

**CASTINE WATER DEPARTMENT
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

**CASTINE WATER DEPARTMENT
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DECEMBER 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

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

Opinions

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Castine Water Department, 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.

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, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Castine Water Department'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.

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Supplementary 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. Such information 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. The 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, Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HMV, LLC

HMV, LLC
Ellsworth, Maine
May 1, 2024



Castine Water Department Management's Discussion and Analysis December 31, 2023 and 2022

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

In 2023, Castine continued its beneficial relationship with Olver Associates. In conjunction with Olver Associates, Castine has received a \$20,000 grant to upgrade the vent screening at our reservoir tank and we have applied for a \$150,000 grant to purchase and install an emergency power source for our Battle Avenue water treatment facility. In 2023, Castine invested \$32,000 in infrastructure maintenance and repair refurbishing two of the town's five water department buildings along with upgrading much of the internal machinery and electronics in one.

Next Year's Operations

While we made small, incremental energy efficiency upgrades to the town's utility departments, all grant funding was depleted before we could replace everything in all water department buildings with LED. However, completing the transition to more energy efficient lighting will remain a goal during 2024. Lastly, aging water infrastructure is an ongoing concern. The town is applying for grants to fiscally enable our community to take a step forward on the town's capital infrastructure master plan without placing an incredible burden upon our very small customer base.

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 2023. The Department operated within its overall approved budget in 2023.

Comparison of Financial Statements for Current and Prior Years

Statements of Net Position

	2023	2022
Current Assets	1,247,771	1,171,989
Capital Assets, Net	<u>3,968,303</u>	<u>4,098,534</u>
Total Assets	<u>5,216,074</u>	<u>5,270,523</u>
Current Liabilities	218,227	227,267
Non-Current Liabilities	<u>1,507,286</u>	<u>1,712,191</u>
Total Liabilities	<u>1,725,513</u>	<u>1,939,458</u>
Net Position:		
Net Investment in Capital Assets	2,256,112	2,171,899
Unrestricted	<u>1,234,449</u>	<u>1,159,166</u>
Total Net Position	<u>3,490,561</u>	<u>3,331,065</u>
Total Liabilities and Net Position	<u>5,216,074</u>	<u>5,270,523</u>

Statements of Revenues, Expenses and Changes in Fund Net Position

	2023	2022
Operating Revenues	617,838	615,600
Non-Operating Revenues	<u>376</u>	<u>95</u>
Total Revenues	<u>618,214</u>	<u>615,695</u>
Operating Expenses	395,876	393,069
Non-Operating Expenses	<u>62,842</u>	<u>67,914</u>
Total Expenses	<u>458,718</u>	<u>460,983</u>
Change in Net Position	159,496	154,712
Net Position – Beginning of Year	<u>3,331,065</u>	<u>3,176,353</u>
Net Position – End of Year	<u>3,490,561</u>	<u>3,331,065</u>

Capital Assets and Long-Term Debt

The only capital asset addition in 2023 was: pumping equipment totaling \$4,821. Capital asset additions in 2022 were: pumping equipment totaling \$17,561 and meters totaling \$5,377.

Long-term debt outstanding, including current portion, at December 31, 2023 and 2022 was \$1,712,191 and \$1,926,635, respectively. Debt retired in 2023 and 2022 totaled \$214,444 and \$210,762, respectively. No long-term debt was issued in 2023 and 2022. There are no unfinished commitments for capital expenditures at December 31, 2023 or any debt limitations that may affect future financing. There were no changes in credit ratings in 2023.

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 increased \$2,238 or 0.4% in 2023. 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 2023, the current ratio increased from 5.16 to 5.72. During 2022, the coverage ratio decreased from 1.29 to 1.28.

