

**CASTINE WATER DEPARTMENT**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

**CASTINE WATER DEPARTMENT  
TABLE OF CONTENTS  
DECEMBER 31, 2020 AND 2019**

	<b>Page</b>
Independent Auditors' Report on Financial Statements	1 - 3
Management's Discussion and Analysis	4 - 7
Basic Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Fund Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 20
Supplemental Data:	
Operation and Maintenance Expenses	21





**HMV, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 543  
ELLSWORTH, MAINE 04605

207-667-5529 • 1-800-499-9108 • FAX 207-667-9915

**Partners**

*James E. McFarland, CPA*  
*Annette L. Gould, CPA*  
*Ellen Cleveland, CPA*  
*Amy J. Billings, CPA*

**INDEPENDENT AUDITORS' REPORT**

To the Board of Selectmen of the  
Town of Castine  
Castine, Maine

We have audited the accompanying financial statements consisting of the statements of net position, statements of revenues, expenses and changes in fund net position, and statements of cash flows of the Castine Water Department of the Town of Castine as of and for the years ended December 31, 2020 and 2019, which collectively comprise the Castine Water Department's basic financial statements and the related notes to the financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Castine Water Department of the Town of Castine as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Castine Water Department and do not purport to, and do not, present fairly the financial position of the Town of Castine, as of December 31, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Castine Water Department's basic financial statements. The accompanying supplementary information presented as Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The accompanying supplementary information presented as Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*HMV, LLC*

HMV, LLC  
Ellsworth, Maine  
March 29, 2021



# Castine Water Department Management's Discussion and Analysis December 31, 2020 and 2019

## Introduction of the Financial Statements

The Castine Water Department's (the Department) basic financial statements include the:

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

The statement of net position presents the financial position of the Department by providing information about the nature and amount of resources and obligations at year-end. The statement of revenues, expenses and changes in fund net position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. The statement of cash flows presents the amount of cash and cash equivalents generated and used during the fiscal year. The notes to the financial statements present required disclosures and other information that are essential to a full understanding of the material provided in the statements.

## Significant Transactions and Changes

Castine renewed its contract operations agreement with Olver Associates Engineering on 01 February, 2020 with the contract running through 01 February, 2022. The monetary increase associated with this contract renewal was negligible and the Town of Castine continues to be convinced that our town benefits from leveraging the expertise and experience of this firm.

In the previous year, Castine has continued to invest in the renovation of its infrastructure. Part of this investment was demonstrated by the town working with Olver Associates to develop and then advertise a request for proposals to subcontract the replacement and upgrade of the Town's Supervisory Control and Data Acquisition System (SCADA). On 02 October, 2020 the Town entered into a contract with MoBIUS Automation LLC to rebuild, replace and upgrade this important system. Castine has also continued to combat aging infrastructure through the fixing of 3 waterline breaks over the previous winter season. Lastly, due to trees being blown over during significant wind storms taking place in the fall and winter of 2020 and 2021, Castine is working to replace 9 broken sections of security fence surrounding our Battle Avenue Water Treatment Facility while also cutting down trees which may become problematic in the future.

## Comparison of Financial Statements for Current and Prior Years

### **Statements of Net Position**

	<b>2020</b>	<b>2019</b>
Current Assets	1,122,348	1,083,481
Capital Assets, Net	4,286,957	4,417,159
Total Assets	<u>5,409,305</u>	<u>5,500,640</u>
Current Liabilities	227,245	228,401
Non-Current Liabilities	2,137,398	2,344,756
Total Liabilities	<u>2,364,643</u>	<u>2,573,157</u>
Net Position:		
Net Investment in Capital Assets	1,942,200	1,868,175
Unrestricted	1,102,462	1,059,308
Total Net Position	<u>3,044,662</u>	<u>2,927,483</u>
Total Liabilities and Net Position	<u>5,409,305</u>	<u>5,500,640</u>

### **Statements of Revenues, Expenses and Changes in Fund Net Position**

	<b>2020</b>	<b>2019</b>
Operating Revenues	586,236	611,888
Non-Operating Revenues	137	572
Total Revenues	<u>586,373</u>	<u>612,460</u>
Operating Expenses	393,121	381,535
Non-Operating Expenses	76,073	82,229
Total Expenses	<u>469,194</u>	<u>463,764</u>
Change in Net Position	117,179	148,696
Net Position – Beginning of Year	<u>2,927,483</u>	<u>2,778,787</u>
Net Position – End of Year	<u>3,044,662</u>	<u>2,927,483</u>

### Budgetary Highlights

The Department is not legally required to adopt budgetary accounting and reporting; however, an annual budget is prepared by management, recommended by the Utility Board and approved by the Board of Selectmen. The original budget approved by the Board of Selectmen was not amended in 2020. The Department operated within its overall approved budget in 2020.

