

**Kennebunk,  
Kennebunkport  
and Wells  
Water District**

2005 Annual Report

KENNEBUNK, KENNEBUNKPORT  
AND WELLS  
WATER DISTRICT

84<sup>th</sup> Annual Report

January 1, 2005 – December 31, 2005

92 Main Street, P.O. Box 88  
Kennebunk, ME 04043  
207-985-3385

## TRUSTEES AND OFFICERS



From left, Treasurer/Clerk Wayne A. Brockway, Trustee Richard H. Littlefield (Ogunquit), Superintendent Normand R. Labbe, Vice President James E. Burrows (Kennebunkport), Trustee Robert A. Emmons (Kennebunk), and President Thomas P. Oliver (Wells)

## Report of the Kennebunk, Kennebunkport and Wells Water District

### 2005 ANNUAL REPORT

The Kennebunk, Kennebunkport and Wells Water District is a quasi-municipal water utility that was established in 1921 by an act of the Maine State Legislature. The District serves an area that encompasses the Towns of Kennebunk, Kennebunkport, Wells, Ogunquit and small portions of Arundel, Biddeford and York. The area includes a population which varies seasonally from about 28,000 to over 75,000. It is directed by a four-member Board of Trustees, each elected from the Towns of Kennebunk, Kennebunkport, Wells and Ogunquit.

For the Water District, 2005 was a successful year, marked by the completion of several challenging improvement projects and by sustained development pressures. For several years, the District has experienced an annual customer growth rate of 2%, or approximately 200 new customers per year. This trend continued in 2005.

Due to a cool, wet summer, the District's existing sources of supply readily provided an adequate amount of water to meet peak seasonal demands. The total water production for the year of 1.019 billion gallons was 1.3 % less than that of 2004. However, our peak day was 6.71 million gallons per day (6.71 MGD) as compared to 6.34 MGD in 2004. With the current and anticipated increase in customer base, the District fully expects that total water demand, in particular during the peak summer season, will substantially increase over time.

Ensuring a long-term source of water supply remains a high priority. As previously reported, in addition to updating interconnection agreements with neighboring utilities, the District is proceeding with the development of several supplemental/seasonal ground water supplies. The newest well, recently tested at about 1.5 MGD, is scheduled to be placed into service by the summer of 2006. Another important long-term accomplishment is the formation, with several other Southern Maine water utilities, of the Southern Maine Regional Water Council. This new organization, in addition to exploring and implementing collaborative programs to save money and to improve customer service, will focus on comprehensive regional water supply planning. Updates on this and other initiatives are available on the District's web site at [www.kkw.org](http://www.kkw.org).

The District avoided costly litigation and formed a long-term relationship with the Town of Sanford by settling a long-standing disagreement out of court. The disagreement related to the taxation of watershed protection land owned by the District within the Town of Sanford. An agreement was reached whereby the District is compensating Sanford for their watershed-related costs and the District has representation on the Sanford Airport Advisory Committee. Both parties are now cooperating on a variety of issues of mutual importance, including airport development and watershed protection.

A consultant, Dacri and Associates, LLC, reviewed the District's organizational structure and made several conclusions, some of which are as follows:

1. The District is well managed;
2. Key management is competent, capable, loyal and dedicated;
3. Due to an ever-increasing work load, there is a need to add management staff.

As a result of these and other recommendations (see the consultant's Executive Summary on the District's web site), an Assistant Superintendent was hired, with a starting date of January 1, 2006. This revised organizational structure will be similar to that which existed prior to 2002.

An ongoing water filtration plant modernization project is nearing completion. During the past year, the District upgraded its older (1955) emergency back-up filters in a manner that will allow them to return to service as the plant's primary filters. Once this ongoing project is completed in mid-2006, these reliable filters will help reduce chemical costs and enhance operational efficiency.

The modernization of the District's office building at 92 Main Street, Kennebunk was completed with the addition of new landscaping, new walkways and a handicap accessible access ramp. The final part of the project, a water fountain that will incorporate Kennebunk's original Main Street horse watering trough, will be completed during the spring of 2006.

The following is a partial list of distribution projects funded and installed by the District during 2005. These projects typically relate to our goal of optimizing water quality and system reliability by replacing outdated and substandard facilities.

