

AGENDA
PORTLAND WATER DISTRICT

225 Douglass Street, Portland, Maine
Jeff P. Nixon Training Center
6:00 p.m. on Tuesday, May 26, 2026

<https://us06web.zoom.us/j/84393395797?pwd=3UREHZh9edqMBzzD89zirMaawtu80G.1>

1. Convene Meeting with Pledge of Allegiance and moment of silence. President Lunt
2. Roll Call Clerk
- 3a. Acceptance of Minutes of the Regular Meeting of April 27, 2026 President Lunt
- 3b. Acceptance of Minutes of the Workshop Meeting of May 11, 2026 President Lunt
4. Invitation for Public Comment President Lunt
5. Reports:
 - Operations Committee Reports Trustee Crockett
 - Planning Committee Reports Trustee Douglas
 - Administration & Finance Committee Reports Trustee Willett
 - General Manager's Report General Manager
6. New Business
 - A. Order 26-011 amending the 2026 Capital Improvement Plan to include an additional project related to a Regional Biosolids Handling Facility. General Manager
 - B. Resolution 26-008 accepting the Audit Report for 2025. Administration and Finance Committee
 - C. Order 26-012 adopting the Second Amendment to the Portland Water District Deferred Compensation Plan. Administration and Finance Committee
 - D. Order 26-013 increasing funding for the Brighton Avenue Dual Water Abandonment Project. Operations Committee
7. Other Business An item may be added to this agenda provided seven trustees vote to waive the rule regarding agendas. President Lunt
8. Second Invitation for Public Comment President Lunt
9. Trustee Comments President Lunt
10. Executive Session A motion may be made to go into Executive Session at any time during the meeting to discuss, pursuant to 1 M.R.S. §405(6)(A) personnel, 1 M.R.S. §405(6)(C) real estate, 1 M.R.S. §405 (6)(D) labor negotiations, or 1 M.R.S. §405(6)(E) legal matters. President Lunt
11. Adjournment President Lunt

David M. Kane
Clerk

Portland Water District
Board of Trustees Regular Meeting

May 26, 2026

New Business

Agenda Item 6A-6D



BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6A Order 26-011
Date of Meeting: May 26, 2026
Subject: PWD Regional Biosolids Handling Facility Preliminary Design
Presented By: Greg Pellerin, Executive Director of AMAP

RECOMMENDATION

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

ORDERED, that the 2026 Capital Improvement Plan is amended to include an additional project (PWD Regional Biosolids Handling Facility 2026-3399) (“Project”) in the amount of \$2,000,000 related to preliminary engineering design of a Regional Biosolids Handling Facility, and that the General Manager and the Treasurer, each acting singly, are authorized to take such other steps as may be necessary to accomplish the intent of this vote;

BACKGROUND

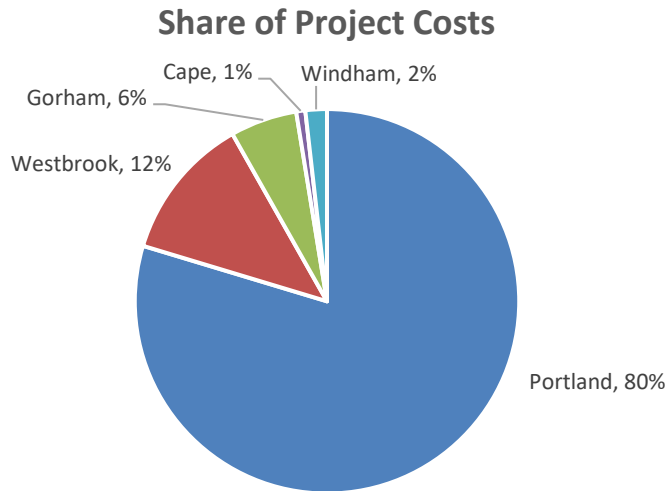
PWD’s Biosolids management is facing a challenging and uncertain future, creating concerns for a lack of reliable outlets and likely significant disposal cost increases. Maine is facing limited outlets following the ban of land application and uncertainty of capacity in the Juniper Ridge Landfill (JRL). PWD has reached a Memorandum of Agreement (MOA) with ecomaine to lease a parcel of land to PWD for the location of a Biosolids Handling Facility. While the exact components of the facility will be determined during design, it is anticipated that the facility will include sludge mixing (through thermal hydrolysis, cake re-wetting or similar), digestion, and drying. This facility will significantly reduce the volume of biosolids produced by PWD and up to 10 other local utilities, cutting hauling fees for disposal, eliminating the need for additional bulking material at the landfill, and opening up the possibility of disposal at other sites such as ecomaine’s ashfill. Advanced technologies such as thermal processing could be added in the future to destroy PFAS, and possibly create a marketable byproduct. While these technologies are not yet commercially reliable at this scale, space on the site would be reserved for piloting and implementation in the future.

FISCAL REVIEW / FUNDING

The project costs would be allocated to each wastewater community based on their percent of biosolids wet tons – see Share of Costs chart below. If the project proceeds to construction, the \$2 million could be bond financed along construction costs. The annual debt service would be \$180,000 assuming a twenty-year bond term. If the project does not proceed to construction, the costs would be allocated to each wastewater community and included as a one-time charge.

Monthly Impact to Customers

	<u>Project Proceeds</u>	<u>Project Doesn't Proceed</u>
	Bond for 20 Years	Write Off with 1 Year Impact
Portland	\$ 0.69	\$ 7.66
Westbrook	\$ 0.37	\$ 4.11
Gorham	\$ 0.41	\$ 4.51
Cape	\$ 0.05	\$ 0.52
Windham	\$ 1.61	\$ 17.91



LEGAL REVIEW

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

CONCLUSION(S)

Staff recommends that the Project be added to the 2026 CIP. The Board of Trustees recommends bringing the item to the agenda for the May 26, 2026 business meeting.

ATTACHMENT(S)

Supporting Information

SUPPORTING INFORMATION

Maintaining a reliable and cost effective biosolids management program will be essential to PWD’s mission moving forward. Sludge hauling represents a large amount of PWD’s operational costs annually, about \$3.2 million. Largely a result of recent legislation banning land application of sludge (LD 1911) in 2022, costs have risen approximately 60% in the last five years. This trend is expected to continue due to dwindling capacity at the Juniper Ridge Landfill (JRL), the landfill which receives 90% of the state’s (including PWD’s) sludge. Based on current market research, disposal fees in the Northeast are expected to climb by 116% in the next ten years.

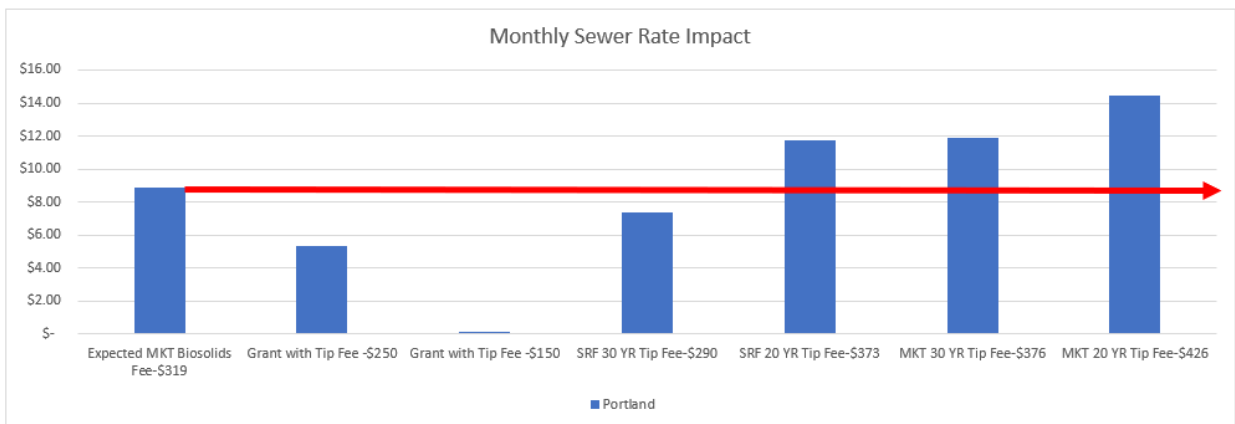
Several alternatives have been posed at the State level including a drying facility at Waste Management (WM) in Norridgewock, a gasification facility in Sanford, and a digestion facility in Brunswick. Some of these facilities may move forward, others have faced major setbacks. The recent PWD Biosolids Master Planning effort, undertaken with support from our consultant Brown and Caldwell, has identified that multiple sustainable disposal options will be necessary to ensure reliable cost-effective management into the future.

The Master Plan indicates that PWD is well positioned to advance a facility due to representing a significant portion of the State’s biosolids production, and the tentative siting agreement with ecomaine. Brown & Caldwell, working with PWD staff, has developed an RFP for market issuance to complete preliminary (roughly equivalent to 30%) design of the facility which will narrow down technology selection, schedule, and cost.

The preliminary design will provide the level of detail needed to further engage regional partners with the intent of forming project commitments. Additionally, this information will be important in future funding applications such as CWSRF, Congressionally Directed Spending (CDS), and WIFIA.

Crucially, the preliminary design process will be utilized to clarify the economic viability of moving forward with such a significant investment. This will include reviewing the available funding, the impact of financing on the District’s budget, how regional partners will share in the cost, and ensure that the facility fits into the strategic vision of the District’s Trustees. The BOT’s input will be solicited with this information in hand, and approval will be required prior to advancing to the next phase of facility development beyond the preliminary design phase.

Portland Only
Customer Monthly Impact assuming \$250 Tipping Fees with Grant and Without Grants.
Also, compared to the expected market biosolids disposal cost (116% increase).





BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6B Resolution 26-008
Date of Meeting: May 26, 2026
Subject: 2025 Financial Audit
Presented By: Thomas Quirk, Finance Director

RECOMMENDATION

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

WHEREAS, the Bylaws of the Portland Water 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 BerryDunn to conduct the audit of 2025 financial affairs, and

WHEREAS, BerryDunn has conducted the audit of 2025 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 2025 and authorizes its distribution as required by Section 21 of the Charter of Portland Water District.

BACKGROUND ANALYSIS

On May 11, 2026, BerryDunn will present the results of the 2025 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, 2025

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.

LEGAL REVIEW

Corporation Counsel has reviewed the proposed order as to form.

CONCLUSION(S)

Staff recommends the proposed motion be forwarded to the full Board for its consideration. The Committee recommended forwarding the motion to the full Board for its consideration.

ATTACHMENT(S)

A – Auditors’ Required Communication Letter

B – Financial Report for the year ending December 31, 2025

Board of Trustees
Portland Water District

We have audited the financial statements of Portland Water District (the District) as of and for the year ended December 31, 2025, and have issued our report thereon dated May 1, 2026. Professional standards require that we communicate to you the following information related to our audit.

PART I – REQUIRED COMMUNICATIONS

Our Responsibility under U.S. Generally Accepted Auditing Standards (U.S. GAAS), Government Auditing Standards, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter dated February 3, 2026, 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 conformity with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered the District's internal control over compliance with requirements that could have a direct and material effect on the major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, and tests of its noncompliance, which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about compliance with the types of compliance requirements described in the Office of Management and Budget *Compliance Supplement* applicable to the major federal program for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

U.S. GAAP provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the Management Discussion and Analysis, Schedule of Changes in the District's Net Pension Liability and Related Ratios – Bargaining Unit Pension Plan, Schedule of Changes in the District's Net Pension Liability and Related Ratios – Non-Bargaining Unit Pension Plan, Schedule of District's Contributions, Summary of Assumptions and Schedule of Investment Returns (Losses), which supplement the basic financial statements, is to apply certain limited procedures in accordance with U.S. GAAS. 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.

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in District's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to obtain assurance about such other information. However, in accordance with such standards, we have read the other information and considered whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Significant Risks

In our engagement letter, we identified the risks we expected would meet the definition of "significant risks" pursuant to U.S. GAAS, which are risks toward the upper end of the risk spectrum based on their likelihood and potential magnitude. Through conclusion of our audit of the financial statements, we have not identified any additional significant risks.

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 District are described in Note 1 to the financial statements.

As disclosed in Note 1 to the basic financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*, during the year ended December 31, 2025. The adoption of this statement during the year ended December 31, 2025 did not have a material impact on the financial statements of the District.

As disclosed in Note 1 to the basic financial statements, the District revised its methodology for estimating the acquisition value of contributed capital assets, primarily water mains, services, and related appurtenances during the year ended December 31, 2025. Previously, the District estimated the value of these assets using indexed unit values and standard construction components intended to approximate internal construction costs. The revised methodology uses actual bid data from the District's recently awarded water main renewal projects to establish average costs per linear foot by pipe size and general location. These averages are updated annually and applied to contributed assets of similar characteristics constructed by third parties and conveyed to the District. This change in accounting estimate was accounted for prospectively in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The effect of this change on the current-period financial statements could not be reasonably estimated. Accordingly, prior-period amounts were not restated. Had the effect been reasonably estimable, it would have affected capital assets, capital contributions, and related depreciation expense. Management believes the revised methodology more accurately reflects the current acquisition value of contributed capital assets based on observable, local market data.

The application of existing policies was not changed during 2025, except as noted above related to a change in estimate for contributed property. 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:

Depreciation

Management's estimates of depreciation, which is based on historical information regarding the expected useful lives of assets.

Pension Benefits

Assumptions used in the calculation of the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, which are based on information calculated by the District's consulting actuary.

Accrued Compensated Absences

Management's estimate of accrued vacation and sick liabilities is based on amounts calculated by the District in accordance with GASB Statement No. 101, *Compensated Absences*.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the commitments and contingencies and the pension plans disclosed in Note 4.

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

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effects are immaterial to the financial statements taken as a whole. The uncorrected misstatement or the matters underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatement is immaterial to the financial statements under audit. None of the misstatements detected and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this communication, a disagreement with management is a disagreement on 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 May 1, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of 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 the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

PART II – ADVISORY COMMENT

Credit Card Review and Approval Controls

During our audit procedures, we noted that the District does not consistently maintain documented evidence of managerial review and approval of employee credit card expenditures. While reviews may be occurring, documentation evidencing timely managerial approval is not always retained. The absence of consistently documented supervisory review increases the risk that unauthorized, non-business, or inappropriate transactions could occur and remain undetected. Without effective and documented managerial oversight, there is an increased risk of errors, misuse of District funds, or fraudulent transactions, which could result in inaccurate expense reporting and potential misstatement of operating expenses.

We recommend that management strengthen controls over employee credit card activity by implementing and enforcing a timely, consistently documented managerial review process. Management should require department managers to formally review and approve all employee credit card transactions and retain evidence of such review in accordance with District policy. Strengthening this control would reduce the risk of unauthorized or inappropriate expenditures and improve the overall effectiveness of the District’s expense monitoring and oversight process.

* * * * *

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

BMP Assurance, LP

Portland, Maine
May 1, 2026

Portland Water District
Year End: December 31, 2025
Passed Adjusting Journal Entries
Date: 1/1/2025 To 12/31/2025

142

Number	Date	Name	Account No	Reference	Debit	Credit	Proposed Amount Chg
		Net Income (Loss)					19,219,861.56
PAJE1	12/31/2025	GAIN/LOSS- ASSET RETIRE	04A-71001 WATER	807.008	148,187.85		
PAJE1	12/31/2025	WTR TREATMENT PLANT EQUIP	04A-1013203 WATER	807.008		4,991.12	
PAJE1	12/31/2025	WTR TREATMENT PLANT EQUIP	04A-1013203 WATER	807.008		9,144.00	
PAJE1	12/31/2025	RESERVOIRS/TANKS	04A-1013304 WATER	807.008		486,809.77	
PAJE1	12/31/2025	SOURCE STURCTURES	04A-10830421 WATER	807.008	4,991.12		
PAJE1	12/31/2025	SOURCE STURCTURES	04A-10830421 WATER	807.008	347,765.92		
		To record fixed asset retirement at Munjoy Hill that was not recorded during the year					
					500,944.89	500,944.89	(148,187.85)
					500,944.89	500,944.89	(148,187.85)



Portland Water District

FINANCIAL STATEMENTS

December 31, 2025

With Independent Auditor's Reports



PORTLAND WATER DISTRICT

December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portland Water District

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, 2025, and the related notes to the financial statements, which collectively comprise the 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 financial position of the District as of December 31, 2025 and the respective changes in its net position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the 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 U.S. 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 U.S. 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 the 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 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

U.S. generally accepted accounting principles require that the Management Discussion and Analysis on pages 4 through 18, Schedules of Changes in the District's Net Pension Liability and Related Ratios - Bargaining Unit Pension Plan on pages 68 and 69, Schedules of Changes in the District's Net Pension Liability and Related Ratios - Non-Bargaining Unit Pension Plan on pages 70 and 71, Schedule of District's Contributions on page 72, Summary of Assumptions on page 73 and Schedule of Investment Returns (Losses) on page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, 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.

Board of Trustees
Portland Water District

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2026 on our consideration of the 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BMP Assurance, LLP

Portland, Maine
May 1, 2026

Introduction of the Financial Statements

Management Discussion and Analysis (Unaudited)

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 2025.

Change in Net Position before Contributions – This item increased by \$1.54 million in 2025 as compared to 2024.

Operating Revenues – Operating revenues were up \$4.24 million (7.2%). The majority of the increase was with Metered Water Sales which were \$2.27 million (8.0%) higher than 2024 due to increased rates (an average of 5.9%) and consumption (3.6%). Wastewater Assessments were up \$1.70 million or 6.3%.

Operating Expense – Operating expense increased \$1.30 million (2.3%). Increases in Power (\$846k), Labor (\$818k), Employee Benefits (\$642k) and Contracted Services (\$510k) were partially offset by a decrease in Pension expenses of \$2.12 million. The large decrease in Pension Expense was due in large part to the increase in the value of the plan assets.

Net Capital Assets (\$415.58 million) had an increase of 11.2% (\$41.97 million). Operating Property increased \$39.59 million, while Construction Work in Progress (CWIP) increased \$13.96 million. These were partially offset by the \$11.76 million increase to the Allowance for Depreciation. Right to Use Lease & SBITA assets increased \$179k.

The District's bonded debt of \$137.65 million was up \$19.72 million as the District issued \$30.83 million in new debt and retired \$11.11 million. Notes Payable increased \$16.97 million due to short-term borrowing for the construction of the North Windham Wastewater Treatment Facility. The District had a Current Ratio of 1.09 and debt coverage ratio of 1.63. The comparatively low Current Ratio is due to the large amount of short-term borrowing in the Windham Wastewater fund, the District will convert that to permanent financing in 2026.

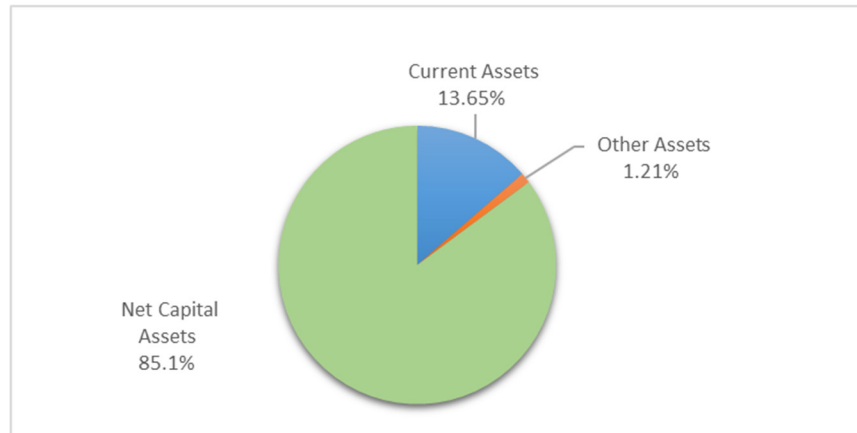
In 2021, the District was awarded a five (5) year, \$8.0 million watershed grant from the federal Natural Resources Conservation Service. During 2025, the District had non-operating revenue and expense from the grant of \$471k and related in-kind services revenue and expense of \$776k related to that grant.

Comparison of Financial Statements for Current and Prior Year

Statements of Net Position (Condensed)

	2025	2024	Diff	Diff %
Current Assets	\$ 66,627,940	\$ 50,823,008	\$ 15,804,932	31.1%
Net Capital Assets	415,579,261	373,607,852	41,971,409	11.2%
Other Assets	5,891,895	1,569,436	4,322,459	275.4%
Non-Current Assets	421,471,156	375,177,288	46,293,868	12.3%
Total Assets	488,099,096	426,000,296	62,098,800	14.6%
Deferred Outflows	879,637	619,644	259,993	42.0%
Total Assets and Deferred Outflows	\$ 488,978,733	\$ 426,619,940	\$ 62,358,793	14.6%
Current Liabilities	\$ 61,237,357	\$ 40,270,916	\$ 20,966,441	52.1%
Long-Term Debt/Payables	129,352,279	110,445,404	18,906,875	17.1%
Other Non-Current Liabilities	3,119,277	2,672,491	446,786	16.7%
Non Current Liabilities	132,471,556	113,117,895	19,353,661	17.1%
Total Liabilities	193,708,913	153,388,811	40,320,102	26.3%
Deferred Inflows	4,603,670	1,784,837	2,818,833	157.9%
Net Position				
Net Invested in Capital Assets	257,254,341	241,389,402	15,864,939	6.6%
Unrestricted	33,411,809	30,056,890	3,354,919	11.2%
Total Net Position	290,666,150	271,446,292	19,219,858	7.1%
Total Liabilities, Deferred Inflows and Net Position	\$ 488,978,733	\$ 426,619,940	\$ 62,358,793	14.6%

District Assets



Current Assets

Current Assets increased \$15.80 million (31.1%) in 2025. The combined Cash and Investments total increased \$17.02 million due to the balance of unspent bond proceeds growing by \$13.23 million and the \$4.12 million increase in Net Position before Contributions. With regard to bond proceeds, over \$6.0 million was issued for the meter project and \$5.0 million for wastewater projects were issued late in the year. Those items are offset by the decrease in the Interfund Receivable to North Windham of \$1.38 million.

