



MEMORANDUM PORTLAND WATER DISTRICT

TO: Board of Trustees

FROM: Carrie Cote

DATE: May 2, 2023

RE: **Workshop Meeting – Monday, May 8, 2023**

There will be a Workshop Meeting of the Board of Trustees of the Portland Water District on Monday, May 8, 2023. The meeting will begin at 6:30 p.m. in the Nixon Training Center at the general offices of the District located at 225 Douglass Street, Portland, Maine, and will be accessible via Zoom Link at:

<https://us06web.zoom.us/j/82730223671?pwd=V3F3eVR4eDFHcy9XTGRyZm5FbUx1UT09>

The Workshop will be preceded by meetings of the following Board Committees which will occur at 225 Douglass Street:

<u>Committee</u>	<u>Room / Location</u>	<u>Time</u>
Pension	General Manager's Conference Room	5:15 p.m.
Administration & Finance	Monie Conference Room	5:30 p.m.
Operations	EOC 2 nd Floor	5:30 p.m.
Planning	Nixon Training Center	5:30 p.m.

AGENDA – WORKSHOP

- 2022 Audit Report**
Representatives from Wipfli LLP, the District's auditor, will present the 2022 audit report.
- Customer Service Department Overview**
Robin Doiron, Customer Service Manager, and Brianna Green, Customer Service Foreperson, will provide an overview of the services provided to customers and the underlying activities necessary to provide those services.
- Other Business**
- Adjourn**



MEMORANDUM PORTLAND WATER DISTRICT

TO: Pension Committee / Board of Trustees

FROM: Mary Demers, Director of Employee Services

DATE: May 2, 2023

RE: **Pension Committee Meeting – May 8, 2023**

A meeting of the Pension Committee of the Portland Water District Board of Trustees is scheduled for Monday, May 8, 2023, in the General Manager's Conference Room at 225 Douglass Street, Portland, Maine. The meeting is scheduled to start at 5:15 p.m.

AGENDA

1. **Approval of Pension Distributions**
Staff will present a request to approve benefits for three retirees.
2. **Other Business**



MEMORANDUM PORTLAND WATER DISTRICT

TO: Administration and Finance Committee / Board of Trustees

FROM: David Kane, Director of Administration
Mary Demers, Director of Employee Services

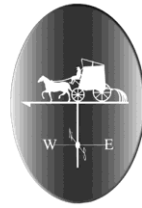
DATE: May 2, 2023

RE: **Administration and Finance Committee Meeting – May 8, 2023**

A meeting of the Administration and Finance Committee of the Portland Water District Board of Trustees will be held on Monday, May 8, 2023. The meeting will begin at 5:30 p.m. in the Monie Room of the District, 225 Douglass Street, Portland, Maine.

AGENDA

1. **2022 Financial Audit Report**
A representative of Wipfli LLC will present the results of the 2022 financial audit.
(See attached memo)
2. **Capital Reserve Fund**
Staff will present a status report on the capital reserve fund.
3. **Other Business**



Portland Water District
From Sebago Lake To Casco Bay

ADMINISTRATION AND FINANCE COMMITTEE / AGENDA ITEM SUMMARY

Agenda Item: 1
Date of Meeting: May 8, 2023
Subject: 2022 Audit Report
Presented By: Thomas Quirk, Finance Director

RECOMMENDATION

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

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 Wipfli LLC to conduct the audit of 2022 financial affairs, and

WHEREAS, Wipfli LLC has conducted the audit of 2022 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 2022 and authorizes its distribution as required by Section 21 of the Charter of the District.

BACKGROUND ANALYSIS

On May 8, 2023, Wipfli LLC will present the results of the 2022 audit to the Administration and Finance Committee. The items to be presented are:

- Auditor's Communication to the Board of Trustees;
- Financial Report for the year ending December 31, 2022;

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 misstatements;
- 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 Committee will review the proposed motion accepting the 2022 audit report and recommend it be forwarded to the full Board for their consideration.

ATTACHMENT(S)

A – Auditors’ Communication to the Board of Trustees

B – Financial Report for the year ending December 31, 2022

April 25, 2023

To the Board of Trustees
Portland Water District
Portland, Maine

Dear Board of Trustees

We have audited the financial statements of each major fund of Portland Water District (the "District") for the year ended December 31, 2022, and have issued our report thereon dated April 25, 2023. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated February 8, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope, timing, and with respect to significant risks identified by us, all of which were previously communicated to your representative, Louise G. Douglas, Board of Trustees, President, in our letter about such matters on March 20, 2023, in addition to our engagement letter dated February 8, 2023, accepted by Seth Garrison, General Manager.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022.

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 as follows:

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, 2022 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, 2022 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.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are as follows:

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.

Difficulties Encountered in Performing the Audit

We encountered no significant 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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 auditor's 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 25, 2023.

Management Consultations With Other 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 the application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s 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 of 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 of our retention.

Other Matters

Required Supplementary Information Accompanying Audited Financial Statements

We applied certain limited procedures to the Management Discussion and Analysis 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 Expenses, 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.

Other Information in Documents Containing Audited Financial Statements

The auditor’s responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

We have read the Annual Comprehensive Financial Report and have found no material inconsistencies with the information appearing in the audited financial statements.

In relation to the preceding paragraph, we remind District management of the following clause in the engagement letter:

If the District intends to reproduce or publish these financial statements, or any portion thereof whether in paper or electronic form, and make reference to our firm name in connection therewith, management agrees to provide us with proofs in sufficient time for our review and written approval before printing. If in our professional judgment the circumstances require, we may withhold our approval. The District agrees to compensate Wipfli for the time associated with such review.

Internal Control Matters

In planning and performing our audit of the financial statements of the District as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, material weaknesses may exist that have not been identified.

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

We appreciate the opportunity to be of service to Portland Water District.

Sincerely,



Wipfli LLP

South Portland, Maine
April 25, 2023



Financial Report

December 31, 2022

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Independent Auditor's Report

To the Board of Trustees
Portland Water District
Portland, Maine

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related notes to the financial statements, which collectively comprise Portland Water District's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Portland Water District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Trustees
Portland Water District

Auditor's Responsibility for the Audit of Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis pages 4-18 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 63-68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

To the Board of Trustees
Portland Water District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report April 25, 2023, on our consideration of the Portland Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Portland Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Portland Water District's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

South Portland, Maine
April 25, 2023

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 2022.

Change in Net Position before Contributions – This item was a gain of \$6.32 million in 2022.

In 2021, the District was awarded a five (5) year, \$8.0 million watershed grant from the federal Natural Resources Conservation Service. During 2022, the District had operating revenue and expense from the grant of \$985,000.

Operating Revenues – Operating revenues were up \$1.31 million (2.6%). The increase included: metered water revenue of \$1.22 million (5.2%) and wastewater assessments of \$0.95 million (4.5%). These were offset by a decrease in the watershed grant of \$0.89 million.

Operating Expense – Operating Expense decreased \$0.81 million (1.9%). However, this decrease was greatly impacted by a reduction of pension expense of \$3.74 million and the decrease in expenses related to the watershed grant of \$0.89 million. Net of these two items, Operating Expense was up \$3.82 million (9.0%). During 2022, the District saw large increases for contracted services (\$692,000), chemicals (\$668,000), salaries & wages (\$612,000) and materials & supplies (\$559,000).

Net Capital Assets (\$332.3 million) had an increase of 2.7% (\$8.63 million). More than half of the Utility Property additions of \$13.83 million were for water distribution infrastructure of \$7.70 million. The Allowance for Depreciation increased \$11.33 million while Construction Work in Progress increased \$7.23 million.

The District's bonded debt of \$107.57 million was up \$12.72 million as the District issued \$22.17 million in new debt and retired \$9.45 million. The District's financial ratios remain strong with an overall current ratio of 2.56 and debt coverage ratio of 1.88.

COVID-19 Impact on District

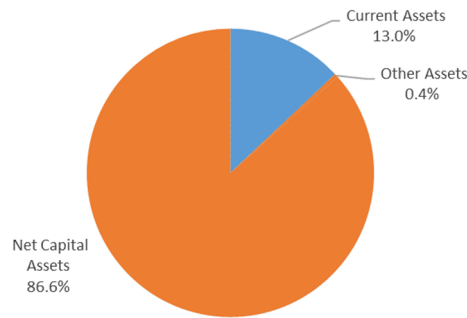
For the most part, the District has returned to normal/pre-pandemic operations. The impacts that continue to affect the District include supply chain delays and shortages, higher costs due to inflation and higher than normal employee turnover. The result has been higher operating expenses as well as impacts such the necessity of higher on-hand inventory levels to allow for the continuance of daily operations. Employee turnover has resulted in scheduling challenges as well as higher overtime costs.

Comparison of Financial Statements for Current and Prior Years

Statement of Net Position (Condensed)

	2022	2021	Diff	Diff %
Current Assets	\$ 49,893,752	\$ 42,975,540	\$ 6,918,212	16.1%
Net Capital Assets	332,335,348	323,701,256	8,634,092	2.7%
Other Assets	1,517,019	1,505,496	11,523	0.8%
Non-Current Assets	333,852,367	325,206,752	8,645,615	2.7%
Total Assets	383,746,119	368,182,292	15,563,827	4.2%
Deferred Outflows	5,903,454	891,025	5,012,429	562.5%
Total Assets and Deferred Outflows	\$ 389,649,573	\$ 369,073,317	\$ 20,576,256	5.6%
Current Liabilities	\$ 19,493,843	\$ 19,537,246	\$ (43,403)	-0.2%
Long-Term Debt/Payables	97,681,908	85,931,793	11,750,115	13.7%
Other Non-Current Liabilities	7,458,848	7,261,049	197,799	2.7%
Non Current Liabilities	105,140,756	93,192,842	11,947,914	12.8%
Total Liabilities	124,634,599	112,730,088	11,904,511	10.6%
Deferred Inflows	4,296,651	4,271,191	25,460	0.6%
Net Position				
Net Invested in Capital Assets	229,716,520	232,901,919	(3,185,399)	-1.4%
Unrestricted	31,001,803	19,170,119	11,831,684	61.7%
Total Net Position	260,718,323	252,072,038	8,646,285	3.4%
Total Liabilities, Deferred Inflows and Net Position	\$ 389,649,573	\$ 369,073,317	\$ 20,576,256	5.6%

District Assets



Current Assets

Current Assets increased \$6.92 million (16.1%) in 2022. The Cash/Investment balance increased \$6.93 million which was mostly related to the Change in Net Position Before Contributions of \$6.32 million.

Net Capital Assets

Net Capital Assets increased \$8.63 million (2.7%):

	<u>Additions</u>	<u>Reductions</u>	<u>Net Change</u>
Operating Property	\$ 13,828,701	\$ (1,082,666)	\$ 12,746,035
Construction Work in Progress	9,352,898	(2,119,046)	7,233,852
Right to use Lease Assets (Net)	(13,392)	-	(13,392)
Allowance for Depreciation	(12,238,872)	906,469	(11,332,403)
	<u>\$ 10,929,335</u>	<u>\$ (2,295,243)</u>	<u>\$ 8,634,092</u>

The major additions to Utility Property for 2022 included:

- \$7.70 million in water infrastructure (mains, services, hydrants & meters).
- \$3.10 million in wastewater pump station structures and equipment.
- \$1.02 million in wastewater treatment plant structures and equipment.

Construction Work in Progress increased by \$7.23 million in 2022. There were large increases for the Westbrook Regional Wastewater Treatment Facility (WWTF) aeration (\$3.99 million), the East End WWTF power project (\$2.50 million) and the North Windham Wastewater Treatment project (\$0.58 million). These were somewhat offset by the completion of work at the Baxter Boulevard Wastewater Pump Station (\$0.93 million).

The Allowance for Depreciation grew 4.5% (\$11.33 million) in 2022. That change was in line with prior years.

For more detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Capital Assets.

Other Assets

The District's Other Assets, which increased 0.8% (\$11,500) in 2022, involves Lease and Notes Receivable. The increase was due to a rise in Lease Receivables that offset the reduction of Notes Receivables. For more detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Leases and Notes Receivable.

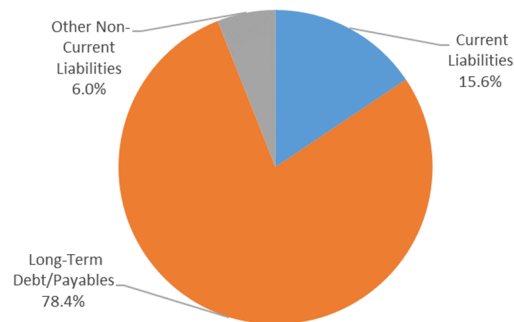
Deferred Outflows

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) until then. The District has Deferred Outflows for its pension and for a 2016 bond refunding.

In 2022, Deferred Outflows increased \$5.01 million (562.5%). The portion of the Deferred Outflows relating to the pension was up \$5.03 million (599.2%) primarily due to a rise Outflows relating to declines in the market value of plan assets. The portion of the Deferred Outflows related to bond refunding decreased \$20.0k due to the annual amortization.

For more detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Deferred Outflow – Bond Refunding and Pension Plans.

District Liabilities



Current Liabilities

Description	2022	2021	Diff	Diff %
Accounts Payable & Accrued Payroll	\$ 5,935,340	\$ 7,783,619	\$ (1,848,279)	-23.7%
Accrued Interest	457,550	422,836	34,714	8.2%
Customer Deposits	472,163	436,374	35,789	8.2%
Construction Retainage	891,559	785,207	106,352	13.5%
Current Portion - Long-Term Debt	9,954,846	8,999,598	955,248	10.6%
All Other Current Liabilities	1,782,385	1,109,612	672,773	60.6%
	<u>\$ 19,493,843</u>	<u>\$ 19,537,246</u>	<u>\$ (43,403)</u>	-0.2%

Current Liabilities decreased 0.2%. Accounts Payable & Accrued Payroll declined \$1.85 million (23.7%) as 2022 had fewer large capital invoices in accounts payable than the previous year. Offsetting that, the Current Portion of Long-Term Debt increased 10.6% (\$955k) due to the new debt issued in 2022 (\$22.17 million) exceeding the debt retired (\$9.45 million). Additionally, All Other Current Liabilities increased 60.6% (\$673k) due to the Windham Wastewater fund's need for an interfund payable to cover capital expenditures for the North Windham Wastewater Treatment project.

Long-Term Debt/Bond Rating

In 2022, the District issued bonds directly to the market for Water. Moody's assigned a rating of Aa3 while Standard & Poor's (S&P) rated the debt AA.

Long-Term Debt/Payables

Bonded Debt:	Beginning	Issued	Forgiven	Retired	Ending
Water	\$ 58,804,455	\$ 5,500,000	\$ -	\$ (5,587,257)	\$ 58,717,198
Wastewater:					
Cape Elizabeth	3,956,350	575,000	-	(277,750)	4,253,600
Cumberland	31,250	-	-	(6,250)	25,000
Falmouth	3,608,000	-	-	(238,000)	3,370,000
Gorham	2,295,760	2,498,400	-	(431,204)	4,362,956
Portland	19,730,162	8,096,000	-	(2,029,450)	25,796,712
Westbrook	5,075,741	5,290,400	-	(738,799)	9,627,342
Windham	1,350,233	211,200	-	(143,687)	1,417,746
Total Bonded Debt	94,851,951	22,171,000	-	(9,452,397)	107,570,554
(Less: current portion)	(8,999,598)				(9,954,846)
Non-Current	\$ 85,852,353				\$ 97,615,708
Notes Payable:	Beginning	Issued	Forgiven	Retired	Ending
Wastewater:					
Windham	\$ 92,680			\$ (13,240)	\$ 79,440
Total Notes Payable	92,680			(13,240)	79,440
(Less: current portion)	(13,240)				(13,240)
Non-Current	79,440				66,200
Non-Current LT Debt	\$ 85,931,793				\$ 97,681,908

This category consists of general revenue bonds and notes payable. During 2022, the balance of Long-Term Debt/Payables increased 13.7% (\$11.8 million) as new issuances exceeded retirements. 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

	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Customer Advances & Other Liabilities	\$ 4,281,239	\$ 4,071,768	\$ 209,471	5.1%
Compensated Absences - Non Current	696,052	881,234	(185,182)	-21.0%
Lease Liability - Non-Current	170,162	180,886	(10,724)	-5.9%
Net Pension Liability	2,311,395	2,127,161	184,234	8.7%
	<u>\$ 7,458,848</u>	<u>\$ 7,261,049</u>	<u>\$ 197,799</u>	2.7%

Other Non-Current Liabilities were up \$198k (2.7%). Customer Advances and Other Liabilities increased 5.1% (\$209k) due increases in both unamortized bond premiums generated by new bond issues and deposits by contractors related to new water main construction. The Net Pension Liability increased \$184k (8.7%); for detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Pension Plans. Offsetting those increases was the \$185k reduction in Compensated Absences – Non-Current which was due to staff retirements and the drawdown of vacation time by District staff.

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. In 2022, Deferred Inflows were up 0.6%. There are deferred inflows relating to pension and also to leases. For more detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Pension Plans and – Note 3 – Detailed Notes on All Funds – Leases – District as Lessor.

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

	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Operating Revenue	\$ 51,340,366	\$ 50,031,055	\$ 1,309,311	2.6%
Non-Operating Revenue	904,206	642,368	261,838	40.8%
Total Revenues	<u>52,244,572</u>	<u>50,673,423</u>	<u>1,571,149</u>	3.1%
Operating Expense	42,964,706	43,778,873	(814,167)	-1.9%
Non-Operating Expense	2,964,053	2,458,009	506,044	20.6%
Total Expenses	<u>45,928,759</u>	<u>46,236,882</u>	<u>(308,123)</u>	-0.7%
Change in Net Position before Capital Contribution	6,315,813	4,436,541	1,879,272	42.4%
Capital Contributions	2,330,472	2,784,633	(454,161)	-16.3%
Change in Net Position	<u>8,646,285</u>	<u>7,221,174</u>	<u>1,425,111</u>	19.7%
Beginning Net Position	252,072,038	244,850,864	7,221,174	2.9%
Ending Net Position	<u>\$ 260,718,323</u>	<u>\$ 252,072,038</u>	<u>\$ 8,646,285</u>	3.4%

Operating Revenue

	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Metered Water Revenue	\$ 24,951,037	\$ 23,728,260	\$ 1,222,777	5.2%
Wastewater Assessments	22,036,993	21,083,736	953,257	4.5%
Public & Private Fire Protection	2,829,641	2,727,737	101,904	3.7%
Watershed Protection Grant	966,385	1,860,700	(894,315)	n/a
Other Operating Revenue	556,310	630,622	(74,312)	-11.8%
Total Operating Revenue	<u>\$ 51,340,366</u>	<u>\$ 50,031,055</u>	<u>\$ 1,309,311</u>	2.6%

Operating Revenue - Continued

Metered Water Revenue (\$24.83 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. Metered water rates were increased an average of 3.7% in March 2022. Consumption in 2022 was 8.83 million HCF, an increase of 5.6% from the previous year.

