

**BANGOR WATER DISTRICT**  
**FINANCIAL AND OPERATING REPORTS**  
**DECEMBER 31, 2014**



BANGOR WATER DISTRICT  
Financial Report  
December 31, 2014 and 2013

Table of Contents

Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Exhibit

Statements of Net Position

A

Statements of Revenues, Expenses and  
Change in Fund Net Position

B

Statements of Cash Flows

C

Notes to Basic Financial Statements

Supplementary Information

Schedule

Schedules of Operating and Maintenance  
Expenses

1

Schedule of Budget to Actual Comparison

2

Schedule of Expenditures of Federal Awards

3

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*

Independent Auditors' Report on Compliance for  
Each Major Federal Program; Report on  
Internal Control Over Compliance Required  
by OMB Circular A-133

Schedule of Findings and Questioned Costs





Haverlock, Estey & Curran, LLC  
Certified Public Accountants • Consultants

Peter D. Curran, CPA  
Steven D. Carr, CPA  
Vicki J. Vincent, CPA  
Gayle M. Davis, CPA  
Stephen L. Spencer, CPA  
Keith P. Bourgoin, CPA  
Randy S. Baker, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Bangor Water District  
Bangor, Maine

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activity of Bangor Water District, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and change in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

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

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of Bangor Water District as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

The accompanying Schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying Schedule 3, Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Schedules 1 through 3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules 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 May 4, 2015, on our consideration of Bangor 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 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 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 Bangor Water District's internal control over financial reporting and compliance.

*Haverlock, Estey & Curran*  
HAVERLOCK, ESTEY & CURRAN

May 4, 2015  
Hampden, Maine



# **Bangor Water District Management's Discussion and Analysis Year Ending December 31, 2014**

## **INTRODUCTION**

The Bangor Water District, hereby referred to as the "District" is pleased to present its eleventh Annual Financial Report developed in compliance with the Statement of Government Accounting Standard No. 34, entitled "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments" (hereafter "GASB 34"), and related standards. The Annual Financial Report is also available via the internet at [www.bangorwater.org](http://www.bangorwater.org).

### **Mission**

The mission of the Bangor Water District is to protect public health by providing the highest quality water for domestic use and fire protection while emphasizing customer service, innovation, and cost control.

### **Responsibility and Controls**

The District has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The District's system of internal accounting controls is evaluated and tested on an annual basis by the District's independent external auditors to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the District's operations are conducted according to management's intentions and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in material respects, the financial position, results of operations and cash flows of the District in conformity with accounting principles generally accepted in the United States of America.

### **Audit Assurance**

The unmodified opinion of our independent auditors, Haverlock, Estey, & Curran, Certified Public Accountants, is included in this report.

## Financial Highlights

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial data, key financial and operational indicators used in the District's strategic plan, budget, and other management tools were used for this analysis.

Management believes that the financial condition of the District is strong. The current ratio (current assets over current liabilities) of the District was 2.39 for 2014 and 2.42 for 2013. The equity to long-term debt ratio (net position over long-term debt) was 3.56 for 2014 and 3.34 for 2013. The operating ratio (operating revenue/operating expenses less depreciation) was 1.60 for 2014 and 1.65 for 2013.

Management plans to improve infrastructure, financed through maximizing the capital reserve, modest rate increases and issuing new debt as old debt is paid off to minimize the effects on cash flow.

## Overview of Annual Financial Report

The financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position; a statement of revenues, expenses, and change in fund net position; a statement of cash flows; and notes to the financial statements.

The **Statement of Net Position** presents the financial position of the District on a full accrual historical cost basis. The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in the net position are one indicator of whether the financial position of the District is improving or deteriorating.

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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The **Statement of Cash Flows** presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information.

The **Notes to the Basic Financial Statements** provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. **Supplementary information** consists of the **Schedule of Operating and Maintenance Expenses**, the **Schedule of Budget to Actual Comparison** and the **Schedule of Expenditures of Federal Awards**.

The District's staff prepared the financial statements from detailed books and records of the District. The financial statements were audited. The financial statements presented are comparative with 2013.

This section presents management's analysis of the District's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

### Current Assets

The decrease in current assets by \$790,831 was the result of the decrease in the following: Cash and cash equivalents \$432,063; Loans receivable \$314,272; Accounts receivable \$58,394; Prepaid expenses \$24,413; Accrued utility revenue \$12,011 and increases in the following: Inventory \$29,758; Sinking fund reserve \$20,564.

The decrease in cash and cash equivalents is the result of a net increase from operations of \$2,216,208 less a net cash decrease of \$2,629,968 from capital and financing activities as well as the decrease in investments of \$18,303 which is the result of using funds to pay down debt (please refer to the Statement of Cash Flows for details).

### Capital Assets

Capital assets changed as follows:

	2014			2013		
	Additions	Retirements	Net	Additions	Retirements	Net
Utility Property	\$2,921,988	\$ (24,630)	\$ 2,897,358	\$6,353,568	\$ (25,823)	\$6,327,745
Allow for depreciation	(1,112,089)	24,630	(1,087,459)	(993,433)	25,665	(967,768)
Change in work in progress	<u>2,579,573</u>	<u>(1,962,962)</u>	<u>616,611</u>	<u>2,494,937</u>	<u>(5,574,204)</u>	<u>(3,079,267)</u>
	<u>\$4,389,472</u>	<u>\$ (1,962,962)</u>	<u>\$ 2,426,510</u>	<u>\$7,855,072</u>	<u>\$ (5,574,362)</u>	<u>\$ 2,280,710</u>

Please refer to Financial Statement Footnote 5 for details.