Net Capital Assets

Net Capital Assets increased \$41.97 million (11.2%):

	<u>2025</u>	<u>2024</u>	<u>Net Change</u>
Operating Property	\$ 667,635,727	\$ 628,048,610	\$ 39,587,117
Construction Work in Progress	48,725,211	34,761,761	13,963,450
Right to use Lease/SBITA Assets (Net)	1,091,271	911,977	179,294
Allowance for Depreciation	(301,872,948)	(290,114,496)	(11,758,452)
	<u>\$ 415,579,261</u>	<u>\$ 373,607,852</u>	<u>\$ 41,971,409</u>

The major additions to Operating Property for 2025 included:

- \$23.16 million in water infrastructure (mains, services, hydrants & meters).
- \$10.45 million in wastewater treatment plant structures and equipment.

Starting in 2025, the District revised its methodology for estimating the acquisition value of contributed capital assets, particularly with water mains. Previously, the District estimated the value of these assets using indexed unit values and standard construction components intended to approximate internal construction costs. The revised methodology uses actual bid data from the District's recently awarded water main renewal projects to establish average costs per linear foot by pipe size and general location. The impact of this change was to generally assign a higher value to contributed assets than they would have had in past years.

Construction Work in Progress (CWIP) increased by \$13.96 million in 2025. The largest increase was for new Wastewater Treatment Facility (WWTF) located in North Windham (\$20.97 million). The biggest decreases in CWIP were due to the completion of the clarifier project at Portland's East End WWTF (\$7.98 million) and for the Sawyer St Water Fund main project (\$2.44 million).

The Allowance for Depreciation grew \$11.76 million in 2025. The Allowance increased \$15.45 million including, \$6.54 million for water infrastructure (mains, services, hydrants & meters) and \$2.95 million for wastewater structures and equipment. The decrease for the year was \$3.69 million which included \$2.58 million for wastewater structures and equipment.

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

Other Assets

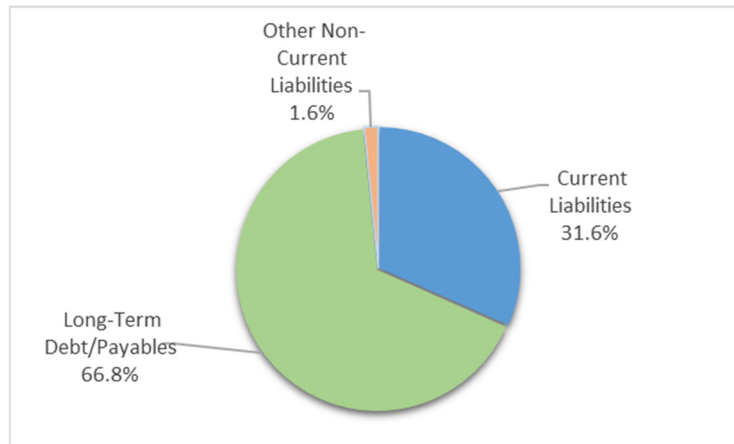
The District's Other Assets, which increased \$4.32 million in 2025, involves Pension, Leases and Notes Receivable as well as Preliminary Surveys. The rise in the market value of the Pension Plan assets increased the net Pension Asset by \$3.73 million in 2025. Lease and Notes Receivables were lower due to the amortization and paydown of prior year balances. Preliminary Surveys, which are project dollars which will be amortized in future years, were \$673k at the end of 2025 after having no balance in the prior year. For more detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Pension, Leases and Notes Receivable.

Deferred Outflows

Deferred Outflows of resources represents a consumption of net assets 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 2025, Deferred Outflows increased \$260k (42.0%). Almost all of the increase was from the portion of the Deferred Outflows relating to the pension. This was primarily due to a change in the fair value of plan assets that eliminated the District's net pension liability.

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	2025	2024	Diff	Diff %
Accounts Payable & Accrued Payroll	\$ 12,361,911	\$ 9,997,157	\$ 2,364,754	23.7%
Accrued Interest	1,167,724	731,416	436,308	59.7%
Customer Deposits	663,251	547,252	115,999	21.2%
Construction Retainage	2,116,203	1,021,572	1,094,631	107.2%
Interfund Payable	4,047,558	5,423,410	(1,375,852)	-25.4%
Notes Payable	26,447,984	9,464,903	16,983,081	179.4%
Current Portion - Long-Term Debt	12,858,676	11,699,348	1,159,328	9.9%
All Other Current Liabilities	1,574,050	1,385,858	188,192	13.6%
	<u>\$ 61,237,357</u>	<u>\$ 40,270,916</u>	<u>\$ 20,966,441</u>	<u>52.1%</u>

Current Liabilities increased 52.1%. The majority of the change (\$16.98 million) was related to the increase in the Bond Anticipation Note (BAN) for the North Windham WWTF construction project. Many of the other are all indicators of the increased volume of capital projects and related activity.

Long-Term Debt/Bond Rating

In 2025, the District issued water bonds directly to the market for Water. Moody's assigned a rating of Aa3 while Standard & Poor's (S&P) rated the debt AA+. The assigned Moody's and S&P's rating for the outstanding Portland wastewater bond rating is Aaa and AAA, respectively. The Moody's rating was changed on September 9, 2024, from Aa1 to Aaa.

Long-Term Debt/Payables

Bonded Debt:	Beginning	Issued	Retired	Ending
Water	\$ 65,342,832	\$ 20,930,000	\$ (6,808,324)	\$ 79,464,508
Wastewater:				
Cape Elizabeth	4,029,600	1,000,000	(325,950)	4,703,650
Cumberland	12,500	950,000	(6,250)	956,250
Falmouth	2,894,000	-	(238,000)	2,656,000
Gorham	4,658,434	-	(484,282)	4,174,152
Portland	29,179,280	7,950,000	(2,264,241)	34,865,039
Westbrook	10,766,326	-	(848,402)	9,917,924
Windham	1,051,490	-	(138,066)	913,424
Total Bonded Debt	<u>117,934,462</u>	<u>30,830,000</u>	<u>(11,113,515)</u>	<u>137,650,947</u>
Unamortized Premium	4,170,569	998,798	(635,839)	4,533,528
(Less: current portion)	(11,699,348)			(12,858,676)
Non-Current	<u>\$ 110,405,683</u>			<u>\$ 129,325,799</u>
Notes Payable:				
Water	\$ -	\$ 870,504	\$ -	\$ 870,504
Wastewater:				
Portland	765,367	-	(765,367)	-
Windham	<u>8,739,257</u>	<u>16,877,943</u>	<u>(13,240)</u>	<u>25,603,960</u>
Total Notes Payable	<u>9,504,624</u>	<u>17,748,447</u>	<u>(778,607)</u>	<u>26,474,464</u>
(Less: current portion)	(9,464,903)			(26,447,984)
Non-Current	<u>39,721</u>			<u>26,480</u>
Non-Current LT Debt	<u>\$ 110,445,404</u>			<u>\$ 129,352,279</u>

This category consists of general revenue bonds and notes payable. 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>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Customer Advances & Other Liabilities	\$ 1,558,357	\$ 1,231,020	\$ 327,337	26.6%
Compensated Absences - Non Current	773,292	736,236	37,056	5.0%
Lease Liability - Non-Current	257,376	235,107	22,269	9.5%
SBITA Liability - Non-Current	530,252	470,128	60,124	12.8%
	<u>\$ 3,119,277</u>	<u>\$ 2,672,491</u>	<u>\$ 446,786</u>	<u>16.7%</u>

Other Non-Current Liabilities were up \$447k (16.7%). Most of the increase (\$327k) was due to the growth in water main extension and new service deposits taken from contractors. The \$60k increase in SBITA Liability was related to software for an upgrade to the District's phone system. In prior years the unamortized bond premiums were included with these totals, they were moved to the outstanding bond Long-Term Debt/Payables above in 2025. The 2024 totals have been modified to mirror the change.

For detailed information, please refer to the Notes to the Financial Statements – Note 3 – Detailed Notes on All Funds – Pension Plans.

Deferred Inflows

Deferred Inflows of resources represent an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. In 2025, the District had Deferred Inflows for Leases (\$1.14 million) and Pension (\$3.46 million).

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.

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

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Operating Revenue	\$ 63,387,175	\$ 59,149,326	\$ 4,237,849	7.2%
Non-Operating Revenue	4,830,447	6,222,900	(1,392,453)	-22.4%
Total Revenues	<u>68,217,622</u>	<u>65,372,226</u>	<u>2,845,396</u>	<u>4.4%</u>
Operating Expense	57,992,805	56,689,044	1,303,761	2.3%
Non-Operating Expense	6,107,525	6,106,458	1,067	0.0%
Total Expenses	<u>64,100,330</u>	<u>62,795,502</u>	<u>1,304,828</u>	<u>2.1%</u>
Change in Net Position before Capital Contribution	4,117,292	2,576,724	1,540,568	59.8%
Capital Contributions	<u>15,102,566</u>	<u>4,101,893</u>	<u>11,000,673</u>	<u>268.2%</u>
Change in Net Position Beginning Net Position	<u>19,219,858</u>	<u>6,678,617</u>	<u>12,541,241</u>	<u>187.8%</u>
Ending Net Position	<u>\$ 290,666,150</u>	<u>\$ 271,446,292</u>	<u>\$ 19,219,858</u>	<u>7.1%</u>

Operating Revenue

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Metered Water Revenue	\$ 30,663,781	\$ 28,393,226	\$ 2,270,555	8.0%
Wastewater Assessments	28,707,800	27,006,984	1,700,816	6.3%
Public & Private Fire Protection	3,406,742	3,208,987	197,755	6.2%
Other Operating Revenue	608,852	540,129	68,723	12.7%
Total Operating Revenue	<u>\$ 63,387,175</u>	<u>\$ 59,149,326</u>	<u>\$ 4,237,849</u>	<u>7.2%</u>

Metered Water Revenue (\$30.66 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 5.9% in January 2025. Consumption in 2025 was 8.92 million HCF, an increase of 3.6% from the previous year as 2025 was a particularly dry year.

Operating Revenue - Continued

Wastewater Assessments (\$28.71 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 (\$3.41 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 5.2% rate increase was put in place in January 2025, this was primarily the reason for the 6.2% increase in revenue.

Other Operating Revenue (\$0.61 million) – Revenue in this category includes charges to septage haulers for dumping at wastewater treatment facilities (\$343k), fees in the Water Fund for new customers (\$87k) and activations for customers whose service had been turned off due to delinquent bills (\$101k).

Operating Revenue by Fund

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Water	\$ 34,286,720	\$ 31,782,237	\$ 2,504,483	7.9%
Wastewater:				
Cape Elizabeth	2,474,052	2,390,220	83,832	3.5%
Cumberland	1,428,456	1,279,680	148,776	11.6%
Falmouth	314,112	314,112	-	0.0%
Gorham	1,712,484	1,675,344	37,140	2.2%
Portland	17,702,921	16,858,569	844,352	5.0%
Westbrook	4,160,778	4,040,676	120,102	3.0%
Windham	1,307,652	808,488	499,164	61.7%
	<u>\$ 63,387,175</u>	<u>\$ 59,149,326</u>	<u>\$ 4,237,849</u>	7.2%

For the Water Fund, Operating Revenue primarily consists of metered water and fire protection services. Metered Water sales grew \$2.27 mill (8.0%) due to higher rates and higher metered consumption and fire protection revenue was up \$198k (6.2%).

In the Wastewater (WW) Funds, the largest component of Operating Revenue are the wastewater assessments. Assessment increases in 2025 were: Cape Elizabeth 3.5%, Cumberland 11.6%, Gorham 2.2%, Portland 5.0%, and Westbrook 3.0% and Windham 61.7%. Windham’s Assessment rose due to increased costs for debt service related to the construction of the new North Windham WWTF. Portland also receives revenue from septage haulers, that revenue was increased \$28,356 (9.0%) from the previous year. Westbrook provides treatment services for a small portion of City of Portland, revenue for that was up \$4,194 (9.4%) in 2025.

Non-Operating Revenue

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Interest Income	\$ 2,398,807	\$ 2,092,385	\$ 306,422	14.6%
Investments unrealized gain	-	\$ 221,749	(221,749)	-100.0%
Miscellaneous Income	1,184,578	1,349,950	(165,372)	-12.3%
Pass-through grant revenue	1,247,062	2,558,816	(1,311,754)	-51.3%
	<u>\$ 4,830,447</u>	<u>\$ 6,222,900</u>	<u>\$ (1,392,453)</u>	-22.4%

Non-Operating Revenue - Continued

Interest Income increased \$306k (14.6%) in 2025. The increase in 2025 can be attributed to higher cash on hand. The principal objective of the District's investment policy is safety while attaining an appropriate rate of return.

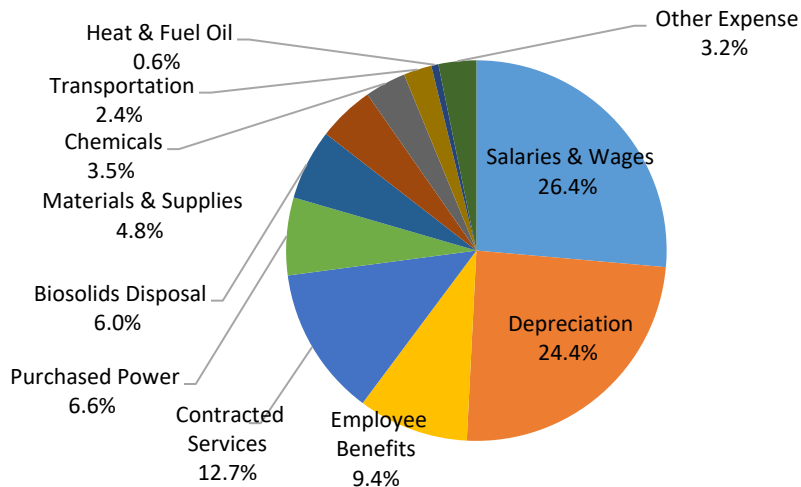
Due to the market, the fair value of investments held by the District decreased resulting in an unrealized loss in 2025 (that is shown in the Non-Operating Expense) compared to an unrealized gain in 2024. The District's intention is to hold these investments to maturity.

Miscellaneous Income includes non-operational items: income related to renewable net energy billing credits (\$1.09 million) and lease related income (\$119k) offset by costs to retire operating assets (\$252k).

Pass-through grant revenue, which has an equal non-operating expense line below and has no effect on the bottom line, was down \$1.31 million from last year.

Operating Expense

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Salaries & Wages	\$ 15,294,681	\$ 14,476,430	\$ 818,251	5.7%
Depreciation	14,165,681	13,785,236	380,445	2.8%
Employee Benefits (Pension)	(91,250)	2,031,652	(2,122,902)	-104.5%
Employee Benefits	5,543,644	4,901,589	642,055	13.1%
Contracted Services	7,368,251	6,858,751	509,500	7.4%
Purchased Power	3,811,337	2,965,041	846,296	28.5%
Biosolids Disposal	3,451,562	3,274,450	177,112	5.4%
Materials & Supplies	2,779,933	2,721,512	58,421	2.1%
Chemicals	2,027,595	2,240,019	(212,424)	-9.5%
Transportation	1,390,569	1,331,849	58,720	4.4%
Heat & Fuel Oil	372,731	380,239	(7,508)	-2.0%
Other Expense	1,878,071	1,722,276	155,795	9.0%
	<u>\$ 57,992,805</u>	<u>\$ 56,689,044</u>	<u>\$ 1,303,761</u>	2.3%



Operating Expense Category Explanations

Salaries & Wages - Salaries and Wages expense increased by \$818,251 or 5.7%. Wage rates were increased an average of 4.0% along with an increase in employee hours by 1.6%.

Depreciation Expense - This expense increased \$380,445 or 2.8%. This is due to asset additions in the Water fund of distribution mains, services and meters.

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. The change between 2024 and 2025 was a decrease of \$2,122,902.

Employee Benefits - This expense increased \$642,055 or 13.1%. Health insurance costs were the main contributor, increased by \$508,548. Other items like FICA taxes, workers comp, and matching 457 retirement plan contributions were also up.

Contracted Services - This category, which is comprised of services provided to the District by outside vendors, has increased by \$509,500 or 7.4%. During 2025, there was an increase in water maintenance and wastewater treatment disposal costs.

Purchased Power - Power costs increased \$846,296 or 28.5% in 2025. Our large facilities experienced increased energy and transmission rates averaging 55% as their usage remained steady with 2024. Also renewable energy costs increased \$87,557 however, renewable energy revenue increased \$188,404 netting an increase of \$100,847.

Biosolids Disposal - The District contracts an outside vendor to remove and dispose of biosolids from its wastewater treatment facilities. In total, biosolids expense was higher by \$177,112 or 5.4%. Most of this increase was related to operation issues at the Westbrook Regional WWTF which led to higher disposal costs due to the subpar condition of the sludge.

Materials/Supplies - Materials and Supplies have increased by \$58,421 or 2.1%. 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 performed. The amount of operational materials were relatively flat in 2025.

Transportation - Transportation costs were increased by 4.4% or \$58,720 compared to 2024. They are based on vehicle usage and a predefined hourly rate for each class of vehicle. The sum of these charges equals the cost of operating the vehicle fleet, as well as depreciation. In addition, the external transportation costs such as ferry fares and parking, increased \$14,233.

Heating & Fuel Oil - The expense in this area was down \$7,508 or 2.0%. Heating oil and propane was lower in 2025 by \$13,742 and \$11,899 respectively, offset by higher natural gas by \$16,291.

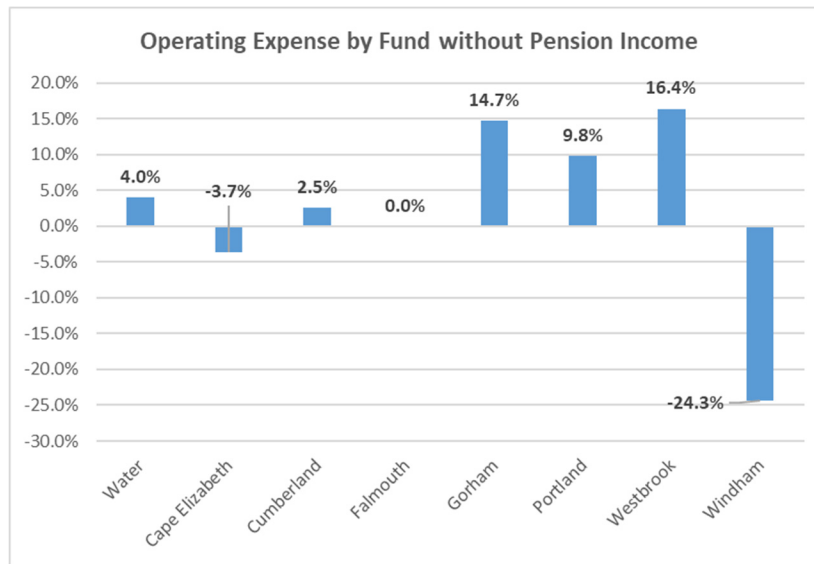
Chemicals - In total, chemicals have decreased by \$212,424 or 9.5%. Contract prices decreased by an average of 7% and units were lower in wastewater due to the dewatering challenges mentioned above that halted production and chemical use.

Other Expense - This category has increased by \$155,795 or 9.0%. It is made up of insurance, utilities, taxes, and other miscellaneous costs. The District had increases in equipment rental, insurance, training, and utilities. Additionally, we had bad debt expense of \$56,585.

Operating Expense by Fund

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Water	\$ 30,162,651	\$ 30,348,090	\$ (185,439)	-0.6%
Wastewater:				
Cape Elizabeth	2,171,131	2,340,317	(169,186)	-7.2%
Cumberland	1,496,313	1,493,984	2,329	0.2%
Falmouth	177,141	177,133	8	0.0%
Gorham	1,721,813	1,549,833	171,980	11.1%
Portland	17,337,098	16,257,653	1,079,445	6.6%
Westbrook	4,611,968	4,080,795	531,173	13.0%
Windham	314,690	441,239	(126,549)	-28.7%
	<u>\$ 57,992,805</u>	<u>\$ 56,689,044</u>	<u>\$ 1,303,761</u>	2.3%

Pension expenses (which are included above) were \$2.12 million lower in 2025 than the previous year. The Operating Expense by Fund without the pension impact was:



Water Fund (4.0% or \$1.15 million) – Labor (\$512k) and related benefits were higher as the area had fewer open positions in 2025. In addition, contracted services for items like value box rising and paving rose \$479k due to road work done by local municipalities.

Cape Elizabeth (-3.7% or \$84k) – Cape Elizabeth experienced fewer maintenance issues in 2025 resulting in lower costs with items such as outside maintenance services and materials & supplies. In addition, costs for contracted treatment services with the City of South Portland were lower (\$43k) due to lower storm water flows.

Cumberland (2.5% or \$37k) – Expenses related to the contracted treatment services provided by the Town of Falmouth were up \$82k due to capital improvements done to the Town's system. This was somewhat offset by lower demand for third party construction and repair services in the Cumberland system.

Falmouth – The 2025 expense of \$177,141 was almost unchanged from 2024.

Operating Expense by Fund - Continued

Gorham (14.7% or \$221k) – Depreciation was up \$117k in 2025 as the aeration project that was completed in 2024 has its first full year of expense. Also, there were much higher costs for biosolids disposal due to dewatering issues at the Westbrook Regional WWTF that processes Gorham’s wastewater.

Portland (9.8% or \$1.55 million) – Power was up \$591k, due in large part to energy costs for the East End WWTF and the Northeast WW Pump Station. Contracted Services expense was up \$207k as both facilities dealt with maintenance issues. Additionally, depreciation expense rose \$325k as new assets came online.

Westbrook (16.4% or \$650k) – This area had significant issues with biosolids dewatering which required equipment repairs, sludge hauling and rental of temporary equipment which represented most of the expense increase over 2024.

Windham (-24.3% or \$-102k) – Expenses were much lower due to limited maintenance issues which resulted in fewer labor hours, materials and other related costs.