Current Ratio

	2023	2022
Current Assets	1,247,771	1,171,989
Current Liabilities	218,227	227,267
Current Ratio	5.72	5.16

Overall Financial Position and Results of Operations (Continued)

Coverage Ratio

	2023	2022
Operating Revenues	617,838	615,600
Non-Operating Revenues	<u>376</u>	<u>95</u>
Total Revenues	<u>618,214</u>	<u>615,695</u>
Operating Expenses	395,876	393,069
Depreciation	<u>(135,052)</u>	<u>(137,280)</u>
Expenses	<u>260,824</u>	<u>255,789</u>
Net Available for Debt Service	<u>357,390</u>	<u>359,906</u>
Principal Payments	214,444	210,762
Interest Payments	<u>64,289</u>	<u>68,775</u>
Total Debt Service Payments	<u>278,733</u>	<u>279,537</u>
Coverage Ratio	<u>1.28</u>	<u>1.29</u>

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,**

Assets	2023	2022
Current Assets:		
Cash and Cash Equivalents	105,153	99,396
Accounts Receivable	5,298	5,702
Accrued Revenue	153,016	144,238
Materials and Supplies	30,965	34,748
Due From Town of Castine	953,339	887,905
Total Current Assets	<u>1,247,771</u>	<u>1,171,989</u>
Non-Current Assets:		
Plant, Property and Equipment:		
Utility Plant	6,328,875	6,326,054
Less: Accumulated Depreciation	<u>2,360,572</u>	<u>2,227,520</u>
Total Plant, Property and Equipment	<u>3,968,303</u>	<u>4,098,534</u>
Total Non-Current Assets	<u>3,968,303</u>	<u>4,098,534</u>
Total Assets	<u><u>5,216,074</u></u>	<u><u>5,270,523</u></u>
Liabilities and Net Position		
Current Liabilities:		
Accounts Payable	2,344	398
Accrued Interest	10,978	12,425
Current Portion of Long-Term Debt	<u>204,905</u>	<u>214,444</u>
Total Current Liabilities	<u>218,227</u>	<u>227,267</u>
Non-Current Liabilities:		
Long-Term Debt	<u>1,507,286</u>	<u>1,712,191</u>
Total Non-Current Liabilities	<u>1,507,286</u>	<u>1,712,191</u>
Total Liabilities	<u>1,725,513</u>	<u>1,939,458</u>
Net Position:		
Net Investment in Capital Assets	2,256,112	2,171,899
Unrestricted	<u>1,234,449</u>	<u>1,159,166</u>
Total Net Position	<u>3,490,561</u>	<u>3,331,065</u>
Total Liabilities and Net Position	<u><u>5,216,074</u></u>	<u><u>5,270,523</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,**

	2023	2022
Operating Revenues:		
Metered Sales	407,290	405,140
Public Fire Protection	185,500	185,500
Private Fire Protection	25,048	24,960
Total Operating Revenues	<u>617,838</u>	<u>615,600</u>
Operating Expenses:		
Operation and Maintenance	257,151	252,099
Depreciation	135,052	137,280
Assessments	3,673	3,690
Total Operating Expenses	<u>395,876</u>	<u>393,069</u>
Net Operating Income	<u>221,962</u>	<u>222,531</u>
Non-Operating Revenues (Expenses):		
Interest Income	376	95
Interest Expense	(62,842)	(67,914)
Total Non-Operating Revenues (Expenses)	<u>(62,466)</u>	<u>(67,819)</u>
Change in Net Position	159,496	154,712
Net Position - Beginning of Year	<u>3,331,065</u>	<u>3,176,353</u>
Net Position - End of Year	<u><u>3,490,561</u></u>	<u><u>3,331,065</u></u>

