

**MILO WATER DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023**

**MILO WATER DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Milo Water District

Opinions

We have audited the accompanying financial statements consisting of the statement of net position, statement of revenues, expenses and changes in fund net position, and statement of cash flows of the Milo Water District as of and for the year ended December 31, 2023, which collectively comprise the Milo Water District'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 Milo 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Milo 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 Milo 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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material 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 Milo Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Milo 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, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions and Schedule of Changes in the Total OPEB Liability and Related Ratios 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 Milo Water District'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2024 on our consideration of the Milo Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Milo 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 Milo Water District's internal control over financial reporting and compliance.

HMV, LLC

HMV, LLC
Ellsworth, Maine
August 31, 2024



**Milo Water District
Management's Discussion and Analysis
December 31, 2023**

Introduction of the Financial Statements

The Milo Water District (the District) is a small public water supplier in the Town of Milo. The Board of Trustees, Superintendent and employees strive to supply customers with safe water for domestic, municipal, industrial and commercial purposes and provide reliable service for fire protection. The District also provides wastewater collection and treatment services.

This Management's Discussion and Analysis (MD&A) serves as an introduction to the audited basic financial statements and notes. The MD&A is the District management's analysis of its financial condition and performance. It is presented to give the reader more insight on the District's finances.

The District's 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 District by providing information about the nature and number 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

The Year 2023 has been another very busy year for the District as a whole. Both of the Sewer contracts have been completed. Contract 1 with Gordons was wrapped up the previous year, Second Street PS had some warranty item repaired and is running well. Ranger has completed their contract, Harmon and Daggett Street as well as a lot of clean-ups around town where construction has been performed. Daggett Street was an addition to Contract 2 after receiving an award from USDA for an additional grant of \$95,000. Special thanks to USDA and DEP for their aid in the past couple of years to better our system for the future. We still did have SSO's on Second Street and Pleasant Street. This was due to this year's unusually higher annual rain fall in combination with our systems High I&I. The recent completed project had sealed up over 14 million gallons per year, this is a huge win for the District and clear way to explain that the work done had a profound impact on our system.

The District has been replacing meters as they are identified, to be either old or inoperable, we have completed about 1 tenth of the system.

Comparison of Financial Statements for Current and Prior Years

Statements of Net Position

	2023	2022
Current Assets	502,725	820,390
Capital Assets, Net	12,591,106	12,111,101
Other Assets	179,545	173,337
Total Assets	<u>13,273,376</u>	<u>13,104,828</u>
Deferred Outflows of Resources	<u>34,566</u>	<u>52,858</u>
Total Assets and Deferred Outflows of Resources	<u>13,307,942</u>	<u>13,157,686</u>
Current Liabilities	247,876	367,759
Non-Current Liabilities	3,378,282	3,492,465
Total Liabilities	<u>3,626,158</u>	<u>3,860,224</u>
Deferred Inflows of Resources	<u>25,726</u>	<u>36,273</u>
Net Position:		
Net Investment in Capital Assets	9,142,496	8,364,061
Restricted	12,667	8,591
Unrestricted	500,895	888,537
Total Net Position	<u>9,656,058</u>	<u>9,261,189</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>13,307,942</u>	<u>13,157,686</u>

Statements of Revenues, Expenses and Changes in Fund Net Position

	2023	2022
Operating Revenues	918,054	934,139
Non-Operating Revenues	32,612	14,336
Total Revenues	<u>950,666</u>	<u>948,475</u>
Operating Expenses	1,198,773	1,030,556
Non-Operating Expenses	69,921	82,243
Total Expenses	<u>1,268,694</u>	<u>1,112,799</u>
Change in Net Position Before CIAC	(318,028)	(164,324)
Contributions in Aid of Construction	712,897	1,159,419
Change in Net Position After CIAC	394,869	995,095
Net Position – Beginning of Year	9,261,189	8,266,094
Net Position – End of Year	<u>9,656,058</u>	<u>9,261,189</u>

Overall Financial Position and Results of Operations

To analyze the change in the District'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 District to set rates which maintain operations and pay debt service. All of the District's operating revenues are derived from water assessments, consisting of metered water sales and fire protection charges, and sewer fees for wastewater collection and treatment services. Overall operating revenues decreased \$16,085 or 2% in 2023. Approximately 30% of total operating revenues for the Water Division are generated from public fire protection charges assessed to the Town of Milo.

Financial Ratios:

Two of the key financial ratios for analyzing the District'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 decreased from 2.23 to 2.03. During 2023, the coverage ratio decreased from 0.88 to 0.51.