Non-Operating

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Expense Diff %</u>
Interest/Amortization Expense	\$ 4,400,244	\$ 3,392,183	\$ 1,008,061	29.7%
Investments unrealized loss	113,640	-	113,640	n/a
Pass-through grant expense	1,247,062	2,558,816	(1,311,754)	-51.3%
Loss on Sale/Retirement	346,579	155,459	191,120	122.9%
	<u>\$ 6,107,525</u>	<u>\$ 6,106,458</u>	<u>\$ 1,067</u>	0.0%

Interest/Amortization Expense increased 29.7% primarily due increases in bonds outstanding of \$19.7 million and Notes Payable of \$17.0 million.

Pass-through grant expense has equal grant revenue above with zero effect on the bottom line.

Capital Contributions

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Water Distribution Mains	\$ 9,346,748	\$ 1,455,314	\$ 7,891,434	542.2%
Water Services	399,473	193,891	205,582	106.0%
Water Meters	133,914	148,140	(14,226)	-9.6%
Hydrants	117,431	107,464	9,967	9.3%
Wastewater - Gorham	-	1,335,000	(1,335,000)	-100.0%
Wastewater - Portland	375,000	-	375,000	n/a
Wastewater - Windham	4,730,000	-	4,730,000	n/a
	<u>\$ 15,102,566</u>	<u>\$ 4,101,893</u>	<u>\$ 11,000,673</u>	268.2%

Capital 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 big increase in distribution mains was primarily due to the District’s method of valuation being updated to be more in line with cost of District paid main renewals. The large contributions in Windham are related to the construction of the new wastewater treatment facility.

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>2025</u>	<u>2024</u>
Water	2.05	2.04
Wastewater:		
Cape Elizabeth	2.86	2.57
Cumberland	1.78	1.53
Falmouth	0.33	0.28
Gorham	2.00	2.48
Portland	3.30	2.23
Westbrook	3.30	3.76
Windham	0.01	0.00
All Funds Combined	1.09	1.28

Windham has a large amount of short-term borrowing related to the North Windham WWTF. That borrowing will be converted to long-term financing in 2026. 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 debt payments that they do through the next year's assessment.

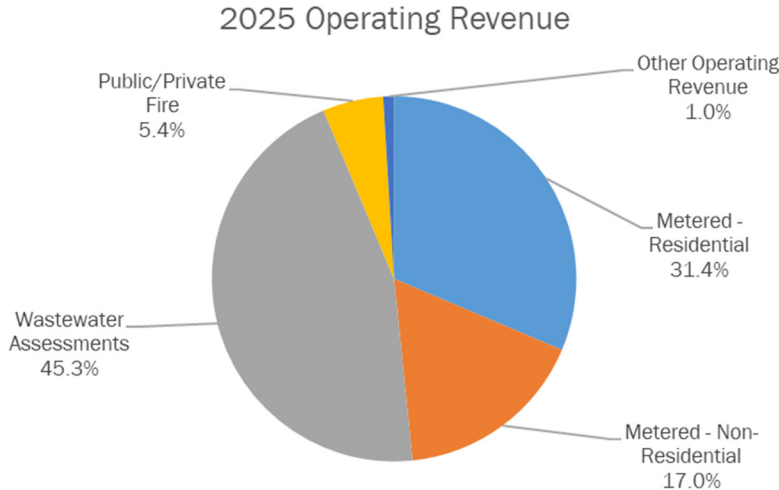
Debt Coverage Ratio by Fund

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

	<u>2025</u>	<u>2024</u>
Water	1.66	1.43
Wastewater:		
Cape Elizabeth	2.13	1.63
Cumberland	1.67	1.20
Falmouth	1.07	1.06
Gorham	1.31	1.28
Portland	1.82	2.00
Westbrook	0.94	1.14
Windham	1.57	1.67
All Funds Combined	1.63	1.51

Revenue Stability

Most of the District's Operating Revenue (99.0% in 2025), came from three sources: Metered Water Revenue, Wastewater Assessments, and Public/Private Fire Protection charges.



Metered Water Revenue (48.4%) – 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 55,474 metered customers at the end of 2025; and historically the largest ten customers represent less than 10% of total water revenues.

Wastewater Assessments (45.3%) – 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 the amount needed to operate the wastewater facilities and pay the related debt service.

Public/Private Fire Projection (5.4%) – Public Fire charges are paid by the eleven municipalities served by the District; Private Fire has 2,782 customers.

Cash Flows

Cash and Cash Equivalents increased \$19.17 million during 2025. Cash flows from Operating activities were \$19.07 million while Investing activities generated \$4.46 million (including \$2.39 million of Interest Income received and \$2.63 million in net Investment Sales). Capital and Related Financing activities consumed \$4.35 million.

Significant Changes to Individual Funds

Pension Trust Funds

Statements of Fiduciary Net Position

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Bargaining Unit:				
Cash and cash equivalents	\$ 225,809	\$ 353,613	\$ (127,804)	-36.1%
Investments				
Equities	12,247,152	10,662,847	1,584,305	14.9%
Fixed Income & Preferreds	5,492,473	4,779,810	712,663	14.9%
Alternatives	1,640,170	1,653,942	(13,772)	-0.8%
	<u>19,379,795</u>	<u>17,096,599</u>	<u>2,283,196</u>	<u>13.4%</u>
Interest Receivable	109	143	(34)	-23.8%
Total Assets & Fiduciary Net Position	<u>\$ 19,605,713</u>	<u>\$ 17,450,355</u>	<u>\$ 2,155,358</u>	<u>12.4%</u>
Non-Bargaining Unit:				
Cash and cash equivalents	\$ 252,601	\$ 308,318	\$ (55,717)	-18.1%
Investments				
Equities	10,412,588	9,300,426	1,112,162	12.0%
Fixed Income & Preferreds	4,854,044	4,094,541	759,503	18.5%
Alternatives	1,499,317	1,415,295	84,022	5.9%
	<u>16,765,949</u>	<u>14,810,262</u>	<u>1,955,687</u>	<u>13.2%</u>
Interest Receivable	113	129	(16)	-12.4%
Total Assets & Fiduciary Net Position	<u>\$ 17,018,663</u>	<u>\$ 15,118,709</u>	<u>\$ 1,899,954</u>	<u>12.6%</u>

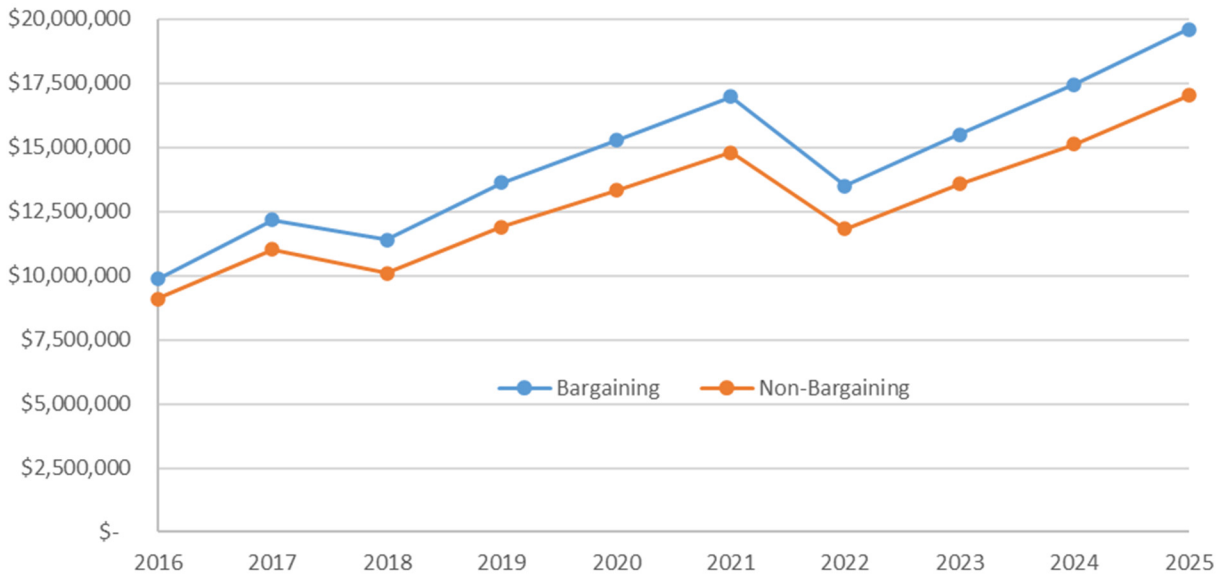
Statements of Changes in Fiduciary Net Position

	<u>2025</u>	<u>2024</u>	<u>Diff</u>	<u>Diff %</u>
Bargaining Unit:				
Employer Contributions	\$ 520,000	\$ 990,077	\$ (470,077)	-47.5%
Net Investment Income	2,900,048	2,241,598	658,450	29.4%
Total Additions	<u>3,420,048</u>	<u>3,231,675</u>	<u>188,373</u>	<u>5.8%</u>
Benefit Payments & Fees	1,264,690	1,293,804	(29,114)	-2.3%
Net Increase in Fiduciary Net Position	<u>2,155,358</u>	<u>1,937,871</u>	<u>217,487</u>	<u>11.2%</u>
Beginning Year	17,450,355	15,512,484	1,937,871	12.5%
Ending Year	<u>\$ 19,605,713</u>	<u>\$ 17,450,355</u>	<u>\$ 2,155,358</u>	<u>12.4%</u>
Non-Bargaining Unit:				
Employer Contributions	\$ 480,000	\$ 609,923	\$ (129,923)	-21.3%
Net Investment Income	2,505,657	1,952,820	552,837	28.3%
Total Additions	<u>2,985,657</u>	<u>2,562,743</u>	<u>422,914</u>	<u>16.5%</u>
Benefit Payments & Fees	1,085,703	1,010,765	74,938	7.4%
Net Increase in Fiduciary Net Position	<u>1,899,954</u>	<u>1,551,978</u>	<u>347,976</u>	<u>22.4%</u>
Beginning Year	15,118,709	13,566,731	1,551,978	11.4%
Ending Year	<u>\$ 17,018,663</u>	<u>\$ 15,118,709</u>	<u>\$ 1,899,954</u>	<u>12.6%</u>

Statements of Changes in Fiduciary Net Position

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>
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%
2023	15,512,484	2,011,029	14.9%	13,566,731	1,749,455	14.8%
2024	17,450,355	1,937,871	12.5%	15,118,709	1,551,978	11.4%
2025	19,605,713	2,155,358	12.4%	17,018,663	1,899,954	12.6%



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, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Water Systems	Wastewater Funds							TOTAL
		Cape Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	
Current Assets									
Cash and cash equivalents	\$ 15,697,679	\$ 1,676,007	\$ 480,403	\$ 48,667	\$ 586,877	\$ 8,634,389	\$ 2,216,057	\$ -	\$ 29,340,079
Investments	12,569,081	1,342,084	384,689	38,970	469,950	6,914,099	1,672,924	-	23,391,797
Accounts receivable, net allowance for doubtful accounts of \$163,153 for water systems	5,637,773	1,184	-	-	-	40,867	1,309	383,712	6,064,845
Notes receivable, current	-	-	-	-	-	-	13,240	-	13,240
Interfund receivable	4,047,558	-	-	-	-	-	-	-	4,047,558
Lease receivables	72,175	-	-	-	-	-	-	-	72,175
Inventories	2,751,043	22,623	-	-	-	-	-	-	2,773,666
Prepaid expenses	384,362	10,143	-	-	4,964	98,936	31,166	644	530,215
Trustee held funds	-	-	-	-	-	394,365	-	-	394,365
Total Current Assets	41,159,671	3,052,041	865,092	87,637	1,061,791	16,082,656	3,934,696	384,356	66,627,940
Non-Current Assets									
Capital Assets									
Operating property	433,649,125	19,308,552	10,304,540	5,743,834	24,272,711	137,994,591	32,084,081	4,278,293	667,635,727
Assets-Utility property - allowance for depreciation	(166,373,334)	(14,019,227)	(6,368,414)	(1,307,269)	(11,886,935)	(83,162,497)	(17,052,685)	(1,702,587)	(301,872,948)
Net operating property	267,275,791	5,289,325	3,936,126	4,436,565	12,385,776	54,832,094	15,031,396	2,575,706	365,762,779
Right to use lease assets	261,142	126,123	-	-	-	-	-	-	387,265
Accumulated amortization - lease assets	(85,061)	(21,021)	-	-	-	-	-	-	(106,082)
	176,081	105,102	-	-	-	-	-	-	281,183
Right to use SBITA assets	1,174,562	-	-	-	-	-	-	-	1,174,562
Accumulated amortization - SBITA assets	(364,474)	-	-	-	-	-	-	-	(364,474)
	810,088	-	-	-	-	-	-	-	810,088
Construction in progress	7,594,038	617,236	14,000	-	28,879	2,588,141	140,893	37,742,024	48,725,211
Net Capital Assets	275,855,998	6,011,663	3,950,126	4,436,565	12,414,655	57,420,235	15,172,289	40,317,730	415,579,261
Charges and Other Assets									
Net pension asset	2,479,085	156,644	66,682	-	88,778	873,185	224,510	56,819	3,945,703
Notes receivable	-	-	-	-	-	-	26,480	-	26,480
Lease receivables	1,246,491	-	-	-	-	-	-	-	1,246,491
Preliminary survey	503,567	-	-	-	-	-	169,654	-	673,221
Total Charges & Other Assets	4,229,143	156,644	66,682	-	88,778	873,185	420,644	56,819	5,891,895
Total Non-Current Assets	280,085,141	6,168,307	4,016,808	4,436,565	12,503,433	58,293,420	15,592,933	40,374,549	421,471,156
Total Assets	321,244,812	9,220,348	4,881,900	4,524,202	13,565,224	74,376,076	19,527,629	40,758,905	488,099,096
Deferred Outflows of Resources									
Deferred outflows of pension resources	552,362	34,902	14,858	-	19,780	194,553	50,023	12,659	879,137
Deferred outflows on bond refunding	500	-	-	-	-	-	-	-	500
	552,862	34,902	14,858	-	19,780	194,553	50,023	12,659	879,637
Total Assets and Deferred Outflows of Resources	\$ 321,797,674	\$ 9,255,250	\$ 4,896,758	\$ 4,524,202	\$ 13,585,004	\$ 74,570,629	\$ 19,577,652	\$ 40,771,564	\$ 488,978,733

See Independent Auditor's report. The accompanying notes are an integral part of these financial statements.

Statement of Net Position - Proprietary Funds - Continued

December 31, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Wastewater Funds

	Water Systems	Cape Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	TOTAL
Current Liabilities									
Accounts payable and accrued payroll	\$ 7,721,308	\$ 673,529	\$ 409,648	\$ 22,470	\$ 46,576	\$ 1,961,047	\$ 384,502	\$ 1,142,831	\$ 12,361,911
Accrued interest	580,121	17,963	5,535	4,427	11,717	127,686	26,417	393,858	1,167,724
Customer deposits	663,251	-	-	-	-	-	-	-	663,251
Construction retainage	411,687	-	16,508	-	-	205,037	-	1,482,971	2,116,203
Interfund payable	-	-	-	-	-	-	-	4,047,558	4,047,558
Lease liability	38,606	1,507	-	-	-	-	-	-	40,113
SBITA liability	309,330	-	-	-	-	-	-	-	309,330
Compensated absences	1,224,607	-	-	-	-	-	-	-	1,224,607
Notes payable	870,504	-	-	-	-	-	-	25,577,480	26,447,984
Bonds	8,224,743	375,950	53,750	238,000	471,682	2,575,483	782,562	136,506	12,858,676
Total Current Liabilities	20,044,157	1,068,949	485,441	264,897	529,975	4,869,253	1,193,481	32,781,204	61,237,357
Non-Current Liabilities									
Customer advances and other liabilities	1,420,412	-	-	-	-	-	137,945	-	1,558,357
Compensated absences	773,292	-	-	-	-	-	-	-	773,292
Lease liability	142,528	114,848	-	-	-	-	-	-	257,376
SBITA liability	530,252	-	-	-	-	-	-	-	530,252
Total other non-current liabilities	2,866,484	114,848	-	-	-	-	137,945	-	3,119,277
Long-term debt - notes payable	-	-	-	-	-	-	-	26,480	26,480
Long-term debt - bonds payable	75,723,936	4,327,700	902,500	2,418,000	3,702,470	32,338,913	9,135,362	776,918	129,325,799
Total long-term debt - notes payable and bonds payable	75,723,936	4,327,700	902,500	2,418,000	3,702,470	32,338,913	9,135,362	803,398	129,352,279
Total Non-Current Liabilities	78,590,420	4,442,548	902,500	2,418,000	3,702,470	32,338,913	9,273,307	803,398	132,471,556
Total Liabilities	98,634,577	5,511,497	1,387,941	2,682,897	4,232,445	37,208,166	10,466,788	33,584,602	193,708,913
Deferred Inflows of Resources									
Deferred inflows of lease receivables	1,143,279	-	-	-	-	-	-	-	1,143,279
Deferred inflows of pension resources	2,174,164	137,377	58,481	-	77,858	765,785	196,896	49,830	3,460,391
	3,317,443	137,377	58,481	-	77,858	765,785	196,896	49,830	4,603,670
Net Position									
Invested in capital assets	201,593,640	2,185,110	2,880,527	1,780,565	8,207,790	25,819,171	5,182,567	9,604,971	257,254,341
Unrestricted	18,252,014	1,421,266	569,809	60,740	1,066,911	10,777,507	3,731,401	(2,467,839)	33,411,809
Total Net Position	219,845,654	3,606,376	3,450,336	1,841,305	9,274,701	36,596,678	8,913,968	7,137,132	290,666,150
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 321,797,674	\$ 9,255,250	\$ 4,896,758	\$ 4,524,202	\$ 13,585,004	\$ 74,570,629	\$ 19,577,652	\$ 40,771,564	\$ 488,978,733

See Independent Auditor's report. The accompanying notes are an integral part of these financial statements.

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

Year Ended December 31, 2025

	<u>Wastewater Funds</u>								<u>TOTAL</u>
	<u>Water Systems</u>	<u>Cape Elizabeth</u>	<u>Cumberland</u>	<u>Falmouth</u>	<u>Gorham</u>	<u>Portland</u>	<u>Westbrook</u>	<u>Windham</u>	
Operating Revenues									
Water revenues	\$ 34,070,523	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,070,523
Wastewater assessments	-	2,474,052	1,428,456	314,112	1,712,484	17,359,172	4,111,872	1,307,652	28,707,800
Other operating revenues	216,197	-	-	-	-	343,749	48,906	-	608,852
Total Operating Revenues	34,286,720	2,474,052	1,428,456	314,112	1,712,484	17,702,921	4,160,778	1,307,652	63,387,175
Operating Expenses									
Operations & maintenance	17,483,659	1,221,442	1,056,660	4,480	691,994	9,727,731	2,620,314	134,368	32,940,648
Customer accounting and collections	1,212,776	36,205	18,757	12,823	30,290	257,748	73,032	778	1,642,409
Administrative and general	3,351,542	510,027	209,189	3,707	363,104	3,708,075	967,919	75,220	9,188,783
Taxes on operating property	55,284	-	-	-	-	-	-	-	55,284
Depreciation not allocated elsewhere	8,059,390	403,457	211,707	156,131	636,425	3,643,544	950,703	104,324	14,165,681
Total Operating Expenses	30,162,651	2,171,131	1,496,313	177,141	1,721,813	17,337,098	4,611,968	314,690	57,992,805
Operating Income (Loss)	4,124,069	302,921	(67,857)	136,971	(9,329)	365,823	(451,190)	992,962	5,394,370
Non-Operating Revenues (Expenses)									
Interest income	1,190,660	121,743	29,033	7,430	67,413	654,585	249,578	78,365	2,398,807
Investments unrealized gain (loss)	(98,295)	(11,074)	1,491	(1,169)	(6,010)	(60,035)	(25,924)	87,376	(113,640)
Miscellaneous	369,234	52,324	9,200	-	26,766	571,585	147,264	8,205	1,184,578
Pass-through grant revenue	1,247,062	-	-	-	-	-	-	-	1,247,062
Pass-through grant expense	(1,247,062)	-	-	-	-	-	-	-	(1,247,062)
Loss on sale/disposal of operating property	55,158	-	-	-	(14,695)	(354,027)	(31,775)	(1,240)	(346,579)
Interest and amortization expense	(2,269,769)	(115,923)	(14,031)	(41,691)	(92,719)	(822,964)	(190,330)	(852,817)	(4,400,244)
Net Non-Operating Revenues (Expenses)	(753,012)	47,070	25,693	(35,430)	(19,245)	(10,856)	148,813	(680,111)	(1,277,078)
Change in Net Position Before Capital Contributions	3,371,057	349,991	(42,164)	101,541	(28,574)	354,967	(302,377)	312,851	4,117,292
Capital Contributions	9,997,566	-	-	-	-	375,000	-	4,730,000	15,102,566
Change in Net Position	13,368,623	349,991	(42,164)	101,541	(28,574)	729,967	(302,377)	5,042,851	19,219,858
Net Position, Beginning of Year	206,477,031	3,256,385	3,492,500	1,739,764	9,303,275	35,866,711	9,216,345	2,094,281	271,446,292
Net Position, End of Year	\$ 219,845,654	\$ 3,606,376	\$ 3,450,336	\$ 1,841,305	\$ 9,274,701	\$ 36,596,678	\$ 8,913,968	\$ 7,137,132	\$ 290,666,150

