

LINCOLN WATER DISTRICT

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

**LINCOLN WATER DISTRICT
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DECEMBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lincoln Water District

Opinion

We have audited the accompanying financial statements consisting of the statements of net position, statements of revenues, expenses and changes in fund net position, and statements of cash flows of the Lincoln Water District as of and for the years ended December 31, 2022 and 2021, which collectively comprise the Lincoln 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 Lincoln Water District as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022 the Lincoln Water District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Accounting and Financial Reporting for Leases*. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lincoln 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 Lincoln 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lincoln 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 Lincoln 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 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 Lincoln Water District's basic financial statements. The accompanying supplementary information presented as Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HMV, LLC

HMV, LLC
Ellsworth, Maine
June 15, 2023



Lincoln Water District Management's Discussion and Analysis December 31, 2022 and 2021

Introduction of the Financial Statements

The Lincoln Water District Office is located at 3 Taylor Street and the Town's water supply is a ground water Aquifer that currently supplies all of the Municipal water needs of the towns of Lincoln and Howland. The location of the Esker Aquifer is in South Lincoln and is part of a major glacial stream deposit that extends in a North/South direction through the most southern part of the town of Lincoln. The District operates and maintains 4 gravel packed wells in the Aquifer. This water source has been in use since the fall of 1961, and feeds 27 miles of water transmission and distribution mains, supplying 132 public fire hydrants, 28 private fire services, and 1,400 water service connections. The District average daily pumping rate is 300,000 gallons per day (GPD). In the event of a power failure, water pressure and flow would be maintained by two-500,000 gallon standpipes located at the top of Pinkham Street and one 500,000 gallon underground concrete tank located off the Transalpine Road on Fish Hill.

The water source from the gravel packed well is pumped directly into the transmission and distribution system. The quality of the water is such that only sodium hypochlorite is needed for disinfection to meet State and Federal guidelines.

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

Budgetary Highlights

The District is not legally required to adopt budgetary accounting and reporting; however, an annual budget is prepared by management. There were no significant variations between the original and final budget. The District operated within its overall approved budget in 2022.

Significant Transactions and Changes

The District has finished about 90-95% of the meter replacements in 2022.

In 2022, the District completed 60 gate box top replacements in conjunction with the Maine DOT on major streets in Town.

The District purchased a new van in 2022 to replace the 2012 van.

The District did have a few leaks in Town in 2022.

Comparison of Financial Statements for Current and Prior Years

Statements of Net Position

	2022	Restated 2021
Current Assets	350,573	505,406
Capital Assets, Net	4,303,301	4,333,111
Lease Receivable	-0-	11,970
Total Assets	<u>4,653,874</u>	<u>4,850,487</u>
Deferred Outflows of Resources	<u>8,590</u>	<u>10,251</u>
Total Assets and Deferred Outflows of Resources	<u>4,662,464</u>	<u>4,860,738</u>
Current Liabilities	108,419	214,979
Non-Current Liabilities	633,716	686,090
Total Liabilities	<u>742,135</u>	<u>901,069</u>
Deferred Inflows of Resources	<u>33,536</u>	<u>146,774</u>
Net Position:		
Net Investment in Capital Assets	3,620,682	3,493,291
Unrestricted	266,111	319,604
Total Net Position	<u>3,886,793</u>	<u>3,812,895</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>4,662,464</u>	<u>4,860,738</u>

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

Statements of Revenues, Expenses and Changes in Fund Net Position

	2022	Restated 2021
Operating Revenues	1,002,474	908,868
Non-Operating Revenues	<u>3,063</u>	<u>7,057</u>
Total Revenues	<u>1,005,537</u>	<u>915,925</u>
Operating Expenses	977,605	856,592
Non-Operating Expenses	<u>18,797</u>	<u>18,911</u>
Total Expenses	<u>996,402</u>	<u>875,503</u>
Change in Net Position Before Contributions	9,135	40,422
Contributions In Aid of Construction	<u>64,763</u>	<u>-0-</u>
Change in Net Position After Contributions	<u>73,898</u>	<u>40,422</u>
Net Position – Beginning of Year	<u>3,812,895</u>	<u>3,772,473</u>
Net Position – End of Year	<u>3,886,793</u>	<u>3,812,895</u>