Current Ratio

	2023	2022
Current Assets	502,725	820,390
Current Liabilities	247,876	367,759
Current Ratio	2.03	2.23

Coverage Ratio

	2023	2022
Operating Revenues	918,054	934,139
Non-Operating Revenues	32,612	14,336
Total Revenues	<u>950,666</u>	<u>948,475</u>
Operating Expenses	1,198,773	1,030,556
Depreciation	(368,294)	(286,260)
Expenses	<u>830,479</u>	<u>744,296</u>
Net Available for Debt Service	<u>120,187</u>	<u>204,179</u>
Principal Payments	164,632	177,928
Interest Payments	70,328	54,873
Total Debt Service Payments	<u>234,960</u>	<u>232,801</u>
Coverage Ratio	<u>0.51</u>	<u>0.88</u>

Budgetary Highlights

The District is not legally required to adopt budgetary accounting and reporting; however, an annual budget is prepared by management and approved by the Board of Trustees. The original budget approved by the Board of Trustees was not amended in 2023. Overall, the District operated within its overall approved budget in 2023.

Capital Assets and Long-Term Debt

The capital asset additions for the Water Division in 2023 were pumping equipment totaling \$44,584, water treatment equipment totaling \$10,240, meters totaling \$8,649, transportation equipment totaling \$61,024 and tools totaling \$1,459.

The capital asset additions for the Sewer Division in 2023 were lagoons totaling \$117,578, pumping equipment totaling \$728,936, mains totaling \$2,281,717, services totaling \$257,020 and outside equipment totaling \$1,337.

Long-term debt outstanding, including current portion, at December 31, 2023 is \$1,942,052 for the Water Division, \$1,462,033 for the Sewer Division and \$44,525 for a truck note payable. Debt retired in 2023 totaled \$164,632. A \$50,000 note payable was issued in 2023 for a truck purchase.

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.

Next Year's Operations

Both Water and Sewer division will have rate increases that will be effective as of 1/1/2024.

MMBB Grant Fund was approved for and a Fiscal Sustainability Plan (FSP) and the plan is to update the following areas for MWD:

1. Wastewater Treatment Facility.
2. Sewer System piping/manholes.
3. SCADA System/other.

Request For Information

Questions about the District's finances and activities may be directed to Milo Water District, 146 Park Street, Milo, ME 04463.

MILO WATER DISTRICT
STATEMENT OF NET POSITION
AT DECEMBER 31, 2023

Assets and Deferred Outflows of Resources

Current Assets:

Cash	128,503
Certificates of Deposit	183,711
Accounts Receivable, Net of Allowance	97,139
Inventory	34,459
Prepaid Insurance	9,913
Accrued Revenue	49,000
Total Current Assets	<u>502,725</u>

Non-Current Assets:

Property, Plant and Equipment:	
Utility Plant - Water Division	8,659,260
Less: Accumulated Depreciation - Water Division	<u>3,361,969</u>
Net Utility Plant - Water Division	<u>5,297,291</u>
Utility Plant - Sewer Division	9,502,034
Less: Accumulated Depreciation - Sewer Division	<u>2,208,219</u>
Net Utility Plant - Sewer Division	<u>7,293,815</u>
Total Property, Plant and Equipment	12,591,106
Cash - Restricted	12,667
Investments	<u>166,878</u>
Total Non-Current Assets	<u>12,770,651</u>
Total Assets	<u>13,273,376</u>

Deferred Outflows of Resources:

Deferred Outflows - OPEB	8,309
Deferred Outflows - Pensions	<u>26,257</u>
Total Deferred Outflows of Resources	<u>34,566</u>

Total Assets and Deferred Outflows of Resources	<u><u>13,307,942</u></u>
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See independent auditors' report and accompanying notes to the financial statements.



MILO WATER DISTRICT
STATEMENT OF NET POSITION (CONTINUED)
AT DECEMBER 31, 2023

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:	
Accounts Payable	66,657
Accrued Interest	10,221
Current Portion of Note Payable	9,405
Current Portion of Long-Term Debt - Sewer Division	43,056
Current Portion of Long-Term Debt - Water Division	118,537
Total Current Liabilities	<u>247,876</u>
Non-Current Liabilities:	
Long-Term Debt:	
Note Payable	35,120
Sewer Division	1,418,977
Water Division	1,823,515
Total Long-Term Debt	3,277,612
Compensated Absences	11,423
Net OPEB Liability	21,018
Net Pension Liability	68,229
Total Non-Current Liabilities	<u>3,378,282</u>
Total Liabilities	<u>3,626,158</u>
Deferred Inflows of Resources:	
Deferred Inflows - OPEB	12,851
Deferred Inflows - Pensions	12,875
Total Deferred Inflows of Resources	<u>25,726</u>
Net Position:	
Net Investment in Capital Assets	9,142,496
Restricted	12,667
Unrestricted	500,895
Total Net Position	<u>9,656,058</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>13,307,942</u></u>

