

**MILO WATER DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2022**

**MILO WATER DISTRICT**  
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**DECEMBER 31, 2022**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Milo Water District

**Report on the Audit of the Financial Statements**

***Opinion***

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, 2022, 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, 2022, 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 Opinion***

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 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 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.

### ***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 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 Schedule 1 and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 and the Schedule of Expenditures of Federal Awards are 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 July 5, 2023 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  
July 5, 2023



**Milo Water District  
Management's Discussion and Analysis  
December 31, 2022**

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

2022 has been a very busy year for the District as a whole. Both of the Sewer contracts were in full swing. Contract 1 with Gordons was completed in August and the District has been chasing some issues with Second Street Pump Station.

Ranger has completed the bulk of their contract. Most of the work that needed to be completed were the two streets of Harmon and Daggett Street as well as a lot of clean-up around town where construction had been performed.

Daggett Street was an addition to Contract 2 after receiving an award from USDA for an additional grant of \$95,000.

### Significant Transactions and Changes (Continued)

The Sewer system has had a rough year with SSOs, specifically Daggett Street. In 2023, the District intends to rectify the problem by utilizing a USDA grant. The system has pushed through the year with no letters of warning. In addition, we have solved issues at various pump stations and will strive to complete the preventative replacement and maintenance of the equipment currently in operation.

The Water system has been having a good year. There are a couple of minor issues with the aging equipment we have on hand. Like the previous year, we are going to keep striving to slowly replace and maintain the new equipment so that we are utilizing new technologies for process control.

Milo Water District has passed the PFAS / PFOA first round of testing, the results were that no PFAS / PFOA were found in the Sebec River.

### Comparison of Financial Statements for Current and Prior Years

#### **Statements of Net Position**

	<b>2022</b>	<b>2021</b>
Current Assets	820,390	436,882
Capital Assets, Net	12,111,101	10,422,793
Other Assets	173,337	445,179
Total Assets	<u>13,104,828</u>	<u>11,304,854</u>
Deferred Outflows of Resources	<u>52,858</u>	<u>41,728</u>
Total Assets and Deferred Outflows of Resources	<u>13,157,686</u>	<u>11,346,582</u>
Current Liabilities	367,759	608,075
Non-Current Liabilities	<u>3,492,465</u>	<u>2,390,706</u>
Total Liabilities	<u>3,860,224</u>	<u>2,998,781</u>
Deferred Inflows of Resources	<u>36,273</u>	<u>81,707</u>
Net Position:		
Net Investment in Capital Assets	8,364,061	7,476,132
Restricted	8,591	8,591
Unrestricted	<u>888,537</u>	<u>781,371</u>
Total Net Position	<u>9,261,189</u>	<u>8,266,094</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>13,157,686</u>	<u>11,346,582</u>

## Comparison of Financial Statements for Current and Prior Years (Continued)

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

	<b>2022</b>	<b>2021</b>
Operating Revenues	934,139	892,562
Non-Operating Revenues	<u>14,336</u>	<u>20,566</u>
Total Revenues	<u>948,475</u>	<u>913,128</u>
Operating Expenses	1,030,556	862,431
Non-Operating Expenses	<u>82,243</u>	<u>57,125</u>
Total Expenses	<u>1,112,799</u>	<u>919,556</u>
Change in Net Position Before CIAC	(164,324)	(6,428)
Contributions in Aid of Construction	<u>1,159,419</u>	<u>277,453</u>
Change in Net Position After CIAC	995,095	271,025
Net Position – Beginning of Year	<u>8,266,094</u>	<u>7,995,069</u>
Net Position – End of Year	<u>9,261,189</u>	<u>8,266,094</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 2022. Overall, the District operated within its overall approved budget in 2022.

### 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 increased \$41,577 or 5% in 2022. Approximately 30% of total operating revenues for the Water Division are generated from public fire protection charges assessed to the Town of Milo.



## Overall Financial Position and Results of Operations (Continued)

### **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 2022, the current ratio increased from 0.72 to 2.23. During 2022, the coverage ratio decreased from 1.46 to 0.88.