Pier Road, Cape Porpoise, Kennebunkport: Replaced 1,150 feet of old 10" cast iron water main with 16" ductile iron main (fire suppression improvement and in conjunction with a Town project).

Route 1, Ogunquit: Replaced 2,750 feet of old 10" cast iron water main with 20" ductile iron main (water transmission improvement).

Mile Road, Wells: Replaced 250' of 12" cast iron main with 12" polyethylene main (in conjunction with a Maine DOT bridge replacement project).

In addition to the above projects, during the past year individuals and developers funded numerous water main extensions totaling 7,060 feet of new water mains.

Drinking water quality remains a top priority and the District is proud to report that all State and Federal water quality standards were met during 2005. By maintaining a well-trained staff and by continually upgrading its process equipment and control systems, the District can continue to assure a high degree of reliability in the quality of its drinking water.

The Trustees of the District appreciate the continuing support and cooperation of their employees, their customers, area contractors and State and local municipal officials.

Respectfully submitted,

Thomas P. Oliver, President  
James E. Burrows, Vice President  
Richard H. Littlefield, Trustee  
Robert A. Emmons, Trustee  
Normand R. Labbe, Superintendent  
Wayne A. Brockway, Treasurer

**KENNEBUNK, KENNEBUNKPORT,  
AND WELLS WATER DISTRICT  
FINANCIAL REPORT**



**DECEMBER 31, 2005 and 2004**

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
FINANCIAL REPORT  
DECEMBER 31, 2005 and 2004**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Kennebunk, Kennebunkport, and Wells Water District  
Kennebunk, Maine

We have audited the accompanying statements of net assets of Kennebunk, Kennebunkport, and Wells Water District as of December 31, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and the statements of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennebunk, Kennebunkport, and Wells Water District as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying supplemental information presented in Schedule 1 and 2 is not necessary for a fair presentation of the financial statements, but is presented as additional financial data. This information has been subjected to the same tests and other auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Berry, Fowles & Co.*

Certified Public Accountants  
February 17, 2006



## Trustees:

Thomas P. Oliver, President  
James E. Burrows, Vice President  
Richard H. Littlefield  
Robert A. Emmons

# Kennebunk, Kennebunkport and Wells Water District

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Normand R. Labbe, Superintendent  
Scott J. Minor, Assistant Superintendent  
Wayne A. Brockway, Treasurer

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## Kennebunk, Kennebunkport and Wells Water District Management's Discussion and Analysis Year Ended December 31, 2005

### Introduction of the Financial Statements

#### Overview of Financial Report

The District was established in 1921 as a quasi-municipal water utility district organized by a special act of the Maine State Legislature to provide and maintain a water treatment and distribution system for the inhabitants of the District. The District serves the Towns of Kennebunk, Kennebunkport, Wells, Ogunquit and portions of Arundel, York and Biddeford. The District is governed by a four member Board of Trustees, one elected from each of the Towns of Kennebunk, Kennebunkport, Wells and Ogunquit. The District is regulated by the Maine Public Utilities Commission, hereinafter called the Maine P.U.C.

**The District uses a proprietary fund with two board designated funds. The District's fund is financed and operated in a manner similar to private businesses. The two board designated funds are the water supply protection fund and the system development fund.**

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

The District's basic financial statements include:

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements
- Schedule of Changes in Net Assets
- Schedule of Operating Expenses

**Comparison of Financial Statements for Current and Prior Years****Condensed Statement of Net Assets:**

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	
Current assets	\$ 1,330,856	\$ 1,184,626	\$ 146,230	12.3%
Other assets	29,812	29,241	571	2.0%
Capital assets	30,826,087	29,657,986	1,168,101	3.9%
Special funds	<u>602,884</u>	<u>553,143</u>	<u>49,741</u>	9.0%
Total assets	32,789,639	31,424,996	1,364,643	4.3%
Current liabilities	770,521	793,351	(22,830)	(2.9%)
Long-term debt	3,685,273	3,503,997	181,276	5.2%
Other liabilities	<u>2,118,047</u>	<u>2,052,047</u>	<u>66,000</u>	3.2%
Total liabilities	6,573,841	6,349,395	224,446	3.5%
Net Assets				
Unrestricted	<u>\$ 26,215,798</u>	<u>\$ 25,075,601</u>	<u>\$ 1,140,197</u>	4.5%

**Current Assets**

The increase in current assets by \$146,230 was primarily the result of an increase in cash and cash equivalents.