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



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

	2023	2022
Cash Flows from Operating Activities:		
Receipts from Customers and Users	609,464	612,606
Payments to Suppliers	(237,976)	(248,079)
Payments to Employees	<u>(17,119)</u>	<u>(16,715)</u>
Net Cash Flows from Operating Activities	<u>354,369</u>	<u>347,812</u>
Cash Flows from Noncapital Financing Activities:		
Net Transfers from Town of Castine General Fund	<u>(65,434)</u>	<u>(47,615)</u>
Net Cash Flows from Noncapital Financing Activities	<u>(65,434)</u>	<u>(47,615)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(4,821)	(22,938)
Interest Payments	(64,289)	(68,775)
Principal Payments	<u>(214,444)</u>	<u>(210,762)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(283,554)</u>	<u>(302,475)</u>
Cash Flows from Investing Activities:		
Investment Income	<u>376</u>	<u>95</u>
Net Cash Flows from Investing Activities	<u>376</u>	<u>95</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,757	(2,183)
Cash and Cash Equivalents at Beginning of Year	<u>99,396</u>	<u>101,579</u>
Cash and Cash Equivalents at End of Year	<u><u>105,153</u></u>	<u><u>99,396</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Net Operating Income	221,962	222,531
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	135,052	137,280
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	404	(3,101)
(Increase) Decrease in Accrued Revenue	(8,778)	107
(Increase) Decrease in Material and Supplies	3,783	1,468
(Decrease) Increase in Accounts Payable	<u>1,946</u>	<u>(10,473)</u>
Net Cash Flows from Operating Activities	<u><u>354,369</u></u>	<u><u>347,812</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, 2023 and 2022. 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, 2023, cash on deposit consisted of the following:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
Cash	105,153	124,186	124,186	-0-	-0-

At December 31, 2022, cash on deposit consisted of the following:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
Cash	99,396	99,238	99,238	-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, 2023 and 2022 is \$46,804 and \$50,499, 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, 2023 and 2022. 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 Governmental Accounting Standards Board (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, 2023 AND 2022**

NOTE 2 – LONG-TERM DEBT

Bonds payable are as follows at December 31, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2023. Interest rate of 1.42%.	13,259		13,259	-0-
Bond payable to Maine Municipal Bond Bank, maturing in 2026. Interest rate of 1.78%.	240,000		60,000	180,000
Bond payable to Maine Municipal Bond Bank, maturing in 2027. Interest rate of 0.00%.	187,619		33,954	153,665
Bond payable to Maine Municipal Bond Bank, maturing in 2030. Interest rates of 2.00% - 5.00%.	190,914		23,864	167,050
Bond payable to Maine Municipal Bond Bank, maturing in 2034. Interest rates of 0.43% - 3.79%.	330,870		23,019	307,851
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.35% - 3.89%.	703,266		44,676	658,590
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.91% - 3.50%.	260,707		15,672	245,035
Total Outstanding Debt	1,926,635		214,444	1,712,191
Less: Current Portion	214,444			204,905
Total Long-Term Debt	<u>1,712,191</u>			<u>1,507,286</u>



**CASTINE WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 – LONG-TERM DEBT (CONTINUED)

Bonds payable are as follows at December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2023. Interest rate of 1.42%.	26,251		12,992	13,259
Bond payable to Maine Municipal Bond Bank, maturing in 2026. Interest rate of 1.78%.	300,000		60,000	240,000
Bond payable to Maine Municipal Bond Bank, maturing in 2027. Interest rate of 0.00%.	219,956		32,337	187,619
Bond payable to Maine Municipal Bond Bank, maturing in 2030. Interest rates of 2.00% - 5.00%.	214,778		23,864	190,914
Bond payable to Maine Municipal Bond Bank, maturing in 2034. Interest rates of 0.43% - 3.79%.	353,319		22,449	330,870
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.35% - 3.89%.	746,985		43,719	703,266
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 0.91% - 3.50%.	276,108		15,401	260,707
Total Outstanding Debt	2,137,397		210,762	1,926,635
Less: Current Portion	210,762			214,444
Total Long-Term Debt	<u>1,926,635</u>			<u>1,712,191</u>



**CASTINE WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 – LONG-TERM DEBT (CONTINUED)

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

	Principal	Interest	Credits	Total
2024	204,905	57,679	(1,850)	260,734
2025	208,890	51,620	(1,932)	258,578
2026	213,153	46,657	(3,138)	256,672
2027	157,813	37,616	(1,238)	194,191
2028	119,518	31,440	-	150,958
2029-2033	578,811	98,804	-	677,615
2034-2036	229,101	12,670	-	241,771
	<u>1,712,191</u>	<u>336,486</u>	<u>(8,158)</u>	<u>2,040,519</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, 2023 and 2022 was \$62,842 and \$67,914, 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, 2023 and 2022. Settlements have not exceeded insurance coverage for each of the past three years.