#### *Current Ratio*

	<b>2022</b>	<b>2021</b>
Current Assets	820,390	436,882
Current Liabilities	367,759	608,075
Current Ratio	2.23	0.72

#### *Coverage Ratio*

	<b>2022</b>	<b>2021</b>
Operating Revenues	934,139	892,562
Non-Operating Revenues	14,336	20,566
Total Revenues	<u>948,475</u>	<u>913,128</u>
Operating Expenses	1,030,556	862,431
Depreciation	<u>(286,260)</u>	<u>(287,118)</u>
Expenses	<u>744,296</u>	<u>575,313</u>
Net Available for Debt Service	<u>204,179</u>	<u>337,815</u>
Principal Payments	177,928	174,990
Interest Payments	<u>54,873</u>	<u>56,325</u>
Total Debt Service Payments	<u>232,801</u>	<u>231,315</u>
Coverage Ratio	<u>0.88</u>	<u>1.46</u>

### Capital Assets and Long-Term Debt

The capital asset additions for the Water Division in 2022 were pumping equipment totaling \$3,435, meters totaling \$3,063, tools totaling \$1,443, and communication equipment totaling \$3,194. The capital asset additions for the Sewer Division in 2022 were pumping equipment totaling \$3,419.

Long-term debt outstanding, including current portion, at December 31, 2022 is \$2,058,727 for the Water Division and \$1,504,515 for the Sewer Division. Debt retired in 2022 totaled \$177,928. In 2022, a forty year \$1,200,000 USDA Rural Development bond with a 1.375% interest rate was issued for the Sewer Division.

### Capital Assets and Long-Term Debt (Continued)

There are no debt limitations that may affect future financing and there were no changes in credit ratings in 2022 for the District. At December 31, 2022, the District had committed to and signed construction contracts which remained incomplete with a remaining balance of \$536,745.

### Next Year's Operations

Our goals for this year are to assist in completing the sewer main and pump station upgrades, continue to identify and replace outdated procedures and equipment to provide clean drinking water to the residents here in the Town of Milo and to discharge treated water to the river for people and ecosystems downstream from our wastewater discharge.

### 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, 2022**

***Assets and Deferred Outflows of Resources***

Current Assets:

Cash	223,931
Certificate of Deposit	231,219
Accounts Receivable	102,947
Grant Receivable	183,798
Inventory	23,064
Prepaid Insurance	5,431
Accrued Revenue	50,000

Total Current Assets	<u>820,390</u>
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Non-Current Assets:

Property, Plant and Equipment:

Utility Plant - Water Division	8,573,115
Less: Accumulated Depreciation - Water Division	<u>3,214,571</u>
Net Utility Plant - Water Division	<u>5,358,544</u>
Utility Plant - Sewer Division	6,604,447
Less: Accumulated Depreciation - Sewer Division	<u>2,516,133</u>
Net Utility Plant - Sewer Division	<u>4,088,314</u>
Construction Work in Progress	<u>2,664,243</u>

Total Property, Plant and Equipment	12,111,101
Cash - Restricted	8,591
Investments	<u>164,746</u>

Total Non-Current Assets	<u>12,284,438</u>
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Total Assets	<u>13,104,828</u>
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Deferred Outflows of Resources:

Deferred Outflows - OPEB	9,623
Deferred Outflows - Pensions	<u>43,235</u>

Total Deferred Outflows of Resources	<u>52,858</u>
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Total Assets and Deferred Outflows of Resources	<u><u>13,157,686</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, 2022**

***Liabilities, Deferred Inflows of Resources and Net Position***

Current Liabilities:	
Accounts Payable - Operating	14,174
Accounts Payable - Construction	183,798
Accrued Interest	10,628
Current Portion of Long-Term Debt - Water Division	116,676
Current Portion of Long-Term Debt - Sewer Division	42,483
Total Current Liabilities	<u>367,759</u>
Non-Current Liabilities:	
Long-Term Debt:	
Water Division	1,942,051
Sewer Division	1,462,032
Total Long-Term Debt	3,404,083
Compensated Absences	7,771
Net OPEB Liability	21,883
Net Pension (Asset) Liability	58,728
Total Non-Current Liabilities	<u>3,492,465</u>
Total Liabilities	<u>3,860,224</u>
Deferred Inflows of Resources:	
Deferred Inflows - OPEB	11,625
Deferred Inflows - Pensions	24,648
Total Deferred Inflows of Resources	<u>36,273</u>
Net Position:	
Net Investment in Capital Assets	8,364,061
Restricted	8,591
Unrestricted	888,537
Total Net Position	<u>9,261,189</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>13,157,686</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, 2022**