Capital Assets and Long-Term Debt

The District had the following capital asset additions for the years ending December 31:

	2022	2021
Pumping Equipment	-0-	28,387
Water Treatment Equipment	-0-	4,387
Standpipe	-0-	515,066
Services	11,392	-0-
Meters	37,829	15,827
Transportation Equipment	41,434	-0-
Tools	5,699	3,271

Long-term debt outstanding, including current portion, at December 31, 2022 and 2021 was \$641,185 and \$687,519, respectively. Debt retired in 2022 and 2021 totaled \$46,334 and \$76,608, respectively.

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 \$33,000.

Next Year's Operations

The District is planning on doing an upgrade to hydrants on Main Street in collaboration with the Town of Lincoln Public Works Department and Maine DOT for sidewalk reconstruction.

The District is planning on replacing the main on Taylor Street in the summer of 2023.

The District is working renewing their lease with Poland Spring; the new lease term will be 45 years.

The District is considering a rate increase for 2023; the last rate increase was done in 2014.

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 rents from water property. Overall, operating revenues increased by \$93,606 or 10.3% in 2022. Approximately 22% of total operating revenues are generated from public fire protection charges assessed to the Town of Lincoln.

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 2.35 to 3.23. During 2022 the coverage ratio increased from 2.68 to 3.86.

Current Ratio

	2022	Restated 2021
Current Assets	350,573	505,406
Current Liabilities	108,419	214,979
Current Ratio	3.23	2.35

Overall Financial Position and Results of Operations (Continued)

Financial Ratios (Continued):

Coverage Ratio

	2022	Restated 2021
Operating Revenues	1,002,474	908,868
Non-Operating Revenues	3,063	7,057
Total Revenues	<u>1,005,537</u>	<u>915,925</u>
Operating Expenses	977,605	856,592
Depreciation	(180,164)	(168,701)
Expenses	<u>797,441</u>	<u>687,891</u>
Net Available for Debt Service	<u>208,096</u>	<u>228,034</u>
Principal Payments	46,334	76,608
Interest Payments	7,581	8,325
Total Debt Service Payments	<u>53,915</u>	<u>84,933</u>
Coverage Ratio	<u>3.86</u>	<u>2.68</u>

Request For Information

This report is a summary of our activities during 2022 and some proposed projects for 2023. If you have questions about this report or our water service in general, please call the District office at 207-794-2921, or you may attend a Board of Trustees meeting that is open to the public. The meetings are typically held at the District Office on the second Tuesday of every month at 7:00 P.M.

**LINCOLN WATER DISTRICT
STATEMENTS OF NET POSITION
AT DECEMBER 31,**

	2022	Restated 2021
<i>Assets and Deferred Outflows of Resources</i>		
Current Assets:		
Cash	165,884	194,694
Accounts Receivable	105,022	55,977
Current Portion of Lease Receivable	11,970	141,334
Materials and Supplies	67,697	104,822
Prepaid Insurance	-	8,579
Total Current Assets	<u>350,573</u>	<u>505,406</u>
Non-Current Assets:		
Property, Plant and Equipment:		
Utility Plant	7,253,802	7,210,041
Less: Accumulated Depreciation	<u>3,004,501</u>	<u>2,876,930</u>
Net Utility Plant	4,249,301	4,333,111
Construction Work in Progress	<u>54,000</u>	-
Total Property, Plant and Equipment	4,303,301	4,333,111
Lease Receivable	-	<u>11,970</u>
Total Non-Current Assets	<u>4,303,301</u>	<u>4,345,081</u>
Total Assets	<u>4,653,874</u>	<u>4,850,487</u>
Deferred Outflows of Resources:		
Deferred Outflows - OPEB	<u>8,590</u>	<u>10,251</u>
Total Deferred Outflows of Resources	<u>8,590</u>	<u>10,251</u>
Total Assets and Deferred Outflows of Resources	<u><u>4,662,464</u></u>	<u><u>4,860,738</u></u>