### Long-term Debt

In 2014, the District incurred additional debt under the Drinking Water State Revolving Fund totaling \$379,211 of which \$41,500 was forgiven. Existing long-term debt was reduced by \$696,529 during the year. The balance of long-term debt net of current portion at the end of 2014 was \$7,705,346.

### Current Liabilities

Current liabilities were \$310,690 lower at the end of 2014. Current portion of bonds payable decreased by \$196,613; Accounts payable decreased by \$83,117; Other current liabilities decreased by \$30,960.



### Other Non-Current Liabilities

Other non-current liabilities were \$237,498 lower in 2014. Long term debt decreased by \$162,205 and customer advances increased by \$75,293.

### Net Position

Net position increased by \$1,131,986 (please refer to the Statement of Revenues, Expenses and Change in Fund Net Position) in 2014. \$948,579 was from income for the year, and \$183,407 was from capital contributions.

### Restricted Net Position - Debt Service

Restricted net position was increased by \$20,564 in 2014 due to the increase in scheduled payments of bond principal and interest.

### Restricted Net Position – Capital Projects

Restricted net position – capital projects represents funding for future standpipe maintenance. The activity was as follows:

	<u>2014</u>	<u>2013</u>
Balance 01/01	\$ 666,628	\$ 686,562
Additions	168,000	168,000
Interest earned	696	761
Less standpipe maintenance	<u>(113,071)</u>	<u>(188,695)</u>
Balance at 12/31	<u>\$ 722,253</u>	<u>\$ 666,628</u>

The components of net position restricted for capital projects at year end are as follows:

	<u>2014</u>	<u>2013</u>
Standpipe maintenance	\$722,253	\$ 666,628
Cash restricted for capital projects	<u>26,015</u>	<u>1,056,989</u>
Total Restricted Net Position- Capital Projects	<u>\$748,268</u>	<u>\$1,723,617</u>

**Condensed Statements of Net Position**

	<u>2014</u>	<u>2013</u>
Capital Assets		
Producing assets	35,887,642	34,077,744
Construction in progress	709,022	92,411
Current assets, restricted assets and bond costs	<u>3,051,886</u>	<u>4,894,597</u>
Total Assets	<u>39,648,550</u>	<u>39,064,752</u>
Current liabilities	1,200,556	1,511,246
Long term liabilities	<u>8,425,220</u>	<u>8,662,718</u>
Total Liabilities	<u>9,625,776</u>	<u>10,173,964</u>
Net Position		
Restricted or net invested in capital assets	28,627,758	26,156,702
Restricted for debt service	267,668	247,104
Restricted for capital projects	748,268	1,723,617
Unrestricted	<u>379,080</u>	<u>763,365</u>
Total Net Position	<u>30,022,774</u>	<u>28,890,788</u>

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

Year Ended December 31,	<u>2014</u>	<u>2013</u>
Revenues:		
Water service revenues	5,621,588	5,610,100
Other operating revenues	<u>103,543</u>	<u>109,259</u>
Total Operating Revenues	<u>5,725,131</u>	<u>5,719,359</u>
Expenses		
Operating, before depreciation	2,422,992	2,382,018
Depreciation	1,022,867	909,806
General, administration, and Customer service	<u>1,155,547</u>	<u>1,080,298</u>
Total Operating Expenses	<u>4,601,406</u>	<u>4,372,122</u>
Operating Income	<u>1,123,725</u>	<u>1,347,237</u>
Non-Operating Revenue (Expenses), net	<u>(175,146)</u>	<u>(225,269)</u>
Increase (Decrease) in net position Before Contributions	948,579	1,121,968
Capital Contributions		
Developer contributions of systems	183,407	63,922
Increase (Decrease) in net position	1,131,986	1,185,890
Total Net Position - Beginning	<u>28,890,788</u>	<u>27,704,898</u>
Total Net Position - Ending	<u>30,022,774</u>	<u>28,890,788</u>

## Operating Revenue

Most of the \$5,725,131 of the 2014 operating revenue comes from metered water revenue and public and private fire protection charges.

Metered water revenue for 2014 was \$3,833,080. The District's metered customers are billed quarterly (monthly for largest customers) based on water consumption at rates that are regulated by the Maine Public Utilities Commission. During 2014, metered water revenue decreased less than 1% as a result of decreased consumption.

Public and private fire protection for 2014 was \$1,442,947. This revenue comes from charges to local municipalities for hydrants and private organizations for hydrants and sprinkler systems. Fire protection charges are also regulated by the Maine Public Utilities Commission.

## Operating Expenses

Operating expenses consist of the following:

	2014	2013	Difference	% Change
Payroll and Fringe Benefits	\$1,795,724	\$1,755,508	\$40,216	2.29%
Purchased Power	235,230	195,980	39,250	20.03%
Supplies & Chemicals	626,884	569,853	57,031	10.01%
Contractual Services	216,616	286,142	-69,526	-24.30%
Transportation	131,752	140,604	-8,852	-6.30%
Insurance	453,190	395,117	58,072	14.70%
Miscellaneous	119,145	119,112	34	.03%
Depreciation	1,022,867	909,806	113,061	12.43%
Totals	\$4,601,408	\$4,372,122	229,286	5.24%

Payroll and fringe benefits were 2.29% higher in 2014 due to a cost of living adjustment and merit increases. Purchased power was 20% higher due to a faulty electric meter in 2013. Contractual services was 24.3% lower because of standpipe painting and maintenance in 2013. Transportation costs decreased by 6.3% because of lower vehicle usage due to subcontracting dig safes. Insurance costs increased by 14.7% because of higher claims paid from HRA on health insurance. Depreciation (other than equipment) increased by 12.43% due to several large piping projects and a full year of depreciation of the new UV Plant.