	<b>Water Division</b>	<b>Sewer Division</b>	<b>Combined Totals</b>
Operating Revenues:			
Sewer		412,846	412,846
Residential	298,178		298,178
Commercial	32,514		32,514
Industrial	9,976		9,976
Governmental	12,787		12,787
Public Fire Protection	156,800		156,800
Private Fire Protection	10,887		10,887
All Other	151		151
Total Operating Revenues	<u>521,293</u>	<u>412,846</u>	<u>934,139</u>
Operating Expenses:			
Operation and Maintenance	344,335	396,164	740,499
Depreciation	174,368	111,892	286,260
Assessments	3,797	-	3,797
Total Operating Expenses	<u>522,500</u>	<u>508,056</u>	<u>1,030,556</u>
Net Operating Income (Loss)	<u>(1,207)</u>	<u>(95,210)</u>	<u>(96,417)</u>
Non-Operating Revenues (Expenses):			
Interest Income	1,967	4,381	6,348
Dividend Income	3,031	3,031	6,062
Other Income (Expense)	1,926	-	1,926
Unrealized Gains (Losses)	(13,495)	(13,495)	(26,990)
Interest Expense	(48,455)	(6,798)	(55,253)
Total Non-Operating Revenues (Expenses)	<u>(55,026)</u>	<u>(12,881)</u>	<u>(67,907)</u>
Change in Net Position Before Construction Contributions	<u>(56,233)</u>	<u>(108,091)</u>	<u>(164,324)</u>
Contributions in Aid of Construction			<u>1,159,419</u>
Change in Net Position After Construction Contributions			995,095
Net Position - Beginning of Year			<u>8,266,094</u>
Net Position - End of Year			<u>9,261,189</u>

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



**MILO WATER DISTRICT**  
**STATEMENT OF CASH FLOW**  
**YEAR ENDED DECEMBER 31, 2022**

Cash Flows from Operating Activities:	
Receipts from Customers and Users	912,925
Payments to Suppliers	(384,428)
Payments to Employees	(355,839)
Net Cash Flows from Operating Activities	<u>172,658</u>
Cash Flows from Noncapital Financing Activities:	
Other Revenues	<u>1,926</u>
Net Cash Flows from Noncapital Financing Activities	<u>1,926</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(1,996,261)
Short-Term Financing Receipts (Payments) - Net	(200,000)
Proceeds from Bonds Issued	1,200,000
Construction Receipts	975,621
Interest Payments on Long-Term Debt	(54,873)
Principal Payments on Long-Term Debt	(177,928)
Net Cash Flows from Capital and Related Financing Activities	<u>(253,441)</u>
Cash Flows from Investing Activities:	
Investment Income	12,410
Proceeds From (Purchase of) Certificates of Deposit and Investments - Net	<u>13,633</u>
Net Cash Flows from Investing Activities	<u>26,043</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,814)
Cash and Cash Equivalents at Beginning of Year	<u>285,336</u>
Cash and Cash Equivalents at End of Year	<u><u>232,522</u></u>
Components of Cash:	
Cash	223,931
Restricted Cash	<u>8,591</u>
	<u><u>232,522</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, 2022**

Reconciliation of Operating Income to Net Cash Flows from

Operating Activities:

Operating Income (Loss)	(96,417)
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Adjustments to Reconcile Operating Income to Net Cash

Flows from Operating Activities:

Depreciation	286,260
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Change in Operating Assets and Liabilities:

(Increase) Decrease in Accounts Receivable	(18,129)
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(Increase) Decrease in Inventory	257
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(Increase) Decrease in Prepaid Insurance	(348)
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(Increase) Decrease in Accrued Revenue	(3,085)
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(Increase) Decrease in Deferred Outflows - OPEB	(275)
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(Increase) Decrease in Deferred Outflows - Pensions	(10,855)
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Increase (Decrease) in Accounts Payable - Operating	(239)
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Increase (Decrease) in Compensated Absences	74
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Increase (Decrease) in Net OPEB Liability	(3,353)
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Increase (Decrease) in Net Pension Liability	64,202
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Increase (Decrease) in Deferred Inflows - OPEB	6,245
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Increase (Decrease) in Deferred Inflows - Pensions	(51,679)
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Net Cash Flows from Operating Activities

<u>172,658</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.





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

**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.

**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, 2022. 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, 2022, cash and restricted cash on deposit consisted of the following:

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>
Cash	223,931				
Restricted Cash	8,591				
	<u>232,522</u>	530,453	431,121	-0-	99,332

Cash totaling \$8,591 at December 31, 2022, 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.

**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.

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

**Accounts Receivable**

Accounts receivables 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 to be 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.

**Grants Receivable and Construction Accounts Payable**

The Sewer Division has a construction project that is being funded with a combination of loan and grant funds. At December 31, 2022, construction bills totaling \$183,798 had been incurred and unpaid and are shown as Accounts Payable - Construction. These bills were paid with grant funds in 2023 so Grant Receivable totaling \$183,798 is also shown in the financial statements.

**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.

**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.

**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.



**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 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.

**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 \$7,771 at December 31, 2022. Activity for compensated absences was as follows at December 31, 2022:

<b>Beginning</b>				<b>Ending</b>
<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>		<b>Balance</b>
7,697	74	-0-		7,771

**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.



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

**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.

**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, 2022 is \$2,993,527.

**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.

**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, 2022. 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)**

**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.

**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, 2022. 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, 2022:

	<b>Fair Value</b>	<b>Percent of Portfolio</b>
Certificates of Deposit	231,219	58%
Cash Reserves	2,342	1%
Mutual Funds:		
Stock Funds	2,977	1%
Bond Funds	90,027	23%
Common Stock	32,265	8%
Exchange Traded Funds	37,135	9%
	<u>395,965</u>	<u>100%</u>

The certificates of deposit are insured by Federal Deposit Insurance Corporation (FDIC) insurance at December 31, 2022. 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 two 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, 2022 was \$48,455 for the Water Division and \$6,798 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, 2022.

**NOTE 7 – COMMITMENTS**

At December 31, 2022, the District had committed to and signed construction contracts which remained incomplete with a remaining balance of \$536,745.

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 \$12,234 to Everett J. Prescott, Inc. in 2022.

**MILO WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 8 – SHORT-TERM FINANCING**

In 2022, the District utilized short-term financing through a local bank for a wastewater systems upgrade project. Short-term financing activity was as follows in 2022 for this project:

2021			2022
Balance	Increases	Decreases	Balance
200,000	1,000,000	1,200,000	-0-

A long-term bond with the United States Department of Agriculture was issued in 2022 and the short-term financing was paid off.

**NOTE 9 – UTILITY PLANT – WATER DIVISION**

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

	Beginning Balance	Additions	Disposals	Ending 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	207,840	3,435	1,000	210,275
Water Treatment Equipment	796,526			796,526
Distribution Reservoirs	280,682			280,682
Mains	3,656,066			3,656,066
Services	623,763			623,763
Meters	131,730	3,063	2,000	132,793
Hydrants	243,046			243,046
Office Equipment	40,482			40,482
Transportation	116,291			116,291
Stores Equipment	8,332			8,332
Tools	8,126	1,443	889	8,680
Laboratory Equipment	20,301			20,301
Communication Equipment	56,801	3,194		59,995
Miscellaneous Equipment	3,276			3,276
Gross Utility Plant	8,565,869	11,135	3,889	8,573,115
Less: Accumulated Depreciation	3,044,092	174,368	3,889	3,214,571
Net Utility Plant	5,521,777	(163,233)	-0-	5,358,544