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



**LINCOLN WATER DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
AT DECEMBER 31,**

	2022	Restated 2021
<i>Liabilities, Deferred Inflows of Resources and Net Position</i>		
Current Liabilities:		
Accounts Payable	15,916	10,052
Accrued Interest	1,898	2,024
Accrued Vacation	2,374	4,268
Short-Term Loan	41,434	152,301
Current Portion of Long-Term Debt	<u>46,797</u>	<u>46,334</u>
Total Current Liabilities	<u>108,419</u>	<u>214,979</u>
Non-Current Liabilities:		
Compensated Absences	11,656	8,480
Net OPEB Liability	27,672	36,425
Long-Term Debt	<u>594,388</u>	<u>641,185</u>
Total Non-Current Liabilities	<u>633,716</u>	<u>686,090</u>
Total Liabilities	<u>742,135</u>	<u>901,069</u>
Deferred Inflows of Resources:		
Deferred Inflows - OPEB	12,399	1,990
Deferred Inflows - Leases	11,137	144,784
Regulatory Reserves	<u>10,000</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>33,536</u>	<u>146,774</u>
Net Position:		
Net Investment in Capital Assets	3,620,682	3,493,291
Unrestricted	<u>266,111</u>	<u>319,604</u>
Total Net Position	<u>3,886,793</u>	<u>3,812,895</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>4,662,464</u></u>	<u><u>4,860,738</u></u>

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



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

	2022	Restated 2021
Operating Revenues:		
Residential	304,836	301,467
Commercial	80,040	94,765
Industrial	607	906
Public Authorities	21,220	19,776
Public Fire Protection	217,914	217,914
Private Fire Protection	25,840	25,824
Sales for Resale	140,901	76,184
All Other	211,116	172,032
Total Operating Revenues	<u>1,002,474</u>	<u>908,868</u>
Operating Expenses:		
Operation and Maintenance	792,908	683,025
Depreciation	180,164	168,701
Assessments	4,533	4,866
Total Operating Expenses	<u>977,605</u>	<u>856,592</u>
Net Operating Income (Loss)	<u>24,869</u>	<u>52,276</u>
Non-Operating Revenues (Expenses):		
Interest Income	3,063	7,057
Non-Utility Income (Expense)	(11,342)	(10,750)
Interest Expense	(7,455)	(8,161)
Total Non-Operating Revenues (Expenses)	<u>(15,734)</u>	<u>(11,854)</u>
Changes In Net Position Before Construction Contributions	9,135	40,422
Contributions in Aid of Construction	<u>64,763</u>	<u>-</u>
Changes In Net Position After Construction Contributions	73,898	40,422
Net Position - Beginning of Year (Restated)	<u>3,812,895</u>	<u>3,772,473</u>
Net Position - End of Year	<u><u>3,886,793</u></u>	<u><u>3,812,895</u></u>

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



**LINCOLN WATER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,**

	2022	<i>Restated</i> 2021
Cash Flows from Operating Activities:		
Receipts from Customers and Users	953,429	924,988
Payments to Suppliers	(239,329)	(256,453)
Payments to Employees	(491,945)	(450,801)
Net Cash Flows from Operating Activities	<u>222,155</u>	<u>217,734</u>
Cash Flows from Noncapital Financing Activities:		
Other Income (Expense)	(3,655)	(7,235)
Net Cash Flows from Noncapital Financing Activities	<u>(3,655)</u>	<u>(7,235)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(108,920)	(566,938)
Net Short-Term Borrowing Receipts (Payments)	(152,301)	152,301
Construction Contributions	64,763	-
Interest Payments on Debt	(7,581)	(8,325)
Principal Payments on Long-Term Debt	(46,334)	(76,608)
Net Cash Flows from Capital and Related Financing Activities	<u>(250,373)</u>	<u>(499,570)</u>
Cash Flows from Investing Activities:		
Investment Income	3,063	7,057
Net Cash Flows from Investing Activities	<u>3,063</u>	<u>7,057</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,810)	(282,014)
Cash and Cash Equivalents at Beginning of Year	<u>194,694</u>	<u>476,708</u>
Cash and Cash Equivalents at End of Year	<u><u>165,884</u></u>	<u><u>194,694</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	24,869	52,276
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation Expense	180,164	168,701
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(49,045)	16,120
(Increase) Decrease in Materials and Supplies	37,125	15,433
(Increase) Decrease in Prepaid Insurance	8,579	(8,579)
(Increase) Decrease in Deferred Outflows - OPEB	1,661	(669)
(Decrease) Increase in Accounts Payable	5,864	2,912
(Decrease) Increase in Accrued Vacation	(1,894)	1,839
(Decrease) Increase in Compensated Absences	3,176	(5,530)
(Decrease) Increase in Net OPEB Liability	(8,753)	5,516
(Decrease) Increase in Deferred Inflows - OPEB	10,409	(285)
(Decrease) Increase in Regulatory Reserves	10,000	(30,000)
Net Cash Flows from Operating Activities	<u><u>222,155</u></u>	<u><u>217,734</u></u>