NOTE 5 – 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, 2023 and 2022.

The Department derived 28% and 25% of its operating revenues from Maine Maritime Academy for the years ended December 31, 2023 and 2022, respectively.



**CASTINE WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 – COMMITMENTS

Effective February 1, 2022, the Department entered into a two-year agreement with Oliver Associates Inc. for operations services. The Department's cost under the new agreement is \$12,677 per month.

NOTE 7 – UTILITY PLANT

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2023:

	Beginning Balance	Additions	Disposals	Ending Balance
Organization	1,848			1,848
Land and Land Rights	25,746			25,746
Structures and Improvements	1,709,998			1,709,998
Collecting Reservoirs	101,290			101,290
Lake, River and Other Intakes	2,897			2,897
Wells and Springs	230,344			230,344
Pumping Equipment	247,271	4,821	2,000	250,092
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	75,015			75,015
Hydrants	155,559			155,559
Transportation	10,633			10,633
Miscellaneous Equipment	9,650			9,650
Gross Utility Plant	6,326,054	4,821	2,000	6,328,875
Less: Accumulated Depreciation	2,227,520	135,052	2,000	2,360,572
Net Utility Plant	4,098,534	(130,231)	-0-	3,968,303



**CASTINE WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 – UTILITY PLANT (CONTINUED)

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2022:

	Beginning Balance	Additions	Disposals	Ending Balance
Organization	1,848			1,848
Land and Land Rights	25,746			25,746
Structures and Improvements	1,709,998			1,709,998
Collecting Reservoirs	101,290			101,290
Lake, River and Other Intakes	2,897			2,897
Wells and Springs	230,344			230,344
Pumping Equipment	235,710	17,561	6,000	247,271
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	5,377	4,000	75,015
Hydrants	155,559			155,559
Transportation	10,633			10,633
Miscellaneous Equipment	9,650			9,650
Gross Utility Plant	6,313,116	22,938	10,000	6,326,054
Less: Accumulated Depreciation	2,100,240	137,280	10,000	2,227,520
Net Utility Plant	4,212,876	(114,342)	-0-	4,098,534

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:

	2023	2023
Total Plant, Property and Equipment	3,968,303	4,098,534
Long-Term Debt, Including Current Portion	(1,712,191)	(1,926,635)
Total Net Investment in Capital Assets	<u>2,256,112</u>	<u>2,171,899</u>

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



**CASTINE WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 – 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.

NOTE 10 – DUE FROM TOWN OF CASTINE

The Town of Castine General Fund receives all customer payments for the Water Department and funds are held by the General Fund until needed by the Water Department. The Due from Town of Castine account represents funds owed to the Water Department by the General Fund.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through May 1, 2024, the date on which the financial statements were available to be issued.



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

SCHEDULE 1

	2023	2022
Salaries and Wages	10,300	9,990
Pensions and Benefits	6,819	6,725
Purchased Power	12,233	12,270
Materials and Supplies:		
Pumping	14,197	2,832
Treatment	15,397	20,018
Distribution	3,987	5,580
Administration	<u>2,451</u>	<u>2,068</u>
Total Materials and Supplies	<u>36,032</u>	<u>30,498</u>
Contractual Services:		
Accounting and Legal	8,185	6,550
Other	<u>171,817</u>	<u>174,043</u>
Total Contractual Services	<u>180,002</u>	<u>180,593</u>
Transportation	805	926
Insurance	4,486	4,911
All Other	<u>6,474</u>	<u>6,186</u>
Total Operation and Maintenance Expenses	<u><u>257,151</u></u>	<u><u>252,099</u></u>



See accompanying independent auditors' report.