Wastewater Assessments (\$22.04 million) – These assessments were paid by the local municipalities to the District for providing wastewater services, such as interception, collection, treatment, and contracted billing and system maintenance services. The District's Board of Trustees sets assessments annually. Assessments were increased in six (6) of the seven (7) wastewater funds mostly due to capital projects.

Public and Private Fire Protection (\$2.83 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. A 3.6% rate increase was put in place in March 2022, this was primarily the reason for the 3.7% increase in 2022.

Watershed Protection Grant (\$0.97 million) – These are funds received for conservation efforts via a grant from the Federal Natural Resources Conservation Service and related in-kind services.

Other Operating Revenue (\$0.68 million) – Revenue in this category includes charges to septage haulers for dumping at wastewater treatment facilities (\$348k), fees in the Water Fund for new customers (\$76k) and activations for customers whose service had been turned off due to delinquent bills (\$60k).

Operating Revenue by Fund

	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Water	\$ 28,899,791	\$ 28,475,693	\$ 424,098	1.5%
Wastewater:				
Cape Elizabeth	2,061,612	1,835,412	226,200	12.3%
Cumberland	1,005,600	989,268	16,332	1.7%
Falmouth	314,112	314,112	-	0.0%
Gorham	1,313,133	1,189,593	123,540	10.4%
Portland	13,998,312	13,860,833	137,479	1.0%
Westbrook	3,229,386	2,955,054	274,332	9.3%
Windham	518,420	411,090	107,330	26.1%
	<u>\$ 51,340,366</u>	<u>\$ 50,031,055</u>	<u>\$ 1,309,311</u>	2.6%

For the Water Fund, Operating Revenue primarily consists of metered water consumption and fire protection services. Metered Water sales grew \$1.22 million (5.2%) due to both higher rates and metered consumption. Fire Protection revenue was up \$102,000 (3.7%) while Watershed Grant revenue, which has no bottom-line impact as it is passthrough, was down \$894,000.

In the Wastewater (WW) Funds, the largest component of Operating Revenue are the wastewater assessments. Assessment increases in 2022 were: Cape Elizabeth 12.3%, Cumberland 1.7%, Gorham 10.3%, Portland 1.0%, Westbrook 9.3%, and Windham 26.1%. Portland also receives revenue from septage haulers. In 2022, septage revenue was \$348,000, down \$77,100 (18.2%) from the previous year.

Non-Operating Revenue

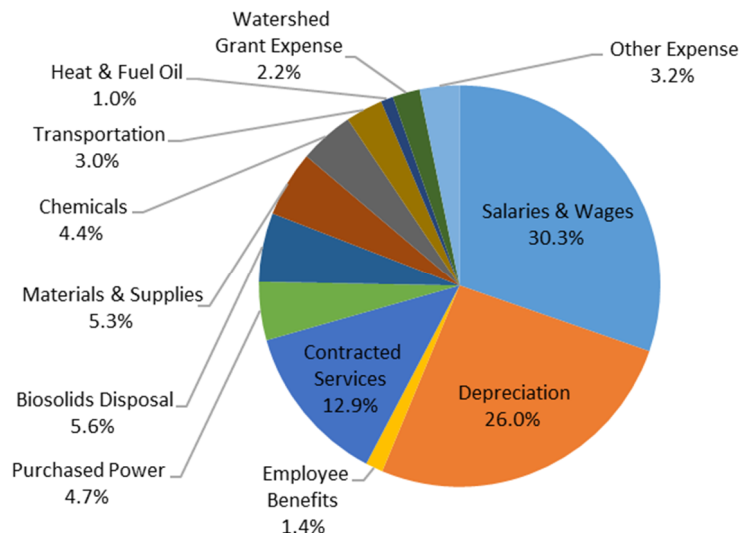
	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Interest Income	\$ 323,942	\$ 197,403	\$ 126,539	64.1%
Miscellaneous Income	580,264	444,965	135,299	30.4%
	<u>\$ 904,206</u>	<u>\$ 642,368</u>	<u>\$ 261,838</u>	40.8%

Interest Income increased \$127,000 (64.1%) in 2022. The increase in 2022 can be attributed to higher rates of return. The principal objective of the District's investment policy is safety while attaining an appropriate rate of return.

Miscellaneous Income includes non-operational items: payments for easements (\$150,000), lease related income (\$120,000) and income related to net energy billing credits (\$216,000). The increase in 2022 was mostly related to the growth in energy billing credits.

Operating Expense

	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Salaries & Wages	\$ 12,981,196	\$ 12,368,700	\$ 612,496	5.0%
Depreciation	11,188,872	10,886,036	302,836	2.8%
Employee Benefits (Pension)	(4,134,192)	(393,583)	(3,740,609)	950.4%
Employee Benefits	4,716,899	4,372,834	344,065	7.9%
Contracted Services	5,562,538	4,869,919	692,619	14.2%
Purchased Power	2,000,182	1,978,899	21,283	1.1%
Biosolids Disposal	2,411,502	2,275,184	136,318	6.0%
Materials & Supplies	2,274,136	1,715,342	558,794	32.6%
Chemicals	1,906,577	1,238,597	667,980	53.9%
Transportation	1,284,254	1,156,609	127,645	11.0%
Heat & Fuel Oil	429,977	334,938	95,039	28.4%
Watershed Grant Expense	966,385	1,860,700	(894,315)	-48.1%
Other Expense	1,376,380	1,114,698	261,682	23.5%
	<u>\$ 42,964,706</u>	<u>\$ 43,778,873</u>	<u>\$ (814,167)</u>	-1.9%



Operating Expense Category Explanations

Salaries/Wages - Salaries and Wages expense increased by \$612,496 or 5.0%. Wage rates were increased an average of 9.0%. Totals hours worked decreased 2.56% due to open positions.

Depreciation Expense – This expense went from \$10.89 million in 2021 to \$11.18 million in 2022, an increase of \$302,836 or 2.8%. Most of the increase comes from additions to the Water fund, such as new and renewed water mains and services. The largest capital expenditures for wastewater projects involve assets still under construction that have not yet started depreciation.

Employee Benefits (Pension) – Pension expense is equal to the change in the net pension liability and the associated deferred outflows and inflows as calculated by the annual actuary study and the amount of the pension contribution. The change between 2021 and 2022 was a decrease of \$3.74 million.

Employee Benefits - This expense increased \$344,065 or 7.9%. Specific increases included health insurance of \$240,500, FICA taxes of \$47,800 and higher matching 457 retirement plan contributions by \$32,900.

Contracted Services - This category which is comprised of services provided to the District by outside vendors, has increased by \$692,619 or 14.2%. Increases in repair and maintenance costs were combined with higher legal expenses related to the union contract negotiation.

Purchased Power – Power costs increased \$21,283 or 1.1% in 2022. Small accounts had both increased T&D rates and usage. Renewable energy costs increased approx. \$86k however, renewable energy revenue increased \$183,000 netting \$97,000.

Biosolids Disposal - The District contracts with an outside vendor to remove and dispose of biosolids from its wastewater treatment facilities. In total, biosolids expense was higher by \$136,318 or 6% which is comprised of a price per unit increase of 21.1% partially offset by a decrease in units hauled by 12.5%.

Materials/Supplies - Materials and Supplies have increased by \$558,794 or 32.6%. 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. In addition, this year the District was heavily impacted by inflation.

Transportation - Transportation costs, which were up \$127,645 or 11.0% 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. Vehicle maintenance, fuel and maintenance efforts drove the increase.

Heating & Fuel Oil – The expense in this area was up \$95,039 or 28.4%. The largest contributing factor was the rise in the per unit cost of hear heating fuels, both oil and natural gas.

Chemicals - In total, chemicals have increased by \$667,980 or 53.9%. All chemicals were impacted by inflationary factors, including transportation costs. Sodium hypochlorite (used to disinfect) had a per unit price increase of 80% while polymer (used in dewatering) had a 74% per unit increase.

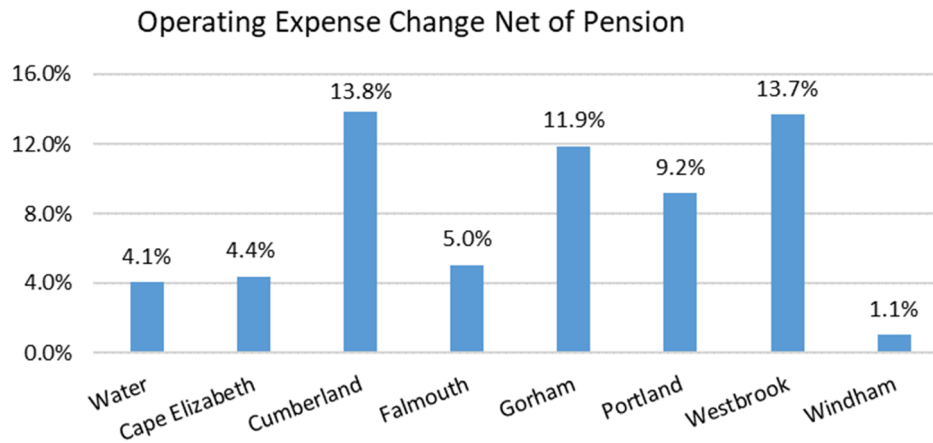
Watershed Grant Expense – The expense decreased this year by \$894,315 or 48.1%. These are funds were used for conservation efforts and related in-kind services.

Other Expense - This category has increased by \$261,682 or 23.5%. Higher expenses in 2022 included training, recruitment, safety expenses and utility costs.

Operating Expense by Fund

	<u>2022</u>	<u>2021</u>	<u>Diff</u>	<u>Diff %</u>
Water	\$ 22,101,327	\$ 23,559,034	\$ (1,457,707)	-6.2%
Wastewater:				
Cape Elizabeth	1,837,144	1,893,128	(55,984)	-3.0%
Cumberland	1,253,851	1,146,345	107,506	9.4%
Falmouth	174,878	166,476	8,402	5.0%
Gorham	1,210,953	1,145,522	65,431	5.7%
Portland	13,255,480	12,910,659	344,821	2.7%
Westbrook	2,870,847	2,670,441	200,406	7.5%
Windham	260,226	287,268	(27,042)	-9.4%
	<u>\$ 42,964,706</u>	<u>\$ 43,778,873</u>	<u>\$ (814,167)</u>	<u>-1.9%</u>

Pension expenses (which are included above) were \$3.74 million lower in 2022 than the previous year. The Operating Expense by Fund without the pension decrease was:



Water Fund (4.1% or \$0.97 million) – Higher allocated costs (mostly labor) of \$647,000, depreciation (\$281,000) chemicals (\$282,000) and contracted services (\$118,000) were somewhat offset by a reduction in the pass-through watershed grant costs.

Cape Elizabeth (4.4% or \$83,000) – Higher costs for maintenance services/repairs (\$99,800), contracted wastewater treatment services (\$23,000) and allocated costs (\$45,700) were greatly offset by a reduction in depreciation expenses as older assets became fully depreciated.

Cumberland (13.8% or \$159,000) – Much of the 2022 increase was related to the \$75,900 increase in the assessment by the Town of Falmouth to support improvements at their facility that provides wastewater treatment services to Cumberland. Labor and transportation expenses were also higher.

Falmouth (5.0% or \$8,400) – Falmouth’s increase in expenses was mostly due to the higher labor costs the District experienced during 2022.

Gorham (11.9% or \$137,000) – Costs related to wastewater treatment were up \$43,000 in 2022 due to higher costs of chemicals, biosolids disposal and labor. Costs allocated to the fund (primarily labor) increased \$45,200.

Operating Expense by Fund - Continued

Portland (9.2% or \$1.20 million) – The fund’s wastewater treatment expenses increased in chemicals (\$334,000), maintenance/repair related materials (\$226,000) and biosolids disposal (\$66,600).

Westbrook (13.7% or \$370,000) – Higher expenses in 2022 included treatment chemicals (\$78,200), biosolids disposal (\$53,300) and generally higher labor costs.

Windham (1.1% or \$3,000) – This fund a quiet year with very few mechanical breakdowns for maintenance needs.

Non-Operating Expense

Interest/Amortization Expense increased 8.9% due to higher interest rates and an increase in bonds outstanding of \$12.7 million (13.4%). The Loss on Sale/Retirement recognizes the retirement of long-term assets that had not yet been fully depreciated, in 2022 the expense was \$68,000 higher than previous year. Due to rising interest rates, the market value of investments held declined resulting in an unrealized loss in 2022. The District’s intention is to hold these investments to maturity and not realize a loss.

	2022	2021	Diff	Diff %
Interest/Amortization Expense	\$ 2,360,793	\$ 2,167,973	\$ 192,820	8.9%
Investments unrealized loss (gain)	460,016	214,829	245,187	114.1%
Loss on Sale/Retirement	143,244	75,207	68,037	90.5%
	<u>\$ 2,964,053</u>	<u>\$ 2,458,009</u>	<u>\$ 506,044</u>	<u>20.6%</u>

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 Gorham Wastewater contribution was for sewer interceptors and collectors. The contribution in Portland Wastewater was for the replacement of a force main on Baxter Blvd. The 2021 Other Water Assets contribution represents the principal forgiveness on debt issued for the Crooked River conservation right to enforce easement. Windham Wastewater in 2021 was related to the Depot Street wastewater pump station.

	2022	2021	Diff	Diff %
Water Distribution Mains	\$ 1,134,336	\$ 1,891,638	\$ (757,302)	-40.0%
Water Services	225,714	288,003	(62,289)	-21.6%
Water Meters	134,080	202,552	(68,472)	-33.8%
Hydrants	152,342	107,840	44,502	41.3%
Other Water Assets	-	20,000	(20,000)	n/a
Wastewater - Gorham	284,000	11,700	272,300	2327.4%
Wastewater - Portland	400,000	-	400,000	n/a
Wastewater - Windham	-	262,900	(262,900)	n/a
	<u>\$ 2,330,472</u>	<u>\$ 2,784,633</u>	<u>\$ (454,161)</u>	<u>-16.3%</u>

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 measures an organization's ability to meet short-term obligations.

	<u>2022</u>	<u>2021</u>
Water	2.76	2.42
Wastewater:		
Cape Elizabeth	2.11	2.22
Cumberland	1.89	3.42
Falmouth	0.15	0.11
Gorham	1.36	0.00
Portland	2.92	2.01
Westbrook	3.17	2.30
Windham	0.00	0.00
All Funds Combined	2.56	2.20

The Windham Wastewater fund had large a Construction Work in Progress balance at the end of 2022 related to the design of the new North Windham Wastewater Treatment Facility. A bond anticipation note was issued in early 2023 that replenished the cash in this fund. 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 that they do through the next year's assessment.

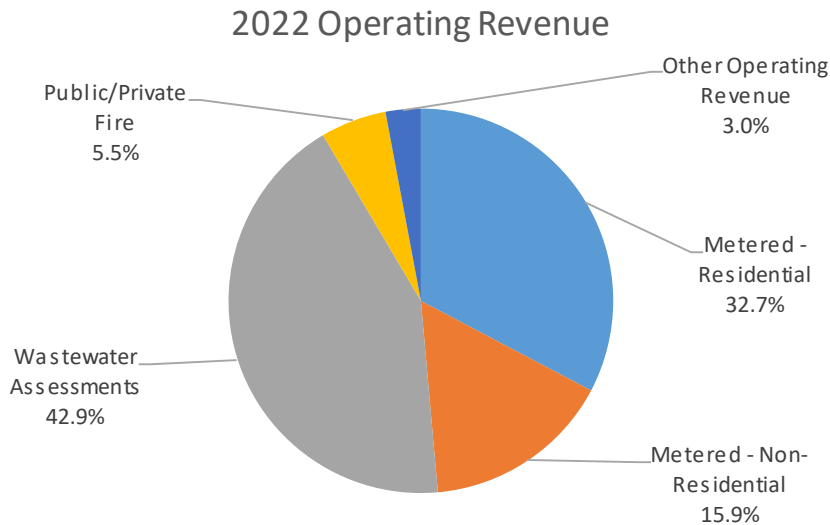
Debt Coverage Ratio by Fund

The Debt Coverage Ratio shows an organization's ability to meet debt service payments and should generally be above 1.0.

	<u>2022</u>	<u>2021</u>
Water	2.02	1.82
Wastewater:		
Cape Elizabeth	1.86	1.84
Cumberland	0.90	1.13
Falmouth	1.03	1.04
Gorham	1.11	1.32
Portland	1.88	1.76
Westbrook	1.69	1.56
Windham	2.56	1.62
All Funds Combined	1.88	1.74

Revenue Stability

Most of the District's Operating Revenue (97.0% in 2022), not including the revenue related to the watershed grant, came from three sources: Metered Water Revenue, Wastewater Assessments, and Public/Private Fire Protection charges.



Metered Water Revenue (48.6%) – 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 54,549 metered customers at the end of 2022; historically, and the largest ten customers represent less than 10% of total water revenues.

Wastewater Assessments (42.9%) – 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 (5.5%) – Public Fire charges are paid by the eleven municipalities served by the District; Private Fire has 2,618 customers.