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



MILO WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2023

	Water Division	Sewer Division	Combined Totals
Operating Revenues:			
Sewer		407,203	407,203
Residential	287,106		287,106
Commercial	31,530		31,530
Industrial	9,976		9,976
Governmental	13,989		13,989
Public Fire Protection	156,800		156,800
Private Fire Protection	10,887		10,887
All Other	563		563
Total Operating Revenues	<u>510,851</u>	<u>407,203</u>	<u>918,054</u>
Operating Expenses:			
Operation and Maintenance	416,067	414,412	830,479
Depreciation	187,208	181,086	368,294
Total Operating Expenses	<u>603,275</u>	<u>595,498</u>	<u>1,198,773</u>
Net Operating Income (Loss)	<u>(92,424)</u>	<u>(188,295)</u>	<u>(280,719)</u>
Non-Operating Revenues (Expenses):			
Interest Income	5,405	7,130	12,535
Dividend Income	3,843	3,843	7,686
Other Income (Expense)	397	-	397
Unrealized Gains (Losses)	5,997	5,997	11,994
Interest Expense	<u>(47,500)</u>	<u>(22,421)</u>	<u>(69,921)</u>
Total Non-Operating Revenues (Expenses)	<u>(31,858)</u>	<u>(5,451)</u>	<u>(37,309)</u>
Change in Net Position Before Construction Contributions	<u>(124,282)</u>	<u>(193,746)</u>	<u>(318,028)</u>
Contributions in Aid of Construction			<u>712,897</u>
Change in Net Position After Construction Contributions			394,869
Net Position - Beginning of Year			<u>9,261,189</u>
Net Position - End of Year			<u>9,656,058</u>

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



MILO WATER DISTRICT
STATEMENT OF CASH FLOW
YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:	
Receipts from Customers and Users	924,862
Payments to Suppliers	(416,287)
Payments to Employees	(357,553)
Net Cash Flows from Operating Activities	<u>151,022</u>
Cash Flows from Noncapital Financing Activities:	
Other Revenues	<u>397</u>
Net Cash Flows from Noncapital Financing Activities	<u>397</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(982,097)
Construction Receipts	896,695
Interest Payments on Long-Term Debt	(70,328)
Principal Payments on Long-Term Debt	(164,632)
Net Cash Flows from Capital and Related Financing Activities	<u>(320,362)</u>
Cash Flows from Investing Activities:	
Investment Income	20,221
Proceeds From (Purchase of) Certificates of Deposit and Investments - Net	<u>57,370</u>
Net Cash Flows from Investing Activities	<u>77,591</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(91,352)
Cash and Cash Equivalents at Beginning of Year	<u>232,522</u>
Cash and Cash Equivalents at End of Year	<u><u>141,170</u></u>
Components of Cash:	
Cash	128,503
Restricted Cash	<u>12,667</u>
	<u><u>141,170</u></u>

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



MILO WATER DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

Reconciliation of Operating Income to Net Cash Flows from

Operating Activities:

Operating Income (Loss)	(280,719)
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Adjustments to Reconcile Operating Income to Net Cash

Flows from Operating Activities:

Depreciation	368,294
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Change in Operating Assets and Liabilities:

(Increase) Decrease in Accounts Receivable	5,808
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(Increase) Decrease in Inventory	(11,395)
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(Increase) Decrease in Prepaid Insurance	(4,482)
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(Increase) Decrease in Accrued Revenue	1,000
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(Increase) Decrease in Deferred Outflows - OPEB	1,314
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(Increase) Decrease in Deferred Outflows - Pensions	16,978
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Increase (Decrease) in Accounts Payable	52,483
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Increase (Decrease) in Compensated Absences	3,652
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Increase (Decrease) in Net OPEB Liability	(865)
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Increase (Decrease) in Net Pension Liability	9,501
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Increase (Decrease) in Deferred Inflows - OPEB	1,226
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Increase (Decrease) in Deferred Inflows - Pensions	(11,773)
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Net Cash Flows from Operating Activities	<u>151,022</u>
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Supplemental Disclosures of Cash Flow Information

Noncash Investing and Financing Activities:

Note Payable Incurred to Purchase a Truck	<u>50,000</u>
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See independent auditors' report and accompanying notes to the financial statements.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nature of Business

The District supplies water and fire protection services in the Town of Milo. The District also provides wastewater collection and treatment services. The District'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 Maine Public Utilities Commission (MPUC) with respect to its' water operations. The major sources of revenue are metered water sales, fire protection charges and sewer usage fees. Revenue is recognized in the period when earned.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. Based on the applicable criteria, there are no other entities within the District that should be included as part of these financial statements. There are no fiduciary funds included in the District.