**Non-operating revenues (expenses) consist of the following:**

	<u>2014</u>	<u>2013</u>
Interest and investment income	\$ 2,260	\$ 3,066
Miscellaneous revenue	108,999	107,912
Interest expense	(181,464)	(204,025)
Miscellaneous expense	<u>(104,941)</u>	<u>(132,222)</u>
	<u>\$ (175,146)</u>	<u>\$ (225,269)</u>

Interest income was \$806 lower in 2014 due to lower cash balances. Cash is invested in repurchase agreements and insured cash money markets.

Miscellaneous revenue was up \$1,087 in 2014. There was extraordinary income of \$11,889 in 2014 due to insurance reimbursement for flood damage of inventory expensed in prior years. Timber sales at Floods Pond was up \$1,193, jobbing revenue was down \$10,415, and fire protection charges associated with main extensions were down \$1,580 in 2014.

Interest expense was \$22,561 lower in 2014 as debt was paid off in prior year.

Miscellaneous expenses were down \$27,281 in 2014. Jobbing costs were down \$16,478, regulatory assessment fees were down \$4,077, property taxes were down \$185 and timber management was down \$6,541.

**Capital Contributions**

Capital contributions occur when developers install water mains in new developments and then turn ownership over to the District to be maintained by the District. Capital contributions also include forgiveness of debt related to capital projects. Capital contributions for 2014 were \$183,407.

**Summary of Organization and Business**

An act of the Maine Legislature in 1957 created the Bangor Water District, which was approved in a City referendum. After formation of a Board of Trustees, the title to the City water system was handed to the new water district. In essence, the act authorized the District to control a number of ponds to supply water to Bangor and surrounding towns. Floods Pond in Otis was chosen following careful testing over a number of years by the District.

The pond lies 15 miles east of Bangor in a rocky, rugged area that was scoured by the retreating glaciers. The pond supplies an excellent source of water that is clear, soft and palatable year-round. The watershed has an area of about 8.7 square miles. The estimated dependable yield of Floods Pond is about 8.2 million gallons per day. Current pumpage averages about 5 million gallons per day. In order to protect the source of water, the District has purchased, over the years, several thousand acres of land in the watershed control area to control activities that could negatively impact water quality.

There are approximately 11,000 services (direct water connections), which provide service to approximately 10,500 domestic accounts, and 500 fire protection services. Domestic water customers are charged based on the amount of water use measured by water meters. Fire protection is provided through 1110 public hydrants and 220 private hydrants. The District also provides water directly to customers in sections of Clifton, Eddington, Hermon, Orrington, Hampden, and Veazie as well as to the Hampden Water District.

The District monitors the water quality for bacteriological contamination each working day in its own certified laboratory to ensure its purity.

### **Requests for Information**

This financial report is designed to provide a general overview of the Bangor Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rachel Bailey, Finance Manager, Bangor Water District, PO Box 1129, Bangor, Maine 04402-1129, or [rachel.bailey@bangorwater.org](mailto:rachel.bailey@bangorwater.org).

Exhibit A

BANGOR WATER DISTRICT  
 Statements of Net Position  
December 31, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 861,524	\$ 1,293,587
Cash sinking fund	267,668	247,104
Accounts receivable - Net - Note 1	596,326	654,720
Accrued utility revenue	464,840	476,851
Loans receivable	236,354	550,626
Inventories	390,064	360,306
Prepaid expenses	50,223	74,636
Total Current Assets	<u>2,866,999</u>	<u>3,657,830</u>
<u>Property, Plant and Equipment - Note 5</u>		
Operating property, plant and equipment	58,946,629	55,432,660
Less accumulated depreciation	<u>22,349,964</u>	<u>21,262,505</u>
Net Property, Plant and Equipment	<u>36,596,665</u>	<u>34,170,155</u>
<u>Other Assets</u>		
Cash restricted for projects	26,014	1,056,989
Unamortized costs - Net - Note 1	158,872	179,778
Total Other Assets	<u>184,886</u>	<u>1,236,767</u>
Total Assets	<u>\$39,648,550</u>	<u>\$39,064,752</u>

The accompanying notes are an integral  
 part of these statements.



BANGOR WATER DISTRICT  
 Statements of Net Position  
December 31, 2014 and 2013

Liabilities, Deferred Inflows of Resources and Net Position

	<u>2014</u>	<u>2013</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 101,168	\$ 184,285
Accrued vacation and payroll deductions	121,348	142,886
Accrued sick leave	72,630	68,777
Jobbing deposits	10,936	20,505
Accrued interest	31,119	35,566
Advanced billings and payments	361,099	360,268
Accrued sales tax	2,341	2,431
Current portion of bonds payable	499,915	696,528
Total Current Liabilities	<u>1,200,556</u>	<u>1,511,246</u>
<u>Long-Term Liabilities</u>		
Customer advances - Note 7	719,874	795,167
Bonds payable - Net of current portion - Note 4	<u>7,705,346</u>	<u>7,867,551</u>
Total Long-Term Liabilities	<u>8,425,220</u>	<u>8,662,718</u>
Total Liabilities	<u>9,625,776</u>	<u>10,173,964</u>
<u>Net Position</u>		
Net investment in capital assets	28,627,758	26,156,702
Restricted for debt service - Expendable	267,668	247,104
Restricted for capital projects - Expendable	748,268	1,723,617
Unrestricted	379,080	763,365
Total Net Position - Exhibit B	<u>30,022,774</u>	<u>28,890,788</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$39,648,550</u>	<u>\$39,064,752</u>

The accompanying notes are an integral  
part of these statements.