Significant Changes to Individual Funds

Pension Trust Funds

Statement of Net Position

	2022	2021	Diff	Diff %
Bargaining Unit:				
Cash and cash equivalents	\$ 323,149	\$ 328,118	\$ (4,969)	-1.5%
Investments				
Equity Mutual Funds	8,829,220	10,009,150	(1,179,930)	-11.8%
Common Stock	3,820,640	5,960,993	(2,140,353)	-35.9%
Fixed Income Mutual Funds	561,029	678,794	(117,765)	-17.3%
	<u>13,210,889</u>	<u>16,648,937</u>	<u>(3,438,048)</u>	<u>-20.7%</u>
Interest Receivable	(32,583)	(3,160)	(29,423)	931.1%
Total Assets	<u>\$ 13,501,455</u>	<u>\$ 16,973,895</u>	<u>\$ (3,472,440)</u>	<u>-20.5%</u>
Non-Bargaining Unit:				
Cash and cash equivalents	\$ 279,996	\$ 284,114	\$ (4,118)	-1.4%
Investments				
Equity Mutual Funds	7,582,742	8,565,168	(982,426)	-11.5%
Common Stock	3,517,714	5,392,762	(1,875,048)	-34.8%
Fixed Income Mutual Funds	468,074	565,347	(97,273)	-17.2%
	<u>11,568,530</u>	<u>14,523,277</u>	<u>(2,954,747)</u>	<u>-20.3%</u>
Interest Receivable	(31,250)	(2,974)	(28,276)	950.8%
Total Assets	<u>\$ 11,817,276</u>	<u>\$ 14,804,417</u>	<u>\$ (2,987,141)</u>	<u>-20.2%</u>

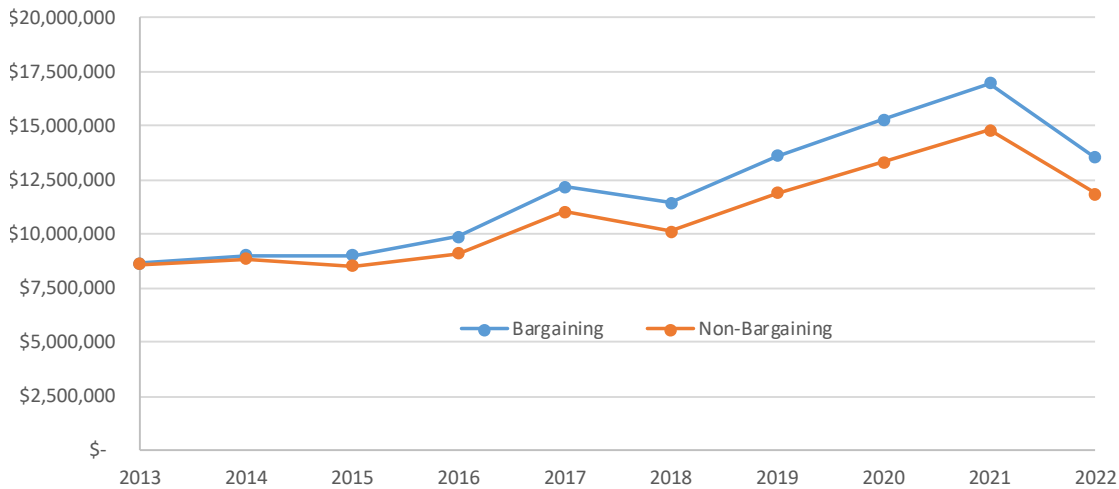
Statement of Revenues, Expenses & Changes in Net Position

	2022	2021	Diff	Diff %
Bargaining Unit:				
Employer Contributions	\$ 368,518	\$ 816,192	\$ (447,674)	-54.8%
Net Investment Income (Loss)	(2,880,589)	1,791,576	(4,672,165)	-260.8%
Total Additions (Subtraction)	<u>(2,512,071)</u>	<u>2,607,768</u>	<u>(5,119,839)</u>	<u>-196.3%</u>
Benefit Payments	960,370	908,368	52,002	5.7%
Net Increase (Decrease) in Position	(3,472,441)	1,699,400	(5,171,841)	-304.3%
Beginning Year	16,973,896	15,274,496	1,699,400	11.1%
Ending Year	<u>\$ 13,501,455</u>	<u>\$ 16,973,896</u>	<u>\$ (3,472,441)</u>	<u>-20.5%</u>
Non-Bargaining Unit:				
Employer Contributions	\$ 330,113	\$ 608,121	\$ (278,008)	-45.7%
Net Investment Income (Loss)	(2,528,718)	1,563,111	(4,091,829)	-261.8%
Total Additions (Subtraction)	<u>(2,198,605)</u>	<u>2,171,232</u>	<u>(4,369,837)</u>	<u>-201.3%</u>
Benefit Payments	788,536	685,250	103,286	15.1%
Net Increase (Decrease) in Position	(2,987,141)	1,485,982	(4,473,123)	-301.0%
Beginning Year	14,804,417	13,318,435	1,485,982	11.2%
Ending Year	<u>\$ 11,817,276</u>	<u>\$ 14,804,417</u>	<u>\$ (2,987,141)</u>	<u>-20.2%</u>

Statement of Revenues, Expenses & Changes in Net Position - Continued

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

	<u>Bargaining</u>	<u>Diff</u>	<u>Diff %</u>	<u>Non-Bargaining</u>	<u>Diff</u>	<u>Diff %</u>
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)	-3.5%
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%
2018	11,404,562	(771,835)	-6.3%	10,099,126	(919,250)	-8.3%
2019	13,616,153	1,439,756	11.8%	11,890,461	872,085	7.9%
2020	15,274,494	1,658,341	12.2%	13,318,435	1,427,974	12.0%
2021	16,973,895	1,699,401	11.1%	14,804,417	1,485,982	11.2%
2022	13,501,455	(3,472,440)	-20.5%	11,817,276	(2,987,141)	-20.2%



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 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, PO Box 3553, Portland, ME 04104-3553.

Statement of Net Position - Proprietary Funds

December 31, 2022

ASSETS

	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>	<u>Falmouth</u>
Current Assets				
Cash and cash equivalents	\$ 1,656,590	\$ 108,105	\$ 39,104	\$ 2,812
Investments	22,125,199	1,444,964	522,669	37,597
Accounts receivable, net allowance for doubtful accounts of \$331,734 for water systems	2,991,326	-	-	-
Notes receivable, current	-	-	-	-
Interfund receivable	742,563	-	-	-
Lease receivable, current	60,522	-	-	-
Inventories	2,531,628	-	-	-
Prepaid expenses	900,772	7,349	-	-
Trustee held funds	150,007	7,871	-	-
Total Current Assets	<u>31,158,607</u>	<u>1,568,289</u>	<u>561,773</u>	<u>40,409</u>
Non-Current Assets				
Capital Assets:				
Operating property	378,094,646	19,128,230	9,480,036	5,743,834
Accumulated depreciation	(141,649,093)	(13,170,882)	(5,935,113)	(838,878)
Net operating property	<u>236,445,553</u>	<u>5,957,348</u>	<u>3,544,923</u>	<u>4,904,956</u>
Right to use lease asset	82,163	126,123	-	-
Accumulated amortization - lease assets	(22,957)	(10,510)	-	-
Net lease assets	<u>59,206</u>	<u>115,613</u>	<u>-</u>	<u>-</u>
Construction in progress	884,561	64,936	3,800	-
Net Capital Assets	<u>237,389,320</u>	<u>6,137,897</u>	<u>3,548,723</u>	<u>4,904,956</u>
Charges and Other Assets:				
Notes receivable	-	-	-	-
Lease receivable	1,450,819	-	-	-
Total Charges and Other Assets	<u>1,450,819</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>238,840,139</u>	<u>6,253,510</u>	<u>3,548,723</u>	<u>4,904,956</u>
Total Assets	<u>269,998,746</u>	<u>7,706,186</u>	<u>4,110,496</u>	<u>4,945,365</u>
Deferred Outflows:				
Deferred outflows of pension resources	3,717,787	227,847	88,085	-
Deferred outflows on bond refunding	31,100	-	-	-
Total Deferred Outflows	<u>3,748,887</u>	<u>227,847</u>	<u>88,085</u>	<u>-</u>
Total Assets and Deferred Outflows	<u>\$ 273,747,633</u>	<u>\$ 7,934,033</u>	<u>\$ 4,198,581</u>	<u>\$ 4,945,365</u>

See Independent Auditor's Report.

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

Wastewater Funds

<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ 62,131	\$ 667,158	\$ 385,733	\$ -	\$ 2,921,633
830,466	8,917,457	3,909,792	-	37,788,144
-	31,995	2,619	-	3,025,940
-	-	13,240	-	13,240
-	-	-	-	742,563
-	-	-	-	60,522
-	-	-	-	2,531,628
4,274	41,491	26,434	950	981,270
-	1,670,934	-	-	1,828,812
<u>896,871</u>	<u>11,329,035</u>	<u>4,337,818</u>	<u>950</u>	<u>49,893,752</u>
18,811,123	119,893,081	23,075,606	3,902,428	578,128,984
(10,386,419)	(75,590,338)	(14,966,995)	(1,421,128)	(263,958,846)
<u>8,424,704</u>	<u>44,302,743</u>	<u>8,108,611</u>	<u>2,481,300</u>	<u>314,170,138</u>
-	-	-	-	208,286
-	-	-	-	(33,467)
-	-	-	-	174,819
<u>3,004,584</u>	<u>5,664,347</u>	<u>6,644,011</u>	<u>1,724,152</u>	<u>17,990,391</u>
<u>11,429,288</u>	<u>49,967,090</u>	<u>14,752,622</u>	<u>4,205,452</u>	<u>332,335,348</u>
-	-	66,200	-	66,200
-	-	-	-	1,450,819
-	-	66,200	-	1,517,019
<u>11,429,288</u>	<u>49,967,090</u>	<u>14,818,822</u>	<u>4,205,452</u>	<u>334,027,186</u>
<u>12,326,159</u>	<u>61,296,125</u>	<u>19,156,640</u>	<u>4,206,402</u>	<u>383,746,119</u>
122,145	1,352,403	320,044	44,043	5,872,354
-	-	-	-	31,100
<u>122,145</u>	<u>1,352,403</u>	<u>320,044</u>	<u>44,043</u>	<u>5,903,454</u>
<u>\$ 12,448,304</u>	<u>\$ 62,648,528</u>	<u>\$ 19,476,684</u>	<u>\$ 4,250,445</u>	<u>\$ 389,649,573</u>

Statement of Net Position - Proprietary Funds - Continued

December 31, 2022

LIABILITIES AND NET POSITION

	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>	<u>Falmouth</u>
Current Liabilities				
Accounts payable and accrued payroll	\$ 3,332,900	\$ 420,089	\$ 290,479	\$ 24,683
Accrued interest	334,743	13,673	30	5,617
Customer deposits	472,163	-	-	-
Construction retainage	162,512	-	-	-
Interfund payable	-	-	-	-
Current portion - lease liability	9,387	1,337	-	-
Current portion - compensated absences	1,015,858	-	-	-
Current portion - notes payable	-	-	-	-
Current portion - bonds	5,958,112	306,500	6,250	238,000
Total Current Liabilities	<u>11,285,675</u>	<u>741,599</u>	<u>296,759</u>	<u>268,300</u>
Non-Current Liabilities				
Customer advances and other liabilities	4,095,745	-	-	-
Compensated absences - non-current	696,052	-	-	-
Lease liability - non-current	51,044	119,118	-	-
Net pension liability	1,463,344	89,683	34,671	-
Total other non-current liabilities	<u>6,306,185</u>	<u>208,801</u>	<u>34,671</u>	<u>-</u>
Long-term debt - notes payable	-	-	-	-
Long-term debt - bonds	52,759,086	3,947,100	18,750	3,132,000
Total long-term debt - notes and bonds	<u>52,759,086</u>	<u>3,947,100</u>	<u>18,750</u>	<u>3,132,000</u>
Total Non-Current Liabilities	<u>59,065,271</u>	<u>4,155,901</u>	<u>53,421</u>	<u>3,132,000</u>
Total Liabilities	70,350,946	4,897,500	350,180	3,400,300
Deferred Inflows				
Deferred inflows - leases	1,413,164	-	-	-
Deferred inflows of pension resources	1,825,533	111,880	43,253	-
Total Deferred Inflows	<u>3,238,697</u>	<u>111,880</u>	<u>43,253</u>	<u>-</u>
Net Position				
Invested in capital assets	180,685,724	1,928,867	3,523,723	1,534,956
Unrestricted	19,472,266	995,786	281,425	10,109
Total Net Position	<u>200,157,990</u>	<u>2,924,653</u>	<u>3,805,148</u>	<u>1,545,065</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 273,747,633</u>	<u>\$ 7,934,033</u>	<u>\$ 4,198,581</u>	<u>\$ 4,945,365</u>

See Independent Auditor's Report.

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

Wastewater Funds

<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ 219,607	\$ 1,349,941	\$ 226,645	\$ 70,996	\$ 5,935,340
11,627	60,925	23,600	7,335	457,550
-	-	-	-	472,163
-	323,882	393,721	11,444	891,559
-	-	-	742,563	742,563
-	-	-	-	10,724
-	-	-	-	1,015,858
-	-	-	13,240	13,240
427,498	2,149,941	725,316	143,229	9,954,846
<u>658,732</u>	<u>3,884,689</u>	<u>1,369,282</u>	<u>988,807</u>	<u>19,493,843</u>
-	81,498	103,996	-	4,281,239
-	-	-	-	696,052
-	-	-	-	170,162
48,077	532,314	125,971	17,335	2,311,395
<u>48,077</u>	<u>613,812</u>	<u>229,967</u>	<u>17,335</u>	<u>7,458,848</u>
-	-	-	66,200	66,200
3,935,458	23,646,771	8,902,026	1,274,517	97,615,708
<u>3,935,458</u>	<u>23,646,771</u>	<u>8,902,026</u>	<u>1,340,717</u>	<u>97,681,908</u>
3,983,535	24,260,583	9,131,993	1,358,052	105,140,756
4,642,267	28,145,272	10,501,275	2,346,859	124,634,599
-	-	-	-	1,413,164
59,978	664,067	157,150	21,626	2,883,487
<u>59,978</u>	<u>664,067</u>	<u>157,150</u>	<u>21,626</u>	<u>4,296,651</u>
7,073,738	25,339,090	4,640,032	2,529,309	227,255,439
672,321	8,500,099	4,178,227	(647,349)	33,462,884
<u>7,746,059</u>	<u>33,839,189</u>	<u>8,818,259</u>	<u>1,881,960</u>	<u>260,718,323</u>
\$ 12,448,304	\$ 62,648,528	\$ 19,476,684	\$ 4,250,445	\$ 389,649,573

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

Year Ended December 31, 2022

	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>	<u>Falmouth</u>
Operating Revenues				
Water revenues	\$ 27,780,678	\$ -	\$ -	\$ -
Wastewater assessments	-	2,061,612	1,005,600	314,112
Other operating revenues	1,119,113	-	-	-
Total Operating Revenues	<u>28,899,791</u>	<u>2,061,612</u>	<u>1,005,600</u>	<u>314,112</u>
Operating Expenses				
Operations	5,519,670	868,297	657,163	4,358
Maintenance	5,645,745	145,557	207,452	-
Customer accounting and collections	937,548	28,663	14,862	11,202
Administrative and general	3,741,058	432,951	185,436	3,187
Taxes on operating property	60,967	-	-	-
Depreciation not allocated elsewhere	6,196,339	361,676	188,938	156,131
Total Operating Expenses	<u>22,101,327</u>	<u>1,837,144</u>	<u>1,253,851</u>	<u>174,878</u>
Operating Income (Loss)	6,798,464	224,468	(248,251)	139,234
Non-Operating Revenues (Expenses)				
Interest income	217,458	9,112	5,520	866
Investments unrealized gain (loss)	(324,281)	(19,467)	(11,016)	(1,902)
Miscellaneous	250,197	10,572	3,719	-
Loss on sale/disposal of operating property	(122,700)	1,444	-	-
Interest and amortization expense	(1,554,866)	(74,680)	(771)	(49,188)
Net Non-Operating Revenues (Expenses)	<u>(1,534,192)</u>	<u>(73,019)</u>	<u>(2,548)</u>	<u>(50,224)</u>
Change in Net Position Before Contributions	5,264,272	151,449	(250,799)	89,010
Capital Contributions	<u>1,646,472</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	6,910,744	151,449	(250,799)	89,010
Net Position, Beginning of Year	<u>193,247,246</u>	<u>2,773,204</u>	<u>4,055,947</u>	<u>1,456,055</u>
Net Position, End of Year	<u>\$ 200,157,990</u>	<u>\$ 2,924,653</u>	<u>\$ 3,805,148</u>	<u>\$ 1,545,065</u>

See Independent Auditor's Report.