The increase of cash and cash equivalents is primarily related to the acquisitions and construction of operating property, decrease in accounts receivable, and net payment of current liabilities. (Please refer to the cash flow statement for details).

**Other Assets**

Other assets increased by \$571 in 2005. The increase was due to the bond issue costs of \$1,146 related to the 2005 bond issue offset by the current year amortization of \$575.

**Capital Assets**

Capital assets grew by \$1,168,101 in 2005. That increase consisted of:

	<u>Additions</u>	<u>Retirements</u>	<u>Net Change</u>
Utility property	\$ 1,834,552	\$ (95,514)	\$ 1,739,038
Allowance for depreciation	(740,754)	95,449	(645,305)
	<u>\$ 1,093,798</u>	<u>\$ (65)</u>	1,093,733
Change in construction work in progress			74,368
			<u>\$ 1,168,101</u>

The additions to utility property included \$682,479 of contributed capital. Utility property retirements included \$31,862 in vehicles and equipment and \$63,652 in meters, hydrants and services.

The net increase in construction work in progress was primarily related to the development of three separate well projects which are all expected to be placed in service by mid 2006.

## Special Funds

During 2005 Special Funds grew by a net amount of \$49,741. This asset category grew primarily as a result of the establishment of a special fund for Other Post Employment Benefits (O.P.E.B.) as prescribed in FASB Statement #106. The startup contribution of \$120,974 was equal to the current year expense provided by the Fund's actuary and included in the income statement. The combined investment income in 2005 for the Water Supply Protection Fund and the System Development Fund was \$14,667 (as compared to \$5,367 in 2004).

The above increases were offset by a reduction of \$85,900 in the Water Supply Protection Fund due to the procurement of two conservation easements.

## Long-term Debt

Long-term debt increased by a net amount of \$181,276 in 2005. The District financed several construction projects during 2005 with a 15 year, \$1,000,000 serial bond from the Maine Bond Bank. The proceeds were used to pay off the \$400,000 bond anticipation note incurred in 2004. Regular principal repayments in 2005 were \$352,231 bringing the total repayments for the year to \$752,231.

## Current Liabilities

Current liabilities declined by \$22,830 between 2004 and 2005. Decreases in accounts payable of \$37,367 and in other accrued expenses of \$51,956 (mostly due to accrued payroll) were offset by an increase in the current portion of the long-term liabilities in the amount of \$66,493.

## Other Liabilities

Deferred credits, which are interest refunds received from bond refinancing, decreased by \$19,596. This decrease was due to the current year amortization of the deferred credits. Customer deposits for construction increased by the amount of \$19,191 and the post retirement benefit accrual increased by \$66,405, to make a net total increase in other liabilities of \$66,000.

## Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	
Operating Revenue	\$ 4,917,351	\$ 4,431,124	\$ 486,227	11.0%
Depreciation Expense	740,754	710,876	29,878	4.2%
Other Operating Expenses	3,533,137	3,458,227	74,910	2.2%
Net Non-operating Expense	<u>185,742</u>	<u>204,328</u>	<u>(18,586)</u>	(9.1%)
Total Expenses	<u>4,459,633</u>	<u>4,373,431</u>	<u>86,202</u>	2.0%
Change in Net Assets before Contributions	457,718	57,693	400,025	693.4%
Contributions	<u>682,479</u>	<u>1,096,855</u>	<u>(414,376)</u>	(37.8%)
Change in Net Assets	1,140,197	1,154,548	(14,351)	(1.2%)
Beginning Net Assets	<u>25,075,601</u>	<u>23,921,053</u>	<u>1,154,548</u>	4.8%
Ending Net Assets	<u>\$ 26,215,798</u>	<u>\$ 25,075,601</u>	<u>\$ 1,140,197</u>	<u>4.5%</u>

The vast majority (over 94%) of \$4.92 million in 2005 operating revenue comes from two sources: Metered water revenue and public and private fire protection charges.