BANGOR WATER DISTRICT  
 Statements of Revenues, Expenses and Change in Fund Net Position  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues</u>		
Water service revenues	\$ 5,276,027	\$ 5,256,273
Tower lease revenues - Note 8	103,543	109,259
Other operating revenues	345,561	353,827
Total Operating Revenues	<u>5,725,131</u>	<u>5,719,359</u>
<u>Operating Expenses - Schedule 1</u>		
Pumping	186,905	194,287
Water treatment	868,308	762,799
Transmission and distribution	1,367,779	1,424,932
Customer accounts	130,837	136,815
Administrative and general	1,024,710	943,483
Depreciation	1,022,867	909,806
Total Operating Expenses	<u>4,601,406</u>	<u>4,372,122</u>
Operating Income - Exhibit C	<u>1,123,725</u>	<u>1,347,237</u>
<u>Non-Operating Revenues (Expenses)</u>		
Interest and investment revenues	2,260	3,066
Other revenues	108,999	107,912
Interest expense	(181,464)	(204,025)
Miscellaneous expenses	(104,941)	(132,222)
Total Non-Operating Revenues (Expenses)	<u>(175,146)</u>	<u>(225,269)</u>
Income before Contributions	948,579	1,121,968
<u>Capital Contributions</u>	<u>183,407</u>	<u>63,922</u>
Change in Fund Net Position	1,131,986	1,185,890
Net Position - Beginning of Year	<u>28,890,788</u>	<u>27,704,898</u>
Net Position - End of Year - Exhibit A	<u>\$30,022,774</u>	<u>\$28,890,788</u>

The accompanying notes are an integral  
 part of these statements.



BANGOR WATER DISTRICT  
 Statements of Cash Flows  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from customers	\$5,895,797	\$5,939,743
Payments to employees	(2,002,456)	(1,971,563)
Payments to suppliers	<u>(1,677,133)</u>	<u>(1,804,499)</u>
Net Cash Provided by Operating Activities	<u>2,216,208</u>	<u>2,163,681</u>
<u>Cash Flows from Capital and Related</u>		
<u>Financing Activities</u>		
Acquisition and construction of capital assets	(3,464,997)	(3,168,381)
Payments from advances on construction	(6,989)	(15,395)
Interest paid on debt	(185,911)	(217,406)
Proceeds from bonds	693,483	1,801,381
Repayment of bonds	(696,529)	(1,024,918)
Transfer from cash restricted for construction	1,030,975	729,036
Capital contributions	<u>-</u>	<u>5,000</u>
Net Cash Used by Capital and Related Financing Activities	<u>(2,629,968)</u>	<u>(1,890,683)</u>
<u>Cash Flows from Investing Activities</u>		
Interest on cash and investments	2,260	3,066
Transfers to sinking fund	(767,518)	(765,515)
Transfers from sinking fund	<u>746,955</u>	<u>829,308</u>
Net Cash Provided (Used) by Investing Activities	<u>(18,303)</u>	<u>66,859</u>
Increase (Decrease) in Cash and Cash Equivalents	(432,063)	339,857
Cash and Cash Equivalents - Beginning of Year	<u>1,293,587</u>	<u>953,730</u>
Cash and Cash Equivalents - End of Year - Exhibit A	<u>\$ 861,524</u>	<u>\$1,293,587</u>

The accompanying notes are an integral part of these statements.

BANGOR WATER DISTRICT  
Statements of Cash Flows  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Adjustments to Reconcile Operating Income</u>		
<u>to Net Cash Provided by Operating Activities</u>		
Operating income - Exhibit B	\$1,123,725	\$1,347,237
Depreciation and amortization	1,132,995	1,015,920
Other non-operating revenues	108,999	107,912
Miscellaneous non-operating expenses	(104,941)	(132,222)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Inventories	(29,758)	17,891
Accounts receivable	58,394	77,874
Prepaid expenses	24,413	(23,276)
Accrued utility revenue	12,011	12,362
Increase (decrease) in liabilities:		
Advanced billings and payments and accrued sales tax	741	2,004
Accounts payable	(83,117)	(268,474)
Jobbing deposits	(9,569)	20,505
Accrued payroll and compensated absences	(17,685)	(14,052)
	<u>\$2,216,208</u>	<u>\$2,163,681</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Noncash Financing Transactions:		
Forgiveness of debt on bonds payable	\$ 41,500	\$ -
Bond payable incurred for which funding was not received until the following year	\$ 236,354	\$ -
Property and equipment acquired through developer activity	\$ 73,604	\$ 109,406
Contribution to capital from developer activity	\$ 141,907	\$ 58,922

The accompanying notes are an integral  
part of these statements.

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies

Nature of the Entity

The Bangor Water District (the District) is a quasi-municipal corporation located in Bangor, Maine and established to operate a facility to provide water to the City of Bangor.

The accounting policies of the District conform to generally accepted governmental accounting principles. The operations of the District are accounted for as an enterprise type proprietary fund which is similar to a business enterprise.