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

Wastewater Funds

<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ -	\$ -	\$ -	\$ -	\$ 27,780,678
1,313,100	13,651,033	3,173,124	518,412	22,036,993
33	347,279	56,262	8	1,522,695
<u>1,313,133</u>	<u>13,998,312</u>	<u>3,229,386</u>	<u>518,420</u>	<u>51,340,366</u>
407,620	6,603,045	1,436,917	86,565	15,583,635
90,018	330,493	93,320	18,044	6,530,629
22,891	204,887	56,564	597	1,277,214
273,965	2,912,546	706,775	67,471	8,323,389
-	-	-	-	60,967
416,459	3,204,509	577,271	87,549	11,188,872
<u>1,210,953</u>	<u>13,255,480</u>	<u>2,870,847</u>	<u>260,226</u>	<u>42,964,706</u>
102,180	742,832	358,539	258,194	8,375,660
6,039	47,262	30,346	7,339	323,942
944	(82,695)	(25,540)	3,941	(460,016)
6,119	282,221	25,858	1,578	580,264
-	(21,988)	-	-	(143,244)
(79,329)	(394,325)	(163,448)	(44,186)	(2,360,793)
<u>(66,227)</u>	<u>(169,525)</u>	<u>(132,784)</u>	<u>(31,328)</u>	<u>(2,059,847)</u>
35,953	573,307	225,755	226,866	6,315,813
284,000	400,000	-	-	2,330,472
319,953	973,307	225,755	226,866	8,646,285
7,426,106	32,865,882	8,592,504	1,655,094	252,072,038
<u>\$ 7,746,059</u>	<u>\$ 33,839,189</u>	<u>\$ 8,818,259</u>	<u>\$ 1,881,960</u>	<u>\$ 260,718,323</u>

Statement of Cash Flows - Proprietary Funds

For the Year Ended December 31, 2022

	Water Systems	Cape Elizabeth	Cumberland	Falmouth
Cash flows from operating activities				
Receipts from customers	\$ 29,372,564	\$ 2,061,612	\$ 1,005,600	\$ 314,112
Payments to suppliers	(12,141,562)	(1,002,935)	(831,737)	(10,363)
Payments to employees	(8,219,672)	(536,376)	(217,942)	(3,543)
Net cash flows from operating activities	<u>9,011,330</u>	<u>522,301</u>	<u>(44,079)</u>	<u>300,206</u>
Cash flows from capital and related financing activities				
Proceeds from bonds	5,500,000	575,000	-	-
Principal payments bonds	(5,587,257)	(277,750)	(6,250)	(238,000)
Notes payable payments	-	-	-	-
Impact of interfund payable/receivable	(591,413)	-	-	-
Transfer from trustee funds	2,449,993	-	-	-
New trustee funds	-	-	-	-
Interest paid	(1,540,817)	(73,650)	(778)	(49,585)
Acquisitions and construction of operating property	(7,857,223)	(583,643)	(128,764)	-
Amortization of leased assets	9,886	3,503	-	-
Proceeds from sale of operating property	14,459	1,444	-	-
Net cash flows from capital and related financing activities	<u>(7,602,372)</u>	<u>(355,096)</u>	<u>(135,792)</u>	<u>(287,585)</u>
Cash flows from investing activities				
Investments - transfer to water	(7,887,878)	981,541	525,240	20,263
Investments - purchases	(37,424,694)	-	-	-
Investments - sales	22,362,786	-	-	-
Investments - market value change	963,919	-	-	-
Investments - transfer from water	15,662,945	(1,444,964)	(522,669)	(37,597)
Interest income received	217,458	9,112	5,520	866
Investments unrealized loss	(324,281)	(19,467)	(11,016)	(1,902)
Payments on notes receivable	-	-	-	-
Net cash flows from investing activities	<u>(6,429,745)</u>	<u>(473,778)</u>	<u>(2,925)</u>	<u>(18,370)</u>
Net change in cash	(5,020,787)	(306,573)	(182,796)	(5,749)
Cash and cash equivalents - beginning of year	6,677,377	414,678	221,900	8,561
Cash and cash equivalents - end of year	<u>\$ 1,656,590</u>	<u>\$ 108,105</u>	<u>\$ 39,104</u>	<u>\$ 2,812</u>
Reconciliation of operating income to net cash flows from operating activities				
Operating income (loss)	\$ 6,798,464	\$ 224,468	\$ (248,251)	\$ 139,234
Depreciation	6,196,339	361,676	188,938	156,131
Depreciation allocated	1,050,000	-	-	-
Amortization	17,000	-	-	-
Miscellaneous income	250,197	10,572	3,719	-
Changes in assets and liabilities:				
Accounts receivable	472,774	-	-	-
Inventories	(622,305)	-	-	-
Prepays	(243,617)	48,028	-	-
Lease receivable	(40,403)	-	-	-
Accounts payable and accrued payroll	(1,951,391)	61,390	78,189	4,841
Compensated absences	(103,955)	-	-	-
Customer deposits	35,789	-	-	-
Net pension liability and deferred inflows/outflows	(3,079,605)	(182,525)	(66,674)	-
Bond refunding deferred outflow	20,000	-	-	-
Lease liability	(9,283)	(1,308)	-	-
Lease deferred inflows	10,087	-	-	-
Customer advances and other liabilities	211,239	-	-	-
Net cash flows from operating activities	<u>\$ 9,011,330</u>	<u>\$ 522,301</u>	<u>\$ (44,079)</u>	<u>\$ 300,206</u>
Noncash investing, capital and financing activities				
Capital contributions	<u>\$ 1,646,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

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

Wastewater Funds

<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	<u>TOTAL</u>
\$ 1,313,134	\$ 14,125,582	\$ 3,229,823	\$ 518,420	\$ 51,940,847
(528,151)	(7,855,476)	(1,686,336)	(151,399)	(24,207,959)
(305,172)	(3,135,897)	(762,493)	(73,637)	(13,254,732)
<u>479,811</u>	<u>3,134,209</u>	<u>780,994</u>	<u>293,384</u>	<u>14,478,156</u>
2,498,400	8,096,000	5,290,400	211,200	22,171,000
(431,204)	(2,029,450)	(738,799)	(143,687)	(9,452,397)
-	-	-	(13,240)	(13,240)
(106,059)	-	-	697,472	-
2,498,400	6,433,190	5,290,400	211,200	16,883,183
(2,498,400)	(8,096,000)	(5,290,400)	(211,200)	(16,096,000)
(76,530)	(383,146)	(156,918)	(44,658)	(2,326,082)
(1,478,804)	(4,684,686)	(2,880,857)	(1,011,751)	(18,625,728)
-	-	-	-	13,389
-	51	-	-	15,954
<u>405,803</u>	<u>(664,041)</u>	<u>1,513,826</u>	<u>(304,664)</u>	<u>(7,429,921)</u>
-	5,026,365	1,334,469	-	-
-	-	-	-	(37,424,694)
-	-	-	-	22,362,786
-	-	-	-	963,919
(830,466)	(8,917,457)	(3,909,792)	-	-
6,039	47,262	30,346	7,339	323,942
944	(82,695)	(25,540)	3,941	(460,016)
-	-	13,240	-	13,240
<u>(823,483)</u>	<u>(3,926,525)</u>	<u>(2,557,277)</u>	<u>11,280</u>	<u>(14,220,823)</u>
62,131	(1,456,357)	(262,457)	-	(7,172,588)
-	2,123,515	648,190	-	10,094,221
<u>\$ 62,131</u>	<u>\$ 667,158</u>	<u>\$ 385,733</u>	<u>\$ -</u>	<u>\$ 2,921,633</u>
\$ 102,180	\$ 742,832	\$ 358,539	\$ 258,194	\$ 8,375,660
416,459	3,204,509	577,271	87,549	11,188,872
-	-	-	-	1,050,000
-	-	-	-	17,000
6,119	282,221	25,858	1,578	580,264
-	127,271	437	-	600,482
-	-	-	-	(622,305)
(4,274)	49,432	265	(950)	(151,116)
-	-	-	-	(40,403)
56,108	(128,986)	48,724	(17,156)	(1,848,281)
-	-	-	-	(103,955)
-	-	-	-	35,789
(96,781)	(1,130,451)	(240,951)	(35,831)	(4,832,818)
-	-	-	-	20,000
-	-	-	-	(10,591)
-	-	-	-	10,087
-	(12,619)	10,851	-	209,471
<u>\$ 479,811</u>	<u>\$ 3,134,209</u>	<u>\$ 780,994</u>	<u>\$ 293,384</u>	<u>\$ 14,478,156</u>
<u>\$ 284,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,330,472</u>

Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2022

	<u>Total</u>
ASSETS	
Cash and cash equivalents	<u>\$ 603,145</u>
Investments	
Equity mutual funds	16,411,962
Common stock	7,338,354
Fixed income - mutual funds	<u>1,029,103</u>
	24,779,419
Interest receivable	<u>(63,833)</u>
Total Assets	<u><u>\$ 25,318,731</u></u>
Restricted for pension benefits	<u>\$ 25,318,731</u>
Total Net Position	<u><u>\$ 25,318,731</u></u>

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended December 31, 2022

	<u>Total</u>
Additions:	
Employer Contributions	\$ 698,631
Investment Income	
Interest and dividends	<u>582,548</u>
Total Additions	1,281,179
Deductions:	
Benefits	<u>(1,748,906)</u>
Investment Loss	
Net loss on sale of assets	(933,136)
Net depreciation of investments	<u>(4,910,247)</u>
Net Investment Loss	<u>(5,843,383)</u>
Fees/Other Expenses	<u>(148,471)</u>
Total Deductions	<u>(7,740,760)</u>
Change in Position	(6,459,581)
Net Position - Beginning of Year	<u>31,778,312</u>
Net Position - End of Year	<u>\$ 25,318,731</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 Financial Accounting Standards Board and American Institute of Certified Public Accountants 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 eight 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, 2022

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. In addition, money market mutual funds held in an overnight cash sweep arrangement are considered 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 sweep funds are invested in a money market mutual fund which is made up of U.S. government and agency instruments, held by the District's Bank in the Bank's name. Overnight repurchase agreement funds are invested in U.S. government backed obligations of U.S. government agencies and corporations, held by the District's Bank in the District's name.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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. Information about the exposure of the District’s debt type investments to this risk, using the segmented time distribution model is as follows: U.S. Agency and Treasury Securities fair value with maturities less than one year are \$28,752,071 and maturities of 1-5 years are \$3,662,724.

Investments – Pension Trust Funds

Method used to Value Investments:

Investments are reported at fair value, except those 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, 2022:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
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 2022. As of December 31, 2022, the investment portfolio does not hold any investment in any one organization greater than 5% of either of the plan’s fiduciary net positions.

Rate of Return:

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension expense, was (16.84) % and (16.91) % 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, 2022

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, 2022, 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. Agency and Treasury Securities: In general, U.S. agency and treasury securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

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, 2022 was \$331,734. The District has the ability to place a lien on property with past due balances.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 acquisition 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
- 66 to 80 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.

Leases

The District complies with the requirements of GASB Statement 87 – *Leases*. The threshold for inclusion were leases where the present value of the payments at the beginning of the lease term were over \$10,000. The Discount rates used were the District's average borrowing costs at the date of execution.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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. There were no amortization costs in 2022.

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 represent 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, lease transactions and a 2016 bond refunding. In the case of the pension, these items can include differences between expected and actual expense, change in assumptions, the net difference between projected and actual returns on pension plan investments and also District pension contributions made prior to the measurement date. For leases the initial value of the deferred inflow is the present value of the lease payments the District expects to receive and is amortized over the life of the lease on a straight-line basis. For the bond refunding, the deferred outflow is utilized to amortize the loss on the refund over the remaining life of the original bond.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 are not recognized.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Cash & Investments

The carrying amount of the District's deposits with financial institutions was (\$2,344,395) at December 31, 2022 and the bank balance was \$431,463. The District held certificates of deposit carried at \$5,373,349. Total deposits were categorized, as follows:

	Bank Balances	Certificates of Deposit	Total Deposits
Amount Insured	\$ 431,463	\$ 5,371,777	\$ 5,803,240
Amount Uninsured	-	1,572	1,572
	<u>\$ 431,463</u>	<u>\$ 5,373,349</u>	<u>\$ 5,804,812</u>

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	237,635
Carrying Value of Deposits	(2,344,395)
Money Market Mutual Funds	5,027,093
Total Cash and Cash equivalents	<u>\$ 2,921,633</u>
Certificates of Deposit	\$ 5,373,349
U.S. Treasury Securities	8,642,391
U.S. Agency Securities	23,772,404
Total Investments	<u>\$ 37,788,144</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash & Investments - Continued

Shares in the overnight money market mutual funds sweep arrangement are held in the Bank's name and not in the name of the District. These funds are secured by the underlying securities of the mutual funds. Fair value of assets measured on a recurring basis at December 31, 2022 are, as follows:

Proprietary Funds

	Total	Level 1	Level 2	Level 3
Money Market Mutual Funds	\$ 5,027,093	\$ 5,027,093	\$ -	\$ -
Certificates of Deposit	5,373,349	4,880,975	492,374	-
U.S. Treasury Securities	8,642,391	-	8,642,391	-
U.S. Agency Securities	23,772,404	-	23,772,404	-
	<u>\$ 42,815,237</u>	<u>\$ 9,908,068</u>	<u>\$ 32,907,169</u>	<u>\$ -</u>

Pension Trust Funds

	Total	Level 1	Level 2	Level 3
Equity Mutual Funds	\$ 16,411,962	\$ 16,411,962	\$ -	\$ -
Common Stock	7,338,354	7,338,354	-	-
Fixed Income - Mutual Funds	1,029,103	1,029,103	-	-
	<u>\$ 24,779,419</u>	<u>\$ 24,779,419</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Ratings

U.S. Agency and Treasury Securities are implicitly guaranteed by the U.S. government.

Investment Ratings - Pension Trust Funds

Holdings in the fixed income mutual funds were rated by Standard & Poor's as having ratings of AAA to A. Ratings were not available for the equity mutual funds. U.S. Agency Securities are implicitly guaranteed by the U.S. government.

Notes Receivable

During the year, the District had one note receivable in Westbrook Wastewater Fund.

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

	Dec 31, 2021	Increases	Decreases	Dec 31, 2022	Current	Non-Current
Westbrook Wastewater Fund:						
Windham Wastewater Fund	\$ 92,680	\$ -	\$ (13,240)	\$ 79,440	\$ 13,240	\$ 66,200
Total of all Notes	<u>\$ 92,680</u>	<u>\$ -</u>	<u>\$ (13,240)</u>	<u>\$ 79,440</u>	<u>\$ 13,240</u>	<u>\$ 66,200</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Water Fund:				
Operating Property, not being depreciated				
Land	\$ 4,554,848	\$ -	\$ -	\$ 4,554,848
Land Rights	2,477,130	-	-	2,477,130
Plant Acquisition Adjustment Organization	70,189	-	(17,000)	53,189
Non-Utility Property	173,472	-	-	173,472
Franchises	103,935	-	-	103,935
Property Held for Future Use	26,161	-	-	26,161
	7,425	-	-	7,425
	<u>7,413,160</u>	<u>-</u>	<u>(17,000)</u>	<u>7,396,160</u>
Operating Property, being depreciated				
Distribution Mains	207,900,592	5,877,732	(197,149)	213,581,175
Services	40,543,922	1,016,096	-	41,560,018
Structures & Improvements	30,750,939	375,564	-	31,126,503
Water Treatment Equipment	14,424,461	-	-	14,424,461
Transmission Mains	13,430,883	-	-	13,430,883
Meters & Meter Installations	13,299,239	368,814	(90,750)	13,577,303
Reservoirs & Standpipes	11,186,541	-	-	11,186,541
Hydrants	12,822,451	432,610	(49,651)	13,205,410
Vehicles	3,493,039	501,334	(156,617)	3,837,756
Lake, River & Other Intakes	2,363,460	-	-	2,363,460
Communication Equipment	1,485,020	-	-	1,485,020
Pumping Equipment	2,931,280	18,960	-	2,950,240
Wells & Springs	989,248	-	-	989,248
Computer Equipment	4,341,228	294,673	-	4,635,901
Power Equipment	706,964	-	(181,345)	525,619
Office Furniture & Equipment	762,135	45,017	-	807,152
Shop Equipment	288,562	-	-	288,562
Garage Equipment	232,652	-	-	232,652
Radio Equipment	318,006	-	-	318,006
Laboratory Equipment	113,415	-	-	113,415
Stores Equipment	59,161	-	-	59,161
	<u>362,443,198</u>	<u>8,930,800</u>	<u>(675,512)</u>	<u>370,698,486</u>
Total Operating Property	\$ 369,856,358	\$ 8,930,800	\$ (692,512)	\$ 378,094,646