Regulation

As a regulated water utility, the District is subject to regulation by the MPUC, which has jurisdiction with respect to rates, services, 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.

Budget

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

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 there reporting period. Actual results could differ from those estimates.

Restricted Resources

The District'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)

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 District has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments and address the specific types of risk to which the District is exposed beyond Maine Statutes.

Cash, Cash Equivalents and Custodial Credit Risk

For purposes of these statements, the District 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. Custodial credit risk is the risk that, in the event of the bank's failure, the District will not be able to recover the value of its deposits and investments that are in the possession of an outside party. The District does not have policies addressing custodial credit risk.

The District's deposits are categorized as follows to give an indication of the level of risk assumed by the District at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or by the District's agent in the District's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the District's name; and Category 3 includes uninsured and uncollateralized deposits. At December 31, 2023, cash and restricted cash on deposit consisted of the following:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
Cash	128,503				
Restricted Cash	12,667				
	<u>141,170</u>	206,196	-0-	-0-	-0-

Cash totaling \$12,667 at December 31, 2023, has been restricted as a debt service reserve fund as required by a bond agreement with the United States Department of Agriculture (USDA) Rural Development program.

Accounts Receivable

Accounts receivables are stated at net realizable value. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collections efforts are written off through a charge to the valuation allowance. The allowance for doubtful accounts as of December 31, 2023 was \$5,000.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

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.

Property, Plant and Equipment

Property, plant 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% to 20%. Annual rates in use are as follows:

Structures and Intakes	1.5% - 2.5%
Lagoons	1.0%
Pumping and Treatment Equipment	2.5% - 5.0%
Standpipes, Mains, Manholes and Hydrants	1.3% - 2.0%
Services and Meters	3.0% - 4.0%
Transportation Equipment	20.0%
General Equipment	5.0% - 12.5%

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

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 expensed as incurred. The District does not have a policy setting a minimum capitalization threshold for amount or lives for reporting capital assets.

Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will report a separate section of deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. The District has two items that qualifies for reporting to this category: deferred outflows – OPEB and deferred outflows – pensions.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District reports compensated absences in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16 *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits. District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination employees are paid half of unused sick leave. The sick leave liability, shown as a non-current liability titled compensated absences, was \$11,423 at December 31, 2023. Activity for compensated absences was as follows at December 31, 2023:

Beginning				Ending
Balance	Increases	Decreases		Balance
7,771	3,652	-0-		11,423

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will report a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting to this category: deferred inflows – OPEB and deferred inflows – pensions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Plan administered by the Maine Public Employees Retirement System and additions to/deductions from the PLD plan's fiduciary net position have been determined on the same basis as they are reported by the PLD plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Taxes

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

The District 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. No examinations have been conducted by the federal or state taxing authorities and no correspondence has been received from these authorities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions in Aid of Construction

Contributions in aid of construction include direct non-refundable contributions and are reported as income in the year earned. Water Division utility plant funded by contributions is not depreciated for rate making purposes as required by the MPUC. The net contributions in aid of construction for the Water Division included in total net position at December 31, 2023 is \$2,924,871.

Measurement Focus, Basis of Accounting and Basis of Presentation

The District 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 District 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 resource measurement. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, a three-tiered hierarchy of input levels is used for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of input used for fair value measurement are as follows:

Level 1: Fair values based on quoted market prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets and liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

The District's only financial instrument that is reported at fair value is investments which fall under Level 1 of the fair value hierarchy.

**MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – CONTINGENCIES

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

NOTE 3 – RISK MANAGEMENT

The District 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 District purchases commercial insurance for the risks of losses to which it is exposed. There have been no significant reductions in the commercial coverage from the prior year. The District is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2023. Settlements have not exceeded insurance coverage for each of the past three years.

NOTE 4 – INVESTMENTS

All investments are classified as available for sale, reported at fair market value and unrated. The District had the following investments at December 31, 2023:

	<u>Fair Value</u>	<u>Percent of Portfolio</u>
Certificates of Deposit	183,711	52%
Cash Reserves	2,897	1%
Mutual Funds:		
Stock Funds	8,418	2%
Bond Funds	112,010	32%
Common Stock	-0-	0%
Exchange Traded Funds	43,553	13%
	<u>350,589</u>	<u>100%</u>

The certificates of deposit are insured by Federal Deposit Insurance Corporation (FDIC) insurance at December 31, 2023. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no investments in any one issuer other than four bond funds that represent five percent or more of the District's total investments. These funds carry a Morningstar Rating greater than 4 stars.

NOTE 5 – 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 was \$47,500 for the Water Division and \$22,421 for the Sewer Division, respectively.