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



Note 1: Summary of Significant Accounting Policies

Lincoln 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 Lincoln. The District also supplies water to the Town of Howland. Its 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). The majority of operating revenues are derived from metered sales of water, public fire protection, private fire protection, sales for resale and rents from water property. 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulation

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

Restricted Resources

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



Note 1: Summary of Significant Accounting Policies (Continued)

Deposits and Investments

Maine Statutes authorize investments in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, certain certificates of deposit and certain money market 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 and 2021. 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.

Cash on deposit consisted of the following at December 31:

	Carrying Amount	Bank Balance	Category 1	Category 2	Category 3
2022	165,884	169,453	169,453	-0-	-0-
2021	194,694	198,507	198,507	-0-	-0-

Accounts Receivable

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



Note 1: Summary of Significant Accounting Policies (Continued)

Inventories

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

Property, Plant and Equipment

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

Structures and Improvements	2.0%
Wells and Springs	2.0%
Pumping and Treatment Equipment	5.0% - 10.0%
Standpipes, Mains and Hydrants	1.3% - 2.0%
Services and Meters	3.0% - 4.0%
Transportation Equipment	20.0%
General Equipment	5.0% - 12.5%

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

Capitalization Policy

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

Contributions in Aid of Construction

Contributions in aid of construction include direct non-refundable contributions and are reported as income in the year earned. Utility plant funded by contributions is not depreciated for rate making purposes. The net contributions in aid of construction included in total net position at December 31, 2022 and 2021 is \$1,511,613 and \$1,489,326, respectively.



Note 1: Summary of Significant Accounting Policies (Continued)

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 one item that qualifies for reporting to this category: deferred outflows – OPEB.

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 for accrued vacation and one-third of unused sick leave. The accrued vacation liability, shown as a current liability, at December 31, 2022 and 2021 was \$2,374 and \$4,268, respectively. The sick leave liability, shown as a non-current liability titled compensated absences, was \$11,656 and \$8,480, at December 31, 2022 and 2021, respectively. Activity for compensated absences was as follows at December 31:

2020			2021			2022	
Balance	Increases	Decreases	Balance	Increases	Decreases	Balance	
14,010	-0-	5,530	8,480	3,176	-0-	11,656	

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 three items that qualify for reporting to this category: deferred inflows – OPEB, deferred inflows – leases and regulatory reserves. Regulatory reserves represent amounts recovered from customers in advance of incurring the costs. The District’s reserve at December 31, 2022 and 2021 totaling \$10,000 and \$0, respectively, relates to future standpipe painting costs.

Budget

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



Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 and 2021. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

Recently Adopted Accounting Standards and Change in Accounting Principle

Effective December 31, 2021, the Lincoln Water District adopted the new Governmental Accounting Standards Board (GASB) lease accounting guidance in Statement No. 87, *Accounting and Financial Reporting for Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

For December 31, 2021, the District has elected to implement GASB Statement No. 87 *Accounting and Financial Reporting for Leases*. As a result of implementing GASB Statement No. 87, the District has increased the beginning net position in the amount of \$8,520, lease receivable was increased by \$153,304 and the deferred inflows lease was increased by \$144,784.