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows - Proprietary Funds

For the Year Ended December 31, 2025

	Wastewater Funds								TOTAL
	Water Systems	Cape Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	
Cash flows from operating activities									
Receipts from customers	\$ 33,854,034	\$ 2,506,581	\$ 1,440,064	\$ 314,112	\$ 1,720,671	\$ 17,698,373	\$ 4,166,162	\$ 924,900	\$ 62,624,897
Payments to suppliers	(8,495,617)	(1,026,675)	(1,370,438)	(26,988)	(753,944)	(10,629,696)	(2,847,243)	(2,960,234)	(28,110,835)
Payments to employees	(10,012,275)	(539,731)	(230,271)	(3,558)	(341,719)	(3,411,289)	(838,449)	(69,422)	(15,446,714)
Net cash flows from operating activities	15,346,142	940,175	(160,645)	283,566	625,008	3,657,388	480,470	(2,104,756)	19,067,348
Cash flows from capital and related financing activities									
Proceeds from bonds	20,930,000	1,000,000	950,000	-	-	7,950,000	-	-	30,830,000
Principal payments bonds	(6,808,324)	(325,950)	(6,250)	(238,000)	(484,282)	(2,264,241)	(848,402)	(138,066)	(11,113,515)
Unamortized Bond Premiums - Additions	998,798	-	-	-	-	-	-	-	998,798
Unamortized Bond Premiums - Write-offs	(626,078)	-	-	-	-	(9,761)	-	-	(635,839)
Proceeds from notes payable	870,504	-	-	-	-	-	-	16,877,943	17,748,447
Notes payable payments	-	-	-	-	-	(765,367)	-	(13,240)	(778,607)
Impact of Interfund Payable/Receivable	1,375,852	-	-	-	-	-	-	(1,604,215)	(228,363)
Transfer from trustee funds	-	-	-	-	182,227	-	396,688	-	578,915
New trustee funds	-	-	-	-	-	(394,365)	-	-	(394,365)
Interest paid	(2,101,802)	(110,908)	(8,511)	(42,087)	(94,377)	(792,321)	(193,087)	(620,843)	(3,963,936)
Acquisitions and construction of capital assets	(18,214,700)	(625,158)	(578,390)	-	(377,733)	(4,442,139)	(627,187)	(12,562,564)	(37,427,871)
Payments for preliminary survey costs	(503,567)	-	-	-	-	-	(169,654)	-	(673,221)
Amortization of leased assets	38,552	3,504	-	-	-	-	-	-	42,056
Amortization of SBITA assets	271,790	-	-	-	-	-	-	-	271,790
Proceeds from sale of operating property	396,091	-	-	-	-	1,438	-	-	397,529
Net cash flows from capital and related financing activities	(3,372,884)	(58,512)	356,849	(280,087)	(774,165)	(716,756)	(1,441,642)	1,939,015	(4,348,182)
Cash flows from investing activities									
Investments - transfer to water	(14,639,209)	1,453,947	458,172	55,909	821,500	8,622,303	3,227,378	-	-
Investments - purchases	(16,878,915)	-	-	-	-	-	-	-	(16,878,915)
Investments - sales	19,512,058	-	-	-	-	-	-	-	19,512,058
Investments - market value change	(476,359)	-	-	-	-	-	-	-	(476,359)
Investments - transfer to water systems	10,822,716	(1,342,084)	(384,689)	(38,970)	(469,950)	(6,914,099)	(1,672,924)	-	-
Interest income received	1,190,660	121,743	29,033	7,430	67,413	654,585	249,578	78,365	2,398,807
Investments unrealized gain/loss	(98,295)	(11,074)	1,491	(1,169)	(6,010)	(60,035)	(25,924)	87,376	(113,640)
Payments on notes receivable	-	-	-	-	-	-	13,240	-	13,240
Net cash flows from investing activities	(567,344)	222,532	104,007	23,200	412,953	2,302,754	1,791,348	165,741	4,455,191
Net change in cash (above)	11,405,914	1,104,195	300,211	26,679	263,796	5,243,386	830,176	-	19,174,357
Cash & Cash Equivalents - Beginning of Year	4,291,765	571,812	180,192	21,988	323,081	3,391,003	1,385,881	-	10,165,722
Cash & Cash Equivalents - End of Year	\$ 15,697,679	\$ 1,676,007	\$ 480,403	\$ 48,667	\$ 586,877	\$ 8,634,389	\$ 2,216,057	\$ -	\$ 29,340,079
Reconciliation of operating income to net cash flows from operating activities									
Operating income (loss)	\$ 4,124,069	\$ 302,921	\$ (67,857)	\$ 136,971	\$ (9,329)	\$ 365,823	\$ (451,190)	\$ 992,962	\$ 5,394,370
Depreciation not allocated elsewhere	8,059,390	403,457	211,707	156,131	636,425	3,643,544	950,703	104,324	14,165,681
Depreciation allocated	1,285,000	-	-	-	-	-	-	-	1,285,000
Amortization	17,000	-	-	-	-	-	-	-	17,000
Loss on sale/disposal of operating property	(55,158)	-	-	-	14,695	354,027	31,775	1,240	346,579
Miscellaneous income	369,234	52,324	9,200	-	26,766	571,585	147,264	8,205	1,184,578
Changes in assets and liabilities:									
Accounts receivable	(432,686)	32,529	11,608	-	8,187	(4,548)	5,385	(382,752)	(762,277)
Inventories	284,605	(22,623)	-	-	-	-	-	-	261,982
Prepaid expense	121,049	99	-	-	614	32,517	2,299	153	156,731
Lease receivable	67,978	-	-	-	-	-	-	-	67,978
Accounts payable and accrued payroll	2,026,870	216,106	(306,616)	(9,536)	(28,071)	(1,063,601)	(154,768)	(3,041,045)	(2,360,661)
Interfund payable	-	-	-	-	-	-	-	228,363	228,363
Compensated absences	108,006	-	-	-	-	-	-	-	108,006
Customer deposits	115,999	-	-	-	-	-	-	-	115,999
Net pension and deferred inflows/outflows	(684,349)	(43,241)	(18,687)	-	(24,279)	(241,959)	(62,530)	(16,206)	(1,091,251)
Bond refunding deferred outflow	5,400	-	-	-	-	-	-	-	5,400
Lease liability	(36,676)	(1,397)	-	-	-	-	-	-	(38,073)
SBITA liability	(255,433)	-	-	-	-	-	-	-	(255,433)
Lease deferred inflows	(89,962)	-	-	-	-	-	-	-	(89,962)
Customer advances and other liabilities	315,806	-	-	-	-	-	11,532	-	327,338
Net cash flows from operating activities	\$ 15,346,142	\$ 940,175	\$ (160,645)	\$ 283,566	\$ 625,008	\$ 3,657,388	\$ 480,470	\$ (2,104,756)	\$ 19,067,348
Noncash investing, capital and financing activities									
Capital contributions	\$ 9,997,566	\$ -	\$ -	\$ -	\$ -	\$ 375,000	\$ -	\$ 4,730,000	\$ 15,102,566
Lease liabilities arising from obtaining right-to-use lease assets	\$ 62,456	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,456
Disposal of SBITA liability and asset	\$ (185,321)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (185,321)
SBITA liabilities arising from obtaining SBITA assets	\$ 616,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 616,006
Non-Cash AP - Capital Assets	\$ 767,854	\$ -	\$ 298,277	\$ -	\$ 32,713	\$ 842,368	\$ 71,798	\$ 2,712,404	\$ 4,725,414

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements

Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2025

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 478,410
Investments	
Equities	22,659,740
Fixed Income & Preferreds	10,346,517
Alternatives	3,139,487
	<u>36,145,744</u>
Interest receivable	<u>222</u>
Total Assets	<u><u>\$ 36,624,376</u></u>
Restricted for pension benefits	<u>\$ 36,624,376</u>
Total Net Position	<u><u>\$ 36,624,376</u></u>

Statement of Changes in Fiduciary Net Position - Pension Trust Funds

Year Ended December 31, 2025

	<u>Total</u>
Additions:	
Employer Contributions	\$ 1,000,000
Investment Income	
Interest and dividends	870,924
Net gain on sale of assets	457,771
Net appreciation of investments	4,077,010
Net Investment Income	<u>5,405,705</u>
Total Additions	<u>6,405,705</u>
Deductions:	
Benefits	2,243,619
Fees/Other Expenses	106,774
Total Deductions	<u>2,350,393</u>
Change in Position	4,055,312
Net Position - Beginning of Year	<u>32,569,064</u>
Net Position - End of Year	<u><u>\$ 36,624,376</u></u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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, and Windham. The District also sells water wholesale to the Yarmouth Water District. 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, 2025

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.

Recently Adopted Accounting Pronouncements

During the year ended December 31, 2025, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*. The District has evaluated its exposure to risks arising from concentrations and constraints that may make the District vulnerable to a substantial impact. The evaluation includes an assessment as to whether a concentration or constraint exists and is known prior to the issuance of the financial statements; the concentration or constraint makes the government vulnerable to the risk of a substantial impact; and an event or events associated with the concentration or constraint has occurred, have begun to occur, or are more likely than not to begin to occur within 12 months beyond the financial statement issuance date. As of December 31, 2025, the District did not identify any concentrations or constraints to which it is exposed.

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

The District considers all highly liquid debt instruments purchased with an initial maturity of three months 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 for 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 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 fair 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair 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: investments fair value with maturities less than one year are \$16,756,525 and maturities of 1-5 years are \$6,635,272.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments – Pension Trust Funds – Concluded

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 (the Board). 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, 2025:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
U.S. Equities	30%	45%	50%
International Equities	5%	20%	30%
Bonds	20%	25%	40%
Alternatives	0%	10%	15%
Cash and Equivalents	0%	0%	30%

There were no significant changes to the allocation policy during 2025. As of December 31, 2025, 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, 2025, the annual money-weighted rate of return on pension plan investments, net of pension expense, was 15.65% and 15.59% 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.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair 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 fair value, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Fair Value Measurements

For the year ended December 31, 2025, 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 fair 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, 2025 was \$163,153. The District has the ability to place a lien on property with past due balances.

Inventories

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$25,000 and a life exceeding one year for the Water and Portland Wastewater funds and \$10,000 and exceeding one year for all other funds.

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 80 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.

During the year ended December 31, 2025, the District revised its methodology for estimating the acquisition value of contributed capital assets, primarily water mains, services, and related appurtenances. Previously, the District estimated the value of these assets using indexed unit values and standard construction components intended to approximate internal construction costs. The revised methodology uses actual bid data from the District's recently awarded water main renewal projects to establish average costs per linear foot by pipe size and general location. These averages are updated annually and applied to contributed assets of similar characteristics constructed by third parties and conveyed to the District.

This change in accounting estimate was accounted for prospectively in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The effect of this change on the current-period financial statements could not be reasonably estimated. Accordingly, prior-period amounts were not restated. Had the effect been reasonably estimable, it would have affected capital assets, capital contributions, and related depreciation expense. Management believes the revised methodology more accurately reflects the current acquisition value of contributed capital assets based on observable, local market data.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leases

The District complies with the requirements of GASB Statement No. 87 – *Leases*. The threshold for inclusion were leases where the present value of the payments at the beginning of the lease term were over \$25,000. The discount rates used were the District's average borrowing costs at the date of execution.

Lease Intangible Assets are amortized using the straight-line method over the expected lease term. Equipment tends to have 3-to-5-year lease terms while other assets such as data antennas (25 years) and land (35 years) have longer terms.

Subscription Based Information Technology Arrangements (SBITA's)

The District complies with the requirements of GASB Statement No. 96 – *SBITA's*. The threshold for inclusion were SBITA's where the present value of the payments at the beginning of the SBITA term were over \$25,000. The discount rates used were the District's average borrowing costs at the date of execution.

SBITA Intangible Assets are amortized using the straight-line method over their expected use. In some cases, SBITA's have agreements that state a specific length of service. Other SBITA's have open ended dates of service, in those cases the users of the software estimate how long the software will be in service. Whether by agreement or estimate, the SBITA terms are in the 3-to-5-year range.

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 2025.

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. 101, *Compensated Absences*.

Deferred Outflows of Resources and Deferred Inflows of Resources

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 assets 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONCLUDED

These deferred outflows of resources and deferred inflows of resources 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 inflows of resources 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 outflows of resources 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.

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 (\$352,075) at December 31, 2025 and the bank balance was \$197,069. The District held certificates of deposit carried at \$1,851,494. Total deposits were categorized, as follows:

	Bank Balances	Certificates of Deposit	Total Deposits
Amount Insured	\$ 197,069	\$ 1,851,494	\$ 2,048,563
Amount Uninsured	-	-	-
	<u>\$ 197,069</u>	<u>\$ 1,851,494</u>	<u>\$ 2,048,563</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash & Investments - Concluded

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	12,058
Carrying Value of Deposits	(352,075)
Money Market Mutual Funds	29,678,796
Total Cash and Cash equivalents	<u>\$ 29,340,079</u>
Certificates of Deposit	\$ 1,851,494
U.S. Treasury Securities	7,790,286
U.S. Agency Securities	13,750,017
Total Investments	<u>\$ 23,391,797</u>

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, 2025 are, as follows:

Proprietary Funds

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Mutual Funds	\$ 29,678,796	\$ 29,678,796	\$ -	\$ -
Certificates of Deposit	1,851,494	1,851,494	-	-
U.S. Treasury Securities	7,790,286	-	7,790,286	-
U.S. Agency Securities	13,750,018	-	13,750,018	-
	<u>\$ 53,070,594</u>	<u>\$ 31,530,290</u>	<u>\$ 21,540,304</u>	<u>\$ -</u>

Pension Trust Funds

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Mutual Funds	\$ 22,659,740	\$ 22,659,740	\$ -	\$ -
Fixed Income & Preferreds	10,346,517	10,346,517	-	-
Alternatives	3,139,487	3,139,487	-	-
	<u>\$ 36,145,744</u>	<u>\$ 36,145,744</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Ratings

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>	<u>Current</u>	<u>Non-Current</u>
Westbrook Wastewater Fund:						
Windham Wastewater Fund	\$ 52,960	\$ -	\$ (13,240)	\$ 39,720	\$ 13,240	\$ 26,480
Total of all Notes	\$ 52,960	\$ -	\$ (13,240)	\$ 39,720	\$ 13,240	\$ 26,480

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>
Water Fund:				
Operating Property, not being depreciated				
Land	\$ 4,554,848	\$ -	\$ (1,775)	\$ 4,553,073
Land Rights	3,201,080	471,200	-	3,672,280
Plant Acquisition Adjustment	19,189	-	(17,000)	2,189
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>8,086,110</u>	<u>471,200</u>	<u>(18,775)</u>	<u>8,538,535</u>
Operating Property, being depreciated				
Distribution Mains	230,418,803	19,032,319	(219,075)	249,232,047
Services	43,889,779	2,431,685	-	46,321,464
Structures & Improvements	31,629,983	2,765,047	-	34,395,030
Water Treatment Equipment	14,626,311	46,289	-	14,672,600
Transmission Mains	13,430,883	-	-	13,430,883
Meters & Meter Installations	14,404,430	990,291	(502,102)	14,892,619
Reservoirs & Standpipes	14,265,099	301,239	-	14,566,338
Hydrants	14,026,507	701,519	(29,193)	14,698,833
Vehicles	4,937,374	337,633	(200,736)	5,074,271
Lake, River & Other Intakes	2,363,460	122,483	-	2,485,943
Communication Equipment	1,485,020	1,271,490	-	2,756,510
Pumping Equipment	2,950,240	-	-	2,950,240
Wells & Springs	989,248	-	-	989,248
Computer Equipment	5,690,280	491,643	-	6,181,923
Power Equipment	560,584	-	-	560,584
Office Furniture & Equipment	879,925	10,336	-	890,261
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>397,559,722</u>	<u>28,501,974</u>	<u>(951,106)</u>	<u>425,110,590</u>
Total Operating Property	<u>\$405,645,832</u>	<u>\$28,973,174</u>	<u>(\$969,881)</u>	<u>\$433,649,125</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>
Water Fund (continued):				
Less, accumulated depreciation for:				
Distribution Mains	\$ 64,867,783	\$ 3,349,878	\$ (123,015)	\$ 68,094,646
Services	24,593,596	1,013,084	-	25,606,680
Structures & Improvements	18,511,244	750,988	-	19,262,232
Transmission Mains	8,069,153	132,133	-	8,201,286
Reservoirs & Standpipes	6,337,341	307,896	-	6,645,237
Water Treatment Equipment	7,019,472	378,651	-	7,398,123
Hydrants	5,341,326	274,932	(18,757)	5,597,501
Meters & Meter Installations	9,577,792	1,898,504	(289,709)	11,186,587
Vehicles	2,863,833	432,829	(178,692)	3,117,970
Intakes Suction Mains	1,989,139	14,087	-	2,003,226
Pumping Equipment	1,959,621	76,444	-	2,036,065
Communication Equipment	1,508,773	91,198	-	1,599,971
Power Equipment	487,176	2,630	-	489,806
Office Furniture & Equipment	997,825	44,169	-	1,041,994
Shop Equipment	337,029	-	-	337,029
Computer Equipment	2,164,696	540,022	-	2,704,718
Garage Equipment	269,495	2,938	-	272,433
Wells & Springs	323,732	19,643	-	343,375
Radio Equipment	257,968	13,369	-	271,337
Laboratory Equipment	113,417	-	-	113,417
Stores Equipment	48,706	995	-	49,701
	<u>157,639,117</u>	<u>9,344,390</u>	<u>(610,173)</u>	<u>166,373,334</u>
Net Operating Property	<u>248,006,715</u>	<u>19,628,784</u>	<u>(359,708)</u>	<u>267,275,791</u>
Right to Use Assets:				
Lease - Operations Equipment	164,942	62,456	-	227,398
Lease - Office Equipment	33,744	-	-	33,744
SBITA	836,538	616,006	(277,982)	1,174,562
	<u>1,035,224</u>	<u>678,462</u>	<u>(277,982)</u>	<u>1,435,704</u>
Less, accumulated amortization for right to use assets:				
Lease - Operations Equipment	43,135	31,803	-	74,938
Lease - Office Equipment	3,374	6,749	-	10,123
SBITA	185,344	271,791	(92,661)	364,474
	<u>231,853</u>	<u>310,343</u>	<u>(92,661)</u>	<u>449,535</u>
Net Right to Use Assets	<u>803,371</u>	<u>368,119</u>	<u>(185,321)</u>	<u>986,169</u>
Construction Work in Progress	<u>7,478,989</u>	<u>6,418,774</u>	<u>(6,303,725)</u>	<u>7,594,038</u>
Net Capital Assets	<u>\$ 256,289,075</u>	<u>\$ 26,415,677</u>	<u>\$(6,848,754)</u>	<u>\$ 275,855,998</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</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	17,460	-	6,333,421
Treatment Plant Equipment	3,372,855	12,828	(163,985)	3,221,698
Pumping Station Equipment	3,358,137	13,007	(83,176)	3,287,968
Treatment Plant Structures	3,599,968	-	-	3,599,968
Pumping Station Structures	2,364,210	-	-	2,364,210
General Equipment	197,933	-	-	197,933
Computer Equipment	75,247	-	-	75,247
Interceptor Equipment	2,948	-	-	2,948
	<u>19,287,259</u>	<u>43,295</u>	<u>(247,161)</u>	<u>19,083,393</u>
Total Operating Property	<u>19,512,418</u>	<u>43,295</u>	<u>(247,161)</u>	<u>19,308,552</u>
Less, accumulated depreciation for:				
Interceptor Structures	4,879,231	126,574	-	5,005,805
Treatment Plant Equipment	3,167,690	19,408	(163,985)	3,023,113
Pumping Station Equipment	2,359,752	109,459	(83,176)	2,386,035
Treatment Plant Structures	2,173,167	75,631	-	2,248,798
Pumping Station Structures	1,070,193	54,627	-	1,124,820
General Equipment	177,757	8,205	-	185,962
Computer Equipment	32,856	9,406	-	42,262
Interceptor Equipment	2,285	147	-	2,432
	<u>13,862,931</u>	<u>403,457</u>	<u>(247,161)</u>	<u>14,019,227</u>
Net Operating Property	<u>5,649,487</u>	<u>(360,162)</u>	<u>-</u>	<u>5,289,325</u>
Right to Use Lease Assets:				
Right to Use - Land	126,123	-	-	126,123
Less, accumulated amortization for right to use lease assets:				
Right to Use - Land	17,517	3,504	-	21,021
Net Right to Use Lease Assets	<u>108,606</u>	<u>(3,504)</u>	<u>-</u>	<u>105,102</u>
Construction Work in Progress	<u>43,128</u>	<u>574,676</u>	<u>(568)</u>	<u>617,236</u>
Net Capital Assets	<u>\$ 5,801,221</u>	<u>\$ 211,010</u>	<u>\$ (568)</u>	<u>\$ 6,011,663</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>
Cumberland Wastewater:				
Operating Property, not being depreciated				
Land	\$ 89,005	\$ -	\$ -	\$ 89,005
Operating Property, being depreciated				
Interceptor Structures	7,128,317	-	-	7,128,317
Pumping Station Structures	1,041,213	262,323	(81,950)	1,221,586
Pumping Station Equipment	1,115,075	709,242	(85,111)	1,739,206
Treatment Plant Equipment	47,416	-	-	47,416
General Equipment	41,881	-	-	41,881
Computer Equipment	36,916	-	-	36,916
Interceptor Equipment	213	-	-	213
	<u>9,411,031</u>	<u>971,565</u>	<u>(167,061)</u>	<u>10,215,535</u>
Total Operating Property	<u>9,500,036</u>	<u>971,565</u>	<u>(167,061)</u>	<u>10,304,540</u>
Less, accumulated depreciation for:				
Interceptor Structures	4,437,102	142,566	-	4,579,668
Pumping Station Structures	849,093	26,600	(81,950)	793,743
Pumping Station Equipment	931,942	37,927	(85,111)	884,758
Treatment Plant Equipment	47,416	-	-	47,416
General Equipment	41,881	-	-	41,881
Computer Equipment	16,120	4,615	-	20,735
Interceptor Equipment	213	-	-	213
	<u>6,323,767</u>	<u>211,708</u>	<u>(167,061)</u>	<u>6,368,414</u>
Construction Work in Progress	<u>92,390</u>	<u>14,000</u>	<u>(92,390)</u>	<u>14,000</u>
Net Capital Assets	<u>\$ 3,268,659</u>	<u>\$ 773,857</u>	<u>\$ (92,390)</u>	<u>\$ 3,950,126</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</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	333,959	44,528	-	378,487
Pumping Station Equipment	465,974	62,131	-	528,105
Interceptor Structures	333,761	44,488	-	378,249
Computer Equipment	17,444	4,984	-	22,428
	<u>1,151,138</u>	<u>156,131</u>	<u>-</u>	<u>1,307,269</u>
Net Capital Assets	<u>\$ 4,592,696</u>	<u>\$(156,131)</u>	<u>\$ -</u>	<u>\$ 4,436,565</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</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	13,477,041	-	-	13,477,041
Pumping Station Structures	1,948,816	-	-	1,948,816
Pumping Station Equipment	1,996,466	59,982	-	2,056,448
Treatment Plant Structures	1,896,730	10,527	-	1,907,257
Treatment Plant Equipment	4,142,400	335,107	(58,711)	4,418,796
Computer Equipment	66,996	-	-	66,996
General Equipment	52,972	-	(4,368)	48,604
Solids Handling Equipment	5,517	-	-	5,517
	<u>23,586,938</u>	<u>405,616</u>	<u>(63,079)</u>	<u>23,929,475</u>
Total Operating Property	<u>23,930,174</u>	<u>405,616</u>	<u>(63,079)</u>	<u>24,272,711</u>
Less, accumulated depreciation for:				
Interceptor Structures	6,774,221	269,541	-	7,043,762
Pumping Station Equipment	1,617,721	66,739	-	1,684,460
Treatment Plant Structures	894,826	36,730	-	931,556
Pumping Station Structures	1,069,114	43,132	-	1,112,246
Treatment Plant Equipment	873,807	209,866	(56,394)	1,027,279
General Equipment	46,390	2,042	(3,931)	44,501
Computer Equipment	29,240	8,375	-	37,615
Solids Handling Equipment	5,516	-	-	5,516
	<u>11,310,835</u>	<u>636,425</u>	<u>(60,325)</u>	<u>11,886,935</u>
Construction Work in Progress	<u>50,685</u>	<u>23,746</u>	<u>(45,552)</u>	<u>28,879</u>
Net Capital Assets	<u>\$ 12,670,024</u>	<u>\$ (207,063)</u>	<u>\$ (48,306)</u>	<u>\$ 12,414,655</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</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	37,849,767	1,280,056	(751,060)	38,378,763
Interceptor Structures	28,732,959	227,460	-	28,960,419
Treatment Plant Equipment	31,461,292	9,349,213	(1,751,165)	39,059,340
Pumping Station Structures	14,981,907	10,190	(12,411)	14,979,686
Pumping Station Equipment	11,752,404	894,124	(242,454)	12,404,074
Communications Equip.- Collectors	753,873	167,480	(15,240)	906,113
Computer Equipment	526,446	-	-	526,446
Storm Drains	617,610	-	-	617,610
Solids Handling Equipment	422,284	886,751	-	1,309,035
General Equipment	380,657	-	(23,200)	357,457
Interceptor Equipment	63,080	-	-	63,080
	<u>127,542,279</u>	<u>12,815,274</u>	<u>(2,795,530)</u>	<u>137,562,023</u>
Total Operating Property	<u>127,974,847</u>	<u>12,815,274</u>	<u>(2,795,530)</u>	<u>137,994,591</u>
Less, accumulated depreciation for:				
Treatment Plant Structures	26,475,117	814,778	(638,139)	26,651,756
Interceptor Structures	21,861,037	565,863	-	22,426,900
Treatment Plant Equipment	17,328,669	1,237,639	(1,560,352)	17,005,956
Pumping Station Structures	7,293,251	367,611	(8,965)	7,651,897
Pumping Station Equipment	6,951,982	506,658	(194,169)	7,264,471
Communications Equip.- Collectors	713,826	17,120	(15,240)	715,706
Solids Handling Equipment	328,874	31,967	-	360,841
General Equipment	369,336	20,810	(23,200)	366,946
Storm Drains	349,015	12,352	-	361,367
Interceptor Equipment	58,002	2,940	-	60,942
Computer Equipment	229,909	65,806	-	295,715
	<u>81,959,018</u>	<u>3,643,544</u>	<u>(2,440,065)</u>	<u>83,162,497</u>
Construction Work in Progress	<u>10,034,428</u>	<u>2,150,582</u>	<u>(9,596,869)</u>	<u>2,588,141</u>
Net Capital Assets	<u>\$ 56,050,257</u>	<u>\$ 11,322,312</u>	<u>\$ (9,952,334)</u>	<u>\$ 57,420,235</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</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	10,397,451	724,616	(195,791)	10,926,276
Pumping Station Structures	5,604,852	-	-	5,604,852
Treatment Plant Structures	6,154,019	22,764	-	6,176,783
Interceptor Structures	3,809,153	-	-	3,809,153
Pumping Station Equipment	3,806,407	34,125	-	3,840,532
General Equipment	1,180,597	-	(9,446)	1,171,151
Computer Equipment	129,878	-	-	129,878
Communications Equip. - Collectors	103,231	-	-	103,231
Storm Drains	748	-	-	748
Solids Handling Equipment	20,070	-	-	20,070
	<u>31,206,406</u>	<u>781,505</u>	<u>(205,237)</u>	<u>31,782,674</u>
Total Operating Property	<u>31,507,813</u>	<u>781,505</u>	<u>(205,237)</u>	<u>32,084,081</u>
Less, accumulated depreciation for:				
Treatment Plant Equipment	3,224,337	427,448	(153,021)	3,498,764
Treatment Plant Structures	3,721,701	111,122	-	3,832,823
Interceptor Structures	3,303,611	75,738	-	3,379,349
Pumping Station Structures	2,941,484	143,563	-	3,085,047
Pumping Station Equipment	2,547,449	150,910	-	2,698,359
General Equipment	347,413	24,637	(8,501)	363,549
Computer Equipment	56,735	16,235	-	72,970
Storm Drains	74	10	-	84
Solids Handling Equipment	20,070	-	-	20,070
Communications Equip. - Collectors	100,630	1,040	-	101,670
	<u>16,263,504</u>	<u>950,703</u>	<u>(161,522)</u>	<u>17,052,685</u>
Construction Work in Progress	<u>243,249</u>	<u>129,793</u>	<u>(232,149)</u>	<u>140,893</u>
Net Capital Assets	<u>\$15,487,558</u>	<u>\$ (39,405)</u>	<u>\$ (275,864)</u>	<u>\$ 15,172,289</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</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	2,024,309	-	-	2,024,309
Pumping Station Structures	778,240	-	-	778,240
Pumping Station Equipment	606,670	22,622	-	629,292
Treatment Plant Equipment	386,065	28,289	(6,794)	407,560
Treatment Plant Structures	214,908	889	-	215,797
Storm Drains	46,423	-	-	46,423
General Equipment	14,153	-	(369)	13,784
Computer Equipment	6,353	-	-	6,353
Solids Handling Equipment	683	-	-	683
	<u>4,077,804</u>	<u>51,800</u>	<u>(7,163)</u>	<u>4,122,441</u>
Total Operating Property	<u>4,233,656</u>	<u>51,800</u>	<u>(7,163)</u>	<u>4,278,293</u>
Less, accumulated depreciation for:				
Interceptor Structures	709,627	40,487		750,114
Pumping Station Equipment	398,575	20,693		419,268
Pumping Station Structures	247,251	20,096		267,347
Treatment Plant Equipment	107,944	16,885	(5,590)	119,239
Treatment Plant Structures	123,233	3,947	-	127,180
General Equipment	10,863	494	(332)	11,025
Computer Equipment	2,767	794		3,561
Storm Drains	3,242	928		4,170
Solids Handling Equipment	683	-		683
	<u>1,604,185</u>	<u>104,324</u>	<u>(5,922)</u>	<u>1,702,587</u>
Construction Work in Progress	<u>16,818,892</u>	<u>20,969,072</u>	<u>(45,940)</u>	<u>37,742,024</u>
Net Capital Assets	<u>\$ 19,448,363</u>	<u>\$ 20,916,548</u>	<u>\$ (47,181)</u>	<u>\$ 40,317,730</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