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Water Fund (continued):				
Less, accumulated depreciation for:				
Distribution Mains	\$ 56,228,465	\$ 2,963,879	\$ (139,528)	\$ 59,052,816
Services	21,697,605	943,492	-	22,641,097
Structures & Improvements	16,511,749	654,647	-	17,166,396
Transmission Mains	7,669,357	135,180	-	7,804,537
Reservoirs & Standpipes	5,686,081	198,800	-	5,884,881
Water Treatment Equipment	5,805,664	422,489	-	6,228,153
Hydrants	4,610,123	260,396	(23,783)	4,846,736
Meters	6,333,446	539,346	(45,801)	6,826,991
Vehicles	1,945,535	399,715	(147,896)	2,197,354
Intakes Suction Mains	1,924,291	24,813	-	1,949,104
Pumping Equipment	1,730,763	75,970	-	1,806,733
Communication Equipment	1,362,681	59,560	-	1,422,241
Power Equipment	653,743	5,385	(181,345)	477,783
Office Equipment	842,983	56,592	-	899,575
Shop Equipment	337,029	-	-	337,029
Computer Equipment	712,219	462,964	-	1,175,183
Garage Equipment	257,683	4,137	-	261,820
Wells & Springs	264,803	19,643	-	284,446
Radio Equipment	216,324	14,906	-	231,230
Laboratory Equipment	104,842	3,430	-	108,272
Stores Equipment	45,721	995	-	46,716
	<u>134,941,107</u>	<u>7,246,339</u>	<u>(538,353)</u>	<u>141,649,093</u>
Net Operating Property	<u>234,915,251</u>	<u>1,684,461</u>	<u>(154,159)</u>	<u>236,445,553</u>
Right to Use Lease Assets:				
Right to Use - Buildings	67,045			67,045
Right to Use - Equipment	15,118			15,118
	<u>82,163</u>	<u>-</u>	<u>-</u>	<u>82,163</u>
Less, accumulated amortization for lease assets:				
Right to Use - Buildings	6,705	6,704		13,409
Right to Use - Equipment	6,366	3,182		9,548
	<u>13,071</u>	<u>9,886</u>	<u>-</u>	<u>22,957</u>
Net Lease Assets	<u>69,092</u>	<u>(9,886)</u>	<u>-</u>	<u>59,206</u>
Construction Work in Progress	<u>533,731</u>	<u>542,773</u>	<u>(191,943)</u>	<u>884,561</u>
Net Capital Assets	<u>\$ 235,518,074</u>	<u>\$ 2,217,348</u>	<u>\$ (346,102)</u>	<u>\$ 237,389,320</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Cape Elizabeth Wastewater:				
Operating Property, not being depreciated				
Land	\$ 130,048	\$ -	\$ -	\$ 130,048
Land Rights	95,111	-	-	95,111
	<u>225,159</u>	<u>-</u>	<u>-</u>	<u>225,159</u>
Operating Property, being depreciated				
Interceptor Structures	6,315,961	-	-	6,315,961
Treatment Plant Equipment	3,364,473	-	-	3,364,473
Pumping Station Equipment	2,925,398	145,297	(12,766)	3,057,929
Treatment Plant Structures	3,599,956	12	-	3,599,968
Pumping Station Structures	1,877,607	436,978	(34,355)	2,280,230
General Equipment	197,933	-	-	197,933
Computer Equipment	74,729	518	-	75,247
Interceptor Equipment	11,330	-	-	11,330
	<u>18,367,387</u>	<u>582,805</u>	<u>(47,121)</u>	<u>18,903,071</u>
Total Operating Property	<u>18,592,546</u>	<u>582,805</u>	<u>(47,121)</u>	<u>19,128,230</u>
Less, accumulated depreciation for:				
Interceptor Structures	4,500,034	126,399	-	4,626,433
Treatment Plant Equipment	3,050,497	20,564	-	3,071,061
Pumping Station Equipment	2,198,197	70,861	(12,766)	2,256,292
Treatment Plant Structures	2,001,713	75,631	-	2,077,344
Pumping Station Structures	950,657	47,152	(34,355)	963,454
General Equipment	148,715	11,548	-	160,263
Computer Equipment	4,671	9,373	-	14,044
Interceptor Equipment	1,843	148	-	1,991
	<u>12,856,327</u>	<u>361,676</u>	<u>(47,121)</u>	<u>13,170,882</u>
Net Operating Property	<u>5,736,219</u>	<u>221,129</u>	<u>-</u>	<u>5,957,348</u>
Right to Use Lease Assets:				
Right to Use - Land	126,123	-	-	126,123
Less, accumulated amortization for lease assets:				
Right to Use - Land	7,007	3,503	-	10,510
Net Lease Assets	<u>119,116</u>	<u>(3,503)</u>	<u>-</u>	<u>115,613</u>
Construction Work in Progress	<u>70,685</u>	<u>64,936</u>	<u>(70,685)</u>	<u>64,936</u>
Net Capital Assets	<u>\$ 5,926,020</u>	<u>\$ 282,562</u>	<u>\$ (70,685)</u>	<u>\$ 6,137,897</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Cumberland Wastewater:				
Operating Property, not being depreciated				
Land	\$ 89,005	\$ -	\$ -	\$ 89,005
Operating Property, being depreciated				
Interceptor Structures	7,108,317	-	-	7,108,317
Pumping Station Structures	1,041,213	-	-	1,041,213
Pumping Station Equipment	1,042,048	126,233	(53,206)	1,115,075
Treatment Plant Equipment	47,416	-	-	47,416
General Equipment	41,881	-	-	41,881
Computer Equipment	36,664	252	-	36,916
Interceptor Equipment	213	-	-	213
	<u>9,317,752</u>	<u>126,485</u>	<u>(53,206)</u>	<u>9,391,031</u>
Total Operating Property	<u>9,406,757</u>	<u>126,485</u>	<u>(53,206)</u>	<u>9,480,036</u>
Less, accumulated depreciation for:				
Interceptor Structures	4,010,403	142,166	-	4,152,569
Pumping Station Structures	808,644	13,483	-	822,127
Pumping Station Equipment	890,528	27,891	(53,206)	865,213
Treatment Plant Equipment	45,421	799	-	46,220
General Equipment	41,881	-	-	41,881
Computer Equipment	2,291	4,599	-	6,890
Interceptor Equipment	213	-	-	213
	<u>5,799,381</u>	<u>188,938</u>	<u>(53,206)</u>	<u>5,935,113</u>
Construction Work in Progress	<u>1,520</u>	<u>2,280</u>	<u>-</u>	<u>3,800</u>
Net Capital Assets	<u>\$ 3,608,896</u>	<u>\$ (60,173)</u>	<u>\$ -</u>	<u>\$ 3,548,723</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
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	2,224,436	-	-	2,224,436
Computer Equipment	39,871	-	-	39,871
	<u>5,733,307</u>	<u>-</u>	<u>-</u>	<u>5,733,307</u>
Total Operating Property	<u>5,743,834</u>	<u>-</u>	<u>-</u>	<u>5,743,834</u>
Less, accumulated depreciation for:				
Pumping Station Structures	200,376	44,528	-	244,904
Pumping Station Equipment	279,585	62,130	-	341,715
Interceptor Structures	200,294	44,489	-	244,783
Computer Equipment	2,492	4,984	-	7,476
	<u>682,747</u>	<u>156,131</u>	<u>-</u>	<u>838,878</u>
Net Capital Assets	<u>\$ 5,061,087</u>	<u>\$ (156,131)</u>	<u>\$ -</u>	<u>\$ 4,904,956</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Gorham Wastewater:				
Operating Property, not being depreciated				
Land	\$ 185,466	\$ -	\$ -	\$ 185,466
Land Rights	157,770	-	-	157,770
	<u>343,236</u>	<u>-</u>	<u>-</u>	<u>343,236</u>
Operating Property, being depreciated				
Interceptor Structures	11,838,353	284,000	-	12,122,353
Pumping Station Structures	1,938,943	-	-	1,938,943
Pumping Station Equipment	1,863,868	144,266	(49,495)	1,958,639
Treatment Plant Structures	1,071,957	2,036	-	1,073,993
Treatment Plant Equipment	1,222,258	26,216	-	1,248,474
Computer Equipment	66,424	572	-	66,996
General Equipment	52,972	-	-	52,972
Solids Handling Equipment	5,517	-	-	5,517
	<u>18,060,292</u>	<u>457,090</u>	<u>(49,495)</u>	<u>18,467,887</u>
Total Operating Property	<u>18,403,528</u>	<u>457,090</u>	<u>(49,495)</u>	<u>18,811,123</u>
Less, accumulated depreciation for:				
Interceptor Structures	6,035,781	239,607	-	6,275,388
Pumping Station Equipment	1,477,569	57,014	(49,495)	1,485,088
Treatment Plant Structures	826,267	20,052	-	846,319
Pumping Station Structures	939,505	43,203	-	982,708
Treatment Plant Equipment	690,402	46,202	-	736,604
General Equipment	40,264	2,042	-	42,306
Computer Equipment	4,151	8,339	-	12,490
Solids Handling Equipment	5,516	-	-	5,516
	<u>10,019,455</u>	<u>416,459</u>	<u>(49,495)</u>	<u>10,386,419</u>
Construction Work in Progress	<u>1,698,869</u>	<u>1,305,715</u>	<u>-</u>	<u>3,004,584</u>
Net Capital Assets	<u>\$ 10,082,942</u>	<u>\$ 1,346,346</u>	<u>\$ -</u>	<u>\$11,429,288</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Portland Wastewater:				
Operating Property, not being depreciated				
Land	\$ 199,555	\$ -	\$ -	\$ 199,555
Land Rights	233,013	-	-	233,013
	<u>432,568</u>	<u>-</u>	<u>-</u>	<u>432,568</u>
Operating Property, being depreciated				
Treatment Plant Structures	36,241,051	15,915	-	36,256,966
Interceptor Structures	28,244,426	488,533	-	28,732,959
Treatment Plant Equipment	26,490,444	913,680	(23,508)	27,380,616
Pumping Station Structures	12,353,667	1,607,563	(137,711)	13,823,519
Pumping Station Equipment	10,007,766	553,244	(58,507)	10,502,503
Communications Equip.- Collectors	753,873	-	-	753,873
Computer Equipment	523,155	3,291	-	526,446
Storm Drains	617,610	-	-	617,610
Solids Handling Equipment	422,284	-	-	422,284
General Equipment	380,657	-	-	380,657
Interceptor Equipment	63,080	-	-	63,080
	<u>116,098,013</u>	<u>3,582,226</u>	<u>(219,726)</u>	<u>119,460,513</u>
Total Operating Property	<u>116,530,581</u>	<u>3,582,226</u>	<u>(219,726)</u>	<u>119,893,081</u>
Less, accumulated depreciation for:				
Treatment Plant Structures	24,110,972	785,949	-	24,896,921
Interceptor Structures	20,162,349	567,073	-	20,729,422
Treatment Plant Equipment	14,282,535	1,024,767	(7,052)	15,300,250
Pumping Station Structures	6,379,171	325,698	(132,129)	6,572,740
Pumping Station Equipment	5,972,213	380,123	(58,507)	6,293,829
Communications Equip.- Collectors	661,818	17,590	-	679,408
Solids Handling Equipment	299,480	9,798	-	309,278
General Equipment	307,243	20,637	-	327,880
Storm Drains	311,959	12,352	-	324,311
Interceptor Equipment	63,080	(5,078)	-	58,002
Computer Equipment	32,697	65,600	-	98,297
	<u>72,583,517</u>	<u>3,204,509</u>	<u>(197,688)</u>	<u>75,590,338</u>
Construction Work in Progress	<u>4,011,261</u>	<u>3,509,504</u>	<u>(1,856,418)</u>	<u>5,664,347</u>
Net Capital Assets	<u>\$ 47,958,325</u>	<u>\$ 3,887,221</u>	<u>\$ (1,878,456)</u>	<u>\$ 49,967,090</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Westbrook Wastewater:				
Operating Property, not being depreciated				
Land	\$ 162,263	\$ -	\$ -	\$ 162,263
Land Rights	139,144	-	-	139,144
	<u>301,407</u>	<u>-</u>	<u>-</u>	<u>301,407</u>
Operating Property, being depreciated				
Treatment Plant Equipment	4,083,123	56,687	-	4,139,810
Pumping Station Structures	5,367,086	-	-	5,367,086
Treatment Plant Structures	4,370,580	4,404	-	4,374,984
Interceptor Structures	3,809,153	-	-	3,809,153
Pumping Station Equipment	3,623,809	36,067	(11,234)	3,648,642
General Equipment	1,180,597	-	-	1,180,597
Computer Equipment	129,184	694	-	129,878
Communications Equip. - Collectors	103,231	-	-	103,231
Storm Drains	748	-	-	748
Solids Handling Equipment	20,070	-	-	20,070
	<u>22,687,581</u>	<u>97,852</u>	<u>(11,234)</u>	<u>22,774,199</u>
Total Operating Property	<u>22,988,988</u>	<u>97,852</u>	<u>(11,234)</u>	<u>23,075,606</u>
Less, accumulated depreciation for:				
Treatment Plant Equipment	2,790,245	113,869	-	2,904,114
Treatment Plant Structures	3,473,810	76,574	-	3,550,384
Interceptor Structures	3,076,397	75,738	-	3,152,135
Pumping Station Structures	2,527,099	135,638	-	2,662,737
Pumping Station Equipment	2,135,082	132,698	(11,234)	2,256,546
General Equipment	273,502	24,637	-	298,139
Computer Equipment	8,074	16,191	-	24,265
Storm Drains	45	10	-	55
Solids Handling Equipment	20,070	-	-	20,070
Communications Equip. - Collectors	96,634	1,916	-	98,550
	<u>14,400,958</u>	<u>577,271</u>	<u>(11,234)</u>	<u>14,966,995</u>
Construction Work in Progress	<u>3,677,173</u>	<u>2,966,838</u>	<u>-</u>	<u>6,644,011</u>
Net Capital Assets	<u>\$ 12,265,203</u>	<u>\$ 2,487,419</u>	<u>\$ -</u>	<u>\$ 14,752,622</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
Windham Wastewater:				
Operating Property, not being depreciated				
Land	\$ 142,556	\$ -	\$ -	\$ 142,556
Land Rights	13,296	-	-	13,296
	<u>155,852</u>	<u>-</u>	<u>-</u>	<u>155,852</u>
Operating Property, being depreciated				
Interceptor Structures	2,013,793	1,670	-	2,015,463
Pumping Station Structures	753,035	25,205	-	778,240
Pumping Station Equipment	585,661	21,743	(9,372)	598,032
Treatment Plant Equipment	139,560	2,213	-	141,773
Treatment Plant Structures	145,284	172	-	145,456
Storm Drains	46,080	343	-	46,423
General Equipment	14,153	-	-	14,153
Computer Equipment	6,256	97	-	6,353
Solids Handling Equipment	683	-	-	683
	<u>3,704,505</u>	<u>51,443</u>	<u>(9,372)</u>	<u>3,746,576</u>
Total Operating Property	<u>3,860,357</u>	<u>51,443</u>	<u>(9,372)</u>	<u>3,902,428</u>
Less, accumulated depreciation for:				
Interceptor Structures	588,450	40,293	-	628,743
Pumping Station Equipment	349,610	18,611	(9,372)	358,849
Pumping Station Structures	187,348	19,713	-	207,061
Treatment Plant Equipment	91,841	4,146	-	95,987
Treatment Plant Structures	114,786	2,579	-	117,365
General Equipment	9,381	494	-	9,875
Computer Equipment	391	788	-	1,179
Storm Drains	461	925	-	1,386
Solids Handling Equipment	683	-	-	683
	<u>1,342,951</u>	<u>87,549</u>	<u>(9,372)</u>	<u>1,421,128</u>
Construction Work in Progress	<u>763,300</u>	<u>960,852</u>	<u>-</u>	<u>1,724,152</u>
Net Capital Assets	<u>\$ 3,280,706</u>	<u>\$ 924,746</u>	<u>\$ -</u>	<u>\$ 4,205,452</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

All Funds Combined:	Dec 31, 2021	Increases	Decreases	Dec 31, 2022
Operating Property, not being depreciated				
Land (Water)	\$ 4,554,848	\$ -	\$ -	\$ 4,554,848
Land Rights (Water)	2,477,130	-	-	2,477,130
Land (Wastewater)	919,420	-	-	919,420
Land Rights (Wastewater)	638,334	-	-	638,334
Plant Acquisition Adjustment	70,189	-	(17,000)	53,189
Organization	173,472	-	-	173,472
Non-Utility Property	103,935	-	-	103,935
Franchises	26,161	-	-	26,161
Property Held for Future Use	7,425	-	-	7,425
	<u>8,970,914</u>	<u>-</u>	<u>(17,000)</u>	<u>8,953,914</u>
Operating Property, being depreciated				
Distribution Mains	207,900,592	5,877,732	(197,149)	213,581,175
Interceptor Structures	61,554,439	774,203	-	62,328,642
Treatment Plant Structures	45,428,828	22,539	-	45,451,367
Services	40,543,922	1,016,096	-	41,560,018
Structures & Improvements	30,750,939	375,564	-	31,126,503
Treatment Plant Equipment	35,347,274	998,796	(23,508)	36,322,562
Pumping Station Structures	25,557,951	2,069,746	(172,066)	27,455,631
Pumping Station Equipment	21,291,150	1,026,850	(194,580)	22,123,420
Water Treatment Equipment	14,424,461	-	-	14,424,461
Transmission Mains	13,430,883	-	-	13,430,883
Meters & Meter Installations	13,299,239	368,814	(90,750)	13,577,303
Reservoirs & Standpipes	11,186,541	-	-	11,186,541
Hydrants	12,822,451	432,610	(49,651)	13,205,410
Vehicles	3,493,039	501,334	(156,617)	3,837,756
Lake, River & Other Intakes	2,363,460	-	-	2,363,460
Communication Equipment	1,485,020	-	-	1,485,020
Pumping Equipment	2,931,280	18,960	-	2,950,240
General Equipment	1,868,193	-	-	1,868,193
Wells & Springs	989,248	-	-	989,248
Computer Equipment	5,217,511	300,097	-	5,517,608
Power Equipment	706,964	-	(181,345)	525,619
Communications Equipment - Collectors	857,104	-	-	857,104
Office Furniture & Equipment	762,135	45,017	-	807,152
Storm Drains	664,438	343	-	664,781
Shop Equipment	288,562	-	-	288,562
Solids Handling Equipment	448,554	-	-	448,554
Garage Equipment	232,652	-	-	232,652
Radio Equipment	318,006	-	-	318,006
Laboratory Equipment	113,415	-	-	113,415
Interceptor Equipment	74,623	-	-	74,623
Stores Equipment	59,161	-	-	59,161
	<u>556,412,035</u>	<u>13,828,701</u>	<u>(1,065,666)</u>	<u>569,175,070</u>
Total Operating Property	<u>\$ 565,382,949</u>	<u>\$ 13,828,701</u>	<u>\$ (1,082,666)</u>	<u>\$ 578,128,984</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>
All Funds Combined (continued):				
Less, accumulated depreciation for:				
Distribution Mains	\$ 56,228,466	\$ 2,963,879.00	\$ (139,528)	\$ 59,052,817
Interceptor Structures	38,573,708	1,235,765	-	39,809,473
Treatment Plant Structures	30,472,886	960,785	-	31,433,671
Treatment Plant Equipment	21,005,924	1,210,347	(7,052)	22,209,219
Services	21,697,603	943,492	-	22,641,095
Structures & Improvements	16,511,749	654,647	-	17,166,396
Pumping Station Equipment	13,302,465	749,328	(194,580)	13,857,213
Pumping Station Structures	11,992,800	629,415	(166,484)	12,455,731
Transmission Mains	7,669,357	135,180	-	7,804,537
Reservoirs & Standpipes	5,686,081	198,800	-	5,884,881
Water Treatment Equipment	5,805,664	422,489	-	6,228,153
Hydrants	4,610,123	260,396	(23,783)	4,846,736
Meters & Meter Installations	6,333,446	539,346	(45,801)	6,826,991
Vehicles	1,945,535	399,715	(147,896)	2,197,354
Lake, River & Other Intakes	1,924,291	24,813	-	1,949,104
Pumping Equipment	1,730,763	75,970	-	1,806,733
Communication Equipment	1,362,681	59,560	-	1,422,241
Power Equipment	653,743	5,385	(181,345)	477,783
Office Furniture & Equipment	842,983	56,592	-	899,575
General Equipment	820,986	59,358	-	880,344
Communications Equip.- Collectors	758,452	19,506	-	777,958
Solids Handling Equipment	325,749	9,798	-	335,547
Shop Equipment	337,029	-	-	337,029
Computer Equipment	766,986	572,838	-	1,339,824
Garage Equipment	257,683	4,137	-	261,820
Wells & Springs	264,803	19,643	-	284,446
Radio Equipment	216,324	14,906	-	231,230
Laboratory Equipment	104,842	3,430	-	108,272
Storm Drains	312,465	13,287	-	325,752
Stores Equipment	45,721	995	-	46,716
Interceptor Equipment	65,135	(4,930)	-	60,205
	<u>252,626,443</u>	<u>12,238,872</u>	<u>(906,469)</u>	<u>263,958,846</u>
Net Operating Property	<u>312,756,506</u>	<u>1,589,829</u>	<u>(176,197)</u>	<u>314,170,138</u>
Right to Use Lease Assets:				
Right to Use - Buildings	67,045	-	-	67,045
Right to Use - Equipment	15,118	-	-	15,118
Right to Use - Land	126,123	-	-	126,123
	<u>208,286</u>	<u>-</u>	<u>-</u>	<u>208,286</u>
Less, accumulated amortization for lease assets:				
Right to Use - Buildings	6,705	6,704	-	13,409
Right to Use - Equipment	6,366	3,182	-	9,548
Right to Use - Land	7,007	3,503	-	10,510
	<u>20,078</u>	<u>13,389</u>	<u>-</u>	<u>33,467</u>
Net Lease Assets	<u>188,208</u>	<u>(13,389)</u>	<u>-</u>	<u>174,819</u>
Construction Work in Progress	<u>10,756,539</u>	<u>9,352,898</u>	<u>(2,119,046)</u>	<u>17,990,391</u>
Net Capital Assets	<u>\$ 323,701,253</u>	<u>\$ 10,929,338</u>	<u>\$ (2,295,243)</u>	<u>\$ 332,335,348</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

Depreciation expense for each of the funds is noted below. Please note that \$1,050,000 in the Water Fund was allocated as part of operating expense. Depreciation related to vehicles (\$400,000) and the main office (\$400,000) was allocated to operating expenses based on vehicles' hours and office space occupied. Depreciation related to technology (\$250,000) was allocated to the funds based on their percentage of total expenditures.