Note 1: Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Standards and Change in Accounting Principle (Continued)

Effective December 31, 2022, the District adopted the new GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The adoption had no effect on the beginning net assets/fund balances of the District; therefore, pro forma amounts for the prior period are not needed. In addition, the District has no SBITAs as of December 31, 2022, so none are reflected in the financial statements.

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.

Note 2: 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 participates in several public entity risk pools sponsored by Maine Municipal Association for the risks of losses to which it is exposed. There have been no significant reductions in the insurance coverage from the prior year. The District is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2022 and 2021. Settlements have not exceeded insurance coverage for each of the past three years.



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 3: Major Customers

The District derived 22% and 24% of its operating revenues from the Town of Lincoln related to the servicing of public fire hydrants for the years ended December 31, 2022 and 2021, respectively. The District derived 13% and 17% of its operating revenues from One Rock Capital Partners LLC (operating as Blue Triton Brand) related to leasing water property for the years ended December 31, 2022 and 2021, respectively.

Note 4: Non-Utility Income (Expense)

In 2019, Pump Station #2 sustained significant damage and a replacement project was needed. An insurance claim was filed and funds were obtained for the project. In 2022 and 2021, the estimated amount to be received for engineering costs related to this project from the contractor's insurance company was reduced by \$11,342 and \$10,750, respectively, and is shown as non-utility expense.

Note 5: Utility Plant

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

	Beginning Balance	Additions	Disposals	Ending Balance
Organization	14,473			14,473
Franchises	500			500
Land	221,784			221,784
Structures	1,011,598			1,011,598
Wells and Springs	665,975			665,975
Power Generation Equipment	625			625
Pumping Equipment	358,605			358,605
Water Treatment Equipment	23,966			23,966
Distribution Reservoirs	774,799			774,799
Mains	2,674,548			2,674,548
Services	473,632	11,392		485,024
Meters	314,944	37,829	29,000	323,773
Hydrants	278,156			278,156
Other Plant Equipment	29,207			29,207
Office Equipment	24,970			24,970
Transportation Equipment	78,758	41,434	23,593	96,599
Tools	83,436	5,699		89,135
Power Operated Equipment	77,300			77,300
Communication Equipment	102,765			102,765
Gross Utility Plant	7,210,041	96,354	52,593	7,253,802
Less: Accumulated Depreciation	2,876,930	180,164	52,593	3,004,501
Net Utility Plant	4,333,111	(83,810)	-0-	4,249,301



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 5: Utility Plant (Continued)

Capital asset costs, additions and disposals are as follows for the year ended December 31, 2021:

	Beginning Balance	Additions	Disposals	Ending Balance
Organization	14,473			14,473
Franchises	500			500
Land	221,784			221,784
Structures	1,011,597			1,011,598
Wells and Springs	665,975			665,975
Power Generation Equipment	625			625
Pumping Equipment	341,218	28,387	11,000	358,605
Water Treatment Equipment	22,579	4,387	3,000	23,966
Distribution Reservoirs	259,733	515,066		774,799
Mains	2,674,549			2,674,548
Services	473,632			473,632
Meters	310,117	15,827	11,000	314,944
Hydrants	278,156			278,156
Other Plant Equipment	29,207			29,207
Office Equipment	24,970			24,970
Transportation Equipment	78,758			78,758
Tools	80,165	3,271		83,436
Power Operated Equipment	77,300			77,300
Communication Equipment	102,765			102,765
Gross Utility Plant	6,668,103	566,938	25,000	7,210,041
Less: Accumulated Depreciation	2,733,229	168,701	25,000	2,876,930
Net Utility Plant	3,934,874	398,237	-0-	4,333,111

Note 6: Commitments

In 2021, the District entered into a contract with Constellation NewEnergy to supply electricity at \$0.06460 per kilo-watt hour. The contract is effective through November 17, 2023.

