **958,158** |
| General Equipment | 42,992 | - | - | **42,992** |
| Solids Handling Equipment | 5,517 | - | - | **5,517** |
| | 17,271,852 | 27,667 | (6,110) | **17,293,409** |
| **Total Operating Property** | 17,615,088 | 27,667 | (6,110) | **17,636,645** |
| **Less, accumulated depreciation for:** | | | | |
| Interceptor Structures | 4,876,203 | 229,904 | - | **5,106,107** |
| Pumping Station Equipment | 1,190,570 | 86,077 | (6,110) | **1,270,537** |
| Treatment Plant Structures | 726,845 | 19,014 | - | **745,859** |
| Pumping Station Structures | 748,552 | 44,716 | - | **793,268** |
| Treatment Plant Equipment | 616,565 | 30,372 | - | **646,937** |
| General Equipment | 31,628 | 1,658 | - | **33,286** |
| Solids Handling Equipment | 5,426 | 90 | - | **5,516** |
| | 8,195,789 | 411,831 | (6,110) | **8,601,510** |
| **Construction Work in Progress** | 39,059 | 183,703 | (23,467) | **199,295** |
| **Net Capital Assets** | $ 9,458,358 | $ (200,461) | $ (23,467) | **$ 9,234,430** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Portland Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 199,555 | $ - | $ - | **$ 199,555** |
| Land Rights | 233,013 | - | - | **233,013** |
| | 432,568 | - | - | **432,568** |
| **Operating Property, being depreciated** | | | | |
| Treatment Plant Structures | 36,627,333 | 19,910 | - | **36,647,243** |
| Interceptor Structures | 28,115,458 | - | - | **28,115,458** |
| Treatment Plant Equipment | 19,339,252 | 6,926,106 | - | **26,265,358** |
| Pumping Station Structures | 9,579,721 | - | - | **9,579,721** |
| Pumping Station Equipment | 8,353,374 | 581,777 | (8,758) | **8,926,393** |
| Communications Equip.- Collectors | 655,872 | 98,001 | - | **753,873** |
| Storm Drains | 587,610 | - | - | **587,610** |
| Solids Handling Equipment | 348,479 | 49,316 | - | **397,795** |
| General Equipment | 255,855 | - | - | **255,855** |
| Interceptor Equipment | 63,080 | - | - | **63,080** |
| | 103,926,034 | 7,675,110 | (8,758) | **111,592,386** |
| **Total Operating Property** | 104,358,602 | 7,675,110 | (8,758) | **112,024,954** |
| **Less, accumulated depreciation for:** | | | | |
| Treatment Plant Structures | 22,313,105 | 743,159 | - | **23,056,264** |
| Interceptor Structures | 17,469,175 | 559,609 | - | **18,028,784** |
| Treatment Plant Equipment | 11,228,195 | 867,141 | - | **12,095,336** |
| Pumping Station Structures | 5,387,335 | 206,977 | - | **5,594,312** |
| Pumping Station Equipment | 4,740,512 | 366,221 | (8,759) | **5,097,974** |
| Communications Equip.- Collectors | 431,985 | 47,301 | - | **479,286** |
| Solids Handling Equipment | 262,622 | 5,874 | - | **268,496** |
| General Equipment | 234,543 | 7,923 | - | **242,466** |
| Storm Drains | 186,782 | 11,752 | - | **198,534** |
| Interceptor Equipment | 63,080 | - | - | **63,080** |
| | 62,317,334 | 2,815,957 | (8,759) | **65,124,532** |
| **Construction Work in Progress** | 5,858,674 | 504,756 | (5,742,331) | **621,099** |
| **Net Capital Assets** | $ 47,899,942 | $5,363,909 | $(5,742,330) | **$47,521,521** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Westbrook Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 162,263 | $ - | $ - | **$ 162,263** |
| Land Rights | 139,144 | - | - | **139,144** |
| | 301,407 | - | - | **301,407** |
| **Operating Property, being depreciated** | | | | |
| Treatment Plant Equipment | 4,822,888 | 8,639 | - | **4,831,527** |
| Pumping Station Structures | 4,272,896 | - | - | **4,272,896** |
| Treatment Plant Structures | 4,247,807 | - | - | **4,247,807** |
| Interceptor Structures | 3,774,830 | - | - | **3,774,830** |
| Pumping Station Equipment | 2,744,173 | - | - | **2,744,173** |
| General Equipment | 1,162,405 | - | - | **1,162,405** |
| Communications Equip - Collectors | 92,831 | 10,400 | - | **103,231** |
| Storm Drains | - | 748 | - | **748** |
| Solids Handling Equipment | 20,070 | - | - | **20,070** |
| | 21,137,900 | 19,787 | - | **21,157,687** |
| **Total Operating Property** | 21,439,307 | 19,787 | - | **21,459,094** |
| **Less, accumulated depreciation for:** | | | | |
| Treatment Plant Equipment | 3,852,566 | 91,160 | - | **3,943,726** |
| Treatment Plant Structures | 3,050,523 | 83,817 | - | **3,134,340** |
| Interceptor Structures | 2,699,237 | 75,051 | - | **2,774,288** |
| Pumping Station Structures | 2,044,225 | 98,749 | - | **2,142,974** |
| Pumping Station Equipment | 1,721,187 | 92,926 | - | **1,814,113** |
| General Equipment | 158,874 | 22,629 | - | **181,503** |
| Storm Drains | - | 5 | - | **5** |
| Solids Handling Equipment | 19,742 | 328 | - | **20,070** |
| Communications Equip - Collectors | 65,839 | 7,341 | - | **73,180** |
| | 13,612,193 | 472,006 | - | **14,084,199** |
| **Construction Work in Progress** | 102,158 | 453,394 | (68,443) | **487,109** |
| **Net Capital Assets** | $ 7,929,272 | $ 1,175 | $ (68,443) | **$ 7,862,004** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **Windham Wastewater:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land | $ 129,656 | $ - | $ - | **$ 129,656** |
| Land Rights | 13,296 | - | - | **13,296** |
| | 142,952 | - | - | **142,952** |
| **Operating Property, being depreciated** | | | | |
| Interceptor Structures | 1,723,016 | - | - | **1,723,016** |
| Pumping Station Structures | 459,745 | - | - | **459,745** |
| Pumping Station Equipment | 374,668 | - | - | **374,668** |
| Treatment Plant Equipment | 152,151 | 337 | - | **152,488** |
| Treatment Plant Structures | 140,485 | - | - | **140,485** |
| General Equipment | 13,311 | - | - | **13,311** |
| Solids Handling Equipment | 683 | - | - | **683** |
| | 2,864,059 | 337 | - | **2,864,396** |
| **Total Operating Property** | 3,007,011 | 337 | - | **3,007,348** |
| **Less, accumulated depreciation for:** | | | | |
| Interceptor Structures | 411,904 | 34,460 | - | **446,364** |
| Pumping Station Equipment | 276,541 | 26,732 | - | **303,273** |
| Pumping Station Structures | 129,674 | 10,819 | - | **140,493** |
| Treatment Plant Equipment | 118,929 | 3,099 | - | **122,028** |
| Treatment Plant Structures | 100,833 | 2,745 | - | **103,578** |
| General Equipment | 6,883 | 569 | - | **7,452** |
| Solids Handling Equipment | 672 | 11 | - | **683** |
| | 1,045,436 | 78,435 | - | **1,123,871** |
| **Construction Work in Progress** | 1,826 | 43,151 | (510) | **44,467** |
| **Net Capital Assets** | $ 1,963,401 | $ (34,947) | $ (510) | **$ 1,927,944** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **All Funds Combined:** | | | | |
| **Operating Property, not being depreciated** | | | | |
| Land (Water) | $ 3,264,440 | $ 427,410 | $ - | **$ 3,691,850** |
| Land Rights (Water) | 1,628,782 | - | - | **1,628,782** |
| Land (Wastewater) | 895,993 | 10,527 | - | **906,520** |
| Land Rights (Wastewater) | 638,334 | - | - | **638,334** |
| Plant Acquisition Adjustment | 155,189 | - | (17,000) | **138,189** |
| Organization | 173,472 | - | - | **173,472** |
| Non-Utility Property | 103,935 | - | - | **103,935** |
| Franchises | 26,161 | - | - | **26,161** |
| Forestation of Land | 16,318 | - | - | **16,318** |
| Property Held for Future Use | 7,425 | - | - | **7,425** |
| | 6,910,049 | 437,937 | (17,000) | **7,330,986** |
| **Operating Property, being depreciated** | | | | |
| Distribution Mains | 160,916,714 | 8,139,373 | (55,579) | **169,000,508** |
| Interceptor Structures | 57,002,409 | 2,233,900 | - | **59,236,309** |
| Treatment Plant Structures | 44,557,876 | 31,560 | - | **44,589,436** |
| Services | 32,880,759 | 1,744,049 | - | **34,624,808** |
| Structures & Improvements | 28,902,440 | 88,018 | - | **28,990,458** |
| Treatment Plant Equipment | 28,399,843 | 6,939,077 | (2,386) | **35,336,534** |
| Pumping Station Structures | 18,556,939 | 2,226,400 | - | **20,783,339** |
| Pumping Station Equipment | 16,897,523 | 1,919,657 | (18,690) | **18,798,490** |
| Water Treatment Equipment | 14,314,760 | 43,893 | - | **14,358,653** |
| Transmission Mains | 13,430,883 | - | - | **13,430,883** |
| Meters & Meter Installations | 11,768,295 | 460,229 | (100,154) | **12,128,370** |
| Reservoirs & Standpipes | 11,090,541 | - | - | **11,090,541** |
| Hydrants | 10,360,244 | 557,634 | (91,390) | **10,826,488** |
| Vehicles | 3,241,138 | 384,797 | (244,322) | **3,381,613** |
| Lake, River & Other Intakes | 2,363,460 | - | - | **2,363,460** |
| Communication Equipment | 1,266,485 | - | - | **1,266,485** |
| Pumping Equipment | 1,574,291 | 11,982 | - | **1,586,273** |
| General Equipment | 1,687,239 | 40 | - | **1,687,279** |
| Wells & Springs | 989,248 | - | - | **989,248** |
| Computer Equipment | 804,187 | 132,787 | - | **936,974** |
| Power Equipment | 832,009 | - | - | **832,009** |
| Communications Equip.- Collectors | 748,703 | 108,401 | - | **857,104** |
| Office Furniture & Equipment | 603,059 | 14,345 | - | **617,404** |
| Storm Drains | 587,610 | 748 | - | **588,358** |
| Shop Equipment | 288,562 | - | - | **288,562** |
| Solids Handling Equipment | 374,749 | 49,316 | - | **424,065** |
| Garage Equipment | 232,652 | - | - | **232,652** |
| Radio Equipment | 184,313 | 141,877 | - | **326,190** |
| Laboratory Equipment | 113,415 | - | - | **113,415** |
| Interceptor Equipment | 74,623 | - | - | **74,623** |
| Stores Equipment | 59,161 | - | - | **59,161** |
| | 465,104,130 | 25,228,083 | (512,521) | **489,819,692** |
| **Total Operating Property** | $472,014,179 | $ 25,666,020 | $ (529,521) | **$ 497,150,678** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Capital Assets – Continued**