Financial Reporting Entity

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in its own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the District has no component units.

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies - continued

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Measurement Focus, Basis of Accounting and  
Basis of Presentation

The District uses proprietary funds to report on its financial position and the results of its operations.

Proprietary funds are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District complies with *GASB Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Proprietary funds used by the District include enterprise funds as described below.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents

For the purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

Accounts receivable are stated net of a reserve for uncollectable accounts. The District estimates the reserve based on an analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. The reserve for uncollectable accounts was \$24,056 and \$25,286 at December 31, 2014 and 2013, respectively.

Loans Receivable

Loans receivable represents amounts due to the District from bond agreements that have been finalized for which funds have not yet been disbursed to the District.

Inventories

Inventories are stated at average cost, which is lower than market value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Major improvements are capitalized, while maintenance and repairs are expensed as incurred. Depreciation is provided on the straight-line method using rates prescribed by the Maine Public Utilities Commission. Estimated useful lives are as follows:

Buildings	33-50 years
Infrastructure	10-77 years
Equipment and furniture	5-20 years

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies - continued

Long-Term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in proprietary fund statements. The long-term debt consists primarily of notes or bonds payable.

Accrued Utility Revenue

The District records accrued utility revenue for water delivered to customers but not yet billed at year end.

Unamortized Costs

Unamortized costs consist of rate case charges and various long term planning studies involving water quality and supply and environmental issues. These costs are being amortized evenly over a period of three to twenty years and are included in unamortized costs on the statements of net position. Amortization expense was \$20,906 and \$22,329 for the years ended December 31, 2014 and 2013, respectively.

Vacation, Compensated Time and Sick Leave

Under terms of personnel policies, vacation and sick leave are granted in varying amounts according to length of service. In some cases, employees are entitled to payment for unused vacation and a percentage of sick leave upon termination or retirement. Accumulated vacation cost accrued was \$99,135 for 2014 and \$96,878 for 2013. Accumulated sick time was \$72,630 for 2014 and \$68,777 for 2013.

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies - continued

Customers' Advances for Construction

The District invests in a water main extension in the form of potential future payments to the developer each time a permanent customer is connected to the extension. The amount of the investment per customer is determined pursuant to section 1(F), Chapter 65 of the Maine Public Utilities Commission (MPUC) Rules and Regulations at the time the first customer is connected and remains unchanged over the next ten-year period. Construction advances thus made are accounted for as obligations of the District during the first ten years the new main is in operation. Payments are made to a maximum of one-half of the original cost of the extension and the construction advance account is correspondingly reduced. At the end of the ten years, any remaining balance in the construction advance account is transferred to contributions in aid of construction.

Contractual Appropriation of Income

In accordance with the terms of the Bond Resolutions, the District is required to annually appropriate and transfer to the sinking fund monies from current operating revenues to be used by the sinking fund for the purpose of retiring principal on long-term debt and related interest costs.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

1. Summary of Significant Accounting Policies - continued

Income Taxes

The District qualifies as tax-exempt under the provisions of the Internal Revenue Code and, accordingly, its revenue is not subject to any state or federal income taxes.

Advertising

The District expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2014 and 2013 were \$8,333 and \$6,034, respectively, and are included in administrative and general expenses.

Subsequent Events

The District has evaluated subsequent events through May 4, 2015, the date which the financial statements were available to be issued.

2. Stewardship, Compliance and Accountability

An annual budget is prepared by management and approved, but not legally adopted by the Board. Therefore in absence of a legally adopted budget, budgetary comparisons have not been included in the basic financial statements.

3. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for 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.



BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

3. Deposits - continued

At December 31, 2014, cash on deposit consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>
Checking and Savings	\$ 120,807	\$ 163,429	\$ 163,429	\$ -	\$ -
ICS Accounts	989,922	989,922	989,922	-	-
Repurchase Agreement	<u>44,476</u>	<u>44,477</u>	<u>-</u>	<u>44,477</u>	<u>-</u>
<b>Total</b>	<b><u>\$1,155,205</u></b>	<b><u>\$1,197,828</u></b>	<b><u>\$1,153,351</u></b>	<b><u>\$ 44,477</u></b>	<b><u>\$ -</u></b>

At December 31, 2013, cash on deposit consisted of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>
Checking and Savings	\$ 153,023	\$ 287,955	\$ 250,000	\$ -	\$ 37,955
Money Market	913,732	913,732	913,732	-	-
Repurchase Agreement	<u>1,530,925</u>	<u>1,530,925</u>	<u>-</u>	<u>1,530,925</u>	<u>-</u>
<b>Total</b>	<b><u>\$2,597,680</u></b>	<b><u>\$2,732,612</u></b>	<b><u>\$1,163,732</u></b>	<b><u>\$1,530,925</u></b>	<b><u>\$ 37,955</u></b>

4. Bonds Payable

Bonds payable consist of the following at December 31:

	<u>2014</u>	<u>2013</u>
Maine Municipal Bond Bank - Series G \$3,834,000 revenue bond matured 2014; annual principal payments were payable November 1st; interest was payable bi-annually on May 1st and November 1st at a rate of 5.625 - 6.35%	\$ -	\$ 317,825