## Capital Assets and Long-Term Debt

The only capital asset addition in 2020 was pumping equipment totaling \$3,000. There were no capital asset additions in 2019.

Long-term debt outstanding, including current portion, at December 31, 2020 and 2019 was \$2,344,757 and \$2,548,984, respectively. Debt retired in 2020 and 2019 totaled \$204,228 and \$201,371, respectively. No long-term debt was issued in 2020 and 2019. There are no unfinished commitments for capital expenditures at December 31, 2020 or any debt limitations that may affect future financing. There were no changes in credit ratings in 2020.

## Overall Financial Position and Results of Operations

To analyze the change in the Department's overall financial position and results of operations in the past year, we have focused on two elements: revenue stability and financial ratios.

### **Revenue Stability:**

Water rates, both metered and fire protection, are regulated by the Maine Public Utilities Commission (MPUC). The MPUC allows the Department to set rates which maintain operations and pay debt service.

All of the Department's operating revenues are derived from water assessments consisting of metered water sales and fire protection charges. Overall, operating revenues decreased \$25,652 or 4.19% in 2020. Approximately 30% of total operating revenues are generated from public fire protection charges assessed to the Town of Castine

### **Financial Ratios:**

Two of the key financial ratios for analyzing the Department's financial position are the current ratio and the coverage ratio. The current ratio measures an entity's ability to meet short-term obligations. The coverage ratio shows an entity's ability to meet debt service payments. During 2020 the current ratio increased from 4.74 to 4.94. During 2020 the coverage ratio decreased from 1.28 to 1.16.

#### *Current Ratio*

	<b>2020</b>	<b>2019</b>
Current Assets	1,122,348	1,083,481
Current Liabilities	227,245	228,401
Current Ratio	4.94	4.74



Overall Financial Position and Results of Operations (Continued)

*Coverage Ratio*

	<b>2020</b>	<b>2019</b>
Operating Revenues	586,236	611,888
Non-Operating Revenues	137	572
Total Revenues	<u>586,373</u>	<u>612,460</u>
Operating Expenses	393,121	381,535
Depreciation	(133,202)	(134,239)
Expenses	<u>259,919</u>	<u>247,296</u>
Net Available for Debt Service	<u>326,454</u>	<u>365,164</u>
Principal Payments	204,228	201,371
Interest Payments	76,754	83,425
Total Debt Service Payments	<u>280,982</u>	<u>284,796</u>
Coverage Ratio	<u>1.16</u>	<u>1.28</u>

Next Year's Operations

Within the very near future, the Town of Castine expects to contract with a firm to develop the engineering plans to completely rebuild and upgrade a section of the town's road, sewer, water and surface drainage network. We expect to move into the engineering planning phase of this project during the current year and break ground in either 2022 or 2023.

Request For Information

Questions about the Department's finances may be directed to Karen Motycka, Finance Officer, Town of Castine, P.O. Box 204, Castine, Maine 04421.