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 |
|---|---|---|---|---|
| **All Funds Combined (continued):** | | | | |
| **Less, accumulated depreciation for:** | | | | |
| Distribution Mains | $ 43,806,358 | $ 2,340,938 | $ (23,238) | **$ 46,124,058** |
| Interceptor Structures | 32,713,929 | 1,159,323 | - | **33,873,252** |
| Treatment Plant Structures | 27,938,785 | 899,327 | - | **28,838,112** |
| Treatment Plant Equipment | 18,071,799 | 1,165,310 | (1,193) | **19,235,916** |
| Services | 17,523,736 | 745,364 | - | **18,269,100** |
| Structures & Improvements | 13,357,966 | 612,307 | - | **13,970,273** |
| Pumping Station Equipment | 10,542,801 | 749,178 | (18,500) | **11,273,479** |
| Pumping Station Structures | 9,933,154 | 419,344 | - | **10,352,498** |
| Transmission Mains | 6,926,666 | 153,441 | - | **7,080,107** |
| Reservoirs & Standpipes | 4,695,340 | 199,273 | - | **4,894,613** |
| Water Treatment Equipment | 3,679,495 | 427,697 | - | **4,107,192** |
| Hydrants | 3,641,678 | 212,260 | (48,686) | **3,805,252** |
| Meters & Meter Installations | 4,108,716 | 479,936 | (40,634) | **4,548,018** |
| Vehicles | 2,126,736 | 258,951 | (238,216) | **2,147,471** |
| Lake, River & Other Intakes | 1,800,226 | 24,813 | - | **1,825,039** |
| Pumping Equipment | 1,431,558 | 19,352 | - | **1,450,910** |
| Communication Equipment | 1,075,350 | 40,957 | - | **1,116,307** |
| Power Equipment | 684,827 | 30,997 | - | **715,824** |
| Office Furniture & Equipment | 529,660 | 60,835 | - | **590,495** |
| General Equipment | 545,878 | 48,235 | - | **594,113** |
| Communications Equip.- Collectors | 497,824 | 54,642 | - | **552,466** |
| Solids Handling Equipment | 288,462 | 6,303 | - | **294,765** |
| Shop Equipment | 261,691 | 1,738 | - | **263,429** |
| Computer Equipment | 184,740 | 56,045 | - | **240,785** |
| Garage Equipment | 231,339 | 7,576 | - | **238,915** |
| Wells & Springs | 166,588 | 19,643 | - | **186,231** |
| Radio Equipment | 139,042 | 14,118 | - | **153,160** |
| Laboratory Equipment | 87,692 | 3,430 | - | **91,122** |
| Storm Drains | 186,782 | 11,757 | - | **198,539** |
| Stores Equipment | 40,746 | 995 | - | **41,741** |
| Interceptor Equipment | 64,399 | 147 | - | **64,546** |
| Solids Handling Structures | - | - | - | - |
| | 207,283,963 | 10,224,232 | (370,467) | **217,137,728** |
| **Construction Work in Progress** | 9,195,626 | 2,874,153 | (8,864,906) | **3,204,873** |
| **Net Capital Assets** | $ 273,925,842 | $ 18,315,941 | $ (9,023,960) | **$ 283,217,823** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Capital Assets – Continued**

Depreciation expense was charged to the District's functions/funds as noted below. Please note that $730,000 in the Water Fund was allocated as part of operating expense.

| | Charged | Allocated | Net |
|---|---|---|---|
| Water | $ 5,710,666 | $ (730,000) | $ 4,980,666 |
| Wastewater Funds: | | | |
| Cape Elizabeth | 500,430 | - | 500,430 |
| Cumberland | 159,239 | - | 159,239 |
| Falmouth | 75,668 | - | 75,668 |
| Gorham | 411,831 | - | 411,831 |
| Portland | 2,815,957 | - | 2,815,957 |
| Westbrook | 472,006 | - | 472,006 |
| Windham | 78,435 | - | 78,435 |
| Total | $ 10,224,232 | $ (730,000) | $ 9,494,232 |

**Long-Term Debt**

The following is a summary of changes in non-current liabilities, including current portions reported in the Statement of Net Position:

General Revenue bonds:

| Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 | Current | Non-Current |
|---|---|---|---|---|---|
| $ 83,744,412 | $ 8,767,000 | $ (6,503,829) | **$ 86,007,583** | $ 6,896,888 | $ 79,110,695 |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED**

**Long-Term Debt – Continued**

Long-term debt outstanding as of December 31, 2017, consisted of the following general revenue bonds:

**Water Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Oct-05 | $ 900,000 | 2025 | 3.00% to 5.00% | $ 360,000 | | |
| Oct-06 | 1,500,000 | 2026 | 3.00% to 6.00% | 675,000 | | |
| Oct-08 | 1,500,000 | 2028 | 2.075% to 5.575% | 825,000 | | |
| Apr-09 | 1,598,500 | 2028 | 1.050% | 879,175 | | |
| May-09 | 4,700,000 | 2029 | 2.080% to 5.580% | 2,820,000 | | |
| Aug-09 | 2,991,066 | 2029 | 0% | 1,794,640 | | |
| Aug-09 | 163,953 | 2029 | 0% | 98,372 | | |
| May-10 | 400,000 | 2030 | 2.060% to 5.746% | 325,000 | | |
| Nov-10 | 902,500 | 2030 | 1.00% | 586,625 | | |
| Oct-11 | 2,300,000 | 2031 | 0.5% to 5.5% | 1,610,000 | | |
| May-12 | 1,130,000 | 2032 | 1.00% | 847,500 | | |
| Oct-12 | 2,000,000 | 2032 | 1.480% to 3.706% | 1,500,000 | | |
| May-13 | 2,850,000 | 2032 | 1.00% | 2,250,000 | | |
| May-13 | 1,428,000 | 2033 | .600% to 3.700% | 1,142,400 | | |
| Nov-13 | 8,000,000 | 2034 | 2.00% to 4.25% | 6,800,000 | | |
| Nov-13 | 1,072,000 | 2033 | 1.07% | 857,600 | | |
| Jun-14 | 2,541,000 | 2034 | 2.70% | 2,150,000 | | |
| Jun-14 | 2,000,000 | 2024 | 2.70% | 1,400,000 | | |
| May-15 | 459,000 | 2034 | 0.15% | 391,024 | | |
| Jun-15 | 2,000,000 | 2025 | 3.00% | 1,600,000 | | |
| Jun-15 | 3,730,000 | 2035 | 3.00% | 3,350,000 | | |
| Dec-15 | 270,000 | 2035 | 1.00% | 243,000 | | |
| Jun-16 | 385,000 | 2036 | 3.0 to 4.0% | 365,000 | | |
| Jun-16 | 1,830,000 | 2026 | 3.0 to 4.0% | 1,645,000 | | |
| Jun-16 | 1,830,000 | 2036 | 3.0 to 4.0% | 1,735,000 | | |
| Jun-16 | 4,955,000 | 2036 | 3.0 to 4.0% | 4,915,000 | | |
| Sep-16 | 1,158,979 | 2036 | 1.00% | 1,106,344 | | |
| Sep-16 | 566,362 | 2036 | 1.00% | 540,640 | | |
| Jul-17 | 3,725,000 | 2037 | 3.0 to 5.0% | 3,725,000 | | |
| Jul-17 | 1,875,000 | 2027 | 3.0 to 5.0% | 1,875,000 | | |
| | | | | $48,412,320 | $3,759,669 | $44,652,651 |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Long-Term Debt – Continued**

**Cape Elizabeth Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Oct-08 | $ 95,000 | 2028 | 2.075% to 5.575% | $ 52,250 | | |
| Dec-11 | 2,430,000 | 2031 | 1.00% | 1,701,000 | | |
| Oct-12 | 160,000 | 2032 | 1.480% to 3.706% | 120,000 | | |
| May-15 | 240,000 | 2035 | 0.35 to3.89% | 216,000 | | |
| May-17 | 315,000 | 2037 | 1.3 to 3.9% | 315,000 | | |
| Nov-17 | 72,000 | 2037 | 1.4 to 4.1% | 72,000 | | |
| | | | | $ 2,476,250 | $ 165,600 | $ 2,310,650 |

**Cumberland Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Dec-06 | $ 125,000 | 2026 | 1.42% | $ 56,250 | $ 6,250 | $ 50,000 |

**Falmouth Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| May-16 | $ 4,000,000 | 2036 | 1.00% | $ 3,800,000 | | |
| Mar-17 | $760,000 | 2037 | 1.00% | 760,000 | | |
| | | | | $ 4,560,000 | $ 238,000 | $ 4,322,000 |

**Gorham Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Apr-03 | $ 78,120 | 2022 | 1.80% | $ 18,994 | | |
| Nov-03 | 73,185 | 2023 | 2.10% | 21,802 | | |
| Dec-05 | 252,000 | 2025 | 1.63% | 100,800 | | |
| May-08 | 50,400 | 2028 | 2.00% to 5.50% | 27,720 | | |
| Oct-08 | 474,672 | 2029 | 2.075% to 5.575% | 284,803 | | |
| Jan-09 | 4,258,208 | 2028 | 1.44% | 2,365,671 | | |
| Feb-09 | 253,475 | 2028 | 1.00% | 139,411 | | |
| May-09 | 233,954 | 2029 | 2.080% to 5.580% | 140,373 | | |
| Nov-10 | 52,360 | 2030 | 1.00% | 34,034 | | |
| | | | | $ 3,133,608 | $ 288,469 | $ 2,845,139 |

## NOTES TO FINANCIAL STATEMENTS

## December 31, 2017

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### Long-Term Debt – Continued

**Portland Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Oct-01 | $ 2,785,000 | 2021 | 2.10% | $ 557,000 | | |
| Nov-01 | 1,250,000 | 2021 | 2.10% | 250,000 | | |
| Apr-03 | 1,615,500 | 2020 | 1.66% | 264,511 | | |
| Apr-03 | 5,200,000 | 2022 | 1.80% | 1,264,301 | | |
| Nov-03 | 1,230,000 | 2023 | 2.11% | 360,850 | | |
| Nov-03 | 2,000,000 | 2023 | 2.11% | 598,722 | | |
| Dec-04 | 2,115,000 | 2024 | 1.33% | 740,250 | | |
| Dec-05 | 1,900,000 | 2025 | 1.63% | 760,000 | | |
| Apr-09 | 5,700,000 | 2028 | 1.470% | 3,090,934 | | |
| Nov-10 | 752,200 | 2030 | 1.00% | 488,930 | | |
| Nov-11 | 400,000 | 2031 | 0.5% to 5.5% | 280,000 | | |
| Nov-13 | 3,000,000 | 2033 | 3.00% to 4.00% | 2,400,000 | | |
| Dec-15 | 2,000,000 | 2035 | 1.00% | 1,800,000 | | |
| Jun-16 | 7,000,000 | 2036 | 1.00% | 6,650,000 | | |
| Jun-16 | 1,200,000 | 2036 | 1.00% | 1,140,000 | | |
| May-17 | 1,900,000 | 2037 | 1.00% | 1,895,000 | | |
| | | | | $ 22,540,498 | $ 2,011,845 | $ 20,528,653 |

**Westbrook Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Apr-03 | $ 284,208 | 2022 | 1.80% | $ 69,101 | | |
| Nov-03 | 266,254 | 2023 | 2.10% | 79,317 | | |
| Dec-05 | 1,316,800 | 2025 | 1.63% | 526,720 | | |
| May-08 | 183,360 | 2028 | 2.00% to 5.50% | 100,848 | | |
| Oct-08 | 2,384,641 | 2029 | 2.075% to 5.575% | 1,430,785 | | |
| Feb-09 | 974,925 | 2028 | 1.00% | 536,209 | | |
| Nov-10 | 113,220 | 2030 | 1.00% | 73,593 | | |
| Dec-15 | 1,000,000 | 2035 | 1.00% | 900,000 | | |
| | | | | $ 3,716,573 | $ 326,170 | $ 3,390,403 |

**Windham Wastewater Fund:**

| Issue Date | Original Amount | Maturities Through | Interest Rate Range | Amount | Current | Non-Current |
|---|---|---|---|---|---|---|
| Apr-03 | $9,672 | 2022 | 1.80% | $2,352 | | |
| Nov-03 | 9,061 | 2023 | 2.10% | 2,699 | | |
| Dec-05 | 31,200 | 2025 | 1.63% | 12,480 | | |
| May-08 | 6,240 | 2028 | 2.00% to 5.50% | 3,432 | | |
| Oct-08 | 40,687 | 2029 | 2.075% to 5.575% | 24,412 | | |
| Jan-09 | 1,681,792 | 2028 | 1.44% | 934,329 | | |
| Feb-09 | 21,600 | 2028 | 1.00% | 11,880 | | |
| May-09 | 196,046 | 2029 | 2.080% to 5.580% | 117,627 | | |
| Nov-10 | 4,420 | 2030 | 1.00% to 1.5789% | 2,873 | | |
| | | | | $ 1,112,084 | $ 100,885 | $ 1,011,199 |

| | |
|---|---|
| **Total Long-Term Debt** | **$ 86,007,583** |
| **Less Current Portion** | **6,896,888** |
| **Total Long-Term Portion of Debt** | **$ 79,110,695** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Long-Term Debt – Continued**

The municipalities comprising the District have ratified a resolution to levy taxes in the event of default by the District on either principal or interest payments of its water system debt.

The municipalities that have wastewater systems pay for the debt service through assessments made on them by the District. The debt of the wastewater system is also backed by the good faith and credit of each of the municipalities.