All Funds Combined:	Dec 31, 2024	Increases	Decreases	Dec 31, 2025
Operating Property, not being depreciated				
Land (Water)	\$ 4,554,848	\$ -	\$ (1,775)	\$ 4,553,073
Land Rights (Water)	3,201,080	471,200	-	3,672,280
Land (Wastewater)	919,420	-	-	919,420
Land Rights (Wastewater)	638,334	-	-	638,334
Plant Acquisition Adjustment Organization	19,189	-	(17,000)	2,189
	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>9,643,864</u>	<u>471,200</u>	<u>(18,775)</u>	<u>10,096,289</u>
Operating Property, being depreciated				
Distribution Mains	230,418,803	19,032,319	(219,075)	249,232,047
Interceptor Structures	63,712,176	227,460	-	63,939,636
Treatment Plant Structures	49,715,392	1,314,236	(751,060)	50,278,568
Services	43,889,779	2,431,685	-	46,321,464
Structures & Improvements	31,629,983	2,765,047	-	34,395,030
Treatment Plant Equipment	49,807,479	10,450,053	(2,176,445)	58,081,087
Pumping Station Structures	28,945,638	272,513	(94,361)	29,123,790
Pumping Station Equipment	23,877,759	1,733,102	(410,741)	25,200,120
Water Treatment Equipment	14,626,311	46,289	-	14,672,600
Transmission Mains	13,430,883	-	-	13,430,883
Meters & Meter Installations	14,404,430	990,291	(502,102)	14,892,619
Reservoirs & Standpipes	14,265,099	301,239	-	14,566,338
Hydrants	14,026,507	701,519	(29,193)	14,698,833
Vehicles	4,937,373	337,633	(200,736)	5,074,270
Lake, River & Other Intakes	2,363,460	122,483	-	2,485,943
Communication Equipment	1,485,020	1,271,490	-	2,756,510
Pumping Equipment	2,950,240	-	-	2,950,240
General Equipment	1,868,193	-	(37,383)	1,830,810
Wells & Springs	989,248	-	-	989,248
Computer Equipment	6,571,987	491,643	-	7,063,630
Power Equipment	560,584	-	-	560,584
Communications Equipment - Collectors	857,104	167,480	(15,240)	1,009,344
Office Furniture & Equipment	879,925	10,336	-	890,261
Storm Drains	664,781	-	-	664,781
Shop Equipment	288,562	-	-	288,562
Solids Handling Equipment	448,554	886,751	-	1,335,305
Garage Equipment	232,652	-	-	232,652
Radio Equipment	318,006	-	-	318,006
Laboratory Equipment	113,415	-	-	113,415
Interceptor Equipment	66,241	17,460	-	83,701
Stores Equipment	59,161	-	-	59,161
	<u>618,404,745</u>	<u>43,571,029</u>	<u>(4,436,336)</u>	<u>657,539,438</u>
Total Operating Property	\$ 628,048,609	\$ 44,042,229	\$ (4,455,111)	\$ 667,635,727

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets – Continued

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>
All Funds Combined (continued):				
Less, accumulated depreciation for:				
Distribution Mains	\$ 64,867,784	\$ 3,349,877	\$ (123,015)	\$ 68,094,646
Interceptor Structures	42,298,588	1,265,257	-	43,563,845
Treatment Plant Structures	33,333,382	1,042,208	(638,139)	33,737,451
Treatment Plant Equipment	24,804,846	1,911,246	(1,939,342)	24,776,750
Services	24,593,594	1,013,084	-	25,606,678
Structures & Improvements	18,511,246	750,988	-	19,262,234
Pumping Station Equipment	15,273,076	954,517	(362,456)	15,865,137
Pumping Station Structures	13,804,347	700,157	(90,915)	14,413,589
Transmission Mains	8,069,153	132,133	-	8,201,286
Reservoirs & Standpipes	6,337,341	307,896	-	6,645,237
Water Treatment Equipment	7,019,471	378,651	-	7,398,122
Hydrants	5,341,326	274,932	(18,757)	5,597,501
Meters & Meter Installations	9,577,791	1,898,504	(289,709)	11,186,586
Vehicles	2,863,833	432,829	(178,692)	3,117,970
Lake, River & Other Intakes	1,989,139	14,087	-	2,003,226
Pumping Equipment	1,959,621	76,444	-	2,036,065
Communication Equipment	1,508,773	91,198	-	1,599,971
Power Equipment	487,176	2,630	-	489,806
Office Furniture & Equipment	997,825	44,169	-	1,041,994
General Equipment	993,640	56,188	(35,964)	1,013,864
Communications Equip.- Collectors	814,456	18,160	(15,240)	817,376
Solids Handling Equipment	355,143	31,967	-	387,110
Shop Equipment	337,029	-	-	337,029
Computer Equipment	2,549,767	650,237	-	3,200,004
Garage Equipment	269,495	2,938	-	272,433
Wells & Springs	323,732	19,643	-	343,375
Radio Equipment	257,968	13,369	-	271,337
Laboratory Equipment	113,417	-	-	113,417
Storm Drains	352,332	13,290	-	365,622
Stores Equipment	48,706	995	-	49,701
Interceptor Equipment	60,499	3,087	-	63,586
	<u>290,114,496</u>	<u>15,450,681</u>	<u>(3,692,229)</u>	<u>301,872,948</u>
Net Operating Property	<u>337,934,113</u>	<u>28,591,548</u>	<u>(762,882)</u>	<u>365,762,779</u>
Right to Use Lease Assets:				
Right to Use - Land	126,123	-	-	126,123
Lease - Operations Equipment	164,942	62,456	-	227,398
Lease - Office Equipment	33,744	-	-	33,744
SBITA	836,538	616,006	(277,982)	1,174,562
	<u>1,161,347</u>	<u>678,462</u>	<u>(277,982)</u>	<u>1,561,827</u>
Less, accumulated amortization for right to use assets:				
Right to Use - Land	17,517	3,504	-	21,021
Lease - Operations Equipment	43,135	31,803	-	74,938
Lease - Office Equipment	3,374	6,749	-	10,123
SBITA	185,344	271,791	(92,661)	364,474
	<u>249,370</u>	<u>313,847</u>	<u>(92,661)</u>	<u>470,556</u>
Net Right to Use Assets	<u>911,977</u>	<u>364,615</u>	<u>(185,321)</u>	<u>1,091,271</u>
Construction Work in Progress	<u>34,761,761</u>	<u>30,280,643</u>	<u>(16,317,193)</u>	<u>48,725,211</u>
Net Capital Assets	<u>\$ 373,607,851</u>	<u>\$ 59,236,806</u>	<u>\$ (17,265,396)</u>	<u>\$ 415,579,261</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Capital Assets - Concluded

Depreciation expense for each of the funds is noted below. Please note that \$1,285,000 in the Water Fund was allocated as part of operating expense. Depreciation related to vehicles (\$420,000) and the main office (\$440,000) was allocated to operating expenses based on vehicles' hours and office space occupied. Depreciation related to technology (\$425,000) was allocated to the funds based on their percentage of total expenditures.

	Gross Depreciation	Allocated	Depreciation not allocated elsewhere
Water	\$ 9,344,390	\$ (1,285,000)	\$ 8,059,390
Wastewater Funds:			
Cape Elizabeth	403,457	-	403,457
Cumberland	211,707	-	211,707
Falmouth	156,131	-	156,131
Gorham	636,425	-	636,425
Portland	3,643,544	-	3,643,544
Westbrook	950,703	-	950,703
Windham	104,324	-	104,324
Total	\$ 15,450,681	\$ (1,285,000)	\$ 14,165,681

Leases - District as Lessee

As of December 31, 2025, the District was leasing assets for the Water Fund (3) and Cape Elizabeth Wastewater (1):

In the Water Fund, the items leased include storage space on Peaks Island, gas detectors for operations personnel, a mail machine and an antenna site for meter reading. The terms on these items are mostly five (5) years or less, the only exception being the Peaks Island storage which is ten (10) years and runs through 2031.

Water Fund	Intangible Asset	Accumulated Amortization	Net Lease Asset	Lease Liability
Peaks Island Storage	\$67,045	(33,523)	\$33,522	(\$36,059)
Finance Mail Machine	33,744	(10,123)	23,621	(24,149)
Gas Detectors	97,897	(40,790)	57,107	(58,543)
Scarborough AMI Antenna	62,456	(625)	61,831	(62,383)
	<u>\$261,142</u>	<u>(85,061)</u>	<u>\$176,081</u>	<u>(\$181,134)</u>
	Dec 31, 2024	Increases	Decreases	Dec 31, 2025
Lease Liability	<u>(\$155,354)</u>	<u>(\$62,456)</u>	<u>\$36,676</u>	<u>(\$181,134)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Leases – District as Lessee - Concluded

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

Years Ending, December 31,	Principal	Interest	Total
2026	\$38,606	\$5,191	\$43,797
2027	39,751	4,137	43,888
2028	23,432	3,202	26,634
2029	11,560	2,847	14,407
2030	8,169	2,687	10,856
2031-2035	6,276	12,327	18,603
2036-2040	11,085	10,481	21,566
2041-2045	17,580	7,421	25,001
2046-2050	24,675	2,737	27,412
	<u>\$181,134</u>	<u>\$51,030</u>	<u>\$232,164</u>

In Cape Elizabeth Wastewater, the land at the Cape Elizabeth Wastewater Treatment Facility (CEWWTF) is leased 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.

<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	(\$21,021)	\$105,102	(\$116,355)	
	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>	<u>Current Portion</u>
Lease Liability	(\$117,752)	-	\$1,397	(\$116,355)	(\$1,507)

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

Years Ending, December 31,	Principal	Interest	Total
2026	\$1,507	\$2,573	\$4,080
2027	1,623	2,539	4,162
2028	1,742	2,503	4,245
2029	1,865	2,465	4,330
2030	1,993	2,424	4,417
2031-2035	12,048	11,397	23,445
2036-2040	15,998	9,897	25,895
2041-2045	20,668	7,928	28,596
2046-2050	26,164	5,408	31,572
2051-2055	32,747	2,109	34,856
	<u>\$ 116,355</u>	<u>\$ 49,243</u>	<u>\$ 165,598</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED

Leases – District as Lessor

As of December 31, 2025, the District is a lessor for the following Water fund assets:

Shore Acres Tank Cellular Antennas – The District leases space on a water tank to AT&T and Verizon. The leases 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.

Broadway South Portland – AIM: The District leases the land on top of 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.

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.

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 District expects this extension to take place.

<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	\$ 12,868	\$ 50,558	\$ 606,530	\$ 522,946
Shore Acres Tank - Verizon	37,690	12,868	50,558	606,530	522,946
Broadway So Portland - AIM	2,198	611	2,809	28,724	25,465
Broadway So Portland - Pape	10,005	2,333	12,338	64,112	60,029
Main St. Gorham - Madison VWB	2,379	217	2,596	12,770	11,893
	<u>\$ 89,962</u>	<u>\$ 28,897</u>	<u>\$ 118,859</u>	<u>\$ 1,318,666</u>	<u>\$ 1,143,279</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS – CONTINUED

Subscription-Based Informational Technology Arrangement (SBITA's)

The District has SBITA's related to Supervisory Control and Data Acquisition (AVENA), Human Resources (BAMBOO) and with Information Services (IS) group for GIS mapping, Microsoft 365, cyber security and the District's phone system. These are monthly or annual arrangements, some have specific end dates, some are open-ended. For the open-ended items, the District assumes the most likely years of use or three (3) years, whichever is longer. During the year ended December 31, 2025, the District incurred \$271,791 in SBITA amortization expense.