	Gross Depreciation	Allocated	Depreciation not allocated elsewhere
Water	\$ 7,246,339	\$ (1,050,000)	\$ 6,196,339
Wastewater Funds:			
Cape Elizabeth	361,676	-	361,676
Cumberland	188,938	-	188,938
Falmouth	156,131	-	156,131
Gorham	416,459	-	416,459
Portland	3,204,509	-	3,204,509
Westbrook	577,271	-	577,271
Windham	87,549	-	87,549
Total	<u>\$ 12,238,872</u>	<u>\$ (1,050,000)</u>	<u>\$ 11,188,872</u>

Leases – District as Lessee

As of December 31, 2022 the District was leasing assets for the Water Fund (2) and Cape Elizabeth Wastewater (1):

Peaks Island Storage: The District leases warehouse space on Peaks Island (Portland) from Central Maine Power to support the Water Operations group. The lease began in November 2011 for two (2) five (5) year terms. The lease was amended in 2021 adding two (2) additional five (5) year terms through October of 2031. The cost for 2022 was \$6,776. The cost is \$6,776/year for the initial term and \$7,454/year for the second with payment due the first day of each year's lease term.

Finance Department Mail Machine: The lease with Pitney Bowes started in October 2019 and has a five (5) year term through the end of September 2024 and calls for quarterly payments of \$817.

Water Fund	Intangible Asset	Accumulated Amortization	Net Lease Asset	Lease Liability
Peaks Island Storage	\$67,045	(\$13,409)	\$53,636	\$54,779
Finance Mail Machine	15,118	(9,548)	5,570	5,652
	<u>\$82,163</u>	<u>(\$22,957)</u>	<u>\$59,206</u>	<u>\$60,431</u>

The annual lease payments to amortize the lease liability are, as follows:

Years Ending, December 31,	Principal	Interest	Total
2023	\$9,387	\$657	\$10,044
2024	8,676	551	9,227
2025	6,308	468	6,776
2026	7,055	399	7,454
2027	7,133	321	7,454
2028-2031	21,872	489	22,361
	<u>\$60,431</u>	<u>\$2,885</u>	<u>\$63,316</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS - CONTINUED

Leases – District as Lessee - Continued

Cape Elizabeth Wastewater Treatment Facility (WWTF) Land (Cape Elizabeth WW): The District leases the land for the treatment plant from the Town of Cape Elizabeth. The original lease commenced in 1985 with a term of 40 years expiring at the end of April 2025. That lease has been amended to extend the lease until April 2055. The annual rent is currently \$4,000 and will have annual 2.0% increases each year starting in 2025.

<u>Cape Elizabeth Wastewater</u>	<u>Intangible Asset</u>	<u>Accumulated Amortization</u>	<u>Net Lease Asset</u>	<u>Lease Liability</u>
Cape Elizabeth WWTF Land	\$126,123	(\$10,510)	\$115,613	\$120,455

The annual lease payments to amortize the lease liability are, as follows:

<u>Years Ending, December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$1,337	2,663	\$4,000
2024	1,366	2,634	4,000
2025	1,397	2,603	4,000
2026	1,507	2,573	4,080
2027	1,623	2,539	4,162
2028-2032	9,988	12,104	22,092
2033-2037	13,547	10,848	24,395
2038-2042	17,775	9,170	26,945
2043-2047	22,759	6,992	29,751
2048-2052	28,622	4,225	32,847
2053-2055	20,534	793	21,327
	<u>\$ 120,455</u>	<u>\$ 57,144</u>	<u>\$ 177,599</u>

Leases – District as Lessor

As of December 31, 2022, the District leased five (5) Water fund assets:

Shore Acres Tank – AT&T: The cell phone provider leases space on the District’s water tank located in Cape Elizabeth for their equipment. The lease commenced in November 2014 with an initial five (5) year term. The lease contains an additional four extensions which if executed would extend the lease until the end of October 2039. The District expects these extensions will take place. Payments are made monthly and as of the end of 2022 were \$3,167/month. The contract includes an automatic increase of 3.0% each year in November.

Shore Acres Tank – Verizon: The cell phone provider leases space on the District’s water tank located in Cape Elizabeth for their equipment. The dates and terms are the same as the AT&T contract.

Broadway South Portland – AIM: The District leases the land on top a transmission water main to AIM Broadway LLC which constructed a parking lot. The original lease started in 1998 and was later extended until the end of 2038. The current annual rent is \$2,196 and have 10.0% increases in 2023, 2028 and 2033.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED

Leases – District as Lessor - Continued

Broadway South Portland – Pape Subaru: The District leases the land on top of a transmission water main to FWP Realty Company (Pape Subaru) which constructed a driveway and utility crossing. The lease was initiated in 2022 with a 10 year term expiring in 2032. The current annual rent is \$11,000 for the first five years with an increase of 10% in 2027.

Main Street Gorham – Madison VWB: – The District leases land next to the inactive water pumping station on Main Street in Gorham. The lease was originated in 2021 with a five (5) year term and an option for addition five (5) years through the end of 2030. The annual rent is \$2,420 for the first term and \$2,662 for the second.

<u>Water Fund</u>	<u>Lease Revenue</u>	<u>Interest Income</u>	<u>Total Income</u>	<u>Lease Receivable</u>	<u>Deferred Inflow</u>
Shore Acres Tank - AT&T	\$ 37,690	\$ 14,423	\$ 52,113	\$ 684,354	\$ 636,016
Shore Acres Tank - Verizon	37,690	14,423	52,113	684,354	636,016
Broadway So Portland - AIM	2,198	711	2,909	34,033	32,060
Broadway So Portland - Pape	10,005	267	10,272	89,315	90,043
Main St. Gorham - Madison VWB	2,379	310	2,689	19,285	19,029
	<u>\$ 89,962</u>	<u>\$ 30,134</u>	<u>\$ 120,096</u>	<u>\$ 1,511,341</u>	<u>\$ 1,413,164</u>

Long-Term Debt - Bonds

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

General Revenue bonds:

<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>	<u>Current</u>	<u>Non-Current</u>
<u>\$ 94,851,951</u>	<u>\$ 22,171,000</u>	<u>\$ (9,452,397)</u>	<u>\$ 107,570,554</u>	<u>\$ 9,954,846</u>	<u>\$ 97,615,708</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt - Bonds - Continued

Long-term debt outstanding as of December 31, 2022, consisted of the following general revenue bonds:

Issue Date	PWD Code	Original Amount	Maturities Through	Interest Rate Range	Amount	Current	Non-Current
Water Fund:							
10/27/05	WTR05-02	\$ 900,000	2025	3.0% to 5.0%	\$ 135,000		
10/26/06	WTR06-01	\$ 1,500,000	2026	3.0% to 5.0%	\$ 300,000		
10/30/08	WTR08-01	\$ 1,500,000	2028	2.1% to 5.6%	\$ 450,000		
04/01/09	WTR09-01	\$ 1,598,500	2029	1.050%	\$ 479,550		
05/28/09	WTR09-02	\$ 4,519,800	2029	2.1% to 5.6%	\$ 1,581,930		
05/28/09	WTR09-03	\$ 180,200	2029	2.1% to 5.6%	\$ 63,070		
08/28/09	WTR09-04	\$ 2,991,066	2029	0.0%	\$ 1,046,873		
08/28/09	WTR09-05	\$ 163,953	2029	0.0%	\$ 57,384		
05/27/10	WTR10-02	\$ 400,000	2030	2.1% to 5.7%	\$ 200,000		
11/01/10	WTR10-03	\$ 902,500	2030	1.0%	\$ 361,000		
10/27/11	WTR11-01	\$ 2,300,000	2031	0.5% to 5.5%	\$ 1,035,000		
05/01/12	WTR12-03	\$ 1,130,000	2032	1.0%	\$ 565,000		
10/25/12	WTR12-01	\$ 2,000,000	2032	1.5% to 3.7%	\$ 1,000,000		
05/01/13	WTR13-01	\$ 2,850,000	2033	1.0%	\$ 1,500,000		
05/23/13	WTR13-04	\$ 1,428,000	2033	0.6% to 3.7%	\$ 785,400		
11/04/13	WTR13-06	\$ 8,000,000	2033	2.0% to 4.3%	\$ 4,800,000		
11/15/13	WTR13-05	\$ 1,072,000	2033	1.1%	\$ 589,600		
06/30/14	WTR14-01	\$ 2,541,000	2034	2.7%	\$ 1,500,000		
06/30/14	WTR14-02	\$ 2,000,000	2024	2.7%	\$ 400,000		
05/14/15	WTR15-01	\$ 459,000	2035	0.2%	\$ 277,049		
06/25/15	WTR15-03	\$ 2,000,000	2025	3.0%	\$ 600,000		
06/25/15	WTR15-04	\$ 3,230,000	2035	3.0%	\$ 2,080,000		
06/25/15	WTR15-05	\$ 500,000	2035	3.0%	\$ 325,000		
12/04/15	WTR15-06	\$ 270,000	2035	1.0%	\$ 175,500		
06/20/16	WT16-04	\$ 385,000	2036	3.0% to 4.0%	\$ 265,000		
06/20/16	WT16-05	\$ 1,830,000	2026	3.0% to 4.0%	\$ 720,000		
06/20/16	WT16-06	\$ 1,830,000	2036	3.0% to 4.0%	\$ 1,260,000		
06/20/16	WTR16-07	\$ 1,734,250	2036	3.0% to 4.0%	\$ 770,000		
06/20/16	WTR16-08	\$ 185,813	2036	3.0% to 4.0%	\$ 82,500		
06/20/16	WTR16-09	\$ 3,034,938	2036	3.0% to 4.0%	\$ 1,347,500		
09/28/16	WTR16-10	\$ 1,158,979	2036	1.0%	\$ 835,165		
09/28/16	WTR16-11	\$ 566,362	2036	1.0%	\$ 408,122		
07/18/17	WTR17-05	\$ 3,725,000	2037	3.0% to 5.0%	\$ 2,787,500		
07/18/17	WTR17-06	\$ 1,875,000	2027	3.0% to 5.0%	\$ 937,500		
03/02/18	WTR18-01	\$ 1,900,000	2038	1.0%	\$ 1,496,055		
08/01/18	WTR18-04	\$ 1,000,000	2038	5.00%	\$ 600,000		
08/01/18	WTR18-05	\$ 900,000	2038	3.0% to 5.0%	\$ 720,000		
08/01/18	WTR18-06	\$ 2,000,000	2028	5.00%	\$ 1,200,000		
11/30/18	WTR18-08	\$ 3,000,000	2038	1.0%	\$ 2,400,000		
08/01/19	WTR19-02	\$ 4,500,000	2039	3% to 5%	\$ 3,825,000		
08/01/19	WTR19-03	\$ 2,000,000	2029	2% to 5%	\$ 1,400,000		
01/31/20	WTR20-01	\$ 295,000	2030	1.0%	\$ 206,500		
07/30/20	WTR20-03	\$ 1,745,000	2040	2% to 5%	\$ 1,571,000		
07/30/20	WTR20-04	\$ 1,830,000	2030	5.00%	\$ 1,464,000		
11/01/20	WTR20-07	\$ 220,000	2040	1.0%	\$ 198,000		
07/29/21	WTR21-04	\$ 3,479,157	2041	2% to 5%	\$ 3,304,689		
07/29/21	WTR21-05	\$ 1,743,308	2031	5.00%	\$ 1,568,840		
07/29/21	WTR21-06	\$ 1,152,535	2041	2% to 5%	\$ 1,091,471		
12/22/21	WTR21-09	\$ 2,100,000	2041	1.0%	\$ 1,995,000		
12/22/21	WTR21-10	\$ 480,000	2041	1.0%	\$ 456,000		
08/01/22	WTR22-04	\$ 3,500,000	2042	4% to 5%	\$ 3,500,000		
08/01/22	WTR22-05	\$ 2,000,000	2032	5.00%	\$ 2,000,000		
					\$ 58,717,198	\$ 5,958,112	\$ 52,759,086

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt - Bonds – Continued

Issue Date	PWD Code	Original Amount	Maturities Through	Interest Rate Range	Amount	Current	Non-Current
<u>Cape Elizabeth Wastewater Fund:</u>							
10/30/08	WW08-03	\$ 95,000	2028	2.1% to 5.6%	\$ 28,500		
12/16/11	WW11-01	\$ 2,430,000	2031	1.0%	\$ 1,093,500		
10/25/12	WW12-03	\$ 160,000	2032	1.48% to 3.7%	\$ 80,000		
05/28/15	WW15-02	\$ 240,000	2035	0.4% to 3.9%	\$ 156,000		
05/25/17	WW17-03	\$ 315,000	2037	1.3% to 3.9%	\$ 236,250		
11/02/17	WW17-07	\$ 72,000	2037	1.4% to 4.1%	\$ 54,000		
06/03/19	WW19-01	\$ 875,000	2039	1.0%	\$ 743,750		
05/08/20	WW20-02	\$ 130,000	2040	1.0%	\$ 110,500		
02/18/21	WW21-01	\$ 850,000	2041	1.0%	\$ 807,500		
07/01/21	WW21-02	\$ 388,000	2041	1.0%	\$ 368,600		
11/03/22	WW22-08	\$ 575,000	2042	3.5% to 4.9%	\$ 575,000		
					<u>\$ 4,253,600</u>	<u>\$ 306,500</u>	<u>\$ 3,947,100</u>
<u>Cumberland Wastewater Fund:</u>							
12/22/06	WW06-01	\$ 125,000	2026	1.4%	\$ 25,000	\$ 6,250	\$ 18,750
<u>Falmouth Wastewater Fund:</u>							
05/01/16	WW16-03	\$ 4,000,000	2036	1.0%	\$ 2,800,000		
03/21/17	WW17-02	\$ 760,000	2037	1.0%	\$ 570,000		
					<u>\$ 3,370,000</u>	<u>\$ 238,000</u>	<u>\$ 3,132,000</u>
<u>Gorham Wastewater Fund:</u>							
11/13/03	WW03-14	\$ 73,185	2023	2.1%	\$ 3,579		
12/01/05	WW05-02	\$ 252,000	2025	1.6%	\$ 37,800		
05/15/08	WW08-01	\$ 50,400	2028	2.0% to 5.5%	\$ 15,120		
10/30/08	WW08-02	\$ 474,672	2028	2.1% to 5.6%	\$ 166,135		
01/15/09	WW09-01	\$ 4,258,208	2029	1.4%	\$ 1,290,366		
02/27/09	WW09-02	\$ 253,475	2029	1.0%	\$ 76,043		
05/28/09	WW09-04	\$ 233,954	2029	2.1% to 5.6%	\$ 81,884		
11/01/10	WW10-04	\$ 52,360	2030	1.0%	\$ 20,944		
03/02/18	WW18-02	\$ 308,000	2038	1.00%	\$ 246,400		
11/04/21	WW21-08	\$ 53,900	2041	2.27%	\$ 51,205		
05/19/22	WW22-03	\$ 2,498,400	2042	1.00%	\$ 2,373,480		
					<u>\$ 4,362,956</u>	<u>\$ 427,498</u>	<u>\$ 3,935,458</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt - Bonds - Continued