**Deferred Outflow – Bond Refunding**

During 2016, the District refunded $5,160,000 in bonds in the Water Fund and incurred a $247,093 loss on the refunding. The loss was recorded as a Deferred Outflow and will be amortized for the remaining life of the original bonds:

| | Beginning Balance | Reduction | Ending Balance |
|---|---|---|---|
| 2017 | $ 224,700 | $ (44,700) | $ 180,000 |
| 2018 | 180,000 | (39,600) | 140,400 |
| 2019 | 140,400 | (34,700) | 105,700 |
| 2020 | 105,700 | (29,800) | 75,900 |
| 2021 | 75,900 | (24,800) | 51,100 |
| 2022 | 51,100 | (20,000) | 31,100 |
| 2023 | 31,100 | (15,100) | 16,000 |
| 2024 | 16,000 | (10,100) | 5,900 |
| 2025 | 5,900 | (5,400) | 500 |
| 2026 | 500 | (500) | - |
| | | $ (224,700) | |

## NOTES TO FINANCIAL STATEMENTS

## December 31, 2017

## NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

### Long-Term Debt – Continued

**Principal Payments Due:**

| | | WASTEWATER SYSTEMS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Water | Cape Elizabeth | Cumberland | Falmouth | Gorham | Portland | Westbrook | Windham | Total |
| 2018 | $ 3,759,669 | $ 165,600 | $ 6,250 | $ 238,000 | $ 288,469 | $ 2,011,845 | $ 326,170 | $ 100,885 | $ 6,896,888 |
| 2019 | 3,725,494 | 165,600 | 6,250 | 238,000 | 288,458 | 2,009,226 | 326,128 | 100,884 | 6,860,040 |
| 2020 | 3,736,327 | 165,600 | 6,250 | 238,000 | 288,366 | 2,000,757 | 325,795 | 100,873 | 6,861,968 |
| 2021 | 3,752,167 | 165,600 | 6,250 | 238,000 | 288,255 | 1,908,008 | 325,389 | 100,859 | 6,784,528 |
| 2022 | 3,718,020 | 165,600 | 6,250 | 238,000 | 288,189 | 1,703,050 | 325,151 | 100,851 | 6,545,111 |
| 2023-2027 | 16,758,125 | 828,000 | 25,000 | 1,190,000 | 1,382,899 | 6,146,155 | 1,374,579 | 497,066 | 28,201,824 |
| 2028-2032 | 9,422,429 | 687,500 | - | 1,190,000 | 308,972 | 4,272,509 | 563,361 | 110,666 | 16,555,437 |
| 2033-2037 | 3,540,089 | 132,750 | - | 990,000 | - | 2,488,948 | 150,000 | - | 7,301,787 |
| | $ 48,412,320 | $ 2,476,250 | $ 56,250 | $ 4,560,000 | $ 3,133,608 | $ 22,540,498 | $ 3,716,573 | $ 1,112,084 | $ 86,007,583 |

**Interest Due:**

| | | WASTEWATER SYSTEMS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Water | Cape Elizabeth | Cumberland | Falmouth | Gorham | Portland | Westbrook | Windham | Total |
| 2018 | $ 1,428,162 | $ 40,155 | $ 799 | $ 45,410 | $ 58,601 | $ 334,133 | $ 98,489 | $ 20,045 | $ 2,025,794 |
| 2019 | 1,314,801 | 38,283 | 710 | 43,030 | 53,635 | 300,254 | 92,494 | 18,151 | 1,861,358 |
| 2020 | 1,094,430 | 36,289 | 621 | 40,650 | 44,073 | 270,803 | 84,561 | 12,707 | 1,584,134 |
| 2021 | 997,004 | 34,108 | 533 | 38,270 | 38,906 | 241,854 | 75,479 | 11,070 | 1,437,224 |
| 2022 | 960,373 | 31,845 | 444 | 35,890 | 37,281 | 214,293 | 65,975 | 12,478 | 1,358,579 |
| 2023-2027 | 3,232,032 | 122,942 | 887 | 143,750 | 104,907 | 761,584 | 189,517 | 35,285 | 4,590,904 |
| 2028-2032 | 1,314,390 | 58,929 | - | 84,250 | 4,986 | 341,795 | 23,837 | 1,386 | 1,829,573 |
| 2033-2037 | 245,480 | 14,076 | - | 24,750 | - | 62,973 | 3,000 | - | 350,279 |
| | $ 10,586,672 | $ 376,627 | $ 3,994 | $ 456,000 | $ 342,389 | $ 2,527,689 | $ 633,352 | $ 111,122 | $ 15,037,845 |

**Total Debt Service Due:**

| | | WASTEWATER SYSTEMS | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Water | Cape Elizabeth | Cumberland | Falmouth | Gorham | Portland | Westbrook | Windham | Total |
| 2018 | $ 5,187,831 | $ 205,755 | $ 7,049 | $ 283,410 | $ 347,070 | $ 2,345,978 | $ 424,659 | $ 120,930 | $ 8,922,682 |
| 2019 | 5,040,295 | 203,883 | 6,960 | 281,030 | 342,093 | 2,309,480 | 418,622 | 119,035 | 8,721,398 |
| 2020 | 4,830,757 | 201,889 | 6,871 | 278,650 | 332,439 | 2,271,560 | 410,356 | 113,580 | 8,446,102 |
| 2021 | 4,749,171 | 199,708 | 6,783 | 276,270 | 327,161 | 2,149,862 | 400,868 | 111,929 | 8,221,752 |
| 2022 | 4,678,393 | 197,445 | 6,694 | 273,890 | 325,470 | 1,917,343 | 391,126 | 113,329 | 7,903,690 |
| 2023-2027 | 19,990,157 | 950,942 | 25,887 | 1,333,750 | 1,487,806 | 6,907,739 | 1,564,096 | 532,351 | 32,792,728 |
| 2028-2032 | 10,736,819 | 746,429 | - | 1,274,250 | 313,958 | 4,614,304 | 587,198 | 112,052 | 18,385,010 |
| 2033-2037 | 3,785,569 | 146,826 | - | 1,014,750 | - | 2,551,921 | 153,000 | - | 7,652,066 |
| | $ 58,998,992 | $ 2,852,877 | $ 60,244 | $ 5,016,000 | $ 3,475,997 | $ 25,068,187 | $ 4,349,925 | $ 1,223,206 | $ 101,045,428 |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

**Notes Payable**

The Windham Wastewater fund has one note payable. That note payable is related to the purchase of assets from the Westbrook Wastewater Fund. The note was originated in 2008, has an average annual interest rate of 4.395% and has a 20-year term.

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 | Current | Non-Current |
|---|---|---|---|---|---|---|
| **Windham Wastewater Fund:** | | | | | | |
| 2008 Note | $ 158,880 | $ - | $ (13,240) | **$ 145,640** | $ 13,240 | $ 132,400 |
| | $ 158,880 | $ - | $ (13,240) | **$ 145,640** | $ 13,240 | $ 132,400 |

The annual debt service requirements to amortize notes payable are as follows:

| Years Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 13,240 | $ 6,401 | $ 19,641 |
| 2019 | 13,240 | 5,819 | 19,059 |
| 2020 | 13,240 | 5,237 | 18,477 |
| 2021 | 13,240 | 4,655 | 17,895 |
| 2022 | 13,240 | 4,073 | 17,313 |
| 2023-2027 | 66,200 | 11,638 | 77,838 |
| 2028-2032 | 13,240 | 582 | 13,822 |
| | $ 145,640 | $ 38,405 | $ 184,045 |

**Compensated Absences**

District employees can be paid out up to 400 hours of sick time upon retirement. The actuary hired by the District determined the value of that liability. The current portion of that liability is equal to the liability of the employees who would be eligible to retire through the end of the next year.