**NOTE 10 – UTILITY PLANT – SEWER DIVISION**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land and Land Rights	12,146			12,146
Structures and Improvements	643,587			643,587
Lagoons	1,035,696			1,035,696
Pumping Equipment	1,070,011	3,419	1,000	1,072,430
Mains	3,252,433			3,252,433
Services	461,274			461,274
Movable Equipment	58,471			58,471
Outside Equipment	22,920			22,920
Laboratory Equipment	45,490			45,490
Gross Utility Plant	6,602,028	3,419	1,000	6,604,447
Less: Accumulated Depreciation	2,405,241	111,892	1,000	2,516,133
Net Utility Plant	4,196,787	(108,473)	-0-	4,088,314

**NOTE 11 – 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, 2022:

Total Property, Plant and Equipment	12,111,101
Accounts Payable – Construction	(183,798)
Current Portion of Long-Term Debt – Water Division	(116,676)
Current Portion of Long-Term Debt – Sewer Division	(42,483)
Total Long-Term Debt	<u>(3,404,083)</u>
Total Net Investment in Capital Assets	<u>8,364,061</u>

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 \$8,591 for a required sinking fund bond reserve at December 31, 2022. Unrestricted consists of all other net position not included in the above categories.



**MILO WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 12 – LONG-TERM DEBT – WATER DIVISION**

Bonds payable as of December 31, 2022:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bond payable to Maine Municipal Bond Bank, maturing in 2034. Interest rate of 0.00%.	281,100		21,623	259,477
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 1.48% - 3.962%.	717,817		38,332	679,485
Bond payable to Maine Municipal Bond Bank, maturing in 2036. Interest rates of 1.48% - 3.962%.	282,966		15,111	267,855
Bond payable to Maine Municipal Bond Bank, maturing in 2042. Interest rates of 1.48% - 4.119%.	305,845		10,317	295,528
Bond payable to Maine Municipal Bond Bank, maturing in 2041. Interest rate of 0.00%.	279,767		13,988	265,779
Bond payable to Maine Municipal Bond Bank, maturing in 2039. Interest rate of 1.00%.	306,214		15,611	290,603
Total Outstanding Debt	2,173,709		114,982	2,058,727
Less: Current Portion	<u>114,982</u>			<u>116,676</u>
Total Long-Term Debt	<u>2,058,727</u>			<u>1,942,051</u>



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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	116,676	47,825	164,501
2024	118,537	45,963	164,500
2025	120,677	43,824	164,501
2026	122,913	41,587	164,500
2027	125,250	39,250	164,500
2028-2032	666,912	155,589	822,501
2033-2037	599,307	70,557	669,864
2038-2042	188,455	14,509	202,964
	<u>2,058,727</u>	<u>459,104</u>	<u>2,517,831</u>

**NOTE 13 – LONG-TERM DEBT – SEWER DIVISION**

Bonds payable as of December 31, 2022:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Bonds payable to Maine Municipal Bond Bank, maturing in 2022. Interest rate of 2.29%.	44,963		44,963	-0-
Bond payable to Maine Municipal Bond Bank, maturing in 2031. Interest rate of 1.00%.	140,987		13,476	127,511
Bond payable to USDA Rural Development, maturing in 2050. Interest rate of 2.25%.	181,511		4,507	177,004
Bond payable to USDA Rural Development, maturing in 2060 Interest rate of 1.375%	-0-	1,200,000		1,200,000
Total Outstanding Debt	367,461	1,200,000	62,946	1,504,515
Less: Current Portion	<u>62,941</u>			<u>42,483</u>
Total Long-Term Debt	<u>304,520</u>			<u>1,462,032</u>



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

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	42,483	22,502	64,985
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
2028-2032	218,537	90,758	309,295
2033-2037	173,059	73,716	246,775
2038-2042	186,704	60,071	246,775
2043-2047	201,479	45,296	246,775
2048-2052	200,038	29,486	229,524
2053-2057	187,846	15,974	203,820
2058-2060	118,620	3,671	122,291
	<u>1,504,515</u>	<u>425,665</u>	<u>1,930,180</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 1.52%.