<u>Water Fund</u>	<u>Intangible Asset</u>	<u>Accumulated Amortization</u>	<u>Net SBITA Asset</u>	<u>SBITA Liability</u>
AVEVA - SCADA	\$ 415,844	\$ (166,338)	\$ 249,506	\$ (270,703)
BAMBOO - Human Resources	142,712	(38,056)	104,656	(103,430)
IS - GIS Software	91,848	(30,616)	61,232	(61,878)
IS - Microsoft 365	172,885	(57,628)	115,257	(119,929)
IS - Multi-Factor Authentication	56,309	(18,770)	37,539	(38,672)
IS - Ring Central	202,537	(22,257)	180,280	(182,702)
IS - Virus Protection & Monitoring	92,427	(30,809)	61,618	(62,268)
	<u>\$ 1,174,562</u>	<u>\$ (364,474)</u>	<u>\$ 810,088</u>	<u>\$ (839,582)</u>
	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>
SBITA Liability	(\$664,330)	(\$616,006)	\$440,754	(\$839,582)

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

<u>Years Ending, December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$309,330	\$16,938	\$326,268
2027	321,759	8,980	330,739
2028	188,860	2,009	190,869
2029	19,633	215	19,848
	<u>\$839,582</u>	<u>\$28,142</u>	<u>\$867,724</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, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>	<u>Current</u>	<u>Non-Current</u>
\$ 122,125,933	\$ 31,828,795	\$ (11,770,253)	\$142,184,475	\$ 12,858,676	\$ 129,325,799

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt - Bonds

Long-term debt outstanding as of December 31, 2025, consisted of the following general revenue bonds:

<u>Issue Date</u>	<u>PWD Code</u>	<u>Original Amount</u>	<u>Maturities Through</u>	<u>Interest Rate Range</u>	<u>Amount Outstanding</u>	<u>Unamortized Premium</u>	<u>Total</u>
Water Fund:							
10/26/06	WTR06-01	\$ 1,500,000	2026	3.00%	\$ 75,000	\$ -	\$ 75,000
10/30/08	WTR08-01	\$ 1,500,000	2028	5.58%	\$ 225,000	\$ -	\$ 225,000
04/01/09	WTR09-01	\$ 1,598,500	2028	1.050%	\$ 239,775	\$ -	\$ 239,775
05/28/09	WTR09-02	\$ 4,519,800	2029	2.08% to 5.58%	\$ 903,960	\$ -	\$ 903,960
05/28/09	WTR09-03	\$ 180,200	2029	2.08% to 5.58%	\$ 36,040	\$ -	\$ 36,040
08/28/09	WTR09-04	\$ 2,991,066	2029	0.00%	\$ 598,213	\$ -	\$ 598,213
08/28/09	WTR09-05	\$ 163,953	2029	0.00%	\$ 32,791	\$ -	\$ 32,791
05/27/10	WTR10-02	\$ 400,000	2030	5.17% to 5.75%	\$ 125,000	\$ -	\$ 125,000
11/01/10	WTR10-03	\$ 902,500	2030	1.00%	\$ 225,625	\$ -	\$ 225,625
10/27/11	WTR11-01	\$ 2,300,000	2031	0.50% to 5.50%	\$ 690,000	\$ -	\$ 690,000
05/01/12	WTR12-03	\$ 1,130,000	2032	1.00%	\$ 395,500	\$ -	\$ 395,500
10/25/12	WTR12-01	\$ 2,000,000	2032	3.01% to 3.71%	\$ 700,000	\$ -	\$ 700,000
05/01/13	WTR13-01	\$ 2,850,000	2032	1.00%	\$ 1,050,000	\$ -	\$ 1,050,000
05/23/13	WTR13-04	\$ 1,428,000	2033	2.93% to 3.70	\$ 571,200	\$ -	\$ 571,200
11/15/13	WTR13-05	\$ 1,072,000	2033	1.07%	\$ 428,800	\$ -	\$ 428,800
06/30/14	WTR14-01	\$ 2,541,000	2034	3.13% to 3.50%	\$ 1,125,000	\$ 15,600	\$ 1,140,600
05/14/15	WTR15-01	\$ 459,000	2035	0.15%	\$ 208,254	\$ -	\$ 208,254
06/25/15	WTR15-04	\$ 3,230,000	2035	3.00% to 3.25%	\$ 1,600,000	\$ 22,900	\$ 1,622,900
06/25/15	WTR15-05	\$ 500,000	2035	3.00% to 3.25%	\$ 250,000	\$ -	\$ 250,000
12/04/15	WTR15-06	\$ 270,000	2035	1.00%	\$ 135,000	\$ -	\$ 135,000
06/20/16	WT16-04	\$ 385,000	2036	3.00% to 4.00%	\$ 205,000	\$ 10,600	\$ 215,600
06/20/16	WT16-05	\$ 1,830,000	2026	3.00%	\$ 180,000	\$ -	\$ 180,000
06/20/16	WT16-06	\$ 1,830,000	2026	3.00% to 4.00%	\$ 990,000	\$ 53,900	\$ 1,043,900
06/20/16	WTR16-07	\$ 1,734,250	2036	3.00%	\$ 206,500	\$ 385	\$ 206,885
06/20/16	WTR16-08	\$ 185,813	2036	3.00%	\$ 22,125	\$ 41	\$ 22,166
06/20/16	WTR16-09	\$ 3,034,938	2036	3.00%	\$ 361,375	\$ 674	\$ 362,049
09/28/16	WTR16-10	\$ 1,158,979	2036	1.00%	\$ 665,863	\$ -	\$ 665,863
09/28/16	WTR16-11	\$ 566,362	2036	1.00%	\$ 325,390	\$ -	\$ 325,390
07/18/17	WTR17-05	\$ 3,725,000	2037	3.00% to 4.00%	\$ 2,225,000	\$ 115,056	\$ 2,340,056
07/18/17	WTR17-06	\$ 1,875,000	2027	3.00% to 4.00%	\$ 375,000	\$ 5,544	\$ 380,544
03/02/18	WTR18-01	\$ 1,900,000	2037	1.00%	\$ 1,196,844	\$ 9,844	\$ 1,206,688
08/01/18	WTR18-04	\$ 1,000,000	2039	5.00%	\$ 300,000	\$ -	\$ 300,000
08/01/18	WTR18-05	\$ 900,000	2038	3.00% to 5.00%	\$ 585,000	\$ 58,103	\$ 643,103
08/01/18	WTR18-06	\$ 2,000,000	2028	3.00% to 5.00%	\$ 600,000	\$ 19,689	\$ 619,689
11/30/18	WTR18-08	\$ 3,000,000	2038	1.00%	\$ 1,950,000	\$ -	\$ 1,950,000
08/01/19	WTR19-02	\$ 4,500,000	2039	3.00% to 5.00%	\$ 3,150,000	\$ 393,348	\$ 3,543,348
08/01/19	WTR19-03	\$ 2,000,000	2039	2.00% to 5.00%	\$ 800,000	\$ 26,592	\$ 826,592
01/31/20	WTR20-01	\$ 295,000	2029	1.00%	\$ 118,000	\$ -	\$ 118,000
07/30/20	WTR20-03	\$ 1,745,000	2040	2.00% to 5.00%	\$ 1,310,000	\$ 188,008	\$ 1,498,008
07/30/20	WTR20-04	\$ 1,830,000	2030	5.00%	\$ 915,000	\$ 81,581	\$ 996,581
11/01/20	WTR20-07	\$ 220,000	2040	1.00%	\$ 165,000	\$ -	\$ 165,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt - Bonds – Continued

<u>Issue Date</u>	<u>PWD Code</u>	<u>Original Amount</u>	<u>Maturities Through</u>	<u>Interest Rate Range</u>	<u>Amount Outstanding</u>	<u>Unamortized Premium</u>	<u>Total</u>
<u>Water Fund (continued):</u>							
07/29/21	WTR21-04	\$ 3,479,157	2041	2.00% to 5.00%	\$ 2,781,285	\$ 331,739	\$ 3,113,024
07/29/21	WTR21-05	\$ 1,743,308	2031	5.00%	\$ 1,045,436	\$ 88,813	\$ 1,134,249
07/29/21	WTR21-06	\$ 1,152,535	2041	2.00% to 5.00%	\$ 908,279	\$ 107,913	\$ 1,016,192
12/22/21	WTR21-09	\$ 2,100,000	2041	1.00%	\$ 1,680,000	\$ -	\$ 1,680,000
12/22/21	WTR21-10	\$ 480,000	2041	1.00%	\$ 384,000	\$ -	\$ 384,000
08/01/22	WTR22-04	\$ 3,500,000	2042	4.00% to 5.00%	\$ 2,975,000	\$ 275,346	\$ 3,250,346
08/01/22	WTR22-05	\$ 2,000,000	2032	5.00%	\$ 1,400,000	\$ 68,149	\$ 1,468,149
08/15/23	WTR23-01	\$ 3,665,000	2043	4.00% to 5.00%	\$ 3,295,000	\$ 294,395	\$ 3,589,395
08/15/23	WTR23-02	\$ 1,840,000	2033	4.00% to 5.00%	\$ 1,470,000	\$ 104,944	\$ 1,574,944
08/15/23	WTR23-03	\$ 4,055,000	2043	4.00% to 5.00%	\$ 3,295,000	\$ 261,792	\$ 3,556,792
08/15/23	WTR23-04	\$ 4,675,000	2043	4.00% to 5.00%	\$ 4,205,000	\$ 375,880	\$ 4,580,880
08/15/23	WTR23-05	\$ 2,110,000	2043	4.00% to 5.00%	\$ 1,890,000	\$ 168,772	\$ 2,058,772
12/20/23	WTR23-07	\$ 190,000	2043	1.00%	\$ 171,000	\$ -	\$ 171,000
02/01/24	WTR24-01	\$ 169,000	2043	1.00%	\$ 152,100	\$ -	\$ 152,100
03/01/24	WTR24-04	\$ 293,950	2043	1.00%	\$ 264,555	\$ -	\$ 264,555
03/21/24	WTR24-03	\$ 308,250	2033	0.00%	\$ 246,600	\$ -	\$ 246,600
08/01/24	WTR24-06	\$ 886,897	2044	3.00% to 5.00%	\$ 842,759	\$ 62,863	\$ 905,622
08/01/24	WTR24-07	\$ 5,543,103	2044	3.00% to 5.00%	\$ 5,267,241	\$ 392,891	\$ 5,660,132
08/14/25	WTR25-01	\$ 7,636,945	2045	4.00% to 5.00%	\$ 7,636,945	\$ 346,470	\$ 7,983,415
08/14/25	WTR25-02	\$ 3,818,472	2045	4.00% to 5.00%	\$ 3,818,472	\$ 173,235	\$ 3,991,707
08/14/25	WTR25-03	\$ 1,479,656	2045	4.00% to 5.00%	\$ 1,479,656	\$ 66,392	\$ 1,546,048
08/14/25	WTR25-04	\$ 501,175	2045	4.00% to 5.00%	\$ 501,175	\$ 22,737	\$ 523,912
08/14/25	WTR25-05	\$ 6,682,327	2045	4.00% to 5.00%	\$ 6,682,327	\$ 303,161	\$ 6,985,488
08/14/25	WTR25-06	\$ 811,425	2045	4.00% to 5.00%	\$ 811,425	\$ 36,812	\$ 848,237
					<u>\$ 79,464,510</u>	<u>\$ 4,484,169</u>	<u>\$ 83,948,679</u>
						Current	\$ 8,224,743
						Non-Current	\$ 75,723,936
							<u>\$ 83,948,679</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

Long-Term Debt - Bonds – Continued

<u>Issue Date</u>	<u>PWD Code</u>	<u>Original Amount</u>	<u>Maturities Through</u>	<u>Interest Rate Range</u>	<u>Amount Outstanding</u>	<u>Unamortized Premium</u>	<u>Total</u>
Cape Elizabeth Wastewater Fund:							
10/30/08	WW08-03	\$ 95,000	2028	5.58%	\$ 14,250	\$ -	\$ 14,250
12/16/11	WW11-01	\$2,430,000	2031	1.00%	\$ 729,000	\$ -	\$ 729,000
10/25/12	WW12-03	\$ 160,000	2032	3.01% to 3.71%	\$ 56,000	\$ -	\$ 56,000
05/28/15	WW15-02	\$ 240,000	2035	2.74% to 3.89%	\$ 120,000	\$ -	\$ 120,000
05/25/17	WW17-03	\$ 315,000	2037	2.46% to 3.91%	\$ 189,000	\$ -	\$ 189,000
11/02/17	WW17-07	\$ 72,000	2037	2.29% to 4.07%	\$ 43,200	\$ -	\$ 43,200
06/03/19	WW19-01	\$ 875,000	2039	1.00%	\$ 612,500	\$ -	\$ 612,500
05/08/20	WW20-02	\$ 130,000	2039	1.00%	\$ 91,000	\$ -	\$ 91,000
02/18/21	WW21-01	\$ 850,000	2041	1.00%	\$ 680,000	\$ -	\$ 680,000
07/01/21	WW21-02	\$ 388,000	2041	1.00%	\$ 310,400	\$ -	\$ 310,400
11/03/22	WW22-08	\$ 575,000	2042	3.63% to 4.89%	\$ 488,750	\$ -	\$ 488,750
11/07/24	WW24-08	\$ 389,000	2044	2.63% to 4.34%	\$ 369,550	\$ -	\$ 369,550
11/06/25	WW25-07	\$1,000,000	2045	2.65% to 4.76%	\$1,000,000	\$ -	\$ 1,000,000
					<u>\$4,703,650</u>	<u>\$ -</u>	<u>\$ 4,703,650</u>
						Current	\$ 375,950
						Non-Current	\$ 4,327,700
							\$ 4,703,650
Cumberland Wastewater Fund:							
12/22/06	WW06-01	\$ 125,000	2026	1.42%	\$ 6,250	\$ -	\$ 6,250
11/06/25	WW25-09	\$ 950,000	2045	2.65% to 4.76%	\$ 950,000	\$ -	\$ 950,000
					<u>\$ 956,250</u>	<u>\$ -</u>	<u>\$ 956,250</u>
						Current	\$ 53,750
						Non-Current	\$ 902,500
							\$ 956,250
Falmouth Wastewater Fund:							
05/01/16	WW16-03	\$4,000,000	2036	1.00%	\$2,200,000	\$ -	\$ 2,200,000
03/21/17	WW17-02	\$ 760,000	2037	1.00%	\$ 456,000	\$ -	\$ 456,000
					<u>\$2,656,000</u>	<u>\$ -</u>	<u>\$ 2,656,000</u>
						Current	\$ 238,000
						Non-Current	\$ 2,418,000
							\$ 2,656,000

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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 Outstanding	Unamortized Premium	Total
Gorham Wastewater Fund:							
05/15/08	WW08-01	\$ 50,400	2028	2.20% to 5.50%	\$ 7,560	\$ -	\$ 7,560
10/30/08	WW08-02	\$ 474,672	2029	2.20% to 5.50%	\$ 94,934	\$ -	\$ 94,934
01/15/09	WW09-01	\$ 4,258,208	2028	1.44%	\$ 645,183	\$ -	\$ 645,183
02/27/09	WW09-02	\$ 253,475	2028	1.00%	\$ 38,021	\$ -	\$ 38,021
05/28/09	WW09-04	\$ 233,954	2029	2.08% to 5.58%	\$ 46,791	\$ -	\$ 46,791
11/01/10	WW10-04	\$ 52,360	2030	1.00%	\$ 13,090	\$ -	\$ 13,090
03/02/18	WW18-02	\$ 308,000	2038	1.00%	\$ 200,200	\$ -	\$ 200,200
11/04/21	WW21-08	\$ 53,900	2041	0.91% to 2.95%	\$ 43,120	\$ -	\$ 43,120
05/19/22	WW22-03	\$ 2,498,400	2041	1.00%	\$ 1,998,720	\$ -	\$ 1,998,720
01/16/24	WW24-02	\$ 1,207,258	2043	1.59%	\$ 1,086,533	\$ -	\$ 1,086,533
					<u>\$ 4,174,152</u>	<u>\$ -</u>	<u>\$ 4,174,152</u>
						Current	\$ 471,682
						Non-Current	\$ 3,702,470
							<u>\$ 4,174,152</u>
Portland Wastewater Fund:							
04/01/09	WW09-03	\$ 5,700,000	2028	1.47%	\$ 842,982	\$ -	\$ 842,982
11/01/10	WW10-03	\$ 752,200	2030	1.00%	\$ 188,050	\$ -	\$ 188,050
10/27/11	WW11-02	\$ 400,000	2031	0.50% to 5.50%	\$ 120,000	\$ -	\$ 120,000
11/04/13	WW13-02	\$ 3,000,000	2033	3.00% to 4.00%	\$ 1,200,000	\$ 18,000	\$ 1,218,000
12/04/15	WW15-07	\$ 2,000,000	2035	1.00%	\$ 1,000,000	\$ -	\$ 1,000,000
07/08/16	WW16-01	\$ 7,000,000	2036	1.00%	\$ 3,850,000	\$ -	\$ 3,850,000
07/08/16	WW16-02	\$ 1,200,000	2036	1.00%	\$ 660,000	\$ -	\$ 660,000
05/01/17	WW17-01	\$ 1,900,000	2036	1.00%	\$ 1,097,107	\$ -	\$ 1,097,107
05/24/18	WW18-03	\$ 500,000	2038	2.72% to 4.04%	\$ 325,000	\$ -	\$ 325,000
07/30/20	WW20-05	\$ 940,000	2040	2.00%	\$ 695,000	\$ 21,743	\$ 716,743
07/30/20	WW20-06	\$ 410,000	2040	2.00%	\$ 305,000	\$ 9,614	\$ 314,614
12/10/20	WW20-08	\$ 3,150,000	2040	1.00%	\$ 2,362,500	\$ -	\$ 2,362,500
07/01/21	WW21-03	\$ 422,000	2041	1.00%	\$ 337,600	\$ -	\$ 337,600
03/09/22	WW22-01	\$ 476,000	2041	1.00%	\$ 380,800	\$ -	\$ 380,800
05/04/22	WW22-02	\$ 290,000	2031	1.00%	\$ 174,000	\$ -	\$ 174,000
09/23/22	WW22-06	\$ 2,130,000	2042	1.00%	\$ 1,810,500	\$ -	\$ 1,810,500
09/23/22	WW22-07	\$ 5,200,000	2042	1.00%	\$ 4,420,000	\$ -	\$ 4,420,000
11/02/23	WW23-06	\$ 710,000	2043	3.74% to 4.93%	\$ 639,000	\$ -	\$ 639,000
05/23/24	WW24-05	\$ 5,500,000	2044	3.45% to 4.76%	\$ 5,225,000	\$ -	\$ 5,225,000
11/07/24	WW24-09	\$ 1,350,000	2044	2.63% to 4.34%	\$ 1,282,500	\$ -	\$ 1,282,500
11/06/25	WW25-08	\$ 4,000,000	2045	2.65% to 4.76%	\$ 4,000,000	\$ -	\$ 4,000,000
12/18/25	WW25-10	\$ 3,000,000	2045	2.50%	\$ 3,000,000	\$ -	\$ 3,000,000
12/18/25	WW25-11	\$ 950,000	2045	2.50%	\$ 950,000	\$ -	\$ 950,000
					<u>\$ 34,865,039</u>	<u>\$ 49,357</u>	<u>\$ 34,914,396</u>
						Current	\$ 2,575,483
						Non-Current	\$ 32,338,913
							<u>\$ 34,914,396</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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 Outstanding	Unamortized Premium	Total
Westbrook Wastewater Fund:							
05/15/08	WW08-01	\$ 1,316,800	2028	2.20% to 5.50%	\$ 27,504	\$ -	\$ 27,504
10/30/08	WW08-02	\$ 183,360	2029	2.20% to 5.50%	\$ 476,928	\$ -	\$ 476,928
02/27/09	WW09-02	\$ 2,384,641	2028	1.00%	\$ 146,239	\$ -	\$ 146,239
11/01/10	WW10-04	\$ 974,925	2030	1.00%	\$ 28,305	\$ -	\$ 28,305
12/04/15	WW15-08	\$ 113,220	2035	1.00%	\$ 500,000	\$ -	\$ 500,000
03/02/18	WW18-02	\$ 1,000,000	2038	1.00%	\$ 432,900	\$ -	\$ 432,900
09/01/18	WW18-07	\$ 666,000	2039	1.00%	\$ 1,540,000	\$ -	\$ 1,540,000
11/04/21	WW21-08	\$ 2,200,000	2041	0.91% to 2.95%	\$ 93,240	\$ -	\$ 93,240
05/19/22	WW22-03	\$ 116,550	2041	1.00%	\$ 4,307,840	\$ -	\$ 4,307,840
01/16/24	WW24-02	\$ 2,627,846	2043	1.59%	\$ 2,364,968	\$ -	\$ 2,364,968
					<u>\$ 9,917,924</u>	<u>\$ -</u>	<u>\$ 9,917,924</u>
						Current	\$ 782,562
						Non-Current	<u>\$ 9,135,362</u>
							\$ 9,917,924
Windham Wastewater Fund:							
05/15/08	WW08-01	\$ 6,240	2028	2.20% to 5.50%	\$ 936	\$ -	\$ 936
10/30/08	WW08-02	\$ 40,687	2029	2.20% to 5.50%	\$ 8,137	\$ -	\$ 8,137
01/15/09	WW09-01	\$ 1,681,792	2029	1.44%	\$ 254,817	\$ -	\$ 254,817
02/27/09	WW09-02	\$ 21,600	2028	1.00%	\$ 3,240	\$ -	\$ 3,240
05/28/09	WW09-04	\$ 196,046	2029	2.08% to 5.58%	\$ 39,209	\$ -	\$ 39,209
11/01/10	WW10-04	\$ 4,420	2030	1.00%	\$ 1,105	\$ -	\$ 1,105
03/02/18	WW18-02	\$ 26,000	2038	1.00%	\$ 16,900	\$ -	\$ 16,900
11/04/21	WW21-07	\$ 615,000	2041	0.91% to 2.95%	\$ 492,000	\$ -	\$ 492,000
11/04/21	WW21-08	\$ 4,550	2041	0.91% to 2.95%	\$ 3,640	\$ -	\$ 3,640
05/19/22	WW22-03	\$ 211,200	2041	1.00%	\$ 93,440	\$ -	\$ 93,440
					<u>\$ 913,424</u>	<u>\$ -</u>	<u>\$ 913,424</u>
						Current	\$ 136,506
						Non-Current	<u>\$ 776,918</u>
							\$ 913,424
Total Long-Term Debt					<u>\$ 137,650,949</u>	<u>\$ 4,533,526</u>	<u>\$ 142,184,475</u>
						Current	\$ 12,858,676
						Non-Current	<u>\$ 129,325,799</u>
							\$ 142,184,475

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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

The District's Board of Trustees have 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.

	Bond				
	<u>Dec 31, 2024</u>	<u>Proceeds</u>	<u>Interest</u>	<u>Drawdowns</u>	<u>Dec 31, 2025</u>
2023 Green Bonds	\$ 1,882,334	\$ -	\$ 22,050	\$ (1,904,384)	\$ -
2024 Green Bonds	860,756	-	19,642	(849,048)	31,350
2025 Green Bonds	-	20,930,000	1,245,904	(9,450,672)	12,725,232
	<u>\$ 2,743,090</u>	<u>\$ 20,930,000</u>	<u>\$ 1,287,596</u>	<u>\$ (12,204,104)</u>	<u>\$ 12,756,582</u>

Notes Payable – Bond Anticipation Notes (BANS)

	<u>Dec 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>
Water Fund	\$0	\$870,504	\$0	\$870,504
Portland Wastewater	765,367	2,790,268	(3,555,635)	-
Windham Wastewater	8,686,297	16,877,943	-	25,564,240
	<u>\$9,451,664</u>	<u>\$20,538,715</u>	<u>(\$3,555,635)</u>	<u>\$26,434,744</u>

Water Fund: In December 2024, the District received a Bond Anticipation Note (BAN) of \$2.5 million from the Maine State Revolving Fund (MSRF) for work on the District's GPS Service Point project. The Note had a term of one (1) year and an annual interest rate of 0.0%. In December 2025, the BAN was renewed for another 12 months.

Portland Wastewater: The decrease to zero was due to permanent financing of the balance in 2025.