District employees earn vacation time based on their years of service. The liability for vacation time is equal to the sum of all employees' vacation hours times their rate of pay. The current portion is equal to the vacation time they are expected to take in the next year.

| | Dec 31, 2016 | Increases | Decreases | Dec 31, 2017 | Current | Non-Current |
|---|---|---|---|---|---|---|
| Sick | $ 848,287 | $ 125,270 | $ (69,972) | **$ 903,585** | $ 236,402 | $ 667,183 |
| Vacation | 666,433 | 714,421 | (724,294) | **656,560** | 494,527 | 162,033 |
| | $ 1,514,720 | $ 839,691 | $ (794,266) | **$ 1,560,145** | $ 730,929 | $ 829,216 |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION**

**Risk Management**

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the District carries commercial insurance. There have been no significant reductions in the commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

**Commitments and Contingencies**

At December 31, 2017, the District was committed on signed, but incomplete, construction and other contracts with a remaining balance of $2,880,986, which is broken down by funds as follows:

| | |
|---|---|
| Water Fund | $2,630,375 |
| Portland Wastewater | $60,477 |
| Westbrook Wastewater | $190,134 |

Water Fund - Commitments and Contingencies:

In April 2017 the District's Board of Trustees authorized the issuance of bonds for up to $2.0 million for the construction of the Wards Hill water pump station. Subsequently, a 20-year bond for $2.0 million was issued on March 5, 2018. The total debt service on that bond will be $2,207,220.

Cumberland Wastewater - Commitments and Contingencies:

The Town of Falmouth provides wastewater treatment services to the Cumberland Wastewater fund. In 2007, the Town issued a 20-year bond to finance an upgrade at their treatment plant. The District agreed the Cumberland fund would pay 30% of the debt service payments. As of December 31, 2017, the total remaining debt payments to be paid by the Cumberland fund were $1,271,611.

The Falmouth Wastewater fund has issued two bonds, $4.0 million in 2016 and $0.76 million in 2017, for the replacement/upgrade of the Mill Creek wastewater pump station and force main. The Cumberland Wastewater fund agreed to pay 43.7% of the debt service payments. As of December 31, 2017, the total remaining debt payments for the Cumberland fund through 2037 were $2,301,592.

Portland Wastewater - Commitments and Contingencies:

In September 2017 the District's Board of Trustees authorized the issuance of up to $500,000 in bonds for upgrades to the Northeast wastewater pump station. The bond is estimated to be issued at the end of May 2018; the total debt service on the bond will be $691,342.

Westbrook, Gorham & Windham Wastewater – Commitments and Contingencies:

In July 2017 the District's Board of Trustees authorized the issuance of bonds for up to $1.0 million for upgrade of the sludge dewatering system and related infrastructure at the Westbrook Regional Wastewater Treatment facility. This facility services parts of Westbrook, Gorham and Windham. Subsequently, a 20-year bond for $1.0 million was issued on March 5, 2018. The total debt service on that bond will be $1,167,221.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Commitments and Contingencies - Continued**

Wastewater Funds - Commitments and Contingencies:

The Department of Environmental Protection and Environmental Protection Agency, local municipalities, and the District have entered into agreements to abate combined sewer overflows and wet weather overflows in the respective Cities of Portland and Westbrook and the Town of Cape Elizabeth and the City of South Portland. Since the District operates the interception and treatment facilities and the municipalities operate the collection systems, the municipality and the District have responsibility to complete certain projects under the agreements. Periodically, the plans are reviewed and updated based on the impact of completion of prior projects. As to each municipality:

- The City of Portland submitted an updated plan in 2011. This 15-year plan was estimated to cost $167 million, including approximately $45 million of projects to be completed by the District towards the end of the plan. These plans are updated every year and the City of Portland is expected to submit an updated Long Term Control Plan in December 2018.
- The City of Westbrook and the District submitted an updated plan in December 2014 for the next 5 years. The plan is currently estimated to cost $22 million and calls for District capital costs of $5.7 million from 2015 to 2019. The City of Westbrook is a co-permitee on the District's permit and is now directly responsible for their projects, which are identified in the permit.
- The Town of Cape Elizabeth, the City of South Portland and the District submitted a draft plan for the Ottawa Road CSO in 2011. Because the combined sewer overflow is impacted by flow from the City of South Portland, the City of South Portland is also a party to the agreement. The five-year plan is expected to cost $2,362,000, with the bulk of that cost being the responsibility of the Town of Cape Elizabeth and City of South Portland.

In 2006, the District entered into a biosolids management agreement with New England Organics (now Casella Organics). Casella agreed to provide for the transportation and processing of wastewater treatment plant residual called biosolids for a period of five years from the contract date and was extended for five more years in 2010. In April 2015, the District and Casella agreed to an addition five year extension for service until the end of 2020. In addition, there are two additional five-year mutual extension options. It is estimated that payments of approximately $1,504,698 will be made to Casella in 2018.

All Funds - Commitments and Contingencies:

The District has contracts with Constellation NewEnergy to provide electricity. Contracts are in place through the end of 2019 for Water and Portland Wastewater Treatment plants and India Street Pump station accounts. Rates vary based on the season and time of day with a range between 2.4 and 9.1 cents per kilowatt. Contracts for all other accounts are fixed through November 2018 with price of 7.79 cents per kilowatt in 2018. The estimated cost of electricity in 2018 is $982,415.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Trustee Held Funds**

The District participates in the State of Maine's revolving loan fund program. The program administrators retained the bond proceeds until the District expended the funds and requested reimbursement. During 2017, the District issued permanent financing in the Falmouth and Portland Wastewater funds. Overall, Trustee Held Funds declined due to funds received relating to both the 2016 and 2017 debt issues.

| | Dec. 31, 2016 | Increases | Decreases | Dec. 31, 2017 |
|---|---|---|---|---|
| Water Fund | $ 162,823 | $ - | $ (152,894) | **$ 9,929** |
| Falmouth Wastewater | 1,654,881 | 880,000 | (2,383,892) | **150,989** |
| Portland Wastewater | 716,298 | 1,900,000 | (1,978,789) | **637,509** |
| Total | $ 2,534,002 | $ 2,780,000 | $ (4,515,575) | **$ 798,427** |

**Pension Plans**

Plan Descriptions: Portland Water District administers the District's non-bargaining unit and bargaining unit employees' pension plans. Both are single-employer defined benefit pension plans. No employee contributions are required by the plans. Management of the plans is vested in the Portland Water District Board. Membership in the respective plans is as follows:

| | As of July 1, 2016 | | As of May 1, 2017 | |
|---|---|---|---|---|
| | Bargaining Unit | Non-Bargaining Unit | Bargaining Unit | Non-Bargaining Unit |
| Active employees included in plan | 82 | 32 | 75 | 28 |
| Retired employees and beneficiaries | 75 | 42 | 82 | 44 |
| Terminated employees with vested rights | 33 | 13 | 46 | 14 |
| | 190 | 87 | 203 | 86 |

The pension plan does not issue a stand-alone financial report.

Eligibility for each plan requires the participants to be eighteen years of age and to have fulfilled five years of continuous service. Union members and nonunion members are respectively eligible for the bargaining unit employees' pension plan or the non-bargaining unit plan. The assets of each plan are legally restricted for the payment of benefits for only members of their respective plan.

As of December 31, 2010 and December 31, 2011, the Trustees of the District elected to freeze eligibility for newly hired bargaining unit and non-bargaining unit participants, respectively. Those individuals will now receive a contribution to the deferred compensation plan (see Deferred Compensation Plan). Employees hired previously to those dates who transfer between units are required to participate in the deferred compensation plan unless they make a one-time irrevocable decision to continue participation in the defined benefit plan.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Pension Plans - Continued**

In both plans, members are partially vested after five years and fully vested after seven years of continuous service. Participants who retire at or after age sixty-five with seven or more years of credited service are entitled to an annual retirement benefit payable monthly for life as follows:

Non-Bargaining Unit Participants**:** The annual benefit is equal to 1% of the average of the employees three highest annual earnings times the number of total years of service up to forty five years plus up to 0.6% of average annual earnings in excess of covered compensation times credited service up to thirty-five years.

Bargaining Unit Participants: Effective November 7, 2016, the monthly pension benefit is computed based on a $36.75 rate for pay grades A through E and a $37.75 rate for employees in pay grades F through L. Those dollars are multiplied by the number of creditable years of continuous service with Portland Water District, to a maximum of forty-five years. The maximum monthly benefit is $1,653.75 for employees in pay grades A through E and $1,698.75 for employees in pay grades F through L.

Both plans allow early retirement at a reduced rate for those participants who have not reached the age of sixty-two and have not fulfilled thirty years of service. The full retirement benefit may be received at age sixty-two with thirty or more years of continuous service. Survivor benefits are available with restrictions.

Benefits payable may be increased annually, at the discretion of the Board of Trustees, up to the 50% of the consumer price index or 5%, whichever is lower. The authority to establish and amend benefit provisions for both plans rests with the Board of Trustees of the District. A stand-alone report is not issued for either of the plans. The assets in the plans' pension funds are presented as fiduciary funds on the accompanying financial statements.

