

Audited Financial Statements
and Other Financial Information

Alfred Water District

December 31, 2023



Proven Expertise & Integrity

ALFRED WATER DISTRICT

CONTENTS

DECEMBER 31, 2023

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
<u>BASIC FINANCIAL STATEMENTS</u>	
STATEMENT A - STATEMENT OF NET POSITION	9
STATEMENT B - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
STATEMENT C - STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12 - 22
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 <i>GOVERNMENT AUDITING STANDARDS</i>	23 - 24



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Alfred Water District
Alfred, Maine

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of 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 Alfred Water 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 Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2024, on our consideration of the Alfred Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Alfred Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alfred Water District's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
June 11, 2024

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

(UNAUDITED)

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

Financial Statement Overview

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

Basic Financial Statements

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

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

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

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

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

The District's financial statements can be found on pages 9 through 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District's financial statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

Financial Analysis of the District

Our analysis below focuses on the net position and changes in net position of the District's business-type activities. The District's total net position increased by \$52,819 from \$2,281,929 to \$2,334,748.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a balance of \$184,518 at the end of this year.

Table 1
Alfred Water District
Net Position
December 31,

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 190,387	\$ 193,165
Noncurrent assets - capital assets	4,657,748	4,699,808
Other assets	412,645	429,747
Total Assets	<u>5,260,780</u>	<u>5,322,720</u>
Deferred Outflows of Resources:		
Deferred well cleaning and tank inspection	18,724	18,165
Total Deferred Outflows of Resources	<u>18,724</u>	<u>18,165</u>
Liabilities:		
Current liabilities	105,829	139,426
Noncurrent liabilities	2,838,927	2,919,530
Total Liabilities	<u>2,944,756</u>	<u>3,058,956</u>
Net Position:		
Net investment in capital assets	1,737,585	1,672,061
Restricted	412,645	429,747
Unrestricted	184,518	180,121
Total Net Position	<u>\$ 2,334,748</u>	<u>\$ 2,281,929</u>

Revenues and Expenses

Revenues for the District decreased by 0.54%, while total expenses decreased by 6.75%. The decreases in revenue were due to a decrease in fees. The decrease in expenses was primarily due to miscellaneous expenses.

Table 2
Alfred Water District
Changes in Net Position
For the Years Ended December 31,

	<u>2023</u>	<u>2022</u>
Revenues		
Fees	\$ 514,409	\$ 538,094
Miscellaneous	31,391	10,672
Total revenues	<u>545,800</u>	<u>548,766</u>
Expenses		
Wages and benefits	182,824	177,182
Materials and supplies	24,885	30,529
Electricity and propane	20,734	22,428
Contracted services	51,925	43,282
Insurance	12,211	11,508
Transportation	5,249	3,578
Office rental	8,100	7,920
Depreciation and amortization	85,508	84,885
Miscellaneous expenses	101,545	147,341
Total expenses	<u>492,981</u>	<u>528,653</u>
Change in net position	52,819	20,113
Net Position - January 1	<u>2,281,929</u>	<u>2,261,816</u>
Net Position - December 31	<u>\$ 2,334,748</u>	<u>\$ 2,281,929</u>

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2023, the net book value of capital assets recorded by the District decreased by \$42,060 from the prior year. This decrease is the result of capital additions of \$43,448 less depreciation expense of \$85,508.

Table 3
Alfred Water District
Capital Assets (Net of Depreciation)
December 31,

	<u>2023</u>	<u>2022</u>
Land	\$ 83,587	\$ 83,587
Construction in progress	66,368	46,368
Buildings and improvements	172,689	178,558
Reservoirs and standpipes	814,215	831,416
Water treatment equipment	35,770	36,871
Pumping equipment	17,690	31,251
Transmission and distribution equipment	3,396,380	3,461,972
Miscellaneous equipment	71,049	29,785
Total	<u>\$ 4,657,748</u>	<u>\$ 4,699,808</u>

Debt

As of December 31, 2023, the District had \$2,920,163 in bonds payable outstanding compared to \$3,027,747 in the prior year, a decrease of -3.55%, as shown in Note 4 of Notes to Financial Statements.

Budgetary Highlights

The District is not legally required to adopt budgetary accounting and reporting; however, an annual budget is prepared by management and reviewed by the Board of Trustees. There were no significant variations between original and final budget amounts. The District operated within its overall approved budget in 2023.

Economic Factors and Next Year's Budgets and Rates

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

Contacting the District's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office Manager at P.O. Box 803, Alfred, Maine 04002.