Metered water revenue (\$3.99 million) - The District's Annual metered customers are billed quarterly. The billing includes a minimum charge (based on the size of their meter) for a minimum amount of cubic feet of water and a charge for each additional hundred cubic feet of water used above the respective minimums. Its Seasonal customers are billed a minimum charge in the spring and billed again in the summer and/or in the fall if consumption exceeds the yearly minimum allowance based upon a separate seasonal rate schedule. Metered water rates are regulated by the State of Maine's Public Utilities Commission. During 2005, metered water revenue increased 12.4% (\$.44 million) due primarily to the District's Sept. 1<sup>st</sup>, 2004 rate increase. Customer growth of 3.2% also contributed to the increase.

Public and private fire protection (\$.66 million) - This revenue includes charges to local municipalities for hydrants (public fire) and private/non-municipal organizations for ready to use water capacity for both hydrants and sprinkler systems. Fire protection charges are also regulated by the State of Maine's Public Utilities Commission. Revenue for 2005 increased by 1.6% from \$.65 million in 2004, due to additions of new private fire customers during the year as well as new public fire hydrants.

**Depreciation Expense**

Depreciation expense went from \$710,876 in 2004 to \$740,754 in 2005, an increase of 4.2%. This increase can be attributed to the general growth in capital assets during 2005.

**Other Operating Expense**

Non-depreciation operating expense increased from \$3.46 million in 2004 to \$3.53 million in 2005 by 2.2%. The expenses consisted of:

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	
Salaries/wages	\$ 1,487,294	\$ 1,493,611	\$ (6,317)	(.4%)
Employee benefits	966,966	971,162	(4,196)	(.4%)
Purchased water, power & chemicals	348,611	309,719	38,892	12.6%
Operational & maintenance supplies	245,457	243,947	1,510	.6%
Legal and audit fees	101,326	49,426	51,900	105.0%
Contracted services & Equipment Rentals	234,811	243,870	(9,059)	(.4%)
Vehicle maintenance	25,250	21,398	3,852	18.0%
Insurance	105,057	110,060	(5,003)	(4.5%)
Miscellaneous expenses	<u>18,365</u>	<u>15,034</u>	<u>3,331</u>	22.2%
	<u>\$ 3,533,137</u>	<u>\$ 3,458,227</u>	<u>\$ 74,910</u>	<u>2.2%</u>

**Expense category explanations:**

Salaries/wages - This line item represents the amount of salary and wages that were expensed in these years, not the total salary and wages paid to the employees. Portions of the amount of salaries and wages paid to the employees are capitalized, and therefore shown on the Statement of Net Assets. The pay rates for District employees were approximately 3.5% higher in 2005 than 2004.

Employee benefits - The District's portion of health insurance costs increased 2.2% due primarily to increased premium costs. The average cost of the District's portion of the employees' full service plan and POS plan both increased by the same 2.2%. The number of employees insured varies but averages 41 employees in a given month. This increase was more than offset due to small reductions in several other benefit categories.

Purchased water, power & chemicals - Filtration Plant Chemical costs continued to rise in 2005. This expense increased by (\$10K) over 2004. Purchased Power costs increased substantially by (\$23K) over 2004 as a result of higher oil prices.

Legal and Audit Fees - Legal Fees increased (\$49K) over 2004 as a result of a complaint filed with the Maine Public Utilities Commission. This dispute concerned the District's Metering Policy and System Development Charge with respect to a large new development of seasonal cottages.

Operational and maintenance supplies - This category includes all material & supply expenses related to the operation and maintenance of the Plant, Distribution and Administrative areas and include items such as maintenance and repair parts, lab supplies, tools, office supplies, telephone, waste disposal, safety equipment and training, and miscellaneous expenses. These expenses increased by .6% overall from 2004.

Contracted services & Equipment Rentals - This category, which includes a large array of services provided to the District by outside vendors, decreased by .4% (approx. \$9K). The largest increases involved distribution system repairs to tanks, mains and hydrants (approx. \$27K). These increases were more than offset by decreases in source related consulting (\$17K), filtration plant repairs (\$11K) and in customer service expenses (\$15K).