Administrative Expenses: All administrative expenses are paid by the District and allocated to the individual funds. Such expenses were $114,397 for the year ended December 31, 2017.

Funding Policy: The District's policy is to contribute at least the actuarially determined contribution to the plans or $1,000,000, whichever is higher. No employee contributions are required by the plans. The District's Board authorizes the specific contribution annually. For the year ended December 31, 2017, a total contribution of $1,583,014 was made with a contribution of $870,877 and $712,137 to the bargaining and non-bargaining units, respectively. The contributions represented 22.8% and 31.8% of the respective plan's covered compensation.

Net Pension Liability: The liability as of December 31, 2017 is based an actuarial valuation as of May 1, 2017 that was updated through December 31, 2017. Balances as of December 31, 2017 are as follows:

| | Bargaining Unit | Non-Bargaining Unit | Total |
|---|---|---|---|
| Pension Liabilities | $ 15,100,057 | $ 12,525,345 | **$ 27,625,402** |
| Net Fiduciary Position (Pension Assets) | 12,176,397 | 11,018,376 | **23,194,773** |
| Subtotal | 2,923,660 | 1,506,969 | **4,430,629** |
| Deferred Outflows of resources related to Pension | (814,204) | (624,263) | **(1,438,467)** |
| Deferred Inflows of resources related to Pension | 1,528,911 | 1,620,370 | **3,149,281** |
| Net Pension Liability | $ 3,638,367 | $ 2,503,076 | **$ 6,141,443** |
| | | | |
| Pension Expense | $ (55,016) | $ 523,551 | **$ 468,535** |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Pension Plans - Continued**

Changes in the Net Pension Liability: The changes is each of the pension plans for the year ending December 31, 2017 are listed below:

**Bargaining Unit**

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| **Balance at 12/31/2016** | $ 13,813,294 | $ 9,869,559 | $ 3,943,735 |
| Service cost | 168,310 | | 168,310 |
| Interest | 955,116 | | 955,116 |
| Changes in benefit terms | 13,576 | | 13,576 |
| Difference between expected and actual experience | 136,114 | | 136,114 |
| Changes in assumptions | 644,838 | | 644,838 |
| Benefit payments | (631,191) | | (631,191) |
| Contribution - employer | | 870,877 | (870,877) |
| Net investment income | | 2,067,152 | (2,067,152) |
| Benefit payments | | (631,191) | 631,191 |
| Net Change | 1,286,763 | 2,306,838 | (1,020,075) |
| **Balance at 12/31/2017** | **$ 15,100,057** | **$ 12,176,397** | **$ 2,923,660** |

Plan fiduciary net position as a percentage of total pension liability 81%

**Non-Bargaining Unit**

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| **Balance at 12/31/2016** | $ 12,337,566 | $ 9,096,188 | $ 3,241,378 |
| Service cost | 196,096 | | 196,096 |
| Interest | 852,297 | | 852,297 |
| Changes in benefit terms | 10,063 | | 10,063 |
| Difference between expected and actual experience | (746,340) | | (746,340) |
| Changes in assumptions | 533,290 | | 533,290 |
| Benefit payments | (657,627) | | (657,627) |
| Contribution - employer | | 712,137 | (712,137) |
| Net investment income | | 1,867,678 | (1,867,678) |
| Benefit payments | | (657,627) | 657,627 |
| Net Change | 187,779 | 1,922,188 | (1,734,409) |
| **Balance at 12/31/2017** | **$ 12,525,345** | **$ 11,018,376** | **$ 1,506,969** |

Plan fiduciary net position as a percentage of total pension liability 88%

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Pension Plans - Continued**

Additional information from the May 1, 2017 actuarial valuation is listed below. The valuation was updated and rolled forward to the December 31, 2017 measurement date.

| | **Bargaining Unit** | **Non-Bargaining Unit** |
|---|---|---|
| Valuation date | May 1, 2017 | May 1, 2017 |
| Measurement date | December 31, 2017 | December 31, 2017 |
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method- investment | 5-Year Period | 5-Year Period |
| Amortization method- liability | Expected Future Service | Expected Future Service |
| Amortization method-assumption | Expected Future Service | Expected Future Service |
| Amortization method-benefit change | Current Year | Current Year |
| Asset valuation method | 5-Year Smoothed Market | 5-Year Smoothed Market |
| Actuarial assumptions: | | |
| Investment rate of return | 6.5% | 6.5% |
| Projected salary increases | 3.0% | 3.0% |
| Inflation rate | 1.5% | 1.5% |
| COLA (post-retirement) | 1.5% | 1.5% |
| Retirement age | Graded by age based on past experience | Graded by age based on past experience |
| Mortality | RP-2014 Adjusted to 2006 Blue Collar Mortality with Scale MP-2017 | RP-2014 Adjusted to 2006 White Collar Mortality with Scale MP-2017 |

Long-Term Expected Rate of Return: The long-term expected rate of return on pension plan investments 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 asset class. 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 adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| **Asset Class** | **Target Allocation** | **Annual Return Estimate 7 & 20 Year Horizon** |
|---|---|---|
| U.S. Equities Large | 25% | 5.0%/8.9% |
| U.S. Equities Small | 15% | 6.1%/10.0% |
| International Developed Market Equities | 15% | 6.2%/7.5% |
| International Emerging Market Equities | 10% | 7.5%/10.6% |
| Core Bonds | 20% | 3.0%/4.9% |
| High Yield Bonds | 5% | 3.5%/6.9% |
| REIT's | 5% | 5.0%/7.5% |
| Natural Resources | 5% | 3.0%/5.3% |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Pension Plans - Continued**

Discount Rate: The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed the District contributions will be made at the rate equal to the actuarially determined contribution or $1,000,000, whichever is higher. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of 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.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the District, calculated using the discount rate of 6.5%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

| | 1% Decrease (5.5%) | Current Discount Rate (6.5%) | 1% Increase (7.5%) |
|---|---|---|---|
| Bargaining Unit net pension liability | $4,602,693 | $2,923,660 | $1,499,411 |
| Non-Bargaining Unit net pension liability | $2,875,265 | $1,506,969 | $345,115 |

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources related to Pensions: For the year ended December 31, 2017, the District recognized pension expense for the bargaining and non-bargaining unit of $(55,016) and $523,551, respectively. At December 31, 2017, 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 | | |
|---|---|---|---|---|---|---|
| | Bargaining | Non-Bargaining | Total | Bargaining | Non-Bargaining | Total |
| Difference between Expected and Actual Expense | $ 91,426 | $ 15,645 | $ 107,071 | $ 117,833 | $ 488,407 | $ 606,240 |
| Difference between Expected and Actual Returns | 289,647 | 267,242 | 556,889 | 1,149,818 | 1,014,902 | 2,164,720 |
| Impact of Assumption Changes | 433,131 | 341,376 | 774,507 | 261,260 | 117,061 | 378,321 |
| | $ 814,204 | $ 624,263 | $ 1,438,467 | $ 1,528,911 | $ 1,620,370 | $ 3,149,281 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31: | Bagaining Unit | Non-Bargaining Unit |
|---|---|---|
| 2017 | $ (105,631) | $ (697,745) |
| 2018 | 5,886 | (100,025) |
| 2019 | (267,426) | 43,323 |
| 2020 | (241,660) | (241,660) |
| 2021 | (105,876) | - |
| | $ (714,707) | $ (996,107) |

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION – CONTINUED**

**Pension Plans - Continued**

**Deferred Compensation Plan**

The District offers it employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

For Bargaining Unit employees hired as of December 31, 2010, and Non-Bargaining Unit employees hired as of December 31, 2011, the plan and their level of contribution is optional. During 2013, the District matched employee contributions at the rate of a dollar for dollar match to a limit of $1,225 per year for Bargaining Unit employees and Non-Bargaining Unit employees.

For Bargaining Unit employees hired after December 31, 2010, and Non-Bargaining Unit employees hired after December 31, 2011, the plan is mandatory. Employees are required to contribute 3.0% of their regular wages to the plan while the District matches those contributions at a rate of 150%. Employees can also elect to receive a 150% match on an additional 1.5% of regular wages beyond the mandatory 3.0%.

The District has no liability for losses under the plan but does have the usual fiduciary responsibilities of a plan sponsor. The assets and liabilities of the plan are not reflected in the financial statements of the District.