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

4. Bonds Payable - continued

	<u>2014</u>	<u>2013</u>
Maine Municipal Bond Bank - Series H \$445,000 revenue bond due to mature 2016; annual principal payments are payable November 1st; interest is payable bi-annually on May 1st and November 1st at a rate of 5.301 - 5.901%	\$ 69,435	\$ 101,279
Maine Municipal Bond Bank - Series L \$1,677,000 revenue bond due to mature 2026; annual principal payments are payable November 1st; interest is payable bi-annually on May 1st and November 1st at a rate of 1.90 - 5.50%	1,173,414	1,245,334
Maine Municipal Bond Bank - Drinking Water State Revolving Fund \$946,679 revenue bond due to mature 2029; bi-annual principal payments of \$23,667 are payable April 1st and October 1st; interest at 0%	710,009	757,343
Maine Municipal Bond Bank - American Recovery and Reinvestment Act \$1,140,111 revenue bond due to mature 2029; bi-annual principal payments of \$12,852 are payable April 1st and October 1st; interest at 0%	385,555	411,259
Maine Municipal Bond Bank - Drinking Water State Revolving Fund \$2,046,110 revenue bond due to mature 2031; annual principal payments are payable November 1st; interest is payable bi-annually on May 1st and November 1st at a rate of 1.0%	2,026,110	2,036,110

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

4. <u>Bonds Payable</u> - continued	<u>2014</u>	<u>2013</u>
Maine Municipal Bond Bank - Drinking Water State Revolving Fund \$2,192,337 revenue bond due to mature 2031; annual principal payments are payable April 1st; interest is payable bi-annually on April 1st and October 1st at a rate of 1.00%	\$1,477,683	\$1,557,065
Maine Municipal Bond Bank - Drinking Water State Revolving Fund \$337,711 revenue bond due to mature 2034; annual principal payments are payable April 1st; interest is payable bi-annually on April 1st and October 1st at a rate of .74%	337,711	-
Maine Municipal Bond Bank - Series Q \$2,250,382 revenue bond due to mature 2032; annual principal payments are payable November 1st; interest is payable bi-annually on May 1st and November 1st at a rate of 1.480 - 3.706%	<u>2,025,344</u>	<u>2,137,864</u>
Total Bonds Payable	8,205,261	8,564,079
Less current portion	<u>499,915</u>	<u>696,528</u>
Bonds Payable - Net of Current Portion - Exhibit A	<u>\$7,705,346</u>	<u>\$7,867,551</u>

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

4. Bonds Payable - continued

Future maturities of bonds payable are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 499,915	\$ 167,239	\$ 667,154
2016	507,007	156,916	663,923
2017	476,602	146,111	622,713
2018	482,718	137,002	619,720
2019	489,056	128,908	617,964
2020-2024	2,548,918	499,755	3,048,673
2025-2029	2,330,707	260,596	2,591,303
2030-2034	<u>870,338</u>	<u>58,651</u>	<u>928,989</u>
Total	<u>\$8,205,261</u>	<u>\$1,555,178</u>	<u>\$9,760,439</u>

The following is a summary of the District's bonds payable transactions for the years ended December 31, 2014 and 2013:

Payable at January 1, 2013	\$9,588,997
Debt incurred - 2013	-
Debt forgiven - 2013	-
Debt retired - 2013	<u>(1,024,918)</u>
Payable at December 31, 2013	8,564,079
Debt incurred - 2014	379,211
Debt forgiven - 2014	(41,500)
Debt retired - 2014	<u>(696,529)</u>
Payable at December 31, 2014	<u>\$8,205,261</u>

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

5. Capital Assets

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

	Balance <u>1/1/14</u>	<u>Additions</u>	<u>(Retirements)</u>	Balance <u>12/31/14</u>
Property, Plant and Equipment Not Being Depreciated:				
Land	\$ 1,640,891	\$ -	\$ -	\$ 1,640,891
Construction in progress	<u>92,411</u>	<u>2,579,573</u>	<u>(1,962,962)</u>	<u>709,022</u>
Total Property, Plant and Equipment Not Being Depreciated	<u>1,733,302</u>	<u>2,579,573</u>	<u>(1,962,962)</u>	<u>2,349,913</u>
Other Property, Plant and Equipment:				
Structures	13,767,994	429,188	-	14,197,182
Intake, suction, distribution and transmission mains	22,333,371	2,087,932	-	24,421,303
Meters, hydrants and services	7,180,502	225,846	-	7,406,348
Reservoirs, dams, tanks and standpipes	3,948,071	53,710	-	4,001,781
Electric pumping and purification systems	2,908,767	72,007	-	2,980,774
Transportation equipment and other equipment	<u>3,560,653</u>	<u>53,305</u>	<u>(24,630)</u>	<u>3,589,328</u>
Total Other Property, Plant and Equipment	<u>53,699,358</u>	<u>2,921,988</u>	<u>(24,630)</u>	<u>56,596,716</u>
Total Property, Plant and Equipment	55,432,660	5,501,560	(1,987,592)	58,946,629
Less accumulated depreciation	<u>21,262,505</u>	<u>1,112,089</u>	<u>(24,630)</u>	<u>22,349,964</u>
Net Property, Plant and Equipment - Exhibit A	<u>\$34,170,155</u>	<u>\$ 4,389,471</u>	<u>\$(1,962,962)</u>	<u>\$36,596,665</u>