**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 7.00% of their annual pay if they are part of the Age 60 Plan or 6.25% of their annual pay if they are part of the Age 65 Plan. The District's contractually required contribution rate is currently 8.50%. District contributions to the pension plan were \$18,959 for the year ended December 31, 2022.

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

For the plan, at December 31, 2022, the District reported a liability of \$58,728 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, 2022:

<b>Beginning Balance</b>	<b>Increases (Decreases)</b>	<b>Ending Balance</b>
(5,474)	64,202	58,728

The net pension liability was measured as of June 30, 2022, 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 2022.

For the year ended December 31, 2022, the District recognized pension expense of \$20,628.



**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At December 31, 2022, the District reported deferred outflows of resources related to pensions for the plan from the following sources:

Difference Between Expected and Actual Experience	10,914
Changes in Assumptions	11,920
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	10,463
District Contributions Subsequent to the Measurement	9,938
Total Deferred Outflows of Resources	<u>43,235</u>

At December 31, 2022, 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	24,648
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-0-
Total Deferred Inflows of Resources	<u>24,648</u>

\$9,938 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31:</b>	
2023	13,159
2024	(775)
2025	(15,313)
2026	11,578
Total	<u>8,649</u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2022 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, 2022 is summarized in the following table:

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

<b>Asset Class</b>	<b>Long-Term Expected Rate Of Return</b>
Public Equities	6.0%
US Government	2.3%
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	5.9%

**Discount Rate**

The discount rate used to measure the collective total pension liability at June 30, 2022 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, 2022, 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:

<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
173,500	58,728	36,135

**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, 2022 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 2022, 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, 2022 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 2022 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.maineopers.org](http://www.maineopers.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, 2022:

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 \$21,883 was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date. Changes in the total OPEB liability for 2022 are shown below:

Balance at December 31, 2021	25,236
Changes for the Year:	
Service Cost	2,303
Interest	584
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	(7,827)
Changes in Assumptions	1,589
Benefit Payments	<u>(2)</u>
Net Changes for the Year	<u>(3,353)</u>
Balance at December 31, 2022	<u>21,883</u>



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

There is no fiduciary net position at December 31, 2022 because the plan is pay as you go and is not funded. Contributions to the plan in 2022 were \$2, which equals the plan benefit payments. Because retirees pay 100% of the coverage premiums, revenue totaling \$2, was recognized in 2022 by the District. There were no plan administrative expenses in 2022.

See the *Notes to Required Supplemental Information* included with the financial statements for changes in assumptions in the 2022 valuation. For the year ended December 31, 2022, the District recognized OPEB expense of \$2,619.

At December 31, 2022, the District reported deferred outflows of resources related to OPEB from the following source:

Differences Between Expected and Actual Experience	1,726
Changes in Assumptions	<u>7,897</u>
Total Deferred Outflows of Resources	<u>9,623</u>

At December 31, 2022, the District reported deferred inflows of resources related to OPEB from the following source:

Difference Between Expected and Actual Experience	10,703
Changes in Assumptions	<u>922</u>
Total Deferred Inflows of Resources	<u>11,625</u>

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

<b>Year Ended December 31:</b>	
2023	(268)
2024	(268)
2025	(268)
2026	(268)
2027	(274)
Thereafter	<u>(656)</u>
Total	<u>(2,002)</u>

**Actuarial Assumptions**

The total OPEB liability in the January 1, 2022 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: 7.67% for 2022, decreasing to 3.53% for 2042.

Medicare Blended: 7.67% for 2022, decreasing to 3.53% for 2042.

**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, 2022 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, 2022 was 2.06% 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, 2022 calculated using the discount rate of 2.06%, 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 (1.06%)	Discount Rate (2.06%)	1% Increase (3.06%)
26,767	21,883	18,040

**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, 2022 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
17,551	21,883	27,741

**NOTE 16 – SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through July 5, 2023, the date the financial statements were available to be issued.