**CASTINE WATER DEPARTMENT  
STATEMENTS OF NET POSITION  
AT DECEMBER 31,**

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Current Assets:		
Cash and Cash Equivalents	99,075	99,017
Accounts Receivable	729	4,109
Accrued Revenue	146,322	151,457
Materials and Supplies	31,994	38,634
Due From Town of Castine	844,228	790,264
Total Current Assets	<u>1,122,348</u>	<u>1,083,481</u>
Non-Current Assets:		
Plant, Property and Equipment:		
Utility Plant	6,277,248	6,275,648
Less: Accumulated Depreciation	<u>1,990,291</u>	<u>1,858,489</u>
Total Plant, Property and Equipment	<u>4,286,957</u>	<u>4,417,159</u>
Total Non-Current Assets	<u>4,286,957</u>	<u>4,417,159</u>
Total Assets	<u><u>5,409,305</u></u>	<u><u>5,500,640</u></u>
<b><i>Liabilities and Net Position</i></b>		
Current Liabilities:		
Accounts Payable	5,650	9,255
Accrued Interest	14,236	14,918
Current Portion of Long-Term Debt	<u>207,359</u>	<u>204,228</u>
Total Current Liabilities	<u>227,245</u>	<u>228,401</u>
Non-Current Liabilities:		
Long-Term Debt	<u>2,137,398</u>	<u>2,344,756</u>
Total Non-Current Liabilities	<u>2,137,398</u>	<u>2,344,756</u>
Total Liabilities	<u>2,364,643</u>	<u>2,573,157</u>
Net Position:		
Net Investment in Capital Assets	1,942,200	1,868,175
Unrestricted	<u>1,102,462</u>	<u>1,059,308</u>
Total Net Position	<u>3,044,662</u>	<u>2,927,483</u>
Total Liabilities and Net Position	<u><u>5,409,305</u></u>	<u><u>5,500,640</u></u>

*See independent auditors' report and accompanying notes to the financial statements.*



**CASTINE WATER DEPARTMENT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEARS ENDED DECEMBER 31,**

	<b>2020</b>	<b>2019</b>
Operating Revenues:		
Metered Sales	375,497	400,761
Public Fire Protection	185,500	185,500
Private Fire Protection	24,960	24,960
Other Water Revenues	279	667
Total Operating Revenues	<u>586,236</u>	<u>611,888</u>
Operating Expenses:		
Operation and Maintenance	256,411	243,767
Depreciation	133,202	134,239
Assessments	3,508	3,529
Total Operating Expenses	<u>393,121</u>	<u>381,535</u>
Net Operating Income	<u>193,115</u>	<u>230,353</u>
Non-Operating Revenues (Expenses):		
Interest Income	137	572
Interest Expense	<u>(76,073)</u>	<u>(82,229)</u>
Total Non-Operating Revenues (Expenses)	<u>(75,936)</u>	<u>(81,657)</u>
Change in Net Position	117,179	148,696
Net Position - Beginning of Year	<u>2,927,483</u>	<u>2,778,787</u>
Net Position - End of Year	<u><u>3,044,662</u></u>	<u><u>2,927,483</u></u>

*See independent auditors' report and accompanying notes to the financial statements.*



**CASTINE WATER DEPARTMENT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31,**

	<b>2020</b>	<b>2019</b>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	594,751	610,363
Payments to Suppliers	(238,620)	(218,517)
Payments to Employees	<u>(18,264)</u>	<u>(19,135)</u>
Net Cash Flows from Operating Activities	<u>337,867</u>	<u>372,711</u>
Cash Flows from Noncapital Financing Activities:		
Transfers from General Fund - Net	<u>(53,964)</u>	<u>(87,332)</u>
Net Cash Flows from Noncapital Financing Activities	<u>(53,964)</u>	<u>(87,332)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(3,000)	-
Interest Payments	(76,754)	(83,425)
Principal Payments	<u>(204,228)</u>	<u>(201,371)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(283,982)</u>	<u>(284,796)</u>
Cash Flows from Investing Activities:		
Investment Income	<u>137</u>	<u>572</u>
Net Cash Flows from Investing Activities	<u>137</u>	<u>572</u>
Net Increase (Decrease) in Cash and Cash Equivalents	58	1,155
Cash and Cash Equivalents at Beginning of Year	<u>99,017</u>	<u>97,862</u>
Cash and Cash Equivalents at End of Year	<u><u>99,075</u></u>	<u><u>99,017</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Net Operating Income	193,115	230,353
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	133,202	134,239
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	3,380	(820)
(Increase) Decrease in Accrued Revenue	5,135	(705)
(Increase) Decrease in Material and Supplies	6,640	2,128
(Decrease) Increase in Accounts Payable	<u>(3,605)</u>	<u>7,516</u>
Net Cash Flows from Operating Activities	<u><u>337,867</u></u>	<u><u>372,711</u></u>

*See independent auditors' report and accompanying notes to the financial statements.*



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

Castine Water Department's (the Department) financial statements include the operations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**Reporting Entity**

The Department is an enterprise fund within the Town of Castine and operates on revenues derived from water sales and fire protection charges regulated by the Maine Public Utilities Commission (MPUC). The financial statements of the Department include only assets, liabilities, net position, operations, and cash flows of the Department. In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. Based on the applicable criteria, there are no other entities within the Department that should be included as part of these financial statements. There are no fiduciary funds included in the Department.