Insurance - Insurance costs decreased by 4.5% from 2004. In general, insurance rates have begun to stabilize again after rising considerably following the events of September 11, 2001.

### **Net Non-Operating Expense**

This item is primarily made up of \$190,301 of interest expense.

### **Contributions**

Contributions occur when development takes place within the District's service area. The contributions for 2005 and 2004 were:

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	
Main Extensions	\$ 0	\$ 726,333	\$ (726,333)	
System Development Charges	561,896	337,028	224,868	
Services	65,090	0	65,090	
Meters	42,231	29,554	12,677	
Miscellaneous	<u>13,262</u>	<u>3,940</u>	<u>9,322</u>	
Totals	<u>\$ 682,479</u>	<u>\$ 1,096,855</u>	<u>\$ (414,376)</u>	<u>(37.8%)</u>

### **Overall Financial Position and Results of Operations**

To determine the change in the District's financial position in the past year we have focused on two elements: financial ratios and revenue stability.

#### **Financial Ratios:**

Two of the key financial ratios for analyzing the District's financial position are the current ratio and the coverage ratio. During 2005, the current ratio improved from 1.49 to 1.73, while the coverage ratio substantially improved from 1.83 to 2.61. These improvements to the District's ratios in 2005 occurred largely as a result of a full year's impact of its September 2004 rate increase.

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,330,856	\$ 1,184,626
Current liabilities	770,521	793,351
<b>Current Ratio</b>	<b>1.73</b>	<b>1.49</b>
Coverage Ratio:	<u>2005</u>	<u>2004</u>
Operating revenue	\$ 4,917,351	\$ 4,431,124
Interest income	24,469	8,762
Miscellaneous income	<u>6,694</u>	<u>4,506</u>
Gross revenues	4,948,514	4,444,392
Operating expenses	4,273,891	4,169,103
Depreciation	<u>(740,754)</u>	<u>(710,876)</u>
Expenses	3,533,137	3,458,227
Net available - debt service	<u>\$ 1,415,377</u>	<u>\$ 986,165</u>
Principal payments	\$ 352,231	\$ 352,424
Interest and amortization expense	<u>190,301</u>	<u>186,867</u>
	<u>\$ 542,532</u>	<u>\$ 539,291</u>
<b>Coverage Ratio</b>	<b>2.61</b>	<b>1.83</b>

### Revenue Stability

Most of the District's operating revenue, 80% in 2005 and 81% in 2004, comes from water assessments. These revenue sources are stable and were relatively unchanged between 2005 and 2004.

Water rates, both metered and fire protection, are regulated by the State of Maine's Public Utilities Commission (PUC). The PUC sets rates that allow the District to maintain operations and pay debt service. Until September 1, 2004 the District's water rates had been the same since 1983. The approved increase was for a 13.8% increase in metered revenues with no change required in fire protection rates. Under the PUC's formula for rates, the District was not eligible to file until 2004. One of the main reasons for this is that steady customer growth (nearly 2% per year) has helped stem the tide of inflation.

In addition, the District's metered water customer base is not concentrated. Residential customers, who make up 10,758 of the District's 11,987 water connections (89.7%), provided 56.1% of all operating revenue in 2005 and 56.0% in 2004. Non-residential metered customers represented 24.2% of all operating revenue in 2005 and 25.0% in 2004.

Fire protection (public and private) was 13.5% of all operating revenue for 2005, down slightly from 14.6% in 2004.

## Operating revenue by type:

	<u>2005</u>	<u>2005 %</u>	<u>2004</u>	<u>2004 %</u>
Metered - residential	\$ 2,760,406	56.1%	\$ 2,479,404	56.0%
Metered - non-residential	1,229,129	25.0%	1,072,180	24.2%
Public fire	572,616	11.7%	567,720	12.8%
Private fire	85,770	1.8%	80,598	1.8%
Rental revenues	211,574	4.3%	183,413	4.1%
Other operational revenue	<u>57,856</u>	<u>1.1%</u>	<u>47,809</u>	<u>1.1%</u>
Total operating revenue	<u>\$ 4,917,351</u>	<u>100.0%</u>	<u>\$ 4,431,124</u>	<u>100.0%</u>

**Significant Changes to Individual Funds****Operating and Management Fund**

Water revenue increased 10.7% in 2005 largely due to Sept. 1<sup>st</sup>, 2004 rate increase.