Windham Wastewater: As of December 31, 2025 Windham Wastewater has four (4) BAN's via the MSRV totaling \$31.0 million dollars for the construction of a new wastewater treatment facility in North Windham. The BANS have interest rates between 1.00% and 2.18%. Each BAN has been renewed into 2026, the year they are expected to be transitioned to permanent financing. As December 31, 2025 the BAN's had a combined accrued interest of \$389,384.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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	
2026	\$ 7,619,210	\$ 375,950	\$ 53,750	\$ 238,000	\$ 471,682	\$ 2,566,741	\$ 782,562	\$ 136,506	\$ 12,244,401	
2027	6,885,100	375,950	47,500	238,000	471,682	2,566,741	782,562	136,506	11,504,041	
2028	6,641,000	375,950	47,500	238,000	471,682	2,566,741	782,562	136,506	11,259,941	
2029	6,191,984	371,200	47,500	238,000	241,427	2,285,747	724,648	50,175	10,150,681	
2030	5,565,652	371,200	47,500	238,000	205,996	2,285,747	605,416	38,339	9,357,850	
2031-2035	22,687,250	1,346,000	237,500	1,190,000	1,016,889	10,719,685	2,998,770	190,584	40,386,678	
2036-2040	14,997,373	1,040,200	237,500	276,000	986,090	7,631,737	2,572,175	187,990	27,929,065	
2041-2045	8,876,941	447,200	237,500	0	308,704	4,241,900	669,229	36,818	14,818,292	
	<u>\$ 79,464,510</u>	<u>\$ 4,703,650</u>	<u>\$ 956,250</u>	<u>\$ 2,656,000</u>	<u>\$ 4,174,152</u>	<u>\$ 34,865,039</u>	<u>\$ 9,917,924</u>	<u>\$ 913,424</u>	<u>\$ 137,650,949</u>	

Interest Due:		WASTEWATER SYSTEMS								
		Cape								
	Water	Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	Total	
2026	\$ 3,250,731	\$ 108,061	\$ 33,727	\$ 26,370	\$ 55,670	\$ 755,106	\$ 130,766	\$ 17,035	\$ 4,377,466	
2027	2,740,878	101,879	32,782	23,990	47,766	729,525	116,540	14,541	3,807,901	
2028	2,466,259	95,178	31,509	21,610	40,302	680,787	102,459	12,326	3,450,430	
2029	2,223,011	88,611	30,250	19,230	33,073	632,005	87,245	10,439	3,123,864	
2030	1,996,246	82,002	28,977	16,850	30,627	587,275	80,312	9,872	2,832,161	
2031-2035	7,022,902	314,619	124,640	48,550	116,781	2,279,827	298,881	39,351	10,245,551	
2036-2040	3,409,014	170,346	84,070	2,760	56,231	1,285,733	132,094	18,842	5,159,090	
2041-2045	981,292	47,673	33,252	0	7,088	393,382	15,399	973	1,479,059	
	<u>\$ 24,090,333</u>	<u>\$ 1,008,369</u>	<u>\$ 399,207</u>	<u>\$ 159,360</u>	<u>\$ 387,538</u>	<u>\$ 7,343,640</u>	<u>\$ 963,696</u>	<u>\$ 123,379</u>	<u>\$ 34,475,522</u>	

Total Debt Service Due:		WASTEWATER SYSTEMS								
		Cape								
	Water	Elizabeth	Cumberland	Falmouth	Gorham	Portland	Westbrook	Windham	Total	
2026	\$ 10,869,941	\$ 484,011	\$ 87,477	\$ 264,370	\$ 527,352	\$ 3,321,847	\$ 913,328	\$ 153,541	\$ 16,621,867	
2027	9,625,978	477,829	80,282	261,990	519,448	3,296,266	899,102	151,047	15,311,942	
2028	9,107,259	471,128	79,009	259,610	511,984	3,247,528	885,021	148,832	14,710,371	
2029	8,414,995	459,811	77,750	257,230	274,500	2,917,752	811,893	60,614	13,274,545	
2030	7,561,898	453,202	76,477	254,850	236,623	2,873,022	685,728	48,211	12,190,011	
2031-2035	29,710,152	1,660,619	362,140	1,238,550	1,133,670	12,999,512	3,297,651	229,935	50,632,229	
2036-2040	18,406,387	1,210,546	321,570	278,760	1,042,321	8,917,470	2,704,269	206,832	33,088,155	
2041-2045	9,858,233	494,873	270,752	-	315,792	4,635,282	684,628	37,791	16,297,351	
	<u>\$ 103,554,843</u>	<u>\$ 5,712,019</u>	<u>\$ 1,355,457</u>	<u>\$ 2,815,360</u>	<u>\$ 4,561,690</u>	<u>\$ 42,208,679</u>	<u>\$ 10,881,620</u>	<u>\$ 1,036,803</u>	<u>\$ 172,126,471</u>	

Deferred Outflows of Resources - 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 outflows of resources and as of December 31, 2025 had a balance of \$500. The remaining balance will be amortized for the remaining life of the original bonds:

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONCLUDED

Deferred Outflows of Resources - Bond Refunding – Continued

Year Ending, December 31,	Beginning <u>Balance</u>	<u>Reduction</u>	Ending <u>Balance</u>
2026	500	(500)	-
		<u>\$ (500)</u>	

Notes Payable

The Windham Wastewater fund has a 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, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec 31, 2025</u>	<u>Current</u>	<u>Non-Current</u>
Windham Wastewater Fund:						
2008 Note	\$ 52,960	\$ -	\$ (13,240)	\$ 39,720	\$ 13,240	\$ 26,480

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>
2026	\$13,240	\$1,746	\$14,986
2027	13,240	1,164	14,404
2028	13,240	582	13,822
	<u>\$ 39,720</u>	<u>\$ 3,492</u>	<u>\$ 43,212</u>

Compensated Absences

Sick Time: District employees can be paid out up to 400 hours of sick time upon retirement. The District calculated the value of those potential payments using current pay rates and, using historic data, considered the likelihood of each employee retiring from the District. In addition, we looked at historic use of sick time and calculated the average hours taken in excess of the 96 hours of annual sick time given to each employee and multiplied that by the average employee pay rate for the current 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, 2024</u>	<u>Net Change</u>	<u>Dec 31, 2025</u>	<u>Current</u>	<u>Non-Current</u>
Sick	\$ 940,438	\$ 45,189	\$ 985,627	\$ 446,549	\$ 539,078
Vacation	949,455	62,817	1,012,272	778,058	234,214
	<u>\$ 1,889,893</u>	<u>\$ 108,006</u>	<u>\$ 1,997,899</u>	<u>\$ 1,224,607</u>	<u>\$ 773,292</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, 2025

NOTE 4 - OTHER INFORMATION - CONTINUED

Commitments and Contingencies

At December 31, 2025, the District was committed on signed, but incomplete, construction and other contracts with a remaining balance of \$43,882,467 which is broken down by funds, as follows:

Water Fund	\$31,721,589
Cape Elizabeth Wastewater	59,594
Gorham Wastewater	206,622
Portland Wastewater	2,219,362
Westbrook Wastewater	570,419
Windham Wastewater	9,104,881

Bond Commitments:

As of December 31, 2025, 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>
21-006	Water Fund	Watershed Protection Easement	\$376,050	544,699.00
24-002	Water Fund	Galvanized Water Lines	5,700,000	2,565,000
24-002	Water Fund	GPS of Service Lines	2,500,000	1,125,000
25-003	Water Fund	Meters Project and Infrastructure	28,749,201	41,642,537
25-010	Cape Eliz WW	Cape Elizabeth WWTF	5,200,000	7,532,077
25-011	Portland WW	East End WWTF	16,100,000	23,320,470
25-012	Westbrook WW	CSO Conduit	11,600,000	14,498,937
25-015	Windham WW	North Windham Treatment	49,100,000	68,041,023
			<u>\$ 119,325,251</u>	<u>\$ 159,269,743</u>

Bond Commitments – Subsequent Events:

No bonds have been issued since December 31, 2025 and through the date of this report. However, the District’s Board of Trustees did approve the issuance of \$19.875 million in bonds in the Water Fund. In addition, during February 2026 a bond anticipation note of \$10.0 million (12 months with annual interest rate of 2.0%) was issued for the Windham WWTF project, there have been no drawdowns as of the date of this report.

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, 2025, the total remaining debt payments to be paid by the Cumberland fund were \$131,578.

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, 2025, the total remaining debt payments for the Cumberland fund through 2037 were \$1,291,828.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 4 - OTHER INFORMATION - CONTINUED

Commitments and Contingencies - Concluded

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.

In 2024, the District and the City of Westbrook submitted and updated Long-Term Control Plan. The plan was approved by DEP and includes a number of projects, including the construction of a storage tank in 2028. The District has engaged an engineering firm to review the required volume, possible location, and estimated costs of the storage tank.

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. Extraneous flow was abated by the City and Town and PWD completed an upgrade to the Ottawa Road Pump Station in 2024. The station's flow rate, contributions from South Portland, and any outfall volume will be monitored to determine if CSO flows have been abated.

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 2022 the parties signed an amendment for additional five-year period through the end of 2027. It is estimated that payments of approximately \$3,241,202 will be made to Casella in 2026.

All Funds - Commitments and Contingencies:

Large energy contracts with fixed rates are partially or fully locked in through the end of 2025 and the small/medium accounts are locked in through 2026. The estimated cost of electricity in 2026 is \$1,629,921.

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 contracts obligating it to annually pay \$568,410 to electricity producers for 5,561,111 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 (\$188,267), the District would generate \$1,056,616 in net energy credits, resulting in a net savings of \$488,206. The billing credit rates are established annually by the Maine Public Utilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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.

	<u>Dec. 31, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec. 31, 2025</u>
Gorham Wastewater	\$ 182,227	\$ -	\$ (182,227)	\$ -
Portland Wastewater	-	394,365	-	394,365
Westbrook Wastewater	396,688	-	(396,688)	-
Total	<u>\$ 578,915</u>	<u>\$ 394,365</u>	<u>\$ (578,915)</u>	<u>\$ 394,365</u>

Net Position

Net position invested in capital assets in each fund is net of related debt plus unspent bond proceeds:

Water Fund	\$12,756,582
Cape Elizabeth Wastewater	993,452
Cumberland Wastewater	201,436
Portland Wastewater	<u>3,966,372</u>
	<u>\$17,917,842</u>

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, 2025</u>		<u>As of January 1, 2026</u>	
	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Active employees included in plan	27	14	27	13
Retired employees and beneficiaries	117	52	117	51
Terminated employees with vested rights	<u>20</u>	<u>9</u>	<u>18</u>	<u>7</u>
	<u>164</u>	<u>75</u>	<u>162</u>	<u>71</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, 2025

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: The monthly pension benefit is computed based on a \$41.50 for all pay grades. 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 \$1,867.50

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 \$126,099 for the year ended December 31, 2025.

Funding Policy: The District's policy is to contribute at least the actuarially determined contribution (ADC) 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, 2025, a total contribution of \$1,000,000 was made with a contribution of \$520,000 and \$480,000 to the bargaining and non-bargaining units, respectively. The contributions represented 28.1% and 27.7% of the respective plan's covered compensation. These contributions were less than the combined ADC of \$1,689,638.

Net Pension (Asset) Liability: The (asset) liability as of December 31, 2025 is based an actuarial valuation as of January 1, 2026 that was adjusted back to December 31, 2025. Balances as of December 31, 2025 are, as follows:

	Bargaining Unit	Non- Bargaining Unit	Total
Pension Liabilities	\$ 16,546,313	\$ 16,132,360	\$ 32,678,673
Net Fiduciary Position (Pension Assets)	19,605,713	17,018,663	36,624,376
Net Pension (Asset) Liability	(3,059,400)	(886,303)	(3,945,703)
Deferred Outflows of resources related to Pension	(192,234)	(686,903)	(879,137)
Deferred Inflows of resources related to Pension	1,897,618	1,562,773	3,460,391
Net Carrying Amount on Statement of Net Position	<u>\$ (1,354,016)</u>	<u>\$ (10,433)</u>	<u>\$ (1,364,449)</u>
Pension (Benefit) Expense	<u>\$ (266,295)</u>	<u>\$ 175,045</u>	<u>\$ (91,250)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Changes in the Net Pension Liability (Asset): The changes in each of the pension plans for the year ended December 31, 2025 are listed below:

Bargaining Unit	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance at December 31, 2024	<u>\$ 16,825,079</u>	<u>\$ 17,450,355</u>	<u>\$ (625,276)</u>
Service cost	54,834		54,834
Interest	1,056,205		1,056,205
Difference between expected and actual experience	(182,323)		(182,323)
Change in assumptions	-		-
Benefit payments	(1,207,483)		(1,207,483)
Contribution - employer		520,000	(520,000)
Net investment income		2,900,048	(2,900,048)
Fees/Other Expenses		(57,208)	57,208
Benefit payments		(1,207,483)	1,207,483
Net Change	<u>(278,767)</u>	<u>2,155,357</u>	<u>(2,434,124)</u>
Balance at December 31, 2025	<u>\$16,546,312</u>	<u>\$19,605,712</u>	<u>\$(3,059,400)</u>

Plan fiduciary net position as a percentage of total pension liability 118%

Non-Bargaining Unit	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2024	<u>\$ 15,595,083</u>	<u>\$ 15,118,709</u>	<u>\$ 476,374</u>
Service cost	121,250		121,250
Interest	916,679		916,679
Difference between expected and actual experience	535,484		535,484
Change in assumptions	-		-
Benefit payments	(1,036,136)		(1,036,136)
Contribution - employer		480,000	(480,000)
Net investment income		2,505,657	(2,505,657)
Fees/Other Expenses		(49,567)	49,567
Benefit payments		(1,036,136)	1,036,136
Net Change	<u>537,277</u>	<u>1,899,954</u>	<u>(1,362,677)</u>
Balance at December 31, 2025	<u>\$16,132,360</u>	<u>\$17,018,663</u>	<u>\$(886,303)</u>

Plan fiduciary net position as a percentage of total pension liability 105%

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Additional information from the January 1, 2026 actuarial valuation is listed below. The valuation was updated and rolled back to the December 31, 2025 measurement date.

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Valuation date	January 1, 2026	January 1, 2026
Measurement date	December 31, 2025	December 31, 2025
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 Fair Value	5-Year Smoothed Fair Value
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	Pri-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 weighing 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, 2025 (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%	7.50%/8.50%
U.S. Equities Small	20%	6.85%/7.85%
International Developed Market Equities	15%	7.70%/7.50%
International Emerging Market Equities	5%	9.00%/8.70%
Core Bonds	20%	4.70%/3.80%
High Yield Bonds	5%	5.60%/5.50%
REIT's	5%	5.60%/6.00%
Real Assets/Private Equity	5%	8.65%/9.05%

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

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	(\$1,493,689)	(\$3,059,400)	(\$4,404,388)
Non-Bargaining Unit Net Pension Liability	\$685,306	(\$886,303)	(\$2,235,442)

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended December 31, 2025, the District recognized pension expense for the bargaining and non-bargaining unit of \$(266,295) and \$175,045, respectively. At December 31, 2025, 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>		
	<u>Bargaining</u>	<u>Non- Bargaining</u>	<u>Total</u>	<u>Bargaining</u>	<u>Non- Bargaining</u>	<u>Total</u>
Difference between Expected and Actual Expense	\$ 192,234	\$ 686,903	\$879,137	\$ 149,354	\$ -	\$ 149,354
Difference between Projected and Actual Returns	-	-	-	1,748,264	1,562,773	3,311,037
	<u>\$ 192,234</u>	<u>\$ 686,903</u>	<u>\$879,137</u>	<u>\$1,897,618</u>	<u>\$1,562,773</u>	<u>\$3,460,391</u>

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

	<u>Bargaining Unit</u>	<u>Non- Bargaining Unit</u>
Year Ending December 31:		
2026	\$ (26,420)	\$ 172,832
2027	(803,941)	(508,140)
2028	(539,072)	(293,266)
2029	(326,316)	(247,296)
2030	(9,635)	-
	<u>\$ (1,705,384)</u>	<u>\$ (875,870)</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans - Continued

Combining Statement of Fiduciary Net Position - Pension Trust Funds

December 31, 2025

	<u>Bargaining</u>	<u>Non-Bargaining</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 225,809	\$ 252,601	\$ 478,410
Investments			
Equities	\$ 12,247,152	\$ 10,412,588	\$ 22,659,740
Fixed Income & Preferreds	5,492,473	4,854,044	10,346,517
Alternatives	1,640,170	1,499,317	3,139,487
	<u>19,379,795</u>	<u>16,765,949</u>	<u>36,145,744</u>
Interest receivable	<u>109</u>	<u>113</u>	<u>222</u>
Total Assets	<u>\$ 19,605,713</u>	<u>\$ 17,018,663</u>	<u>\$ 36,624,376</u>
Restricted for pension benefits	<u>\$ 19,605,713</u>	<u>\$ 17,018,663</u>	<u>\$ 36,624,376</u>
Total Fiduciary Net Position	<u>\$ 19,605,713</u>	<u>\$ 17,018,663</u>	<u>\$ 36,624,376</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 4 - OTHER INFORMATION - CONTINUED

Pension Plans – Continued

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

Year Ended December 31, 2025

	<u>Bargaining</u>	<u>Non-Bargaining</u>	<u>Total</u>
Additions:			
Employer Contributions	\$ 520,000	\$ 480,000	\$ 1,000,000
Investment Income			
Interest and dividends	465,775	405,149	870,924
Net gain on sale of assets	237,826	219,945	457,771
Net appreciation of investments	2,196,447	1,880,563	4,077,010
Net Investment Income	<u>2,900,048</u>	<u>2,505,657</u>	<u>5,405,705</u>
Total Additions	<u>3,420,048</u>	<u>2,985,657</u>	<u>6,405,705</u>
Deductions:			
Benefits	(1,207,483)	(1,036,136)	(2,243,619)
Fees/Other Expenses	<u>(57,207)</u>	<u>(49,567)</u>	<u>(106,774)</u>
Total Deductions	<u>(1,264,690)</u>	<u>(1,085,703)</u>	<u>(2,350,393)</u>
Change in Fiduciary Net Position	2,155,358	1,899,954	4,055,312
Fiduciary Net Position - Beginning of Year	<u>17,450,355</u>	<u>15,118,709</u>	<u>32,569,064</u>
Fiduciary Net Position - End of Year	<u>\$ 19,605,713</u>	<u>\$ 17,018,663</u>	<u>\$ 36,624,376</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 4 - OTHER INFORMATION - CONCLUDED

Pension Plans - Concluded

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. Starting in 2022, the District has 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, 2026, the District implemented at average 7.4% water rate adjustment. The increase is projected to increase water revenue by an additional \$2.47 million (unaudited).

On January 10, 2026, the \$11 million BAN for the Windham fund was extended for another 12 months. It is expected that this BAN will be converted to permanent financing later in 2026.

On February 23, 2026, the District's Board approved Resolution 26-002 which authorized the issuance of up to \$19,875,000 in bonds for the Water Fund to be used for various capital projects including: water mains, treatment chemical storage, and other infrastructure projects.

In addition, during February 2026 a bond anticipation note of \$10.0 million (12 months with annual interest rate of 2.0%) was issued for the Windham WWTF project, there have been no drawdowns as of the date of this report.

On March 17, 2026, the two (2) \$5.0 BAN's for the Windham fund were extended for another 12 months. It is expected that these BAN's will be converted to permanent financing later in 2026.

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2025

Schedules of Changes in the District's Net Pension Liability (Asset) and Related Ratios - Bargaining Unit Pension Plan

	2021	2022	2023	2024	2025
Total Pension Liability					
Service cost	\$ 128,491	\$ 107,762	\$ 82,933	\$ 71,168	\$ 54,835
Interest	913,919	1,005,684	1,026,865	1,048,758	1,056,205
Change in benefit terms	-	-	-	-	-
Difference between expected & actual experience	118,140	(279,695)	376,584	284,433	(182,323)
Changes in assumptions	1,378,752	(793,502)	-	-	-
Benefit payments	(908,368)	(960,370)	(1,092,357)	(1,231,358)	(1,207,483)
Net change in total pension liability	1,630,934	(920,121)	394,025	173,001	(278,766)
Total pension liability - beginning	15,547,237	17,178,174	16,258,053	16,652,078	16,825,079
Total pension liability - ending (a)	\$ 17,178,174	\$ 16,258,053	\$ 16,652,078	\$ 16,825,079	\$ 16,546,313
Plan Fiduciary Net Position					
Contribution - employer	\$ 816,192	\$ 368,518	\$ 858,468	\$ 990,077	\$ 520,000
Net investment income (loss)	1,791,576	(2,880,591)	2,244,918	2,179,152	2,842,841
Benefit payments	(908,368)	(960,370)	(1,092,357)	(1,231,358)	(1,207,483)
Net change in plan fiduciary net position	1,699,400	(3,472,443)	2,011,029	1,937,871	2,155,358
Plan fiduciary net position - beginning	15,274,498	16,973,898	13,501,455	15,512,484	17,450,355
Plan fiduciary net position - ending (b)	\$ 16,973,898	\$ 13,501,455	\$ 15,512,484	\$ 17,450,355	\$ 19,605,713
Net pension liability (asset) - ending (a)-(b)	\$ 204,276	\$ 2,756,598	\$ 1,139,594	\$ (625,276)	\$ (3,059,400)
Plan fiduciary net position as a percentage of total pension liability	99%	83%	93%	104%	118%
Covered payroll	\$ 2,514,595	\$ 2,375,672	\$ 2,133,555	\$ 1,842,298	\$ 1,851,827
District's net pension liability (asset) as a percentage of covered payroll	8%	116%	53%	-34%	-165%

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2025

Schedules of Changes in the District's Net Pension Liability (Asset) and Related Ratios - Bargaining Unit Pension Plan - Concluded