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

5. Capital Assets - continued

	Balance <u>1/1/13</u>	<u>Additions</u>	<u>(Retirements)</u>	Balance <u>12/31/13</u>
Property, Plant and Equipment Not Being Depreciated:				
Land	\$ 1,640,891	\$ -	\$ -	\$ 1,640,891
Construction in progress	<u>3,171,678</u>	<u>2,494,937</u>	<u>(5,574,204)</u>	<u>92,411</u>
Total Property, Plant and Equipment Not Being Depreciated	<u>4,812,570</u>	<u>2,494,937</u>	<u>(5,574,204)</u>	<u>1,733,302</u>
Other Property, Plant and Equipment:				
Structures	9,399,212	4,368,782	-	13,767,994
Intake, suction, distribution and transmission mains	21,432,810	900,561	-	22,333,371
Meters, hydrants and services	6,893,963	286,539	-	7,180,502
Reservoirs, dams, tanks and standpipes	3,937,860	10,211	-	3,948,071
Electric pumping and purification systems	2,828,274	80,493	-	2,908,767
Transportation equipment and other equipment	<u>2,879,494</u>	<u>706,982</u>	<u>(25,823)</u>	<u>3,560,653</u>
Total Other Property, Plant and Equipment	<u>47,371,613</u>	<u>6,353,568</u>	<u>(25,823)</u>	<u>53,699,358</u>
Total Property, Plant and Equipment	52,184,182	8,848,505	(5,600,027)	55,432,660
Less accumulated depreciation	<u>20,294,737</u>	<u>993,433</u>	<u>(25,665)</u>	<u>21,262,505</u>
Net Property, Plant and Equipment - Exhibit A	<u>\$31,889,445</u>	<u>\$ 7,855,072</u>	<u>\$ (5,574,362)</u>	<u>\$34,170,155</u>

6. Defined Benefit Pension Plan

Plan Description

The District has contributed to Maine Public Employees Retirement System (MainePERS), Participating Local District Consolidated Retirement Plans. These are cost-sharing multiple-employer defined benefit plans. The District's payroll for employees covered by the plans was \$1,554,995 and \$1,483,812 for 2014 and 2013, respectively.

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

6. Defined Benefit Pension Plan - continued

Plan Description - continued

All full-time District employees are eligible to participate in the MainePERS. Benefits vest after five years of service. With Plan A, District employees who retire at or after age 60 with one year of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average of their highest three year earnings. With Plan B the above criteria apply except the annual retirement benefit payable monthly for life is an amount equal to 1% of the average of their highest three year earnings. The MainePERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

A copy of the most recent financial report for the plan may be obtained from the MainePERS.

Contribution Requirements

Participating District employees are required to contribute a percentage of their annual salary to the plans by state statute. The District has paid the required contributions which represent a percentage of the covered payroll as determined by the plans' actuaries on an annual basis. The following summarizes the required contributions and percentages for the current year and the two preceding years.

	Plan A			Plan B		
	Year Ended December 31			Year Ended December 31		
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employer						
Amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percentage	-%	-%	-%	-%	-%	-%
Employee						
Amount	\$ 6,588	\$11,969	\$11,405	\$47,523	\$38,521	\$36,878
Percentage						
Jan. - June	6.50%	6.50%	6.50%	3.0%	3.0%	3.0%
July - Aug.	7.00%	6.50%	6.50%	3.5%	3.0%	3.0%

BANGOR WATER DISTRICT  
Notes to Basic Financial Statements  
December 31, 2014 and 2013

7. Customer Advances

The following is a summary of the District's customer advance transactions for the years ended December 31, 2014 and 2013:

Advances at January 1, 2013	\$760,080
Advances from customers - 2013	54,703
Expiration of advances - 2013	(18,139)
Advances used - 2013	<u>(1,477)</u>
Advances at December 31, 2013 - Exhibit A	795,167
Advances from customers - 2014	36,802
Expiration of advances - 2014	(105,106)
Advances used - 2014	<u>(6,989)</u>
Advances at December 31, 2014 - Exhibit A	<u>\$719,874</u>

8. Leasing Activities

The District leases the use of its towers to various phone companies. Lease terms range from 5 to 6 years with a renewal option ranging from 3 to 5 additional 5 to 6 year terms. For towers located on the City of Bangor's property, 50% of related lease income is remitted to the City of Bangor.

Future minimum lease rentals are as follows:

<u>Year Ended December 31</u>	<u>Minimum Rentals</u>
2015	\$100,896
2016	83,601
2017	35,895
2018	33,013
2019	<u>34,003</u>
 Total	 <u>\$287,408</u>



BANGOR WATER DISTRICT  
Schedules of Operating and Maintenance Expenses  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>Pumping</u>		
General operations	\$ 185,465	\$ 191,264
Pumping maintenance	1,440	3,023
Total Pumping	<u>186,905</u>	<u>194,287</u>
<u>Water Treatment</u>		
General operations	788,106	713,493
Maintenance	80,202	49,306
Total Water Treatment	<u>868,308</u>	<u>762,799</u>
<u>Transmission and Distribution</u>		
General operations	926,408	865,956
Maintenance		
Repairs to standpipe	63,624	207,500
Repairs to distribution mains	175,241	137,051
Repairs to services	90,720	76,413
Repairs to meters	51,938	53,783
Repairs to hydrants	59,848	84,229
Total Transmission and Distribution	<u>1,367,779</u>	<u>1,424,932</u>
<u>Customer Accounts</u>		
Customer billing	39,526	44,448
Meter reading	42,941	44,545
Collecting	48,370	47,822
Total Customer Accounts	<u>130,837</u>	<u>136,815</u>
<u>Administrative and General</u>	<u>1,024,710</u>	<u>943,483</u>
<u>Depreciation</u>	<u>1,022,867</u>	<u>909,806</u>
Total Operating and Maintenance - Exhibit B	<u>\$4,601,406</u>	<u>\$4,372,122</u>