Operating expenses (including depreciation) were up 2.2% overall.

**Water Supply Protection Fund****2005 and 2004 Revenue**

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	
Interest Income	<u>\$ 14,661</u>	<u>\$ 5,363</u>	<u>\$ 9,298</u>	<u>173.4%</u>

**2005 and 2004 Additions/Withdrawals**

	<u>2005</u>	<u>2004</u>	<u>Difference</u>
Additions to Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Withdrawals from Fund	<u>\$ 85,900</u>	<u>\$ 0</u>	<u>\$ 85,900</u>

**System Development Fund****2005 and 2004 Revenue**

	<u>2005</u>	<u>2004</u>	<u>Difference</u>	
Interest Income	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>200.0%</u>

**Other Post Employment Benefits Fund (OPEBF)****2005 and 2004 Fund Balance**

	<u>2005</u>	<u>2004</u>	<u>Difference</u>
Fund Balance	<u>\$ 120,974</u>	<u>\$ 0</u>	<u>\$ 120,974</u>

**Significant Budget Variances**

The District is not legally required to adopt budgetary accounting and reporting. However, an annual budget is prepared by management and approved by the Board of Trustees. The budget is prepared for the operating revenues and expenses.

**Significant Capital Asset and Long-term Debt Activity**

Every year, the Superintendent prepares the capital budget with input from the management staff. He submits this to the Board of Trustees for approval. If a capital expenditure is incurred during the year which is not included in the capital budget, the Superintendent will submit this expenditure to the Board of Trustees for supplemental approval.

Overall, utility property increased by \$1,739,000 from \$39,585,000 to \$41,324,000. The allowance for depreciation grew by \$645,000 and construction work in progress increased by \$74,000. Net utility property increased from \$29.66 million in 2004 to \$30.83 million in 2005.

**Long Term Debt**

During 2005, the District borrowed \$1.0 million in a 15 year serial bond from the Maine Municipal Bond Bank and retired \$.35 million of principal debt. In addition the District's \$.4 million bond anticipation note was also retired.

The total bonded debt (both the Long-term debt and the current portion) activity for 2005 is detailed below:

<b><u>Beginning Balance</u></b>	<b><u>Issues</u></b>	<b><u>Retirements</u></b>	<b><u>End Balance</u></b>
<b><u>\$ 3,856,228</u></b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ (752,231)</u></b>	<b><u>\$ 4,103,997</u></b>

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Kennebunk, Kennebunkport and Wells Water District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wayne A. Brockway, Treasurer KK&W Water District, P.O. Box 88, Kennebunk, ME 04043.



**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**STATEMENTS OF NET ASSETS**  
**DECEMBER 31, 2005 and 2004**

<b>ASSETS</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Current Assets:		
Cash and Cash Equivalents	\$ 820,805	\$ 635,092
Accounts Receivable - Trade, Net	186,593	249,964
Accounts Receivable - Other	1,124	1,383
Materials and Supplies Inventory	231,676	242,742
Prepaid Expenses	90,658	55,445
Total Current Assets	<u>1,330,856</u>	<u>1,184,626</u>
Other Special Funds:		
Water Supply Protection Fund	480,921	552,160
System Development Fund	989	983
Other Post Employment Benefits Fund (OPEBF)	120,974	0
Total Other Special Funds	<u>602,884</u>	<u>553,143</u>
Utility Plant, in Service	41,324,136	39,585,098
Less: Accumulated Depreciation	<u>(10,793,911)</u>	<u>(10,148,606)</u>
Net Utility Plant, in Service	30,530,225	29,436,492
Construction, Work in Progress	295,862	221,494
Net Utility Plant	<u>30,826,087</u>	<u>29,657,986</u>
Other Property:		
Non-Utility Property	22,591	22,591
Deferred Charges:		
Unamortized Debt Discount and Bond Issue Costs	<u>7,221</u>	<u>6,650</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 32,789,639</u></b>	<b><u>\$ 31,424,996</u></b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 138,382	\$ 175,749
Other Accrued Liabilities	213,415	265,371
Current Portion of Long-Term Debt	418,724	352,231
Total Current Liabilities	<u>770,521</u>	<u>793,351</u>
Long-Term Debt	3,685,273	3,503,997
Deferred Credits		
Customer Advances for Construction	1,054,375	1,035,184
Deferred Bond Interest	104,656	124,252
Total Deferred Credits	<u>1,159,031</u>	<u>1,159,436</u>
Post Retirement Benefits	<u>959,016</u>	<u>892,611</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 6,573,841</u></b>	<b><u>\$ 6,349,395</u></b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 26,729,311	\$ 25,808,407
Unrestricted	<u>(513,513)</u>	<u>(732,806)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 26,215,798</u></b>	<b><u>\$ 25,075,601</u></b>