**Nature of Business**

The Department supplies water and fire protection services in the Town of Castine. The Department's accounting policies conform to generally accepted accounting principles as applicable to the quasi-municipal units, which utilize the accrual basis of accounting and to the regulations of the MPUC. The major sources of revenue are metered water sales and fire protection charges. Revenue is recognized in the period when earned.

**Regulation**

As a regulated water utility, the Department is subject to regulation by the MPUC, which has jurisdiction with respect to rates, service, accounting procedures, acquisitions and other matters.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

**Restricted Resources**

The Department's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget**

The Department is not legally required to present budgetary comparison information as required supplementary information.

**Deposits and Investments**

Maine Statutes authorize investments in obligations of the U.S. Treasury and U.S Agencies, repurchase agreements, corporate stocks and bonds within statutory limits, obligations of financial institutions and mutual funds. The Department has not formally adopted deposit and investment policies that limit the Department's allowable deposits or investments and address the specific types of risk to which the Department is exposed beyond Maine Statutes.

**Cash, Cash Equivalents and Custodial Credit Risk**

For purposes of these statements, the Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. All cash is considered available for current use at December 31, 2020 and 2019. Custodial credit risk is the risk that, in the event of the bank's failure, the Department will not be able to recover the value of its deposits and investments that are in the possession of an outside party. The Department does not have policies addressing custodial credit risk.

The Department's deposits are categorized as follows to give an indication of the level of risk assumed by the Department at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Department or by the Department's agent in the Department's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the Department's name; and Category 3 includes uninsured and uncollateralized deposits.

At December 31, 2020, cash on deposit consisted of the following:

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
Cash	99,075	115,411	115,411	-0-	-0-

At December 31, 2019, cash on deposit consisted of the following:

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
Cash	99,017	115,049	115,049	-0-	-0-



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are stated at net realizable value. No allowance for doubtful accounts has been recorded in the financial statements; uncollectible accounts are written off in the year in which they are deemed uncollectible. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. The effect of using the direct write-off method has not been materially different from the results that would have been obtained under the allowance method.

**Accrued Revenue**

Accrued revenue represents revenue that was earned in the current fiscal year that was billed in the subsequent fiscal year. The revenue is recognized in the current fiscal year.

**Inventories**

Inventories of material and supplies is valued at average cost. Inventory used for capital projects is capitalized and depreciated. Inventory used for repairs is expensed in the period when the repairs occur.

**Accounts Payable**

Accounts payable represents amounts owed for goods and services that have been received prior to fiscal year end but will be paid in the next fiscal year.

**Plant, Property and Equipment**

Plant, property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of donation. Depreciation has been provided on a basis considered adequate to amortize the cost of depreciable assets over their estimated useful lives on the straight-line method at rates from 1.3% to 20%. Annual rates in use are as follows:

Structures and Improvements	3.0%
Reservoirs, Intakes and Wells	1.3% - 2.0%
Pumping and Treatment Equipment	5.0% - 10.0%
Standpipes, Mains and Hydrants	1.3% - 2.0%
Services and Meters	3.0% - 7.7%
Transportation Equipment	20.0%
General Equipment	10.0%

Organization and land costs are not being depreciated because they have indefinite useful



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capitalization Policy**

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. The amounts charged to utility plant accounts represent all reasonable and necessary costs, including labor, materials, overhead, equipment charges and interest costs incurred. Routine maintenance and repairs are expended as incurred. The Department does not have a policy setting a minimum capitalization threshold for amount or lives for reporting capital assets.

**Contributions in Aid of Construction**

Contributions in aid of construction include direct non-refundable contributions and are reported as income in the year earned. Utility plant funded by contributions is not depreciated for rate making purposes. The net contributions in aid of construction included in total net position at December 31, 2020 and 2019 is \$57,973 and \$61,732, respectively.

**Taxes**

As a governmental entity, the Department is not subject to federal and state income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

The Department is subject to federal and state payroll taxes and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of December 31, 2020 and 2019. No examinations have been conducted by the federal or state taxing authorities and no correspondence has been received from these authorities.