## **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
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 eight years of information available

*See notes to required supplementary information.*



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

<u>Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
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 eight 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\***

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

\* Only five years of information available

See notes to required supplementary information.



**NET PENSION LIABILITY**

**Maine Public Employees Retirement System PLD Consolidated Plan**

***Changes of Benefit Terms:*** None

***Changes of Assumptions:*** None

**NET OPEB LIABILITY**

**Maine Municipal Employees Health Trust (MMEHT) Plan**

***Changes of Benefit Terms:*** None

***Changes of Assumptions:***

Discount Rate

2022 Valuation: 2.06% per annum

2021 Valuation: 2.12% per annum

The following demographic assumptions were updated in the 2022 Valuation:

1. Mortality, termination, retirement and salary rates.
2. Enrollment participation for plan with no employer subsidy for ages 65-70.

Medical and prescription drug trend arrays were updated in the 2022 Valuation.





## OTHER SUPPLEMENTAL DATA

**MILO WATER DISTRICT**  
**SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

**SCHEDULE 1**

	<i><b>Water Division</b></i>	<i><b>Sewer Division</b></i>	<i><b>Combined Totals</b></i>
Salaries and Wages	100,288	122,641	222,929
Pensions and Benefits	68,623	68,646	137,269
Power	27,910	62,564	90,474
Chemicals	33,791	2,120	35,911
Materials and Supplies	58,565	104,962	163,527
Contractual Services	17,156	9,897	27,053
Transportation	7,970	7,970	15,940
Insurance	9,780	10,128	19,908
All Other	<u>20,252</u>	<u>7,236</u>	<u>27,488</u>
Total Operation and Maintenance Expenses	<u><u>344,335</u></u>	<u><u>396,164</u></u>	<u><u>740,499</u></u>

*See accompanying independent auditors' report.*



## **FEDERAL COMPLIANCE SECTION**



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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, 2022, 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 July 5, 2023.

**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  
July 5, 2023





**HMV, LLC**  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Milo Water District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Milo Water District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Milo Water District's major federal programs for the year ended December 31, 2022. Milo Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Milo Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Milo Water District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Milo Water District's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Milo Water District's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Milo Water District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Milo Water District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Milo Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Milo Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Milo Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.



*Government Auditing Standards* requires the auditor to perform limited procedures on Milo Water District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Milo Water District's response is not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***HMV, LLC***

HMV, LLC  
Ellsworth, Maine  
July 5, 2023





**MILO WATER DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2022**

Federal Grantor / Program Title	Federal CFDA Number	Pass-Through Grantors' Number	Total Federal Expenditures	Expenditures to Sub Recipients
<u>U.S. Department of Agriculture, Rural Development</u>				
Water and Waste Disposal Systems For Rural Communities				
Grant Program	10.760	Direct Program	654,462	-
Loan Program - New	10.760	Direct Program	1,000,000	-
Loan Program - Existing	10.760	Direct Program	377,005	-
Total U.S. Department of Agriculture, Rural Development			2,031,467	-
<u>Department of Housing and Urban Development</u>				
Community Development Block Grants / State's Program				
Grant Program	14.228	20200806000000000412	137,151	-
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds				
Grant Program	66.458		367,806	-
Total Federal Awards			2,536,424	-

*See accompanying notes to schedule of expenditures of federal awards.*



**MILO WATER DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2022**

**Note 1: General**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule), includes the federal award programs of Milo Water District for the year ended December 31, 2022.

**Note 2: Basis of Presentation**

All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included on the Schedule. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Milo Water District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of Milo Water District.

**Note 3: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited to reimbursement. The Milo Water District has not elected to use the 10% de minimis indirect cost rate. Amounts included in the Schedule include only federal portions of the award; nonfederal portions are not included in the Schedule.

**Note 4: Contingency**

Federal award amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would be a liability to Milo Water District. In the opinion of management, all federal expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

**Note 5: Loan Program**

The Water and Waste Disposal Systems for Rural Communities Program, CFDA #10.760, includes two loans from the U.S. Department of Agriculture Rural Development Program with outstanding balances totaling \$1,377,005 at December 31, 2022.