NOTE 6 – MAJOR CUSTOMER

The District derived approximately 30% of its Water Division operating revenues from the Town of Milo related to the servicing of public fire hydrants for the year ended December 31, 2023.



MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 – COMMITMENTS

The District has entered into an inventory management program agreement with Everett J. Prescott, Inc. Under the terms of the agreement, Everett J. Prescott, Inc. will provide water works products, materials and services for the District's annual underground water distribution system improvements program. The agreement is effective until terminated by either party. The District paid \$38,929 to Everett J. Prescott, Inc. in 2023.

NOTE 8 – UTILITY PLANT – WATER DIVISION

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

	Beginning			Ending
	Balance	Additions	Disposals	Balance
Organization	7,190			7,190
Land and Land Rights	37,975			37,975
Structures and Improvements	1,952,035			1,952,035
Lake, River and Other Intakes	375,407			375,407
Pumping Equipment	210,275	44,583	25,000	229,858
Water Treatment Equipment	796,526	10,240	7,000	799,766
Distribution Reservoirs	280,682			280,682
Mains	3,656,066			3,656,066
Services	623,763			623,763
Meters	132,793	8,649	6,000	135,442
Hydrants	243,046			243,046
Office Equipment	40,482			40,482
Transportation	116,291	61,024		177,315
Stores Equipment	8,332			8,332
Tools	8,680	1,459	1,810	8,329
Laboratory Equipment	20,301			20,301
Communication Equipment	59,995			59,995
Miscellaneous Equipment	3,276			3,276
Gross Utility Plant	8,573,115	125,955	39,810	8,659,260
Less: Accumulated Depreciation	3,214,571	187,208	39,810	3,361,969
Net Utility Plant	5,358,544	(61,253)	-0-	5,297,291



MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 – UTILITY PLANT – SEWER DIVISION

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

	Beginning Balance	Additions	Disposals	Ending Balance
Land and Land Rights	12,146			12,146
Structures and Improvements	643,587			643,587
Lagoons	1,035,696	117,578	45,000	1,108,274
Pumping Equipment	1,072,430	728,935	274,000	1,527,365
Mains	3,252,433	2,281,717	75,000	5,459,150
Services	461,274	257,020	95,000	623,294
Movable Equipment	58,471			58,471
Outside Equipment	22,920	1,337		24,257
Laboratory Equipment	45,490			45,490
Gross Utility Plant	6,604,447	3,386,587	489,000	9,502,034
Less: Accumulated Depreciation	2,516,133	181,086	489,000	2,208,219
Net Utility Plant	4,088,314	3,205,501	-0-	7,293,815

NOTE 10 – 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, restricted 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.

The District's net investment in capital assets was calculated as follows at December 31, 2023:

Total Property, Plant and Equipment	12,591,106
Current Portion of Note Payable	(9,405)
Current Portion of Long-Term Debt – Sewer Division	(43,056)
Current Portion of Long-Term Debt – Water Division	(118,537)
Total Long-Term Debt	(3,277,612)
Total Net Investment in Capital Assets	9,142,496

Restricted net position results from constraints placed by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation. The District had restricted net position in the amount of \$12,667 for a required sinking fund bond reserve at December 31, 2023. Unrestricted consists of all other net position not included in the above categories.



MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 – LONG-TERM DEBT – WATER DIVISION

Bonds payable as of December 31, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2034. Interest rate of 0.00%.	259,477		21,623	237,854
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 1.48% - 3.962%.	679,485		39,256	640,229
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 1.48% - 3.962%.	267,855		15,474	252,381
Bond payable to Maine Municipal Bond Bank, maturing in 2039. Interest rate of 1.00%.	290,603		15,768	274,835
Bond payable to Maine Municipal Bond Bank, maturing in 2041. Interest rate of 0.00%.	265,779		13,988	251,791
Bond payable to Maine Municipal Bond Bank, maturing in 2042. Interest rates of 1.48% - 4.119%.	295,528		10,566	284,962
Total Outstanding Debt	2,058,727		116,675	1,942,052
Less: Current Portion	116,676			118,537
Total Long-Term Debt	1,942,051			1,823,515



MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 – LONG-TERM DEBT – WATER DIVISION (CONTINUED)

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

	Principal	Interest	Total
2024	118,537	45,963	164,500
2025	120,677	43,823	164,500
2026	122,913	41,587	164,500
2027	125,250	39,250	164,500
2028	127,775	36,725	164,500
2029-2033	681,787	140,714	822,501
2034-2038	506,583	53,936	560,519
2039-2042	138,530	9,280	147,810
	<u>1,942,052</u>	<u>411,278</u>	<u>2,353,330</u>