*The Accompanying Notes are an Integral Part of These Statements.*

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>OPERATING REVENUES</b>		
Metered-Residential	\$ 2,760,406	\$ 2,479,404
Metered-Commercial	1,229,129	1,072,180
Public Fire Protection	572,616	567,720
Private Fire Protection	85,770	80,598
Local Municipalities	45,709	45,308
Sales for Resale	175	0
Miscellaneous Service Revenues	11,972	2,501
Rental Revenues	211,574	183,413
Total Operating Revenues	<u>4,917,351</u>	<u>4,431,124</u>
<b>OPERATING EXPENSES</b>		
Operation and Maintenance (Schedule 2)	3,533,137	3,458,227
Depreciation	740,754	710,876
Total Operating Expenses	<u>4,273,891</u>	<u>4,169,103</u>
<b>OPERATING INCOME</b>	643,460	262,021
<b>NON-OPERATING INCOME</b>		
Interest Income	24,469	8,762
Merchandise and Jobbing Income	6,166	4,148
Miscellaneous Non-Utility Income	528	358
Total Non-Operating Income	<u>31,163</u>	<u>13,268</u>
<b>NON-OPERATING EXPENSES</b>		
Interest Expense	190,301	186,867
Taxes Other than Income	25,338	23,165
Amortization of Bond Issue Costs	575	550
Miscellaneous Non-Utility Expense	691	7,014
Total Non-Operating Expenses	<u>216,905</u>	<u>217,596</u>
<b>CHANGE IN NET ASSETS BEFORE CONTRIBUTIONS</b>	457,718	57,693
<b>CONTRIBUTIONS</b>		
Mains, Services, Meters, and Hydrants	<u>682,479</u>	<u>1,096,855</u>
<b>CHANGE IN NET ASSETS</b>	1,140,197	1,154,548
<b>NET ASSETS - AT BEGINNING OF YEAR</b>	<u>25,075,601</u>	<u>23,921,053</u>
<b>NET ASSETS - AT END OF YEAR</b>	<u>\$ 26,215,798</u>	<u>\$ 25,075,601</u>

*The Accompanying Notes are an Integral Part of These Statements.*

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 4,988,057	\$ 4,327,051
Cash Payments to Suppliers and Contractors	(2,066,981)	(2,104,201)
Cash Payments to Employee Services	(1,542,894)	(1,469,579)
Net Cash Provided by Operating Activities	<u>1,378,182</u>	<u>753,271</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Long -Term Borrowings	1,000,000	400,000
Repayment of Long -Term Debt	(752,231)	(352,424)
Payment of Matured Bond Payable	0	(10,000)
Bond Refund Received	0	1,661
Transfer of Funds from the Water Supply Protection Fund	85,900	0
Transfer of Funds to the Other Post Employment Benefits	(120,974)	0
Interest Paid	(206,636)	(209,621)
Acquisitions and Construction of Operating Property	(1,908,920)	(1,556,565)
Payment of Bond Issue Costs	(1,146)	(1,112)
Contributions in Aid of Construction Received	701,730	576,895
Net Cash Used by Capital and Related Financing Activities	<u>(1,202,277)</u>	<u>(1,151,166)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income Received	24,469	8,762
Reinvested Investment Income	(14,661)	(5,366)
Net Cash Provided by Investing Activities	<u>9,808</u>	<u>3,396</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	185,713	(394,499)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>635,092</u>	<u>1,029,591</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 820,805</u>	<u>\$ 635,092</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 643,460	\$ 262,021
Depreciation	740,754	710,876
Jobbing Income	6,166	4,148
Miscellaneous Non-Utility Income	528	358
Taxes Other than Income	(25,338)	(23,165)
Miscellaneous Non-Utility Expense	(691)	(7,014)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	63,630	(108,578)
Inventory	11,066	(35,460)
Prepaid Expense	(35,213)	(3,006)
(Decrease) Increase in:		
Accounts Payable	(37,367)	(164,195)
Other Accrued Liabilities	(55,218)	24,032
Post Retirement Benefits	66,405	93,254
Net Cash Provided by Operating Activities	<u>\$ 1,378,182</u>	<u>\$ 753,271</u>