BANGOR WATER DISTRICT  
 Schedule of Budget to Actual Comparison  
 For the Year Ended December 31, 2014

	2014	Budget	Variance
<u>Operating Revenues</u>			
Water service revenues	\$5,276,027	\$5,185,455	\$ 90,572
Tower lease revenues	103,543	99,980	3,563
Other operating revenues	345,561	349,030	(3,469)
Total Operating Revenues	<u>5,725,131</u>	<u>5,634,465</u>	<u>90,666</u>
<u>Operating Expenses</u>			
<u>Pumping</u>			
General operations	185,465	189,031	(3,566)
Pumping maintenance	1,440	2,313	(873)
Total Pumping	<u>186,905</u>	<u>191,344</u>	<u>(4,439)</u>
<u>Water Treatment</u>			
General operations	788,106	789,477	(1,371)
Maintenance	80,202	59,997	20,205
Total Water Treatment	<u>868,308</u>	<u>849,474</u>	<u>18,834</u>
<u>Transmission and Distribution</u>			
General operations	926,408	927,145	(737)
Maintenance			
Repairs to standpipe	63,624	180,164	(116,540)
Repairs to distribution mains	175,241	149,009	26,232
Repairs to services	90,720	84,251	6,469
Repairs to meters	51,938	55,484	(3,546)
Repairs to hydrants	59,848	62,697	(2,849)
Total Transmission and Distribution	<u>1,367,779</u>	<u>1,458,750</u>	<u>(90,971)</u>
<u>Customer Accounts</u>			
Customer billing	39,526	50,765	(11,239)
Meter reading	42,941	45,850	(2,909)
Collecting	48,370	47,687	683
Total Customer Accounts	<u>130,837</u>	<u>144,302</u>	<u>(13,465)</u>
<u>Administrative and General</u>	<u>1,024,710</u>	<u>1,017,351</u>	<u>7,359</u>
<u>Depreciation</u>	<u>1,022,867</u>	<u>868,500</u>	<u>154,367</u>
Total Operating Expenses	<u>4,601,406</u>	<u>4,529,721</u>	<u>71,685</u>
Operating Income	<u>1,123,725</u>	<u>1,104,744</u>	<u>18,981</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest and investment revenues	2,260	3,120	(860)
Other revenues	108,999	92,881	16,118
Interest expense	(181,464)	(211,644)	30,180
Miscellaneous expenses	(104,941)	(139,511)	34,570
Total Non-Operating Revenues (Expenses)	<u>(175,146)</u>	<u>(255,154)</u>	<u>80,008</u>
Income before Contributions	948,579	849,590	98,989
<u>Capital Contributions</u>	<u>183,407</u>	<u>-</u>	<u>183,407</u>
Change in Fund Net Position	<u>\$1,131,986</u>	<u>\$ 849,590</u>	<u>\$ 282,396</u>

Bangor Water District  
 Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency Maine Department of Health and Human Services Capitalization Grants for Drinking Water State Revolving Funds	66.468	<u>\$ 1,478,292</u>
Total Expenditures of Federal Awards		<u>\$ 1,478,292</u>

BANGOR WATER DISTRICT  
Note to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bangor Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Haverlock, Estey & Curran, LLC  
Certified Public Accountants • Consultants

Peter D. Curran, CPA  
Steven D. Carr, CPA  
Vicki J. Vincent, CPA  
Gayle M. Davis, CPA  
Stephen L. Spencer, CPA  
Keith P. Bourgojn, CPA  
Randy S. Baker, CPA

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  
Bangor Water District  
Bangor, Maine

We have audited, 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, the financial statements of Bangor Water District which comprise the statement of net position as of December 31, 2014 and the related statements of revenues, expenses and change in fund net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Bangor Water District, in a separate letter dated May 4, 2015.

#### 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haverlock, Estey & Curran*  
HAVERLOCK, ESTEY & CURRAN

May 4, 2015  
Hampden, Maine





**Haverlock, Estey & Curran, LLC**  
Certified Public Accountants • Consultants

Peter D. Curran, CPA  
Steven D. Carr, CPA  
Vicki J. Vincent, CPA  
Gayle M. Davis, CPA  
Stephen L. Spencer, CPA  
Keith P. Bourgojn, CPA  
Randy S. Baker, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees  
Bangor Water District  
Bangor, Maine

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

We have audited Bangor Water District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the 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, 2014.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Haverlock Estey Curran*  
HAVERLOCK, ESTEY & CURRAN

May 4, 2015  
Hampden, Maine

BANGOR WATER DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

**Section 1**

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statement of Bangor Water District.
2. There were no significant deficiencies disclosed during the audit of the financial statements reported in the "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*." There were no conditions reported as a material weaknesses.
3. No instances of noncompliance material to the financial statements of Bangor Water District were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal awards programs disclosed during the audit reported in the "Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133." There were no conditions reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for Bangor Water District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:  
  
U.S. Environmental Protection Agency  
Capitalization Grants for Drinking Water State Revolving Funds  
Federal CFDA Number 66.468
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bangor Water District was not determined to be a low-risk auditee.

BANGOR WATER DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2014

**Section 2**

Findings - Financial Statement Audit

Significant Deficiencies

(None reported)

**Section 3**

Findings and Questioned Costs - Major Federal Award Programs Audit

(None reported)