NOTE 13 – LONG-TERM DEBT – SEWER DIVISION

Bonds payable as of December 31, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Bond payable to Maine Municipal Bond Bank, maturing in 2031. Interest rate of 1.00%.	127,511		13,610	113,901
Bond payable to USDA Rural Development, maturing in 2050. Interest rate of 2.25%.	177,004		4,608	172,396
Bond payable to USDA Rural Development, maturing in 2060 Interest rate of 1.375%	<u>1,200,000</u>		24,264	<u>1,175,736</u>
Total Outstanding Debt	1,504,515		42,482	1,462,033
Less: Current Portion	<u>42,483</u>			<u>43,056</u>
Total Long-Term Debt	<u>1,462,032</u>			<u>1,418,977</u>



**MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 13 – LONG-TERM DEBT – SEWER DIVISION (CONTINUED)

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

	Principal	Interest	Total
2024	43,056	21,929	64,985
2025	43,638	21,347	64,985
2026	44,228	20,757	64,985
2027	44,827	20,158	64,985
2028	45,434	19,551	64,985
2029-2033	206,674	86,991	293,665
2034-2038	175,702	71,073	246,775
2039-2043	189,565	57,210	246,775
2044-2048	204,579	42,196	246,775
2049-2053	194,412	26,520	220,932
2054-2058	190,429	13,391	203,820
2059-2060	79,489	2,040	81,529
	<u>1,462,033</u>	<u>403,163</u>	<u>1,865,196</u>

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description

Qualifying employees of the District are provided with a pension plan through the Participating Local District (PLD) Plan – a cost-sharing, multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (the System). Benefit terms are established in Maine statute. An advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms.

Pension Benefits

The plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For plan members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provide disability and death benefits by contract with plan members under applicable statutory provisions.

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 3.88%.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

For the plan, employees are required to contribute 7.70% of their annual pay if they are part of the Age 60 Plan or 6.95% of their annual pay if they are part of the Age 65 Plan. The District's contractually required contribution rate is currently 10.20%. District contributions to the pension plan were \$18,634 for the year ended December 31, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the plan, at December 31, 2023, the District reported a liability of \$68,229 for its proportionate share of the net pension liability. Activity for the net pension (asset) liability is as follows for the year ending December 31, 2023:

Beginning Balance	Increases (Decreases)	Ending Balance
58,728	9,501	68,229

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. See *Schedule of Proportionate Share of the Net Pension Liability* for the District's proportion for the plan for 2023.

For the year ended December 31, 2023, the District recognized pension expense of \$33,338.

MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At December 31, 2023, the District reported deferred outflows of resources related to pensions for the plan from the following sources:

Difference Between Expected and Actual Experience	12,667
Changes in Assumptions	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-0-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	4,709
District Contributions Subsequent to the Measurement	<u>8,881</u>
Total Deferred Outflows of Resources	<u>26,257</u>

At December 31, 2023, the District reported deferred inflows of resources related to pensions for the plan from the following sources:

Difference Between Expected and Actual Experience	-0-
Changes in Assumptions	-0-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	11,578
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>1,297</u>
Total Deferred Inflows of Resources	<u>12,875</u>

\$8,881 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date for the plan will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:

2024	3,221
2025	(11,002)
2026	11,743
2027	<u>539</u>
Total	<u>4,501</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method: The Entry Age Normal cost method is used to determine costs. Under this cost method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.



NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each member is the product of the member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method: The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of the short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization: The net pension liability is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Investment Rate of Return: 6.50% per annum, compounded annually.

Inflation Rate: 2.75%.

Annual Salary Increases, Including Inflation: 2.75% - 11.48%.

Cost of Living Benefit Increases: 1.91%.

Mortality Rates: 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, is summarized in the following table:

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Long-Term Expected Rate Of Return
Public Equities	6.0%
US Government	2.6%
Private Equity	7.6%
Real Assets:	
Real Estate	5.2%
Infrastructure	5.3%
National Resources	5.0%
Traditional Credit	3.2%
Alternative Credit	7.4%
Diversifiers	5.0%

Discount Rate

The discount rate used to measure the collective total pension liability at June 30, 2023 was 6.50% for the plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability as of June 30, 2023, calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability would be, if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
186,952	68,229	(29,708)

Components of Schedules of Pension Amounts

Net Pension Liability: Changes in net pension liability are recognized in pension expense for the year ended June 30, 2023 with the following exceptions.

NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Differences between Expected and Actual Experience: The difference between expected and actual experience with regard to economic or demographic factors are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2023, this was three years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings: Differences between projected and actual investment earnings are recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes of Assumptions: Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. See the *Notes to Required Supplemental Information* included with the financial statements for specific changes in assumptions in the 2023 valuation.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions: Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

Additional Financial and Actuarial Information

Additional financial and actuarial information with respect to the Plan can be found in the System's Comprehensive Annual Financial Reports available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Board of Trustees has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

MMEHT provides healthcare and life insurance benefits for retirees and their dependents. District employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees pay 100% of the coverage premiums, whether single plan or family plan. The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage.

The following employees were covered by the benefit terms at January 1, 2023:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	4
Total	<u>4</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The District's total OPEB liability of \$21,018 was measured as of January 1, 2023, and was determined by an actuarial valuation as of that date. Changes in the total OPEB liability for 2023 are shown below:

Balance at December 31, 2022	21,883
Changes for the Year:	
Service Cost	1,758
Interest	487
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes in Assumptions	(3,089)
Benefit Payments	<u>(21)</u>
Net Changes for the Year	<u>(865)</u>
Balance at December 31, 2023	<u>21,018</u>

MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

There is no fiduciary net position at December 31, 2023 because the plan is pay as you go and is not funded. Contributions to the plan in 2023 were \$21, which equals the plan benefit payments. Because retirees pay 100% of the coverage premiums, revenue totaling \$21, was recognized in 2023 by the District. There were no plan administrative expenses in 2023.

See the *Notes to Required Supplemental Information* included with the financial statements for changes in assumptions in the 2023 valuation. For the year ended December 31, 2023, the District recognized OPEB expense of \$82.

At December 31, 2023, the District reported deferred outflows of resources related to OPEB from the following source:

Differences Between Expected and Actual Experience	1,480
Changes in Assumptions	<u>6,829</u>
Total Deferred Outflows of Resources	<u>8,309</u>

At December 31, 2023, the District reported deferred inflows of resources related to OPEB from the following source:

Difference Between Expected and Actual Experience	9,274
Changes in Assumptions	<u>3,577</u>
Total Deferred Inflows of Resources	<u>12,851</u>

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2024	(549)
2025	(549)
2026	(549)
2027	(555)
2028	61
Thereafter	<u>(2,401)</u>
Total	<u>(4,542)</u>

Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases: 2.75% per year.

Healthcare Cost Trend Rates:

Non-Medicare Blended: 7.95% for 2023, decreasing to 4.55% for 2043.

Medicare Blended: 7.26% for 2023, decreasing to 4.55% for 2043.



NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Retirees' Share of the Benefit Related Costs: 100% of projected premiums.

Mortality Rates: RP2014 Total Dataset Healthy Annuitant Mortality Table.

The actuarial assumptions used in the January 1, 2023 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate

The rate used to measure the total OPEB liability at December 31, 2023 was 3.72% per annum. Since the plan is pay as you go and is not funded, the discount rate is based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability as of December 31, 2023 calculated using the discount rate of 3.72%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage point-point higher than the current rate:

1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
<u>25,615</u>	<u>21,018</u>	<u>17,412</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability as of December 31, 2023 as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage point-point higher than the current rates:

1% Decrease	Healthcare Trend Rates	1% Increase
<u>16,830</u>	<u>21,018</u>	<u>26,684</u>

MILO WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 16 – NOTE PAYABLE

In June 2023, the District borrowed \$50,000 from Maine Highlands Federal Credit Union for a truck purchase. This 6-year loan has an interest rate of 4.00% and requires monthly payments totaling \$921 until June of 2028. Activity for the short-term loan account is as follows at December 31:

	Beginning Balance	Increases	Decreases	Ending Balance
Total Note Payable	-0-	50,000	5,475	44,525
Less: Current Portion				9,405
Long-Term Debt				<u>35,120</u>

The following is a schedule of maturities per year for the note payable:

	Principal	Interest	Total
2024	9,405	1,646	11,051
2025	9,788	1,263	11,051
2026	10,187	864	11,051
2027	10,602	449	11,051
2028	4,543	72	4,614
	<u>44,525</u>	<u>4,295</u>	<u>48,820</u>

NOTE 17 – SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through August 31, 2024, the date the financial statements were available to be issued.

The District completed rate increases for each Division in 2023 that are effective as follows:

Water Division:	12% Increase Effective January 1, 2024 12% Increase Effective January 1, 2025
Sewer Division:	35% Increase Effective January 1, 2024 13% Increase Effective January 1, 2026



REQUIRED SUPPLEMENTAL INFORMATION

MILO WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS*

Year Ended	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered-Employee Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset) Liability
2023	0.021382%	\$68,229	\$245,900	27.75%	92.34%
2022	0.022091%	\$58,728	\$234,605	25.03%	93.26%
2021	0.017036%	(\$5,474)	\$162,250	-3.37%	100.86%
2020	0.016146%	\$64,146	\$140,938	45.51%	88.35%
2019	0.016786%	\$51,306	\$140,659	36.48%	90.62%
2018	0.017633%	\$48,255	\$139,833	34.51%	91.14%
2017	0.020459%	\$83,767	\$161,583	51.84%	86.43%
2016	0.019369%	\$102,913	\$162,309	63.41%	81.61%
2015	0.016924%	\$53,995	\$168,730	32.00%	88.30%

* Only nine years of information available

See notes to required supplementary information.