**Other Postemployment Benefits (OPEB) - Healthcare Benefits**

**Plan Description:** The District offers medical benefits to retirees and dependents through a single-employer plan. Retirees are covered under the plan and are required to contribute 100% of the premium charged by the current insurance provider for active employees. This premium does not represent the full cost of retiree coverage, and thus creates a liability under GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. All employees are eligible upon retirement.

As of the last valuation date, May 1, 2017, three (3) current retirees were participating in the plan and 159 current employees are eligible to participate in the plan if they chose to retire.

**Funding Policy**: Retirees pay 100% of the premium charged by a private insurance company for active employees. The District's portion of premium is paid on a pay-as-you-go basis. Postemployment expenditures are made from the operating fund. No funds are set aside to pay benefits or administration costs. These expenditures are paid as they come due.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Other Postemployment Benefits (OPEB) - Healthcare Benefits - Continued**

**Annual OPEB Costs and Net OPEB Obligation:** The District's OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

| | |
|---|---|
| Annual required contribution | $ 30,092 |
| Interest on net OPEB obligation | 4,441 |
| Adjustment to annual required contribution | (13,105) |
| Annual OPEB cost (expense) | 21,428 |
| Contributions made | (8,975) |
| Increase in net OPEB obligation | 12,453 |
| Net OPEB obligation – beginning of year | 148,033 |
| Net OPEB obligation – end of year | $ 160,486 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous years was as follows:

| Year Ended December 31, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2015 | $ 24,017 | 0.00% | $ 132,997 |
| 2016 | $ 15,036 | 0.00% | $ 148,033 |
| 2017 | $ 12,453 | 72.07% | $ 160,486 |

The net OPEB obligation is included in customer advances and other liabilities in the accompanying financial statements.

**Funded Status and Funding Progress**: As of May 1, 2017, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability (UAAL) was $201,992.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**NOTE 4 - OTHER INFORMATION - CONTINUED**

**Other Postemployment Benefits (OPEB) - Healthcare Benefits - Continued**

**Actuarial Methods and Assumptions:** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility, in actuarial accrued liabilities and the actuarial value of assets that are consistent with the long-term perspective of the calculations.

In the May 1, 2017, actuarial valuation, the Entry Age Actuarial Cost method was used. The significant assumptions include the following items:

| | |
|---|---|
| Inflation rate: | 3.44% per year |
| Investment return: | 3.44% per year |
| Healthcare cost trend: | 2017 7.0%, 2018 6.5%, 2019 6.0%, 2020 5.5%, 2021 (and beyond) 5.0% |
| Amortization period: | 15 years |
| Incidence of retirement: | 16.5% at 62, 10.0% at 63 & 64, 100.0% at 65 and beyond |

**Subsequent Events**

On February 26, 2018, the District's Board of Trustees approved the issuance of the following:

- $6.0 million in bonds to finance the installation and renewal of water mains and related infrastructure. The plan is for a 20-year $4.0 million bond and a 10-year $2.0 million bond.
- $0.28 million in 20-year bonds to finance the upgrade heating, ventilation and air conditioning systems at the Cape Elizabeth Wastewater Treatment facility.
- $0.43 million in 20-year bonds to finance the upgrade heating, ventilation and air conditioning systems at Portland's East End Wastewater Treatment facility.
- $2.2 million in 20-year bonds to finance the upgrade of the Dana Court wastewater pump station in Westbrook.
- $4.6 million in 10-year bonds to finance the installation of a new asset management system, billing and customer-relation computer system.

On March 5, 2018, the District issued a 20-year bond for $2.0 million for the construction of the Wards Hill water pump station. The total debt service on that bond will be $2,207,220. On the same date, the District also issued at 20-year bond for $1.0 million for the upgrade of the sludge dewatering system and related infrastructure at the Westbrook Regional Wastewater Treatment facility. This facility services parts of Westbrook, Gorham and Windham. The total debt service on that bond will be $1,167,221.

On March 26, 2018, the District's Board of Trustees approved a 3.7% rate increase that would generate additional revenue of $844,749. The effective date of the rate change will be May 1, 2018.

## REQUIRED SUPPLEMENTARY INFORMATION

**December 31, 2017**

**Schedules of Changes in the District's Net Pension Liability and Related Ratios – Bargaining Unit Pension Plan**

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| **Total Pension Liability** | | | | |
| Service cost | $ 168,163 | $ 195,241 | $ 169,601 | **$ 168,310** |
| Interest | 784,769 | 918,080 | 958,787 | **955,116** |
| Change in benefit terms | - | - | 94,108 | **13,576** |
| Difference between expected and actual experience | 1,635,699 | (115,154) | (154,202) | **136,114** |
| Changes in assumptions | - | - | (504,440) | **644,838** |
| Benefit payments | (507,918) | (564,678) | (584,988) | **(631,191)** |
| Net change in total pension liability | 2,080,713 | 433,489 | (21,134) | **1,286,763** |
| Net pension liability - beginning | 11,320,226 | 13,400,939 | 13,834,428 | **13,813,294** |
| Total pension liability - ending (a) | $ 13,400,939 | $ 13,834,428 | $ 13,813,294 | **$ 15,100,057** |
| Plan fiduciary net position | | | | |
| Contribution - employer | $ 502,000 | $ 609,851 | $ 684,363 | **$ 870,877** |
| Net investment income | 377,415 | (73,698) | 781,667 | **2,067,152** |
| Benefit payments | (507,918) | (564,679) | (584,988) | **(631,191)** |
| Administrative expenses | - | - | - | - |
| Other | - | - | - | - |
| Net change in plan fiduciary net position | 371,497 | (28,526) | 881,042 | **2,306,838** |
| Plan fiduciary of net position - beginning | 8,645,546 | 9,017,043 | 8,988,517 | **9,869,559** |
| Plan fiduciary of net position - ending (b) | $ 9,017,043 | $ 8,988,517 | $ 9,869,559 | **$ 12,176,397** |
| Net pension liability - ending (a)-(b) | $ 4,383,896 | $ 4,845,911 | $ 3,943,735 | **$ 2,923,660** |
| Plan fiduciary net position as a percentage of total pension liability | 67% | 65% | 71% | **81%** |
| Covered-employee payroll | $ 4,198,147 | $ 4,048,574 | $ 4,026,235 | **$ 3,825,166** |
| District's net pension liability as a percentage of covered-employe payroll | 104% | 120% | 98% | **76%** |

Information is only available starting with the adoption of GASB 67 in 2014; additional years information will be displayed as it becomes available.

**Schedule of Investment Returns**

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Annual money-weighted rate of return, net of investment return | 4.27% | (0.97%) | 8.38% | **19.98%** |

## REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

**December 31, 2017**

### Schedules of Changes in the District's Net Pension Liability and Related Ratios – Non-bargaining Unit Pension Plan

| | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| **Total Pension Liability** | | | | |
| Service cost | $ 205,440 | $ 229,085 | $ 214,157 | **$ 196,096** |
| Interest | 672,086 | 802,879 | 849,544 | **852,297** |
| Change in benefit terms | - | - | - | **10,063** |
| Difference between expected and actual experience | 1,809,303 | 79,616 | (29,531) | **(746,340)** |
| Changes in assumptions | - | - | (324,599) | **533,290** |
| Benefit payments | (587,753) | (651,317) | (621,009) | **(657,627)** |
| Net change in total pension liability | 2,099,076 | 460,263 | 88,562 | **187,779** |
| Net pension liability - beginning | 9,689,665 | 11,788,741 | 12,249,004 | **12,337,566** |
| Total pension liability - ending (a) | $ 11,788,741 | $ 12,249,004 | $ 12,337,566 | **$ 12,525,345** |
| Plan fiduciary net position | | | | |
| Contribution - employer | $ 424,000 | $ 390,149 | $ 515,637 | **$ 712,137** |
| Net investment income | 375,587 | (47,726) | 687,358 | **1,867,678** |
| Benefit payments | (587,753) | (651,317) | (621,009) | **(657,627)** |
| Administrative expenses | - | - | - | - |
| Other | - | - | - | - |
| Net change in plan fiduciary net position | 211,834 | (308,894) | 581,986 | **1,922,188** |
| Plan fiduciary of net position - beginning | 8,611,262 | 8,823,096 | 8,514,202 | **9,096,188** |
| Plan fiduciary of net position - ending (b) | $ 8,823,096 | $ 8,514,202 | $ 9,096,188 | **$ 11,018,376** |
| Net pension liability - ending (a)-(b) | $ 2,965,645 | $ 3,734,802 | $ 3,241,378 | **$ 1,506,969** |
| Plan fiduciary net position as a percentage of total pension liability | 75% | 70% | 74% | **88%** |
| Covered-employee payroll | $ 2,855,590 | $ 2,753,837 | $ 2,584,837 | **$ 2,238,080** |
| District's net pension liability as a percentage of covered-employe payroll | 104% | 136% | 125% | **67%** |