**Note 6: Reconciliation of the Schedule to the Financial Statements**

Expenditures per the Schedule	2,536,424
Less: Federal Loan Program Expenditures	<u>(1,377,005)</u>
	<u>1,159,419</u>
Statement of Revenues, Expenses and Changes in Fund Net Position:	
Contributions in Aid of Construction	<u>1,159,419</u>



**MILO WATER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2022**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the Milo Water District.
2. No deficiencies relating to the audit of the financial statements are reported in the accompanying 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*.
3. No instances of noncompliance material to the financial statements of the Milo Water District were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs are reported in the accompanying Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*.
5. The auditors' report on compliance for the major federal award programs for the Milo Water District expresses an unmodified opinion.
6. One audit finding relative to the major federal award programs for the Milo Water District that is required to be reported in accordance with 2 CFR 200.516(a) is reported in this schedule.
7. The program tested as major was:  
  
CFDA #10.760 Water and Waste Disposal Systems for Rural Communities
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Milo Water District was not determined to be a low-risk auditee.

**B. FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENT AUDIT**

**Prior Year**

**Inadequate Design of Procedures and Controls Over the Operating Account**

**Criteria:** Effectively designed procedures and controls provide reasonable assurance for the reliability of financial information. Specifically, effectively designed procedures and controls would ensure that the monthly reconciliation balance for the operating account tie to the general ledger balance.

**Condition:** When testing the year-end bank statement and reconciliation for the operating account, a significant difference was found between the reconciliation balance and the general ledger balance.



**MILO WATER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2022**

**B. FINDINGS - GENERAL PURPOSE FINANCIAL STATEMENT AUDIT (CONTINUED)**

**Prior Year (Continued)**

**Inadequate Design of Procedures and Controls Over the Operating Account (Continued)**

**Cause:** Current procedures and controls do not compare the monthly reconciliation balance for the operating account to the general ledger which resulted in an electronic payment for payroll taxes not being posted to the general ledger.

**Effect:** Ineffectively designed procedures and controls increases the risk material misstatements will not be prevented, or detected and corrected on a timely basis. Errors and omissions could go undetected in the accounting system leading to material misstatements in the financial statements.

**Recommendation:** As part of the month-end reconciliation procedures for the operating account, the reconciliation balance should be compared to the general ledger balance and any differences investigated immediately.

**Management's Response:** Management agrees with this finding and will implement changes to improve procedures and controls over the operating account.

**Current Year Status:** Management has implemented changes that improved procedures and controls over the operating account; management has corrected this finding.

**Current Year**

No reportable matters.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Prior Year**

No reportable matters.

**Current Year**

**2022-001 Written Policies Relative to Federal Awards**

**Criteria:** 2 CFR 200, Subparts D and E of the Uniform Guidance require recipients of federal awards to have written policies relative to federal awards.

**Condition:** Milo Water District (the District) does not have specific written policies relative to federal awards.

**Cause:** The District was unaware of the specific written policy requirements relative to federal awards stated in the Uniform Guidance.



**MILO WATER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2022**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT  
(CONTINUED)**

**Current Year**

**2022-001 Written Policies Relative to Federal Awards (Continued)**

**Effect:** The District was not in compliance with Uniform Guidance requirements to establish specific policies relative to federal awards.

**Recommendation:** We recommend written policies be created relative to federal awards that comply with all requirements of 2 CFR 200, Subparts D and E of the Uniform Guidance.

**Management's Response:** Management agrees with this recommendation and will work on creating written policies relative to federal awards.



**MILO WATER DISTRICT  
CORRECTIVE ACTION PLAN  
DECEMBER 31, 2022**

**B. FINANCIAL STATEMENT FINDINGS**

There are no financial statement findings.

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2022-001 Written Policies Relative to Federal Awards

**Major Program:** Water and Waste Disposal Systems For Rural Communities

**CFDA:** #10.760

**Federal Agency:** U.S. Department of Agriculture

**Name of Contact Person:** Adam LePrevost, Superintendent

**Corrective Action:** The District will work on creating written policies relative to federal awards.

**Proposed Completion Date:** December 31, 2023.