Issue Date	PWD Code	Original Amount	Maturities Through	Interest Rate Range	Amount	Current	Non-Current
Portland Wastewater Fund:							
11/13/03	WW03-12	\$ 1,230,000	2023	2.11%	\$ 58,998		
11/13/03	WW03-13	\$ 2,000,000	2023	2.11%	\$ 98,952		
12/03/04	WW04-01	\$ 375,000	2024	1.3%	\$ 37,500		
12/03/04	WW04-02	\$ 1,740,000	2024	1.3%	\$ 174,000		
12/01/05	WW05-01	\$ 1,900,000	2025	1.6%	\$ 285,000		
04/01/09	WW09-03	\$ 5,700,000	2029	1.5%	\$ 1,685,964		
11/01/10	WW10-03	\$ 752,200	2030	1.0%	\$ 300,880		
10/27/11	WW11-02	\$ 400,000	2031	0.5% to 5.5%	\$ 180,000		
11/04/13	WW13-02	\$ 3,000,000	2033	3.0% to 4.0%	\$ 1,650,000		
12/04/15	WW15-07	\$ 2,000,000	2035	1.0%	\$ 1,300,000		
07/08/16	WW16-01	\$ 7,000,000	2036	1.0%	\$ 4,900,000		
07/08/16	WW16-02	\$ 1,200,000	2036	1.0%	\$ 840,000		
05/01/17	WW17-01	\$ 1,900,000	2037	1.0%	\$ 1,396,318		
05/24/18	WW18-03	\$ 500,000	2038	1.92% to 4.042%	\$ 400,000		
07/30/20	WW20-05	\$ 940,000	2040	2.00%	\$ 842,000		
07/30/20	WW20-06	\$ 410,000	2040	2.00%	\$ 368,000		
12/10/20	WW20-08	\$ 3,150,000	2040	1.00%	\$ 2,835,000		
07/01/21	WW21-03	\$ 422,000	2041	1.00%	\$ 400,900		
03/09/22	WW22-01	\$ 476,000	2042	1.00%	\$ 452,200		
05/04/22	WW22-02	\$ 290,000	2042	1.00%	\$ 261,000		
09/23/22	WW22-06	\$ 2,130,000	2042	1.00%	\$ 2,130,000		
09/23/22	WW22-07	\$ 5,200,000	2042	1.00%	\$ 5,200,000		
					<u>\$ 25,796,712</u>	<u>\$ 2,149,941</u>	<u>\$ 23,646,771</u>
Westbrook Wastewater Fund:							
11/13/03	WW03-14	\$ 266,254	2023	2.1%	\$ 13,021		
12/01/05	WW05-02	\$ 1,316,800	2025	1.6%	\$ 197,520		
05/15/08	WW08-01	\$ 183,360	2028	2.0% to 5.5%	\$ 55,008		
10/30/08	WW08-02	\$ 2,384,641	2028	2.1% to 5.6%	\$ 834,624		
02/27/09	WW09-02	\$ 974,925	2029	1.0%	\$ 292,478		
11/01/10	WW10-04	\$ 113,220	2030	1.0%	\$ 45,288		
12/04/15	WW15-08	\$ 1,000,000	2035	1.0%	\$ 650,000		
03/02/18	WW18-02	\$ 666,000	2038	1.00%	\$ 532,800		
09/01/18	WW18-07	\$ 2,200,000	2038	1.00%	\$ 1,870,000		
11/04/21	WW21-08	\$ 116,550	2041	2.27%	\$ 110,723		
05/19/22	WW22-03	\$ 5,290,400	2042	1.00%	\$ 5,025,880		
					<u>\$ 9,627,342</u>	<u>\$ 725,316</u>	<u>\$ 8,902,026</u>
Windham Wastewater Fund:							
04/01/03	WW03-03	\$ 9,672	2023	1.8%	\$ -		
11/13/03	WW03-14	\$ 9,061	2023	2.1%	\$ 443		
12/01/05	WW05-02	\$ 31,200	2025	1.6%	\$ 4,680		
05/15/08	WW08-01	\$ 6,240	2028	2.0% to 5.5%	\$ 1,872		
10/30/08	WW08-02	\$ 40,687	2028	2.1% to 5.6%	\$ 14,240		
01/15/09	WW09-01	\$ 1,681,792	2029	1.4%	\$ 509,634		
02/27/09	WW09-02	\$ 21,600	2029	1.0%	\$ 6,480		
05/28/09	WW09-04	\$ 196,046	2029	2.1% to 5.6%	\$ 68,616		
11/01/10	WW10-04	\$ 4,420	2030	1.0%	\$ 1,768		
03/02/18	WW18-02	\$ 26,000	2038	1.00%	\$ 20,800		
11/04/21	WW21-07	\$ 615,000	2041	2.27%	\$ 584,250		
11/04/21	WW21-08	\$ 4,550	2041	2.27%	\$ 4,323		
05/19/22	WW22-03	\$ 211,200	2042	1.00%	\$ 200,640		
					<u>\$ 1,417,746</u>	<u>\$ 143,229</u>	<u>\$ 1,274,517</u>
Total Long-Term Debt					<u>\$ 107,570,554</u>	<u>\$ 9,954,846</u>	<u>\$ 97,615,708</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt -Bonds - 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 backed by the good faith and credit of each of the municipalities.

Green Bonds

In 2021 and 2022 the District’s Board of Trustees authorized the issuance of “Green Bonds” for the purpose of improvements to water mains and other related infrastructure. Water main projects are environmentally beneficial because they are designed to ensure safe drinking water for the public in accordance with State, Federal and local standards. By taking this action, purchasers of the Bonds can invest directly in environmentally beneficial projects. The holders of the bonds do not assume any specific project risk or economic benefit related to any of the funded projects as the result of the Green Bonds designation.

	<u>Dec. 31, 2021</u>	<u>Bond Proceeds</u>	<u>Interest</u>	<u>Drawdowns</u>	<u>Dec. 31, 2022</u>
2021 Green Bonds	\$ 1,254,269	\$ -	\$ 2,560	\$ (1,236,858)	\$ 19,971
2022 Green Bonds	-	6,052,045	27,542	(3,087,215)	2,992,372
Total	<u>\$ 1,254,269</u>	<u>\$ 6,052,045</u>	<u>\$ 30,102</u>	<u>\$ (4,324,073)</u>	<u>\$ 3,012,343</u>

Deferred Outflow - Bond Refunding

During 2016, the District refunded \$5,160,000 in bonds in the Water Fund and incurred a \$247,093 loss. The loss was recorded as Deferred Outflow and as of December 31, 2022 had a balance of \$31,100. The remaining balance will be amortized for the remaining life of the original bonds:

<u>Years Ending, December 31,</u>	<u>Beginning Balance</u>	<u>Reduction</u>	<u>Ending Balance</u>
2023	31,100	(15,100)	16,000
2024	16,000	(10,100)	5,900
2025	5,900	(5,400)	500
2026	500	(500)	-
		<u>\$ (31,100)</u>	

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt

Principal Payments Due: -----WASTEWATER SYSTEMS-----

		Cape								
		Water	Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	Total
2023	\$	5,958,112	\$ 306,500	\$ 6,250	\$ 238,000	\$ 427,498	\$ 2,149,941	\$ 725,316	\$ 143,229	\$ 9,954,846
2024		5,973,980	306,500	6,250	238,000	423,919	1,991,991	712,295	142,786	9,795,721
2025		5,749,852	306,500	6,250	238,000	423,919	1,886,241	712,295	142,786	9,465,843
2026		5,515,738	306,500	6,250	238,000	411,319	1,791,241	646,455	141,226	9,056,729
2027		4,776,628	306,500	0	238,000	411,319	1,791,241	646,455	141,226	8,311,369
2028-2032		18,195,113	1,392,000	0	1,190,000	1,024,047	7,698,009	2,631,594	324,851	32,455,614
2033-2037		9,303,775	837,250	0	990,000	715,075	5,783,448	2,218,240	214,190	20,061,978
2038-2042		3,244,000	491,850	0	0	525,860	2,704,600	1,334,692	167,452	8,468,454
	\$	58,717,198	\$ 4,253,600	\$ 25,000	\$ 3,370,000	\$ 4,362,956	\$ 25,796,712	\$ 9,627,342	\$ 1,417,746	\$ 107,570,554

Interest Due: -----WASTEWATER SYSTEMS-----

		Cape								
		Water	Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	Total
2023	\$	1,922,988	\$ 77,926	\$ 355	\$ 33,510	\$ 59,245	\$ 349,116	\$ 132,868	\$ 24,532	\$ 2,600,540
2024		1,655,556	69,491	266	31,130	52,157	312,967	119,089	22,255	2,262,911
2025		1,449,833	64,865	178	28,750	45,390	285,271	105,792	20,129	2,000,208
2026		1,256,369	60,182	89	26,370	38,394	258,960	92,408	17,790	1,750,562
2027		1,061,102	55,418	0	23,990	31,450	234,174	80,318	15,249	1,501,701
2028-2032		3,184,008	205,099	0	84,250	90,790	810,726	261,017	53,402	4,689,292
2033-2037		1,029,101	102,647	0	24,750	49,356	331,178	135,264	33,312	1,705,608
2038-2042		197,808	28,140	0	0	13,427	76,254	31,040	10,048	356,717
	\$	11,756,765	\$ 663,768	\$ 888	\$ 252,750	\$ 380,209	\$ 2,658,646	\$ 957,796	\$ 196,717	\$ 16,867,539

Total Debt Service Due: -----WASTEWATER SYSTEMS-----

		Cape								
		Water	Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	Total
2023	\$	7,881,100	\$ 384,426	\$ 6,605	\$ 271,510	\$ 486,743	\$ 2,499,057	\$ 858,184	\$ 167,761	\$ 12,555,386
2024		7,629,536	375,991	6,516	269,130	476,076	2,304,958	831,384	165,041	12,058,632
2025		7,199,685	371,365	6,428	266,750	469,309	2,171,512	818,087	162,915	11,466,051
2026		6,772,107	366,682	6,339	264,370	449,713	2,050,201	738,863	159,016	10,807,291
2027		5,837,730	361,918	-	261,990	442,769	2,025,415	726,773	156,475	9,813,070
2028-2032		21,379,121	1,597,099	-	1,274,250	1,114,837	8,508,735	2,892,611	378,253	37,144,906
2033-2037		10,332,876	939,897	-	1,014,750	764,431	6,114,626	2,353,504	247,502	21,767,586
2038-2042		3,441,808	519,990	-	-	539,287	2,780,854	1,365,732	177,500	8,825,171
	\$	70,473,963	\$ 4,917,368	\$ 25,888	\$ 3,622,750	\$ 4,743,165	\$ 28,455,358	\$ 10,585,138	\$ 1,614,463	\$ 124,438,093

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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.

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>	<u>Current</u>	<u>Non-Current</u>
Windham Wastewater Fund:						
2008 Note	\$ 92,680	\$ -	\$ (13,240)	\$ 79,440	\$ 13,240	\$ 66,200

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

Years Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	13,240	3,491	16,731
2024	13,240	2,909	16,149
2025	13,240	2,328	15,568
2026	13,240	1,746	14,986
2027	13,240	1,164	14,404
2028	13,240	582	13,822
	<u>\$ 79,440</u>	<u>\$12,220</u>	<u>\$ 91,660</u>

Compensated Absences

Sick Time: 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.

Vacation Time: 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.

	<u>Dec 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2022</u>	<u>Current</u>	<u>Non-Current</u>
Sick	\$ 900,432	\$ 85,341	\$ (165,077)	\$ 820,696	\$ 351,328	\$ 469,368
Vacation	915,433	859,217	(883,436)	891,214	664,530	226,684
	<u>\$ 1,815,865</u>	<u>\$ 944,558</u>	<u>\$(1,048,513)</u>	<u>\$ 1,711,910</u>	<u>\$ 1,015,858</u>	<u>\$ 696,052</u>

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Commitments and Contingencies

At December 31, 2022, the District was committed on signed, but incomplete, construction and other contracts with a remaining balance of \$7,736,845, which is broken down by funds, as follows:

Water Fund	\$4,267,805
Cape Elizabeth Wastewater	5,882
Gorham Wastewater	674,591
Portland Wastewater	1,098,814
Westbrook Wastewater	1,508,267
Windham Wastewater	181,486

Bond Commitments:

As of December 31, 2022, the District’s Board of Trustees approved resolutions for the issuance of the following bonds that have yet to be issued as of the date of this report:

<u>Resolution</u>	<u>Fund</u>	<u>Project</u>	<u>Principal</u>	<u>Full Debt Service</u>
18-007	Water Fund	Wards Hill Water Tank	3,000,000	4,706,705
19-009/21-001	Gorham WW	Aeration - WRWWTF	1,232,000	1,540,390
19-009/21-001	Westbrook WW	Aeration - WRWWTF	2,664,000	3,330,844
19-009/21-001	Windham WW	Aeration - WRWWTF	104,000	130,033
21-013	Windham WW	North Windham Treatment	11,000,000	20,746,793
21-006	Water Fund	Watershed Protection Easement	900,000	1,412,011
22-003	Water	Water Mains -\$1.8 of \$7.8M	1,800,000	2,824,023
			<u>\$ 20,700,000</u>	<u>\$ 34,690,799</u>

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, 2022, the total remaining debt payments to be paid by the Cumberland fund were \$540,880.

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, 2022, the total remaining debt payments for the Cumberland fund through 2037 were \$1,662,299.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 (CSO) and wet weather overflows in the respective Cities of Portland and Westbrook and the Town of Cape Elizabeth. 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. The current status of the agreements is outlined below:

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. The City of Portland completed an update to the Long-Term Control Plan in 2020 as part of the Integrated Planning process. The City and MEDEP continue to negotiate on the final plan based on the work submitted.

The City of Westbrook and the District submitted an updated plan in December 2014 for the next 5 years. The City of Westbrook has completed its projects and is on schedule to meet the requirements of the current plan. The 5-year plan is currently being developed with the help of an engineering consultant and following updated flow monitoring, the draft Long Term Control Plan update will be submitted to DEP for their approval by the end of 2023.

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 5-year plan was 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. Both the Town and City have completed projects to remove extraneous flow from the system. The flow reductions from these projects will be quantified and the District has upgraded the station pumps to increase the capacity of the station. The flow from the area will be monitored to assess the benefits of this work. The Ottawa Road pump station upgrade is underway.

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. All biosolids are landfilled by Casella. In December 2020 the parties signed an amendment for additional five-year period through the end of 2025. It is estimated that payments of approximately \$3,444,636 will be made to Casella in 2023.

All Funds - Commitments and Contingencies:

The District purchases its electricity from Constellation Energy through an energy aggregation group – Maine Power Option. Energy contracts for small and medium accounts run through the end of 2023, the large accounts have been signed through the end of 2024. The estimated cost of electricity in 2023 is \$1,178,701.

On January 30, 2020, the District's Board of Trustees authorized entering into a 20-year contract to purchase net energy billing credits and renewable energy certificates (REC) generated from solar and hydro power electricity producers. The District signed a contracts for obligating it to annually pay \$905,900 to electricity producers for 8,209,000 kilowatts. The payment is offset by energy billing credits on the District's electricity bills and sale of the REC. Given the current billing credit rates and estimated REC value (\$231,600), the District would generate \$1,641,700 in net energy credits, resulting in a net savings of \$967,400. The billing credit rates are established annually by the Maine Public Utilities. As of the end of 2022, six out of twenty-seven projects have not been completed, therefore the full cost and benefits have not been realized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Trustee Held Funds

The District participates in the State of Maine’s revolving loan fund program. The program administrator retains the bond proceeds until the District expends the funds and requests reimbursement. During 2022, the District issued bonds through this program in the Water, Cape Elizabeth, Gorham, Portland, Westbrook and Windham funds.

	<u>Dec. 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2022</u>
Water Fund	\$ 2,600,000	\$ -	\$ (2,449,993)	\$ 150,007
Cape Elizabeth Wastewater	7,871	-	-	7,871
Gorham Wastewater	-	2,498,400	(2,498,400)	-
Portland Wastewater	8,124	8,096,000	(6,433,190)	1,670,934
Westbrook Wastewater	-	5,290,400	(5,290,400)	-
Windham Wastewater	-	211,200	(211,200)	-
Total	<u>\$ 2,615,995</u>	<u>\$ 16,096,000</u>	<u>\$ (16,883,183)</u>	<u>\$ 1,828,812</u>

Net Position

Net position invested in capital assets in each fund is net of related debt plus unspent bond proceeds of \$3,171,254:

Water Fund	\$3,012,343
Cape Elizabeth Wastewater	36,699
Gorham Wastewater	7,406
Westbrook Wastewater	16,014
Windham Wastewater	98,792

Pension Plans

Plan Descriptions: The 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:

	<u>As of January 1, 2022</u>		<u>As of January 1, 2023</u>	
	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Active employees included in plan	43	23	37	20
Retired employees and beneficiaries	105	43	108	47
Terminated employees with vested rights	<u>27</u>	<u>11</u>	<u>26</u>	<u>10</u>
	<u>175</u>	<u>77</u>	<u>171</u>	<u>77</u>

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 Trustees of the District elected to freeze eligibility for newly hired bargaining unit and non-bargaining unit employees as of December 31, 2010 and December 31, 2011, respectively. Those employees receive a contribution to the deferred compensation plan (see Deferred Compensation Plan). Employees hired before those dates and transferred 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, 2022

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, 2022, the monthly pension benefit is computed based on a \$40.75 for all pay grades. Previously the rate was \$38.25 for employees in pay grades A through E and a \$39.25 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 \$1,833.75. Previously the maximum was \$1,721.25 for employees in pay grades A through E and \$1,766.25 for employees in pay grades F through L.

Employees 55 or older and vested in the plan may retire. Benefits are actuarially reduced if an employee retires before turning 65 unless the employee is 62 or older with 30 years or more of service.

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 rest with the District’s Board of Trustees. 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 \$166,551 for the year ended December 31, 2022.

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, 2022, a total contribution of \$698,631 was made with a contribution of \$368,518 and \$330,113 to the bargaining and non-bargaining units, respectively. The contributions represented 15.5% and 14.9% of the respective plan’s covered compensation.

Net Pension Liability: The liability as of December 31, 2022 is based an actuarial valuation as of January 1, 2023 that was adjusted back to December 31, 2022. Balances as of December 31, 2022 are, as follows:

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>	<u>Total</u>
Pension Liabilities	\$ 16,258,053	\$ 14,360,940	\$ 30,618,993
Net Fiduciary Position (Pension Assets)	13,501,455	11,817,276	25,318,731
Net Pension Liability	2,756,598	2,543,664	5,300,262
Deferred Outflows of resources related to Pension	(3,110,138)	(2,762,216)	(5,872,354)
Deferred Inflows of resources related to Pension	1,523,811	1,359,676	2,883,487
Net Carrying Amount on Statement of Net Position	<u>\$ 1,170,271</u>	<u>\$ 1,141,124</u>	<u>\$ 2,311,395</u>
Pension Expense	<u>\$ (2,140,355)</u>	<u>\$ (1,993,837)</u>	<u>\$ (4,134,192)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Changes in the Net Pension Liability: The changes in each of the pension plans for the year ending December 31, 2022 are listed below:

Bargaining Unit	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2021	<u>\$ 17,178,172</u>	<u>\$ 16,973,898</u>	<u>\$ 204,274</u>
Service cost	107,764		107,764
Interest	1,005,684		1,005,684
Difference between expected and actual experience	(279,695)		(279,695)
Change in assumptions	(793,502)		(793,502)
Benefit payments	(960,370)		(960,370)
Contribution - employer		368,518	(368,518)
Net investment income		(2,801,577)	2,801,577
Fees/Other Expenses		(79,014)	79,014
Benefit payments		(960,370)	960,370
Net Change	<u>(920,119)</u>	<u>(3,472,443)</u>	<u>2,552,324</u>
Balance at 12/31/2022	<u>\$ 16,258,053</u>	<u>\$ 13,501,455</u>	<u>\$ 2,756,598</u>

Plan fiduciary net position as a percentage of total pension liability 83%

Non-Bargaining Unit	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2021	<u>\$ 14,699,113</u>	<u>\$ 14,804,415</u>	<u>\$ (105,302)</u>
Service cost	214,702		214,702
Interest	870,282		870,282
Difference between expected and actual experience	93,885		93,885
Change in assumptions	(728,506)		(728,506)
Benefit payments	(788,536)		(788,536)
Contribution - employer		330,113	(330,113)
Net investment income		(2,459,259)	2,459,259
Fees/Other Expenses		(69,457)	69,457
Benefit payments		(788,536)	788,536
Net Change	<u>(338,173)</u>	<u>(2,987,139)</u>	<u>2,648,966</u>
Balance at 12/31/2022	<u>\$ 14,360,940</u>	<u>\$ 11,817,276</u>	<u>\$ 2,543,664</u>

Plan fiduciary net position as a percentage of total pension liability 82%

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Additional information from the January 1, 2023 actuarial valuation is listed below. The valuation was updated and rolled back to the December 31, 2022 measurement date.