ALFRED WATER DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 50,724
Accounts receivable (net of allowance for uncollectibles)	136,088
Prepaid items	3,575
Total current assets	<u>190,387</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	149,955
Buildings and equipment, net of accumulated depreciation	4,507,793
Total noncurrent assets	<u>4,657,748</u>
Other assets:	
Restricted cash and cash equivalents	398,366
Restricted investments	14,279
Total other assets	<u>412,645</u>
TOTAL ASSETS	<u>5,260,780</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred tank inspection and well cleaning	18,724
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>18,724</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,279,504</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,974
Accrued interest	13,132
Accrued liabilities	8,487
Current portion of long-term obligations	81,236
Total current liabilities	<u>105,829</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	2,838,927
Total noncurrent liabilities	<u>2,838,927</u>
TOTAL LIABILITIES	<u>2,944,756</u>
NET POSITION	
Net investment in capital assets	1,737,585
Restricted	412,645
Unrestricted	184,518
TOTAL NET POSITION	<u>2,334,748</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 5,279,504</u>

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

ALFRED WATER DISTRICT

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

OPERATING REVENUES	
Residential	\$ 218,606
Commercial	21,998
Industrial and governmental	4,631
Public authorities	57,594
Public and private fire protection	211,580
Miscellaneous revenues	17,088
TOTAL OPERATING REVENUES	<u>531,497</u>
OPERATING EXPENSES	
Wages and benefits	182,824
Materials, supplies and chemicals	24,885
Electricity and propane	20,734
Contracted services	51,925
Insurance	12,211
Transportation	5,249
Office rental	8,100
Depreciation and amortization	85,508
Miscellaneous expenses	19,485
TOTAL OPERATING EXPENSES	<u>410,921</u>
OPERATING INCOME (LOSS)	<u>120,576</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,818
Jobbing revenue	9,485
Interest expense	(82,060)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(67,757)</u>
CHANGE IN NET POSITION	52,819
NET POSITION - JANUARY 1	<u>2,281,929</u>
NET POSITION - DECEMBER 31	<u>\$ 2,334,748</u>

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

ALFRED WATER DISTRICT

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 522,859
Other receipts	17,088
Payments to suppliers	(149,130)
Payments to employees	(182,824)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>207,993</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest Income	4,818
(Increase) decrease in investments	(325)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,493</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(43,448)
Jobbing revenue	9,485
Principal paid on capital debt	(107,584)
Interest paid on capital debt	(82,060)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(223,607)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,121)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>460,211</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 449,090</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents in current assets	\$ 50,724
Restricted cash and cash equivalents	398,366
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 449,090</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 120,576
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation and amortization expense	85,508
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	8,450
(Increase) decrease in prepaid items	634
(Increase) decrease in deferred tank inspection and well cleaning	(559)
Increase (decrease) in accounts payable	(4,493)
Increase (decrease) in accrued liabilities	(2,123)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 207,993</u>

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

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Alfred Water Company was incorporated on October 3, 1911. In 2000, the stockholders of the company sold all the assets of the company to its customers for \$1.00. Alfred Water District was subsequently organized April 10, 2000 and became a quasi-municipal corporation and began serving the public on June 15, 2001. Alfred Water District has approximately 280 customers, 35,920 feet of underground water piping, forty-six (46) hydrants and pumps about 24 million gallons of water a year.

As a regulated water utility, the District is subject to regulation by the MPUC, which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters. The District defers certain costs and credits as regulatory assets and liabilities when it is probable that such amounts will be recognized in the rate making process in a period different from the period in which they would have been reflected in income by an unregulated entity.

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

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

Implementation of New Accounting Standards

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

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

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

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

Measurement Focus - Basic Financial Statements

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds used by the Department:

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

Basis of Accounting

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

1. Accrual

Proprietary funds are reported in the same way that *all* activities are reported in the government-wide financial statements, using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Certain resources of the District are set aside for the repayment of U.S. Department of Agriculture Rural Development bonds and are classified as restricted cash on the statement of net position because their use is limited by applicable bond covenants. These funds are set aside to subsidize potential deficiencies from the District's operation that could adversely affect debt service payments.

Deposits and Investments

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

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

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

The Alfred Water District has no formal investment policy but instead follows the State of Maine Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$3,600 as of December 31, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$136,088 for the year ended December 31, 2023.

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost and more than one year of useful life are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives, except for certain assets that have elected to defer a portion of the depreciation to future years to coincide with the related debt. This alternative depreciation method was approved by the Public Utilities Commission.

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

Estimated useful lives are as follows:

Buildings	20 - 50 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

All long-term obligations to be repaid from business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of bonds payable.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items reported in this category: deferred tank inspection and deferred well cleaning.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has no deferred inflows of resources. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

Encumbrance Accounting

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

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits. The District does not have a policy covering custodial credit risk for deposits. However, the District maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At December 31, 2023, the District's cash and cash equivalents and restricted cash balances amounting to \$449,090 were comprised of bank deposits of \$451,829, of which \$423,103 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining deposits of \$28,726 were uninsured and uncollateralized.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 278,726
Savings accounts	173,103
	<u>\$ 451,829</u>

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

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

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$14,279 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At December 31, 2023, the District had \$14,279 in investments in certificates of deposit. All of these investments were fully insured by federal depository insurance and consequently were not exposed to custodial credit risk.