MILO WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST 10 YEARS*

Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$18,634	(\$18,634)	\$0	\$260,518	7.15%
2022	\$18,959	(\$18,959)	\$0	\$249,102	7.61%
2021	\$14,694	(\$14,694)	\$0	\$208,846	7.04%
2020	\$10,242	(\$10,242)	\$0	\$135,505	7.56%
2019	\$10,785	(\$10,785)	\$0	\$146,722	7.35%
2018	\$9,204	(\$9,204)	\$0	\$128,546	7.16%
2017	\$10,792	(\$10,792)	\$0	\$159,888	6.75%
2016	\$9,486	(\$9,486)	\$0	\$156,978	6.04%
2015	\$8,275	(\$8,275)	\$0	\$170,073	4.87%

* Only nine years of information available

See notes to required supplementary information.



MILO WATER DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS*

	2023	2022	2021	2020	2019	2018
<u>Total OPEB Liability</u>						
Service Cost	1,758	2,303	1,964	803	930	977
Interest	487	584	622	486	418	633
Changes of Benefit Terms	0	0	0	(361)	0	0
Differences Between Expected and Actual Experience	0	(7,827)	0	2,464	0	(7,173)
Changes of Assumptions	(3,089)	1,589	1,902	6,311	(1,534)	1,027
Benefit Payments	(21)	(2)	(2)	0	0	0
Net Change in Total OPEB Liability	(865)	(3,353)	4,486	9,703	(186)	(4,536)
Total OPEB Liability - Beginning	21,883	25,236	20,750	11,047	11,233	15,769
Total OPEB Liability - Ending	21,018	21,883	25,236	20,750	11,047	11,233
<u>Plan Fiduciary Net Position</u>						
Contributions - Employer	21	2	2	0	0	0
Contributions - Member	0	0	0	0	0	0
Net Investment Income	0	0	0	0	0	0
Benefit Payments	(21)	(2)	(2)	0	0	0
Administrative Expense	0	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	0	0	0	0	0	0
Plan Fiduciary Net Position - Beginning	0	0	0	0	0	0
Plan Fiduciary Net Position - Ending	0	0	0	0	0	0
Net OPEB Liability - Ending	21,018	21,883	25,236	20,750	11,047	11,233
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered Employee Payroll	186,630	186,630	178,000	178,000	97,000	97,000
Net OPEB Liability as a Percentage of Covered Employee Payroll	11.30%	11.70%	14.20%	11.70%	11.40%	11.60%

* Only six years of information available

See notes to required supplementary information.



**MILO WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2023**

NET PENSION LIABILITY

Changes of Benefit Terms: None

Changes of Assumptions: None

NET OPEB LIABILITY

Changes of Benefit Terms: None

Changes of Assumptions:

Discount Rate

2023 Valuation: 3.72% per annum

2022 Valuation: 2.06% per annum



OTHER SUPPLEMENTAL DATA

MILO WATER DISTRICT
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2023

SCHEDULE 1

	<i>Water Division</i>	<i>Sewer Division</i>	<i>Combined Totals</i>
Salaries and Wages	109,309	124,354	233,663
Pensions and Benefits	71,951	71,972	143,923
Power	47,139	70,660	117,799
Chemicals	24,176	4,972	29,148
Materials and Supplies	73,653	80,526	154,179
Contractual Services	50,881	29,239	80,120
Transportation	9,553	9,553	19,106
Insurance	9,860	9,860	19,720
Bad Debt Expense	2,500	2,500	5,000
All Other	<u>17,045</u>	<u>10,776</u>	<u>27,821</u>
Total Operation and Maintenance Expenses	<u><u>416,067</u></u>	<u><u>414,412</u></u>	<u><u>830,479</u></u>

See accompanying independent auditors' report.





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**INDEPENDENT AUDITORS' 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**

To the Board of Trustees
Milo Water District

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 consisting of the statement of net position, statement of revenues, expenses and changes in fund net position and statement of cash flows of the Milo Water District, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Milo Water District's basic financial statements and have issued our report thereon, dated August 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Milo 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 Milo Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Milo 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Milo 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

HMV, LLC

HMV, LLC
Ellsworth, Maine
August 31, 2024