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

The Department follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement provides specific guidance as to which FASB and AICPA pronouncement provisions should be applied to state and local governments. The Department prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private business enterprises. Proprietary funds are accounted for on the flow of economic resources measurement. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses arise from providing goods and services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.



**CASTINE WATER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 – LONG-TERM DEBT**

Bonds payable are as follows at December 31, 2020:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bond payable to Maine Municipal Bond Bank, maturing in 2023. Interest rate of 1.42%.	51,453		12,473	38,980
Bond payable to Maine Municipal Bond Bank, maturing in 2026. Interest rate of 1.78%.	420,000		60,000	360,000
Bond payable to Maine Municipal Bond Bank, maturing in 2027. Interest rate of 0.00%.	280,084		29,331	250,753
Bond payable to Maine Municipal Bond Bank, maturing in 2030. Interest rates of 2.00% - 5.00%.	262,507		23,864	238,643
Bond payable to Maine Municipal Bond Bank, maturing in 2034. Interest rates of 0.43% - 3.79%.	396,748		21,493	375,255
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.35% - 3.89%.	831,983		42,123	789,860
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.91% - 3.50%.	306,209		14,943	291,266
Total Outstanding Debt	2,548,984		204,227	2,344,757
Less: Current Portion	<u>204,228</u>			<u>207,359</u>
Total Long-Term Debt	<u>2,344,756</u>			<u>2,137,398</u>



**CASTINE WATER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 – LONG-TERM DEBT (CONTINUED)**

Bonds payable are as follows at December 31, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2023. Interest rate of 1.42%.	63,674		12,221	51,453
Bond payable to Maine Municipal Bond Bank, maturing in 2026. Interest rate of 1.78%.	480,000		60,000	420,000
Bond payable to Maine Municipal Bond Bank, maturing in 2027. Interest rate of 0.00%.	308,018		27,934	280,084
Bond payable to Maine Municipal Bond Bank, maturing in 2030. Interest rates of 2.00% - 5.00%.	286,371		23,864	262,507
Bond payable to Maine Municipal Bond Bank, maturing in 2034. Interest rates of 0.43% - 3.79%.	417,869		21,121	396,748
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.35% - 3.89%.	873,460		41,477	831,983
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.91% - 3.50%.	320,963		14,754	306,209
Total Outstanding Debt	2,750,355		201,371	2,548,984
Less: Current Portion	<u>201,371</u>			<u>204,228</u>
Total Long-Term Debt	<u>2,548,984</u>			<u>2,344,756</u>



**CASTINE WATER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 – LONG-TERM DEBT (CONTINUED)**

The following is a schedule of maturities per year on long-term debt:

	<b>Principal</b>	<b>Interest</b>	<b>Credits</b>	<b>Total</b>
2021	207,359	73,834	(684)	280,509
2022	210,762	68,759	(699)	278,822
2023	214,443	64,281	(1,766)	276,958
2024	204,904	57,679	(1,850)	260,733
2025	208,890	51,620	(1,932)	258,578
2026-2030	739,441	167,221	(4,376)	902,286
2031-2035	536,328	59,174	-0-	595,502
2036-2037	22,630	792	-0-	23,422
	<u>2,344,757</u>	<u>543,360</u>	<u>(11,307)</u>	<u>2,876,810</u>

The Department has received credits from the Maine Municipal Bond Bank that are being recognized over the remaining lives of the respective bond issues. These credits will offset future interest expense.

**NOTE 3 – INTEREST EXPENSE**

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ending December 31, 2020 and 2019 was \$76,073 and \$82,229 respectively.

**NOTE 4 – RISK MANAGEMENT**

The Department is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Department participates in several public entity risk pools sponsored by Maine Municipal Association for the risks of losses to which it is exposed. There have been no significant reductions in the insurance coverage from the prior year. The Department is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2020 and 2019. Settlements have not exceeded insurance coverage for each of the past three years.

**NOTE 5 – CONTINGENCIES**

There are no pending legal proceedings to which the Department is a party that are material or are expected to have a material effect on the Department's financial position, results of operations or cash flows.



**CASTINE WATER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 6 – COMMITMENTS**

In 2017, the Town of Castine entered into a contract effective November 30, 2017 with Constellation NewEnergy to supply electricity to three of the Department's facilities at \$0.0604 per kilo-watt hour. The contract is effective through November 28, 2021.