At December 31, 2022, the District had committed to and signed construction contracts which remained incomplete with a remaining balance of \$33,000.

Note 7: 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.



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 8: Short-Term Loan

To assist with its standpipe painting project, the District borrowed \$228,000 from Machias Savings Bank in August 2021. This 12 month loan has an interest rate of 1.22% and requires monthly payments totaling \$19,128 until August 2022. To assist with purchasing a new cargo van, the District borrowed \$41,434 from Machias Savings Bank in December 2022. This 12 month loan has an interest rate of 5.15% and requires monthly payments totaling \$3,550 until December 2023. Activity for the short-term loan account is as follows at December 31:

2020			2021			2022
Balance	Increases	Decreases	Balance	Increases	Decreases	Balance
-0-	228,000	75,699	152,301	41,434	152,301	41,434

The District obtaining the cargo van with a \$41,434 short-term loan is a noncash capital and related financing activity that is not reflected on the December 31, 2022 Statement of Cash Flows because the transaction does not result in a cash receipt or payment.

Note 9: Interest Expense

No interest costs were capitalized during 2022 and 2021. The amount of interest costs incurred and charged to expense for the years ending December 31, 2022 and 2021 was \$7,455 and \$8,161, respectively.

Note 10: Long-Term Debt

Bonds payable are as follows at December 31, 2022:

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable to Maine Municipal Bond Bank, maturing in 2031. Interest rate of 1.00%.	218,518		20,887	197,631
Bonds payable to Maine Municipal Bond Bank, maturing in 2038. Interest rate of 1.00%.	469,001		25,447	443,554
Total Outstanding Debt	687,519		46,334	641,185
Less: Current Portion	46,334			46,797
Total Long-Term Debt	641,185			594,388



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 10: Long-Term Debt (Continued)

Bonds payable are as follows at December 31, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Bonds payable to Key Bank, maturing in 2022. Interest rate of 3.47%.	13,534		13,534	-0-
Note Payable to Machias Savings Bank, maturing in 2022. Interest rate of 3.25%.	17,200		17,200	-0-
Bonds payable to Maine Municipal Bond Bank, maturing in 2031. Interest rate of 1.00%.	239,197		20,679	218,518
Bonds payable to Maine Municipal Bond Bank, maturing in 2038. Interest rate of 1.00%.	494,196		25,195	469,001
Total Outstanding Debt	764,127		76,608	687,519
Less: Current Portion	76,608			46,334
Total Long-Term Debt	687,519			641,185

Required total future debt service payments are as follows:

	Principal	Interest	Total
2023	46,797	9,072	55,869
2024	47,265	8,604	55,869
2025	47,737	8,132	55,869
2026	48,215	7,654	55,869
2027	48,697	7,172	55,869
2028-2032	227,815	27,305	255,120
2033-2037	144,820	13,400	158,220
2038	29,839	1,805	31,644
	<u>641,185</u>	<u>83,144</u>	<u>724,329</u>



**LINCOLN WATER DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021**

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 and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and adding back unspent bond proceeds. The District's net investment in capital assets was calculated as follows at December 31:

	2022	2021
Total Property, Plant and Equipment	4,303,301	4,333,111
Short-Term Loan	(41,434)	(152,301)
Long-Term Debt, Including Current Portion	<u>(641,185)</u>	<u>(687,519)</u>
Net Investment in Capital Assets	<u>3,620,682</u>	<u>3,493,291</u>

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

Note 12: 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:



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 12: Other Postemployment Benefits (OPEB) (Continued)

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	-	-
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	<u>4</u>	<u>4</u>
Total	<u>4</u>	<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 at December 31, 2022 and 2021 was \$27,672 and \$36,425, respectively. The 2022 liability was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date. The 2021 liability was measured as of January 1, 2021, 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	36,425
Changes for the Year:	
Service Cost	2,643
Interest	828
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	(12,114)
Changes in Assumptions	(107)
Benefit Payments	<u>(3)</u>
Net Changes for the Year	<u>(8,753)</u>
Balance at December 31, 2022	<u>27,672</u>

Changes in the total OPEB liability for 2021 are shown below:

Balance at December 31, 2020	30,909
Changes for the Year:	
Service Cost	2,280
Interest	909
Changes of Benefit Terms	-0-
Differences Between Expected and Actual Experience	-0-
Changes in Assumptions	2,330
Benefit Payments	<u>(3)</u>
Net Changes for the Year	<u>5,516</u>
Balance at December 31, 2021	<u>36,425</u>



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 12: Other Postemployment Benefits (OPEB) (Continued)

There is no fiduciary net position at December 31, 2022 and 2021 because the plan is pay as you go and is not funded. Contributions to the plan in 2022 and 2021 were \$3 which equals the plan benefit payments. Because retirees pay 100% of the coverage premiums, revenue totaling \$3 was recognized in 2022 and 2021 by the District. There were no plan administrative expenses in 2022 and 2021.

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 and 2021, the District recognized OPEB expense of \$3,320 and \$4,565, respectively.

The District reported deferred outflows of resources related to OPEB from the following source at December 31:

	2022	2021
Difference Between Expected and Actual Experience	2,014	2,418
Changes in Assumptions	<u>6,576</u>	<u>7,833</u>
Total Deferred Outflows of Resources	<u>8,590</u>	<u>10,251</u>

The District reported deferred inflows of resources related to OPEB from the following sources at December 31:

	2022	2021
Difference Between Expected and Actual Experience	10,600	-0-
Changes in Assumptions	<u>1,799</u>	<u>1,990</u>
Total Deferred Inflows of Resources	<u>12,399</u>	<u>1,990</u>

\$0 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date for the plan will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023.

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

Year Ended December 31:	
2023	(151)
2024	(151)
2025	(151)
2026	(151)
2027	(159)
Thereafter	<u>(3,046)</u>
Total	<u>(3,809)</u>



Note 12: Other Postemployment Benefits (OPEB) (Continued)

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: 8.60% for 2022, decreasing to 3.53% for 2042.

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.

The total OPEB liability in the January 1, 2021 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: 8.25% for 2021, decreasing to 3.28% for 2040.

Medicare Blended: 7.62% for 2021, decreasing to 3.28% for 2040.

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, 2021 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 and 2021 was 2.06% and 2.12%, respectively, 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.

Note 12: Other Postemployment Benefits (OPEB) (Continued)

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%)
<u>32,425</u>	<u>27,672</u>	<u>23,803</u>

The following presents the District's total OPEB liability as of December 31, 2021 calculated using the discount rate of 2.12%, 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 (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
<u>42,943</u>	<u>36,425</u>	<u>31,173</u>

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

The following presents the District's total OPEB liability as of December 31, 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
<u>23,472</u>	<u>27,672</u>	<u>32,924</u>

The following presents the District's total OPEB liability as of December 31, 2021 as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage point-point higher than the current rates:

1% Decrease	Healthcare Trend Rates	1% Increase
<u>30,543</u>	<u>36,425</u>	<u>43,893</u>



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 13: Lease Receivable

In 2018, the District negotiated and entered into a new agreement with Nestle Waters North America Inc. (Nwana). Under the terms of the agreement, the District agrees to lease a portion of its property to Nwana for the construction and operation of a Load Station Facility and to sell water to Nwana from the Load Station Facility at the District's current tariff sheet. The term of the agreement is five years with one automatic renewal term of five years. Nwana also agrees to pay the District a flat monthly rental fee of \$12,000. In 2022, Nwana sold its North American bottled water business to One Rock Capital Partners LLC (operating as Blue Triton Brand); the terms of the original agreement were not changed due to the sale. The lease receivable was recorded at the present value of the minimum lease payments of \$668,235 using the District's incremental borrowing rate of 3%. The lease does not include variable lease payments, residual value guarantees, termination penalties or contingent rental payments. During 2022, total lease payments received were \$144,000 representing interest income of \$2,666 and lease income of \$141,334. During 2021, total lease payments received were \$144,000 representing interest income of \$6,838 and lease income of \$137,162. Lease income is included with All Other Revenues on the Statements or Revenues, Expenses and changes in Net Position.