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

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CAPITAL ASSETS

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

	Balance, 1/1/23	Additions	Disposals	Balance, 12/31/23
Non-depreciated assets:				
Land	\$ 83,587	\$ -	\$ -	\$ 83,587
Construction in progress	46,368	20,000	-	66,368
	<u>129,955</u>	<u>20,000</u>	<u>-</u>	<u>149,955</u>
Depreciated assets:				
Building and improvements	293,439	-	-	293,439
Reservoirs and standpipes	1,139,087	-	-	1,139,087
Water treatment equipment	55,071	-	-	55,071
Pumping equipment	274,740	-	-	274,740
Transmission and distribution equipment	3,880,498	12,269	-	3,892,767
Miscellaneous equipment	125,896	11,179	-	137,075
Plant acquisition adjustment	12,994	-	-	12,994
	<u>5,781,725</u>	<u>23,448</u>	<u>-</u>	<u>5,805,173</u>
Less: accumulated depreciation	(1,456,930)	(102,772)	-	(1,559,702)
Addition: deferred depreciation	245,058	17,264	-	262,322
Net depreciation	<u>(1,211,872)</u>	<u>(85,508)</u>	<u>-</u>	<u>(1,297,380)</u>
Net depreciated capital assets	<u>4,569,853</u>	<u>(62,060)</u>	<u>-</u>	<u>4,507,793</u>
Total net capital assets	<u>\$ 4,699,808</u>	<u>\$ (42,060)</u>	<u>\$ -</u>	<u>\$ 4,657,748</u>

NOTE 4 - LONG-TERM DEBT

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

	Balance, 1/1/23	Additions	Principal Payments	Balance, 12/31/23	Current Portion
Bonds Payable	<u>\$ 3,027,747</u>	<u>\$ -</u>	<u>\$ (107,584)</u>	<u>\$ 2,920,163</u>	<u>\$ 81,236</u>

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding bonds payable:

Bond payable to USDA Rural Development issued May 15, 2009 for \$250,000. Principal and interest payable in annual installments of \$10,385, through the year 2049. Interest rate is fixed at 2.750% per annum.	\$ 191,687
Bond payable to Maine Municipal Bond Bank issued October 31, 2014 for \$200,000. Principal payable in variable annual installments of \$9,863 to \$10,138 and interest payable semi-annually, through the year 2034. Interest rate is fixed at 0.145% per annum.	110,717
Bond payable to Maine Municipal Bond Bank issued September 3, 2019 for \$782,682 and received loan principal forgiveness of \$313,073. Principal payable in variable annual installments of \$14,164 to \$17,240 and interest payable semi-annually, through the year 2049. Interest rate is fixed at 0.68% per annum.	412,372
Bond payable to Maine Municipal Bond Bank issued April 24, 2019 for \$2,511,996. Principal payable in variable annual installments of \$42,632 to \$136,702 and interest payable semi-annually, through the year 2046. Interest rate is fixed at 1.820% to 4.215% per annum.	<u>2,205,387</u>
Total bonds payable	<u><u>\$ 2,920,163</u></u>

The following is a summary of bond principal and interest payments as of December 31, for the following fiscal years.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 110,639	\$ 9,542	\$ 120,181
2025	111,880	9,287	121,167
2026	113,820	9,027	122,847
2027	115,856	8,763	124,619
2028	118,012	8,494	126,506
2029-2033	628,681	38,259	666,940
2034-2038	675,821	28,800	704,621
2039-2043	711,937	20,382	732,319
2044-2048	306,296	11,641	317,937
2049-2054	27,221	1,329	28,550
	<u>\$ 2,920,163</u>	<u>\$ 145,524</u>	<u>\$ 3,065,687</u>

ALFRED WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - LONG-TERM DEBT (CONTINUED)

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended December 31, 2023 was \$82,060.

NOTE 5 - NET INVESTMENT IN CAPITAL ASSETS

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

Invested in capital assets	5,955,128
Accumulated depreciation	(1,297,380)
Outstanding capital related debt	(2,920,163)
	<u>\$ 1,737,585</u>

NOTE 6 - RESTRICTED NET POSITION

At December 31, 2023, the District had restricted net position for the following purpose:

Restricted cash and investments:	
Per loan agreements	<u>\$ 412,645</u>

NOTE 7 - CONTINGENCIES

The District is a participant in a Federal Loan program, which is governed by various rules and regulations of the grantor agencies. Costs charged to the program are subject to audit and adjustment by the grantor agency; therefore, to the extent that the District has not complied with the rules and regulations governing the loan, refunds of any money received may be required and the collectability of any related receivable at December 31, 2023 may be impaired. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 8 - COMPARATIVE DATA

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations.



Proven Expertise & Integrity

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
Alfred Water District
Alfred, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Alfred Water District as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Alfred Water District's basic financial statements and have issued our report thereon dated June 11, 2024.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of the Alfred Water District in a separate letter dated June 3, 2024.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
June 11, 2024