Information is only available starting with the adoption of GASB 67 in 2014; additional years information will be displayed as it becomes available.

| **Schedule of Investment Returns** | | | | |
|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** |
| Annual money-weighted rate of return, net of investment return | 4.29% | (0.95%) | 7.92% | **19.85%** |

## REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

**December 31, 2017**

**Schedule of District's Contributions**

| Fiscal year ending | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percetage of Covered Payroll |
|---|---|---|---|---|---|
| **Bargaining Unit** | | | | | |
| 2014 | $ 451,021 | $ 502,000 | $ (50,979) | $ 4,198,147 | 12.0% |
| 2015 | $ 560,263 | $ 609,581 | $ (49,318) | $ 4,048,574 | 15.1% |
| 2016 | $ 672,450 | $ 684,363 | $ (11,913) | $ 4,026,235 | 17.0% |
| 2017 | $ 870,877 | $ 870,877 | $ - | $ 3,825,166 | 22.8% |
| **Non-Bargaining Unit** | | | | | |
| 2014 | $ 405,542 | $ 424,000 | $ (18,458) | $ 2,855,590 | 14.8% |
| 2015 | $ 358,425 | $ 390,149 | $ (31,724) | $ 2,753,837 | 14.2% |
| 2016 | $ 503,724 | $ 515,637 | $ (11,913) | $ 2,584,837 | 19.9% |
| 2017 | $ 712,137 | $ 712,137 | $ - | $ 2,238,080 | 31.8% |

The required supplementary information is intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

The actuarial determined rate was determined using the May 1, 2017 actuarial valuation report.

Additional information from the May 1, 2017 actuarial valuation follows:

| | **Bargaining Unit** | **Non-Bargaining Unit** |
|---|---|---|
| Valuation date | May 1, 2017 | May 1, 2017 |
| Measurement date | December 31, 2017 | December 31, 2017 |
| Actuarial cost method | Entry Age | Entry Age |
| Amortization method- investment | 5-Year Period | 5-Year Period |
| Amortization method- liability | Expected Future Service | Expected Future Service |
| Amortization method-assumption | Expected Future Service | Expected Future Service |
| Amortization method-benefit change | 3-Year Period | 3-Year Period |
| Asset valuation method | 5-Year Smoothed Market | 5-Year Smoothed Market |
| Actuarial assumptions: | | |
| Investment rate of return | 6.5% | 6.5% |
| Projected salary increases | 3.0% | 3.0% |
| Inflation rate | 1.5% | 1.5% |
| COLA (post-retirement) | 1.5% | 1.5% |
| Retirement age | Graded by age based on past experience | Graded by age based on past experience |
| Mortality | RP-2014 Adjusted to 2006 Blue Collar Mortality with Scale MP-2017 | RP-2014 Adjusted to 2006 White Collar Mortality with Scale MP-2017 |

**Schedule of Investment Returns**

**Annual Money-Weighted Rate of Return, Net of Investment Expense**

| | **Bargaining Unit** | **Non-Bargaining Unit** |
|---|---|---|
| 2017 | 19.98% | 19.85% |
| 2016 | 8.38% | 7.92% |
| 2015 | (0.97)% | (0.95)% |
| 2014 | 4.27% | 4.29% |

## REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

**December 31, 2017**

**Schedules of Funding Progress for the OPEB Plan**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll [c] | UAAL as Percetage of Covered ((b-a)/c) |
|---|---|---|---|---|---|---|
| July 1, 2007 | $0 | $366,339 | $366,339 | 0% | n/a | n/a |
| July 1, 2011 | $0 | $351,110 | $351,110 | 0% | n/a | n/a |
| July 1, 2013 | $0 | $308,042 | $308,042 | 0% | n/a | n/a |
| July 1, 2015 | $0 | $196,148 | $196,148 | 0% | n/a | n/a |
| May 1, 2017 | $0 | $201,992 | $201,992 | 0% | n/a | n/a |

The required supplementary information is intended to show information for ten years, and that additional years' information will be displayed as it becomes available.

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To the Board of Trustees
Portland Water District
Portland, Maine

In planning and performing our audit of the financial statements of each major fund of Portland Water District (the District) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Portland Water District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portland Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Portland Water District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

However, during our audit we become aware of the following matters that are opportunities for strengthening internal control. The following summarizes our comment and suggestion concerning these matters. This letter does not affect our report dated April 26, 2018 on the financial statements of Portland Water District.

**Overpayment Detail Listing**

As part of our audit procedures, we requested a detailed listing of all customer overpayments that support the general ledger balance. We were informed by the Water District that they were unable to provide a report that supported the balance in the general ledger do to an issue with the accounting system. The Water District should always be able to provide detailed reports to support the general ledger balances. We did look at the current year balance analytically by comparing it to previous years balances and determined that it appears reasonable based on a percentage of accounts receivable. We recommend that the Water District make the necessary adjustments to the report writing function so that the system can pull the correct information to support the general ledger balance.

**Hydrant Inventory**

During our inventory observations, we have had difficulties obtaining the correct count of hydrants by category that were included in the inventory system. Through discussion with management, it has been determined that the problems develop due to paperwork being completed with the incorrect item number and also the hydrants themselves being marked with the incorrect item number. We recommend employees review the existing procedures on the receipt, issuance and return of inventory to help ensure that the accounting system can be accurately updated as to the hydrant count and location. In addition, management should also monitor adherence to the established policies and procedures over the hydrant inventory record keeping.

We will review the status of these comments and suggestions during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Trustees, management and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Macpage LLC

Augusta, Maine
April 26, 2018

Portland Water District
*From Sebago Lake To Casco Bay*

# BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

| | |
|---|---|
| Agenda Item: | 6C Order 18-020 |
| Date of Meeting: | May 29, 2018 |
| Subject: | Douglass St. HVAC Systems Evaluation<br>Professional Services Contract - Selection |
| Presented By: | Gordon Johnson, Engineering Services Manager |

## RECOMMENDATION

The following proposed language is presented for Board of Trustee approval:

> ORDERED, a professional services contract with Colby Company, in the amount of $67,500 is hereby authorized, for engineering services for the Douglass St. HVAC Systems Evaluation (CIP 2018-068/2719); and that the General Manager and the Treasurer, each acting singly, are authorized to take such steps as may be necessary to accomplish the intent of the vote.

## BACKGROUND ANALYSIS

The heating, ventilation, and air conditioning, (HVAC), systems at the District's administrative facility are generally original equipment and have not undergone significant modification or upgrade since construction. The age and criticality of the HVAC equipment at this facility is driving the need for a comprehensive evaluation. Further, standardization across facilities offers significant long-term benefits in terms of efficiency of operation. This project will evaluate the HVAC system at the Douglass St. administrative facility, develop a schedule and budget for the coordinated upgrade or replacement of critical components of the system.

The RFP was sent to three qualified firms of which two responded, Stantec and Colby Company. Only one firm Colby Company submitted, and developed a proposal, which highlighted the proposed methods of addressing the challenges anticipated to achieve success. Based on the outcome and review of the sole proposal, Colby Company is well qualified to take on the project. Staff therefore recommends award to Colby Company for an amount of $67,500 and includes alternatives analysis and evaluation, planning level cost estimating, and development of a summary report document.

## FISCAL REVIEW/FUNDING

The project was included in the 2018 Capital Improvement Plan 2018-Subprogram 068/ Project 2719 and was budgeted for $75,000.

## LEGAL REVIEW

Corporate Counsel has reviewed the proposed order as to form.

**CONCLUSION(S)**

Staff recommended awarding the contract for the Douglass St. HVAC Systems Evaluation to Colby Company. The Committee voted 3-0 to forward to the full Board for their consideration.

**ATTACHMENT(S)**

None