	2016	2017	2018	2019	2020
Total Pension Liability					
Service cost	\$ 169,601	\$ 168,310	\$ 160,841	\$ 153,079	\$ 143,565
Interest	958,787	955,116	966,881	984,696	976,184
Change in benefit terms	94,108	13,576	-	124,915	-
Difference between expected and actual experience	(154,202)	136,114	(138,333)	(273,426)	(954,383)
Changes in assumptions	(504,440)	644,838	-	275,750	290,329
Benefit payments	(584,988)	(631,191)	(699,644)	(745,100)	(818,174)
Net change in total pension liability	(21,134)	1,286,763	289,745	519,914	(362,479)
Total pension liability - beginning	13,834,428	13,813,294	15,100,057	15,389,802	15,909,716
Total pension liability - ending (a)	\$ 13,813,294	\$ 15,100,057	\$ 15,389,802	\$ 15,909,716	\$ 15,547,237
Plan Fiduciary Net Position					
Contribution - employer	\$ 684,363	\$ 870,877	\$ 817,528	\$ 657,022	\$ 632,344
Net investment income (loss)	781,667	2,067,152	(889,719)	2,299,668	1,844,172
Benefit payments	(584,988)	(631,191)	(699,644)	(745,100)	(818,174)
Net change in plan fiduciary net position	881,042	2,306,838	(771,835)	2,211,590	1,658,342
Plan fiduciary net position - beginning	8,988,517	9,869,559	12,176,397	11,404,562	13,616,152
Plan fiduciary net position - ending (b)	\$ 9,869,559	\$ 12,176,397	\$ 11,404,562	\$ 13,616,152	\$ 15,274,494
Net pension liability (asset) - ending (a)-(b)	\$ 3,943,735	\$ 2,923,660	\$ 3,985,240	\$ 2,293,564	\$ 272,743
Plan fiduciary net position as a percentage of total pension liability	71%	81%	74%	86%	98%
Covered payroll	\$ 4,026,235	\$ 3,825,166	\$ 3,367,434	\$ 3,365,672	\$ 2,968,576
District's net pension liability as a percentage of covered payroll	98%	76%	118%	68%	9%

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2025

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

	2021	2022	2023	2024	2025
Total Pension Liability					
Service cost	\$ 212,609	\$ 214,702	\$ 159,373	\$ 133,217	\$ 121,250
Interest	818,185	870,282	913,717	950,455	916,679
Change in benefit terms	-	-	-	-	-
Difference between expected & actual experience	315,451	93,885	436,332	477,704	535,484
Changes in assumptions	230,871	(728,506)	-	-	-
Benefit payments	(685,250)	(788,536)	(879,947)	(956,712)	(1,036,136)
Net change in total pension liability	891,866	(338,173)	629,475	604,664	537,277
Total pension liability - beginning	13,807,251	14,699,117	14,360,944	14,990,419	15,595,083
Total pension liability - ending (a)	<u>\$14,699,117</u>	<u>\$14,360,944</u>	<u>\$14,990,419</u>	<u>\$15,595,083</u>	<u>\$16,132,360</u>
Plan Fiduciary Net Position					
Contribution - employer	\$ 608,119	\$ 330,113	\$ 666,341	\$ 609,923	\$ 480,000
Net investment income (loss)	1,563,111	(2,528,716)	1,963,061	1,898,767	2,456,090
Benefit payments	(685,250)	(788,536)	(879,947)	(956,712)	(1,036,136)
Net change in plan fiduciary net position	1,485,980	(2,987,139)	1,749,455	1,551,978	1,899,954
Plan fiduciary net position - beginning	13,318,435	14,804,415	11,817,276	13,566,731	15,118,709
Plan fiduciary net position - ending (b)	<u>\$14,804,415</u>	<u>\$11,817,276</u>	<u>\$13,566,731</u>	<u>\$15,118,709</u>	<u>\$17,018,663</u>
Net pension liability (asset) - ending (a)-(b)	<u>\$ (105,298)</u>	<u>\$ 2,543,668</u>	<u>\$ 1,423,688</u>	<u>\$ 476,374</u>	<u>\$ (886,303)</u>
Plan fiduciary net position as a percentage of total pension liability	101%	82%	91%	97%	105%
Covered payroll	\$ 2,427,926	\$ 2,213,682	\$ 2,116,317	\$ 1,782,456	\$ 1,730,475
District's net pension (asset) liability as a percentage of covered payroll	-4%	115%	67%	27%	-51%

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2025

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

	2016	2017	2018	2019	2020
Total Pension Liability					
Service cost	\$ 214,157	\$ 196,096	\$ 192,284	\$ 190,869	\$ 198,332
Interest	849,544	852,297	803,360	824,557	821,796
Change in benefit terms	-	10,063	-	-	-
Difference between expected and actual experience	(29,531)	(746,340)	43,588	185,820	(76,959)
Changes in assumptions	(324,599)	533,290	-	-	207,627
Benefit payments	(621,009)	(657,627)	(710,413)	(713,961)	(685,000)
Net change in total pension liability	88,562	187,779	328,819	487,285	465,796
Total pension liability - beginning	12,249,004	12,337,566	12,525,345	12,854,166	13,341,455
Total pension liability - ending (a)	<u>\$ 12,337,566</u>	<u>\$ 12,525,345</u>	<u>\$ 12,854,164</u>	<u>\$ 13,341,451</u>	<u>\$ 13,807,251</u>
Plan Fiduciary Net Position					
Contribution - employer	\$ 515,637	\$ 712,137	\$ 596,920	\$ 455,752	\$ 488,318
Net investment income (loss)	687,358	1,867,678	(805,757)	2,049,544	1,624,656
Benefit payments	(621,009)	(657,627)	(710,413)	(713,961)	(685,000)
Net change in plan fiduciary net position	581,986	1,922,188	(919,250)	1,791,335	1,427,974
Plan fiduciary net position - beginning	8,514,202	9,096,188	11,018,376	10,099,126	11,890,461
Plan fiduciary net position - ending (b)	<u>\$ 9,096,188</u>	<u>\$ 11,018,376</u>	<u>\$ 10,099,126</u>	<u>\$ 11,890,461</u>	<u>\$ 13,318,435</u>
Net pension liability (asset) - ending (a)-(b)	<u>\$ 3,241,378</u>	<u>\$ 1,506,969</u>	<u>\$ 2,755,038</u>	<u>\$ 1,450,990</u>	<u>\$ 488,816</u>
Plan fiduciary net position as a percentage of total pension liability	74%	88%	79%	89%	96%
Covered payroll	\$ 2,584,837	\$ 2,238,080	\$ 2,094,659	\$ 2,165,844	\$ 2,268,241
District's net pension liability as a percentage of covered payroll	125%	67%	132%	67%	22%

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2025

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, 2026 actuarial valuation report.

Additional information from the January 1, 2026 actuarial valuation follows:

Fiscal year ended	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
Bargaining Unit					
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	\$ -	\$ 2,375,595	15.5%
2023	\$ 858,468	\$ 858,468	\$ -	\$ 2,133,555	40.2%
2024	\$ 1,334,186	\$ 990,077	\$ 344,109	\$ 1,842,298	53.7%
2025	\$ 884,870	\$ 520,000	\$ 364,870	\$ 1,851,827	28.1%
Non-Bargaining Unit					
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	\$ -	\$ 1,985,002	16.6%
2023	\$ 666,341	\$ 666,341	\$ -	\$ 2,116,317	31.5%
2024	\$ 828,876	\$ 609,923	\$ 218,953	\$ 1,782,456	34.2%
2025	\$ 804,768	\$ 480,000	\$ 324,768	\$ 1,730,475	27.7%

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2025

Summary of Assumption

	<u>Bargaining Unit</u>	<u>Non-Bargaining Unit</u>
Valuation date	January 1, 2026	January 1, 2026
Measurement date	December 31, 2025	December 31, 2025
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 Fair Value	5-Year Smoothed Fair Value
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	Pri-2012 Total Dataset Employee Amount – Weighted Mortality with Scale MP-2021

Schedule of Investment Returns (Losses)

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

Year	Bargaining Unit	Non-Bargaining Unit
2016	8.38%	7.92%
2017	19.98%	19.85%
2018	-7.16%	-7.26%
2019	19.98%	20.37%
2020	12.81%	13.64%
2021	12.42%	12.43%
2022	-16.84%	-16.91%
2023	15.86%	15.85%
2024	13.60%	13.62%
2025	15.65%	15.59%

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

Board of Trustees
Portland Water District

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Portland Water District (the District), which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees
Portland Water District

Purpose of This Report

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

BMP Assurance, LLP

Portland, Maine
May 1, 2026



BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6C Order 26-012
Date of Meeting: May 26, 2026
Subject: Deferred Compensation (457) Plan Amendment
Presented By: Manny Archibald, Director of Human Resources

RECOMMENDATION

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

ORDERED, that the Second Amendment to the Portland Water District Deferred Compensation Plan, effective generally May 4, 2026, in substantially the form attached hereto as Exhibit A is hereby adopted and approved.

BACKGROUND ANALYSIS

At the March 27, 2026 meeting, the Board decided to implement the last best offer made to Teamsters Local 340. The offer included a change to the percentage of compensation on which the District provides matching contributions for certain participants who are covered by the Portland Water District Labor Agreement. The change is an increase from 4.5% to 4.75%, to be effective May 4, 2026. The Board also decided to implement an identical change to the matching contribution formula for certain participants who are not covered by the Portland Water District Labor Agreement. Subsections (a)(3)(ii) and (a)(3)(iv) of Section 3.01 of the Portland Water District Deferred Compensation Plan describe the participants to whom the change applies.

FISCAL REVIEW / FUNDING

Because the employee contribution is voluntary, it is unknown how many employees will make contributions and therefore the District's cost is unknown. Based on the number of current eligible employees, the maximum impact to the District is \$33,000 per year.

LEGAL REVIEW

Corporation and Employee Benefits Counsel reviewed the proposed motion and approved it as to form.

CONCLUSION(S)

Staff recommends the motion be forwarded to the full Board for its consideration. The Committee recommended forwarding the motion to the full Board for its consideration.

ATTACHMENT(S)

Second Amendment to the Portland Water District Deferred Compensation Plan

**SECOND AMENDMENT
TO THE
PORTLAND WATER DISTRICT
DEFERRED COMPENSATION PLAN**

The Portland Water District Deferred Compensation Plan (the “Plan”) was last restated effective January 1, 2023, and amended once since that date. The Plan is hereby further amended in the following respects:

1. The terms used in this Amendment shall have the meanings set forth in the Plan unless the context indicates otherwise.
2. Subsection (a)(3) of Section 3.01 of the Plan is hereby amended to read as follows:
3. Matching Contributions. The Employer shall make Matching Contributions as stated below:
 - (i) Matching Contributions for Participants who (a) are not covered by the Portland Water District Labor Agreement; (b) are hired prior to January 1, 2012, (c) were employed by the Portland Water District on December 31, 2011, and (d) are not making Salary Reduction Contributions, are equal to \$1.00 for each \$1.00 that the Participant contributes through Salary Deferral Contributions up to \$1,500.00 (up to \$1,225.00 for Plan Years beginning prior to January 1, 2022) for the Plan Year.
 - (ii) Matching Contributions for Participants who (a) are not covered by the Portland Water District Labor Agreement; (b) were hired after December 31, 2011; (c) only ceased to be covered by the Portland Water District Labor Agreement as a result of transfer of employment within Portland Water District that occurred after December 31, 2011; or (d) were hired prior to January 1, 2011, experiences a loss of eligibility to participate in the Portland Water District Pension Plan for Non-Union Employees due to a reduction in hours, and is making Salary Deferral Contributions, are equal to 150% of the combination of Salary Deferral Contributions and Salary Reduction Contributions. Prior to April 4, 2016, the combination of Salary Deferral Contributions and Salary Reduction Contributions which are over 3% of Compensation won't be matched. Effective on and after April 4, 2016, the combination of Salary Deferral Contributions and Salary Reduction Contributions which are over 4.5% of Compensation won't be matched. Effective on and after May 4, 2026, the combination of Salary Deferral Contributions and Salary Reduction Contributions which are over 4.75% of Compensation won't be matched.
 - (iii) Matching Contributions for Participants who (a) are covered by the Portland Water District Labor Agreement; (b) are hired prior to January 1, 2011; and (c) were employed by the Portland Water District on December 31, 2010, are equal to \$1.00 for each \$1.00 that the Participant contributes through Salary Deferral Contributions up to \$1,500.00 (up to \$1,225.00 for Plan Years beginning prior to January 1, 2022) for the Plan Year.
 - (iv) Matching Contributions for Participants (a) who are covered by the Portland Water District Labor Agreement; (b) were hired after December 31, 2010; or (c) only became covered by the Portland Water District Labor Agreement as a result of transfer of employment within the Portland Water District that occurred after December 31, 2010, are equal to 150% of the combination of Salary Deferral Contributions and Salary Reduction Contributions. Prior to April 4, 2016, the

combination of Salary Deferral Contributions and Salary Reduction Contributions which are over 3% of Compensation won't be matched. Effective on and after April 4, 2016, the combination of Salary Deferral Contributions and Salary Reduction Contributions which are over 4.5% of Compensation won't be matched. Effective on and after May 4, 2026, the combination of Salary Deferral Contributions and Salary Reduction Contributions which are over 4.75% of Compensation won't be matched.

Matching Contributions for union Employees are made as stated in the applicable collective bargaining agreement.

Matching Contributions for all Participants are subject to the Participant satisfying a six month probationary period as described in the Portland Water District Labor Agreement. Such Matching Contributions will then be made retroactive to the Participant's most recent date of hire.

Matching Contributions are calculated based on Salary Deferral Contributions and Compensation for the payroll period. Matching Contributions are made for all persons who were Active Participants at any time during that payroll period.

Matching Contributions are 100% vested when made.

Employer Contributions are allocated according to the provisions of the ALLOCATION SECTION of this article.

This Amendment shall be effective May 4, 2026.

IN WITNESS WHEREOF, to record adoption of this Amendment, the Portland Water District has caused this instrument to be executed by its duly authorized officer this ____ day of _____, 2026.

WITNESS:

PORTLAND WATER DISTRICT:

By: _____



BOARD OF TRUSTEES / AGENDA ITEM SUMMARY

Agenda Item: 6D Order 26-013
Date of Meeting: May 11, 2026
Subject: Brighton Avenue Dual Main Retirement Project
Presented By: Andrew Weaver, Project Engineer

RECOMMENDATION

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

ORDERED, funding for the Brighton Avenue Dual Water Main Abandonment Project (2026 CIP – 43/3341, the “Project”) is increased to \$2,500,000, and that the General Manager, and the Treasurer, each acting singly, are authorized to take such steps as may be necessary to accomplish the intent of the vote.

BACKGROUND

In recent coordination meetings, Maine DOT informed the District of its plan to re-pave over two miles of Brighton Avenue between Falmouth Street and Rand Road within 2-3 years. Within 0.75 miles of the DOT project area, the District owns dual parallel water mains (one along each side of the road). The older of the two mains is 6” cast iron installed in 1896 with a significant leak history (eleven recorded leaks in the project area). Brighton Avenue is a highly traveled and important roadway in the City; it is crucial to PWD’s mission to prevent leaks in such streets, which lead to costly repairs, travel disruptions, and service interruptions.

Staff planned to retire the main in phases throughout 2026 (Columbia Rd to Wayside Rd), 2027 (Wayside Rd to Essex St), and 2028 (Essex St to Kent St). During the creation of the 2026 Capital Improvement Plan, based on initial information from DOT, staff planned to retire a smaller portion of the Brighton Avenue main and only budgeted \$1,000,000. Since that time, staff have learned that the DOT is likely to advance their schedule. The City of Portland also announced a 2027 sidewalk and curb improvement project in the area. These projects create the need to abandon more pipe in 2026 than planned.

PWD solicited bids to retire the majority of the main in 2026 (Columbia Rd to Essex St) and received one bid for approximately \$3,000,000. Through negotiations, the Contractor has tentatively reduced the bid to \$2,300,000 for a reduced scope of work (Columbia Rd to Raymond Rd). Staff recommend increasing the Project budget by \$1,500,000 in order to be able to complete the intended 2026 scope of abandonment in advance of the DOT paving project. PWD intends to partner with DOT to complete the remaining retirement work (Raymond Rd to Kent St) in 2028.

FISCAL REVIEW / FUNDING

The motion does not change the total authorized capital project budget. The \$1.5 million increase to the Brighton Avenue project is offset by reductions in the Water Main Renewal project (\$500,000) and Ozone Generator Renewal Project (\$1,000,000). The project will be financed by the issuance of a water bond (\$2,000,000) and withdrawal from the Water Capital Reserve (\$500,000).

LEGAL REVIEW

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

CONCLUSION(S)

Staff recommend increasing the budget of the Brighton Avenue Dual Main Retirement Project to \$2,500,000. The Committee recommended forwarding the motion to the full Board for its consideration.

ADDITIONAL INFORMATION

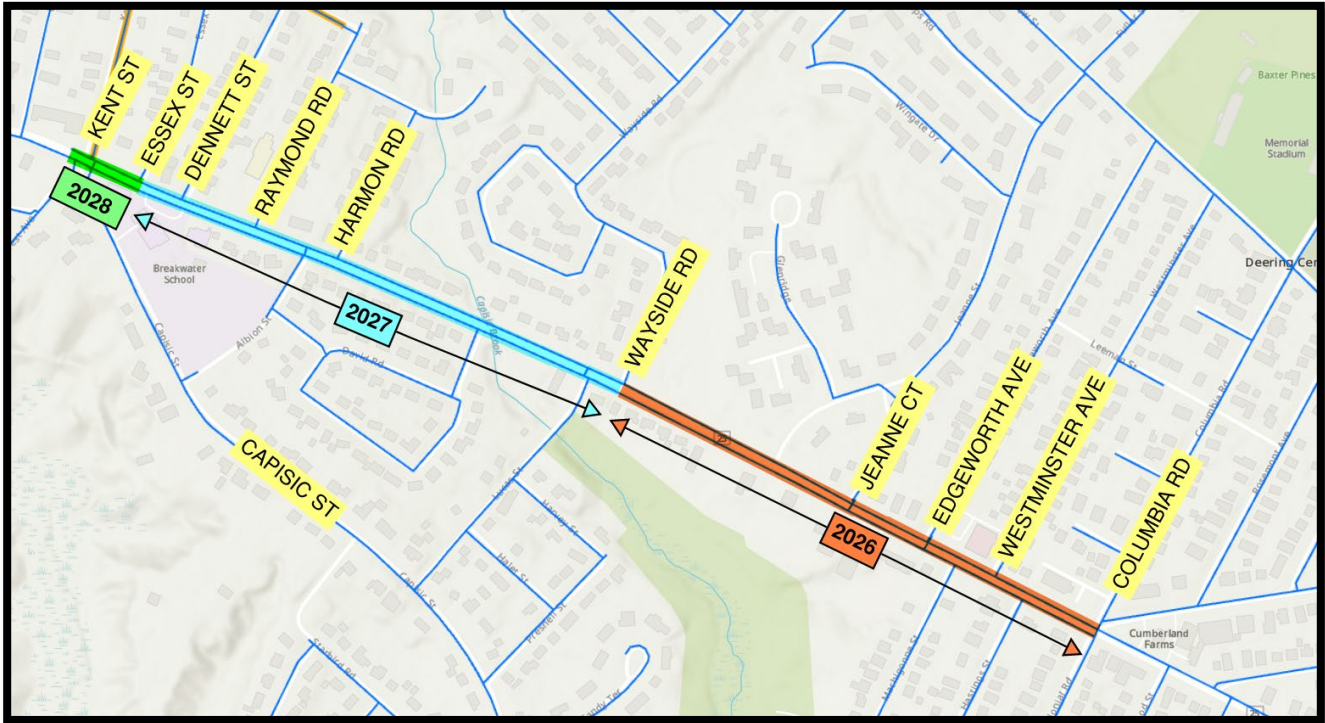


Figure 1: Original Brighton Avenue 6" Main Retirement Plan

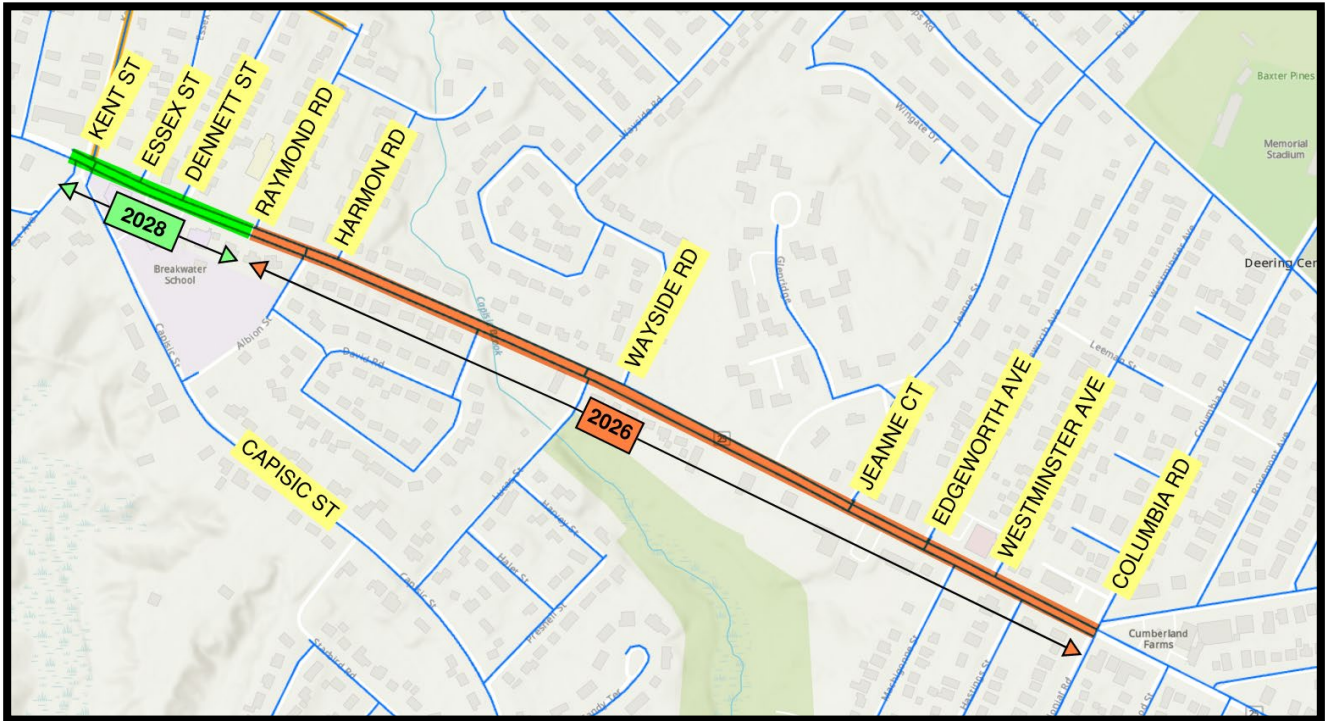


Figure 2: Revised Brighton Avenue 6" Main Retirement Plan