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Valuation date	January 1, 2023	January 1, 2023
Measurement date	December 31, 2022	December 31, 2022
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	3.0%	3.0%
COLA (post-retirement)	1.5%	1.5%
Retirement age	Graded by age based on past experience	Graded by age based on past experience
Mortality	Pri-2012 Blue Collar Dataset Employee Amount – Weighted Mortality with Scale MP-2021	RP-2012 Total Dataset Employee Amount – Weighted Mortality with Scale MP-2021

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, 2022 (see the discussion of the pension plan’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Return Estimate 7- & 20-Year Horizon</u>
U.S. Equities Large	25%	4.85%/8.25%
U.S. Equities Small	15%	6.05%/7.80%
International Developed Market Equities	15%	5.20%/7.20%
International Emerging Market Equities	10%	7.80%/8.40%
Core Bonds	20%	4.80%/3.80%
High Yield Bonds	5%	7.10%/5.40%
REIT's	5%	4.00%/6.40%
Natural Resources	5%	5.50%/6.10%

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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%) or 1-percentage-point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Bargaining Unit Net Pension Liability	\$4,410,274	\$2,756,598	\$1,344,473
Non-Bargaining Unit Net Pension Liability	\$3,846,720	\$2,543,666	\$1,312,786

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2021, the District recognized pension expense for the bargaining and non-bargaining unit of \$(2,140,355) and \$(1,993,837), respectively. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>			<u>Deferred Inflows of Resources</u>		
	Bargaining	Non-Bargaining	Total	Bargaining	Non-Bargaining	Total
Difference between Expected and Actual Expense	\$ 3,110,138	\$ 2,762,216	\$ 5,872,354	\$ 85,462	\$ -	\$ 85,462
Difference between Projected and Actual Returns	-	-	-	1,195,890	1,062,239	2,258,129
Impact of Assumption Changes	-	-	-	242,459	297,437	539,896
	<u>\$ 3,110,138</u>	<u>\$ 2,762,216</u>	<u>\$ 5,872,354</u>	<u>\$ 1,523,811</u>	<u>\$ 1,359,676</u>	<u>\$ 2,883,487</u>

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:	Bargaining Unit	Non-Bargaining Unit
	2023	\$ (213,039)
2024	415,292	361,033
2025	606,541	530,537
2026	777,533	680,973
	<u>\$ 1,586,327</u>	<u>\$ 1,402,540</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2022

	<u>Bargaining</u>	<u>Non-Bargaining</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 323,149	\$ 279,996	\$ 603,145
Investments			
Equity mutual funds	\$ 8,829,220	\$ 7,582,742	\$ 16,411,962
Common stock	3,820,640	3,517,714	7,338,354
Fixed income - mutual funds	561,029	468,074	1,029,103
	<u>13,210,889</u>	<u>11,568,530</u>	<u>24,779,419</u>
Interest receivable	<u>(32,583)</u>	<u>(31,250)</u>	<u>(63,833)</u>
Total Assets	<u>\$ 13,501,455</u>	<u>\$ 11,817,276</u>	<u>\$ 25,318,731</u>
Restricted for pension benefits	<u>\$ 13,501,455</u>	<u>\$ 11,817,276</u>	<u>\$ 25,318,731</u>
Total Net Position	<u>\$ 13,501,455</u>	<u>\$ 11,817,276</u>	<u>\$ 25,318,731</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans – Continued

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

Year Ended December 31, 2022

	<u>Bargaining</u>	<u>Non-Bargaining</u>	<u>Total</u>
Additions:			
Employer Contributions	\$ 368,518	\$ 330,113	\$ 698,631
Investment Income			
Interest and dividends	310,644	271,903	582,547
Total Additions	679,162	602,016	1,281,178
Deductions:			
Benefits	(960,370)	(788,536)	(1,748,906)
Investment Loss			
Net gain on sale of assets	(495,572)	(437,564)	(933,136)
Net appreciation of investments	(2,616,647)	(2,293,600)	(4,910,247)
Net Investment Loss	(3,112,219)	(2,731,164)	(5,843,383)
Fees/Other Expenses	(79,014)	(69,457)	(148,471)
Total Deductions	(4,151,603)	(3,589,157)	(7,740,760)
Change in Position	(3,472,441)	(2,987,141)	(6,459,582)
Net Position - Beginning of Year	16,973,896	14,804,417	31,778,313
Net Position - End of Year	\$ 13,501,455	\$ 11,817,276	\$ 25,318,731

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Deferred Compensation Plan

The District offers its 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 \$1,500 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 with a District match 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.

Subsequent Events

On January 1, 2023, the District implemented an average 5.6% water rate adjustment. The increase is projected to increase water revenue by an additional \$1.54 million.

On January 11, 2023, the District received a \$11.00 million Sewer Bond Anticipation Note related to the design and construction of a new wastewater treatment facility in North Windham. The note had a 12-month term and an interest rate of 1.85%. Later in January, the District took a \$1.13 million draw on the note.

On February 28, 2023, the District's Board of Trustees approved resolutions for the issuance of up to \$6.5 million in water bonds to finance the installation and renewal of water mains and related infrastructure. The total debt service cost of the bonds over 20 years is estimated to be \$10.20 million.

REQUIRED SUPPLEMENTARY INFORMATION**December 31, 2022****Schedules of Changes in the District's Net Pension Liability and Related Ratios - Bargaining Unit Pension Plan**

	2019	2020	2021	2022
Total Pension Liability				
Service cost	\$ 153,079	\$ 143,565	\$ 128,489	\$ 107,764
Interest	984,696	976,184	913,919	1,005,684
Change in benefit terms	124,915	-	-	-
Difference between expected and actual experience	(273,426)	(954,383)	118,140	(279,695)
Changes in assumptions	275,750	290,329	1,378,752	(793,502)
Benefit payments	(745,100)	(818,174)	(908,368)	(960,370)
Net change in total pension liability	<u>519,914</u>	<u>(362,479)</u>	<u>1,630,932</u>	<u>(920,119)</u>
Net pension liability - beginning	<u>15,389,802</u>	<u>15,909,716</u>	<u>15,547,237</u>	<u>17,178,172</u>
Total pension liability - ending (a)	<u>\$ 15,909,716</u>	<u>\$ 15,547,237</u>	<u>\$ 17,178,172</u>	<u>\$ 16,258,053</u>
Plan fiduciary net position				
Contribution - employer	\$ 657,022	\$ 632,344	\$ 816,192	\$ 368,518
Net investment income	2,299,668	1,844,172	1,791,576	(2,880,591)
Benefit payments	(745,100)	(818,174)	(908,368)	(960,370)
Net change in plan fiduciary net position	<u>2,211,590</u>	<u>1,658,342</u>	<u>1,699,400</u>	<u>(3,472,443)</u>
Plan fiduciary of net position - beginning	<u>11,404,562</u>	<u>13,616,152</u>	<u>15,274,495</u>	<u>16,973,898</u>
Plan fiduciary of net position - ending (b)	<u>\$ 13,616,152</u>	<u>\$ 15,274,494</u>	<u>\$ 16,973,895</u>	<u>\$ 13,501,455</u>
Net pension liability - ending (a)-(b)	<u>\$ 2,293,564</u>	<u>\$ 272,743</u>	<u>\$ 204,277</u>	<u>\$ 2,756,598</u>
Plan fiduciary net position as a percentage of total pension liability	86%	98%	99%	83%
Covered payroll	\$ 3,365,672	\$ 2,968,576	\$ 2,514,595	\$ 2,375,672
District's net pension liability as a percentage of covered payroll	68%	9%	8%	116%
Schedule of Investment Returns				
	2019	2020	2021	2022
Annual money-weighted rate of return, net of investment return	19.98%	12.81%	12.42%	(16.84%)

REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**December 31, 2022****Schedules of Changes in the District's Net Pension Liability and Related Ratios - Bargaining Unit Pension Plan
- Continued**

	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 168,163	\$ 195,241	\$ 169,601	\$ 168,310	\$ 160,841
Interest	784,769	918,080	958,787	955,116	966,881
Change in benefit terms	-	-	94,108	13,576	-
Difference between expected and actual experience	1,635,699	(115,154)	(154,202)	136,114	(138,333)
Changes in assumptions	-	-	(504,440)	644,838	-
Benefit payments	(507,918)	(564,678)	(584,988)	(631,191)	(699,644)
Net change in total pension liability	2,080,713	433,489	(21,134)	1,286,763	289,745
Net pension liability - beginning	11,320,226	13,400,939	13,834,428	13,813,294	15,100,057
Total pension liability - ending (a)	\$ 13,400,939	\$ 13,834,428	\$ 13,813,294	\$ 15,100,057	\$ 15,389,802
Plan fiduciary net position					
Contribution - employer	\$ 502,000	\$ 609,851	\$ 684,363	\$ 870,877	\$ 817,528
Net investment income	377,415	(73,698)	781,667	2,067,152	(889,719)
Benefit payments	(507,918)	(564,679)	(584,988)	(631,191)	(699,644)
Net change in plan fiduciary net position	371,497	(28,526)	881,042	2,306,838	(771,835)
Plan fiduciary of net position - beginning	8,645,546	9,017,043	8,988,517	9,869,559	12,176,397
Plan fiduciary of net position - ending (b)	\$ 9,017,043	\$ 8,988,517	\$ 9,869,559	\$ 12,176,397	\$ 11,404,562
Net pension liability - ending (a)-(b)	\$ 4,383,896	\$ 4,845,911	\$ 3,943,735	\$ 2,923,660	\$ 3,985,240
Plan fiduciary net position as a percentage of total pension liability	67%	65%	71%	81%	74%
Covered payroll	\$ 4,198,147	\$ 4,048,574	\$ 4,026,235	\$ 3,825,166	\$ 3,367,434
District's net pension liability as a percentage of covered payroll	104%	120%	98%	76%	118%
Schedule of Investment Returns					
Annual money-weighted rate of return, net of investment return	4.27%	(0.97%)	8.38%	19.98%	(7.16%)

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

REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

December 31, 2022

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

	2019	2020	2021	2022
Total Pension Liability				
Service cost	\$ 190,869	\$ 198,332	\$ 212,607	\$ 214,702
Interest	824,557	821,796	818,185	870,282
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	185,820	(76,959)	315,451	93,885
Changes in assumptions	-	207,627	230,871	(728,506)
Benefit payments	<u>(713,961)</u>	<u>(685,000)</u>	<u>(685,250)</u>	<u>(788,536)</u>
Net change in total pension liability	487,285	465,796	891,864	(338,173)
Net pension liability - beginning	<u>12,854,166</u>	<u>13,341,455</u>	<u>13,807,251</u>	<u>14,699,113</u>
Total pension liability - ending (a)	<u>\$13,341,451</u>	<u>\$13,807,251</u>	<u>\$ 14,699,113</u>	<u>\$14,360,940</u>
Plan fiduciary net position				
Contribution - employer	\$ 455,752	\$ 488,318	\$ 608,121	\$ 330,113
Net investment income	2,049,544	1,624,656	1,563,111	(2,528,716)
Benefit payments	<u>(713,961)</u>	<u>(685,000)</u>	<u>(685,250)</u>	<u>(788,536)</u>
Net change in plan fiduciary net position	1,791,335	1,427,974	1,485,982	(2,987,139)
Plan fiduciary of net position - beginning	<u>10,099,126</u>	<u>11,890,461</u>	<u>13,318,435</u>	<u>14,804,415</u>
Plan fiduciary of net position - ending (b)	<u>\$11,890,461</u>	<u>\$13,318,435</u>	<u>\$ 14,804,415</u>	<u>\$11,817,276</u>
Net pension liability - ending (a)-(b)	<u>\$ 1,450,990</u>	<u>\$ 488,816</u>	<u>\$ (105,302)</u>	<u>\$ 2,543,664</u>
Plan fiduciary net position as a percentage of total pension liability	89%	96%	101%	82%
Covered payroll	\$ 2,165,844	\$ 2,268,241	\$ 2,427,926	\$ 2,213,682
District's net pension liability as a percentage of covered payroll	67%	22%	-4%	115%
Schedule of Investment Returns				
	2019	2020	2021	2022
Annual money-weighted rate of return, net of investment return	20.37%	13.64%	12.43%	(16.91%)

REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED

December 31, 2022

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

	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 205,440	\$ 229,085	\$ 214,157	\$ 196,096	\$ 192,284
Interest	672,086	802,879	849,544	852,297	803,360
Change in benefit terms	-	-	-	10,063	-
Difference between expected and actual experience	1,809,303	79,616	(29,531)	(746,340)	43,588
Changes in assumptions	-	-	(324,599)	533,290	-
Benefit payments	(587,753)	(651,317)	(621,009)	(657,627)	(710,413)
Net change in total pension liability	2,099,076	460,263	88,562	187,779	328,819
Net pension liability - beginning	9,689,665	11,788,741	12,249,004	12,337,566	12,525,345
Total pension liability - ending (a)	\$ 11,788,741	\$ 12,249,004	\$ 12,337,566	\$ 12,525,345	\$ 12,854,164
Plan fiduciary net position					
Contribution - employer	\$ 424,000	\$ 390,149	\$ 515,637	\$ 712,137	\$ 596,920
Net investment income	375,587	(47,726)	687,358	1,867,678	(805,757)
Benefit payments	(587,753)	(651,317)	(621,009)	(657,627)	(710,413)
Net change in plan fiduciary net position	211,834	(308,894)	581,986	1,922,188	(919,250)
Plan fiduciary of net position - beginning	8,611,262	8,823,096	8,514,202	9,096,188	11,018,376
Plan fiduciary of net position - ending (b)	\$ 8,823,096	\$ 8,514,202	\$ 9,096,188	\$ 11,018,376	\$ 10,099,126
Net pension liability - ending (a)-(b)	\$ 2,965,645	\$ 3,734,802	\$ 3,241,378	\$ 1,506,969	\$ 2,755,038
Plan fiduciary net position as a percentage of total pension liability	75%	70%	74%	88%	79%
Covered payroll	\$ 2,855,590	\$ 2,753,837	\$ 2,584,837	\$ 2,238,080	\$ 2,094,659
District's net pension liability as a percentage of covered payroll	104%	136%	125%	67%	132%
Schedule of Investment Returns					
Annual money-weighted rate of return, net of investment return	4.29%	(0.95%)	7.92%	19.85%	(7.26%)

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

REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**December 31, 2022****Schedule of District's Contributions**

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 January 1, 2023 actuarial valuation report.

Additional information from the January 1, 2023 actuarial valuation follows:

Fiscal year ending	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage 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%
2018	\$ 817,528	\$ 817,528	\$ -	\$ 3,367,434	24.3%
2019	\$ 657,022	\$ 657,022	\$ -	\$ 3,365,672	19.5%
2020	\$ 632,344	\$ 632,344	\$ -	\$ 2,968,576	21.3%
2021	\$ 816,192	\$ 816,192	\$ -	\$ 2,514,595	32.5%
2022	\$ 368,518	\$ 368,518	\$ -	\$ 2,375,672	15.5%
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%
2018	\$ 596,920	\$ 596,920	\$ -	\$ 2,094,659	28.5%
2019	\$ 455,752	\$ 455,752	\$ -	\$ 2,165,844	21.0%
2020	\$ 488,318	\$ 488,318	\$ -	\$ 2,268,241	21.5%
2021	\$ 608,121	\$ 608,121	\$ -	\$ 2,427,926	25.0%
2022	\$ 330,113	\$ 330,113	\$ -	\$ 2,213,682	14.9%

REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**December 31, 2022**

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Valuation date	January 1, 2023	January 1, 2023
Measurement date	December 31, 2022	December 31, 2022
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	3.0%	3.0%
COLA (post-retirement)	1.5%	1.5%
Retirement age	Graded by age based on past experience	Graded by age based on past experience
Mortality	Pri-2012 Blue Collar Dataset Employee Amount – Weighted Mortality with Scale MP-2021	RP-2012 Total Dataset Employee Amount – Weighted Mortality with Scale MP-2021

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

Year	Bargaining Unit	Non-Bargaining Unit
2022	-16.84%	-16.91%
2021	12.42%	12.43%
2020	12.81%	13.64%
2019	19.98%	20.37%
2018	-7.16%	-7.26%
2017	19.98%	19.85%
2016	8.38%	7.92%
2015	-0.97%	-0.95%
2014	4.27%	4.29%



MEMORANDUM PORTLAND WATER DISTRICT

TO: Operations Committee / Board of Trustees

FROM: Scott Firmin, Director of Wastewater Services
James Wallace, Director of Water Services

DATE: May 2, 2023

RE: **Operations Committee Meeting – May 8, 2023**

A meeting of the Operations Committee of the Portland Water District Board of Trustees will be held on Monday, May 8, 2023, beginning at 5:30 p.m., in the Emergency Operations Center (EOC) Room of the District, 225 Douglass Street, Portland, Maine.

AGENDA

1. **North Windham Sewer System Project – (CIP 2022-182/3324)**
Staff will recommend awarding a construction contract (GMP-1) to MWH for the construction of phase 1 of the North Windham Sewer project. (Memo will be forwarded to Committee members on May 5th)
2. **LCRR Inventory Update**
Staff will provide an update on the progress of the service line inventory.
3. **Other Business**



MEMORANDUM PORTLAND WATER DISTRICT

TO: Planning Committee / Board of Trustees

FROM: Christopher Crovo, P.E., Director of Asset Management and Planning

DATE: May 2, 2023

RE: **Planning Committee Meeting – May 8, 2023**

A meeting of the Planning Committee of the Portland Water District Board of Trustees will be held on Monday, May 8, 2023, at 5:30 p.m. in the Nixon Training Center at 225 Douglass Street, Portland, Maine.

AGENDA

- 1. Standish Beach Management Annual Report**
Staff will report on the past year's activity at Standish Beach.
- 2. Annual Sebago Lake Land Reserve and Lower Bay Activity Report**
Staff will report on last year's activities.
- 3. Other Business**