In 2020, the Town of Castine entered into a contract effective November 23, 2020 with Constellation NewEnergy to supply electricity to one of the Department's facilities at \$0.0583 per kilo-watt hour. The contract is effective through November 25, 2023.

Effective February 1, 2020, the Department entered into a two year agreement with Olver Associates Inc. for operations services. The Department's cost under the agreement is \$12,417 per month.

**NOTE 7 – UTILITY PLANT**

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2020:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Organization	1,848			1,848
Land and Land Rights	25,746			25,746
Structures and Improvements	1,707,073			1,707,073
Collecting Reservoirs	101,290			101,290
Lake, River and Other Intakes	2,897			2,897
Wells and Springs	230,344			230,344
Pumping Equipment	202,355	3,000	1,400	203,955
Water Treatment Equipment	353,945			353,945
Distribution Reservoirs	1,078,948			1,078,948
Mains	2,102,846			2,102,846
Services	220,064			220,064
Meters	73,638			73,638
Hydrants	155,559			155,559
Transportation	10,633			10,633
Miscellaneous Equipment	8,462			8,462
Gross Utility Plant	6,275,648	3,000	1,400	6,277,248
Less: Accumulated Depreciation	1,858,489	133,202	1,400	1,990,291
Net Utility Plant	4,417,159	(130,202)	-	4,286,957



**CASTINE WATER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 7 – UTILITY PLANT (CONTINUED)**

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2019:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Organization	1,848			1,848
Land and Land Rights	25,746			25,746
Structures and Improvements	1,707,073			1,707,073
Collecting Reservoirs	101,290			101,290
Lake, River and Other Intakes	2,897			2,897
Wells and Springs	230,344			230,344
Pumping Equipment	202,355			202,355
Water Treatment Equipment	353,945			353,945
Distribution Reservoirs	1,078,948			1,078,948
Mains	2,102,846			2,102,846
Services	220,064			220,064
Meters	73,638			73,638
Hydrants	155,559			155,559
Transportation	10,633			10,633
Miscellaneous Equipment	8,462			8,462
Gross Utility Plant	6,275,648			6,275,648
Less: Accumulated Depreciation	1,724,250	134,239		1,858,489
Net Utility Plant	4,551,398	(134,239)		4,417,159

**NOTE 8 – NET POSITION**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following components: net investment in capital assets and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and adding back any unspent bond proceeds. The Department's net investment in capital assets was calculated as follows at December 31:

	<b>2020</b>	<b>2019</b>
Total Plant, Property and Equipment	4,286,957	4,417,159
Long-Term Debt, Including Current Portion	(2,344,757)	(2,548,984)
Total Net Investment in Capital Assets	1,942,200	1,868,175

Unrestricted consists of all other net position not included in the above category.



**CASTINE WATER DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 9 – MAJOR CUSTOMERS**

The Department derived approximately 30% of its operating revenues from the Town of Castine related to the servicing of public fire hydrants for the years ended December 31, 2020 and 2019.

The Department derived 22% and 28% of its operating revenues from Maine Maritime Academy for the years ended December 31, 2020 and 2019, respectively.

**NOTE 10 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through March 29, 2021, the date on which the financial statements were available to be issued.

The COVID-19 pandemic in the United States has caused disruption in all industries. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration. The financial impact related to this matter cannot be estimated at this time. Management has considered the consequences of COVID-19 and has determined that it does not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.



**CASTINE WATER DEPARTMENT  
OPERATION AND MAINTENANCE EXPENSES  
YEARS ENDED DECEMBER 31,**

**SCHEDULE 1**

	<b>2020</b>	<b>2019</b>
Salaries and Wages	10,300	10,300
Pensions and Benefits	7,964	8,835
Purchased Power	10,505	10,500
Materials and Supplies:		
Pumping	9,148	12,503
Treatment	24,590	23,178
Distribution	6,754	4,820
Administration	2,179	1,865
Total Materials and Supplies	<u>42,671</u>	<u>42,366</u>
Contractual Services:		
Accounting and Legal	6,250	6,050
Other	171,627	156,075
Total Contractual Services	<u>177,877</u>	<u>162,125</u>
Transportation	1,672	1,623
Insurance	1,536	3,145
All Other	<u>3,886</u>	<u>4,873</u>
Total Operation and Maintenance Expenses	<u><u>256,411</u></u>	<u><u>243,767</u></u>

*See accompanying independent auditors' report.*