The components of lease receivables for the net investment in GASB Statement No. 87 Accounting and Financial Reporting for Leases are as follows at December 31:

	2022	2021
Total Remaining Payments	12,000	156,000
Less: Total Remaining Interest	(30)	(2,696)
Net Investment in Leases	<u>11,970</u>	<u>153,304</u>
Current Portion	11,970	141,334
Long-Term Portion	-0-	11,970
	<u>11,970</u>	<u>153,304</u>

Future minimum lease receivables due from customers under GASB 87 leases as of December 31, 2022, are as followed:

	Principal	Interest	Total
2023	11,970	30	12,000
	<u>11,970</u>	<u>30</u>	<u>12,000</u>

As of December 31, 2022, the lease is being renegotiated with One Rock Capital Partners LLC. Based on preliminary terms of the new lease, the monthly rental fee is to increase to \$15,000 a month and the term of the lease will be 45 years.



**LINCOLN WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 14: Retirement Plan

The District offers employees the option to participate in a 457 defined contribution retirement plan through ICMA-RC whereby the District contributes 6.0% of employees' gross wages on their behalf as approved by the Board of Trustees. Total expense at December 31, 2022 and 2021 was \$20,171 and \$18,363, respectively. Employee contributions totaled \$0 and \$1,558 during 2022 and 2021, respectively. The Board of Trustees has authority over plan provisions, requirements and amendments.

Note 15: Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through June 15, 2023, the date on which the financial statements were available to be issued.



REQUIRED SUPPLEMENTAL INFORMATION

**LINCOLN 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>
<u>Total OPEB Liability</u>					
Service Cost	2,643	2,280	1,530	1,722	1,418
Interest	828	909	940	806	642
Changes of Benefit Terms	0	0	(631)	0	0
Differences Between Expected and Actual Experience	(12,114)	0	2,004	0	1,528
Changes of Assumptions	(107)	2,330	5,670	(2,845)	2,570
Benefit Payments	(3)	(3)	0	0	0
Net Change in Total OPEB Liability	<u>(8753)</u>	<u>5,516</u>	<u>9,513</u>	<u>(317)</u>	<u>6,158</u>
Total OPEB Liability - Beginning	<u>36,425</u>	<u>30,909</u>	<u>21,396</u>	<u>21,713</u>	<u>15,555</u>
Total OPEB Liability - Ending	<u>27,672</u>	<u>36,425</u>	<u>30,909</u>	<u>21,396</u>	<u>21,713</u>
<u>Plan Fiduciary Net Position</u>					
Contributions - Employer	3	3	0	0	0
Contributions - Member	0	0	0	0	0
Net Investment Income	0	0	0	0	0
Benefit Payments	(3)	(3)	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>
Net OPEB Liability - Ending	<u>27,672</u>	<u>36,425</u>	<u>30,909</u>	<u>21,396</u>	<u>21,713</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered Employee Payroll	234,790	215,280	215,280	215,136	215,136
Net OPEB Liability as a Percentage of Covered Employee Payroll	11.8%	16.9%	14.4%	9.9%	10.1%

* Only five years of information available

See notes to required supplementary information.



**LINCOLN WATER DISTRICT
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2022 AND 2021**

NET OPEB LIABILITY

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

**LINCOLN WATER DISTRICT
OPERATION AND MAINTENANCE EXPENSES
YEARS ENDED DECEMBER 31,**

SCHEDULE 1

	2022	2021
Salaries and Wages	373,461	336,349
Pensions and Benefits	123,083	115,323
Power	67,994	45,979
Chemicals	2,072	1,044
Materials and Supplies	120,383	101,032
Contractual Services	45,258	28,013
Standpipe Painting Expense	10,000	12,113
Transportation	16,633	12,635
Insurance	24,528	24,396
Bad Debt Expense (Recovery)	(1,239)	(2,399)
All Other	<u>10,735</u>	<u>8,540</u>
Total Operation and Maintenance Expenses	<u><u>792,908</u></u>	<u><u>683,025</u></u>

See accompanying independent auditors' report.