*The Accompanying Notes are an Integral Part of These Statements.*

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 1 - SUMMARY OF ACCOUNTING POLICIES***

The summary of significant accounting policies of Kennebunk, Kennebunkport, and Wells Water District, hereinafter called the "District", are presented to assist in understanding the representations of the District's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Nature of Business**

The District was established in 1921 as a quasi-municipal corporation organized by a special act of the Maine State Legislature to provide and maintain a water treatment and distribution system for the inhabitants of the District. The District serves the Towns of Kennebunk, Kennebunkport, Wells, Ogunquit and portions of Biddeford, Arundel and York. The District is governed by a four member Board of Trustees, one elected from each of the Towns of Kennebunk, Kennebunkport, Ogunquit and Wells. The District is regulated by the Maine Public Utilities Commission, hereinafter called the "Maine P.U.C.". The District extends credit to its customers that consist of residential, commercial, and governmental entities at regular terms without collateral.

**Basis of Accounting and Presentation**

The financial statements of the District have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The financial statements are presented in accordance with requirements mandated by the Maine P.U.C.

**Utility Plant**

Utility plant is stated at cost and depreciation is calculated on the straight-line method at rates established by the Maine P.U.C. Useful lives pursuant to Chapter 680 of the Maine P.U.C. range from 5 to 100 years. Utility property retirements are charged in total to the accumulated depreciation account when they occur.

**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 during the construction period. Routine maintenance and repairs are expended as incurred.

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)***

**Contributions in Aid of Construction**

Pursuant to GASB-33 and 34, contributions in aid are to be reported as income and contributed capital equity amounts at the beginning of the implementation year of GASB-34 will be merged into retained earnings to form a new net asset amount.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Inventory**

Materials and supplies inventories are valued at the lower of cost or market using the weighted average cost method.

**Unamortized Debt Discount and Expense**

Costs incurred to issue long-term bonds together with discounts allowed at the time of purchase are amortized on a straight-line basis over the term of the bond issue. Amortization expenses for 2005 and 2004 were \$575 and \$550, respectively.

**Allowance for Bad Debts**

The District uses the allowance method to account for uncollectible accounts receivables. The allowance for doubtful accounts is based on prior year's experience and management's analysis of possible bad debts.

**Long-term Debt**

The fair value of the District's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the District for debt of the same remaining maturities.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 and 2004**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Post-retirement Benefits**

In accordance with SFAS No. 106 as amended by No. 132, *Employers' Disclosure about Pensions and Other Post-retirement Benefits*, the District provides certain health care and sick time benefits for retired employees. Substantially all of the District's employees may become eligible for those benefits if they reach normal retirement age while working for the District. The District started funding the Other Post-retirement Benefits in 2005. The fund balance at December 31, 2005 was \$120,974. The post-retirement benefits expensed based on the actuarial report for the years ending 2005 and 2004 were \$120,974 and \$115,782, respectively.

**NOTE 2 - DEPOSIT AND INVESTMENTS**

**Custodial Credit Risk**

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.

**Deposits**

As of June 30, 2005, the District's bank balance of \$943,628 was entirely insured and collateralized by securities held by the District's bank.

**Investments**

The State of Maine authorizes the District to invest in obligations backed by the U.S. government and agencies, repurchase agreements, and certain corporate stocks and bonds.

The District's MBIA-Class investment is in a local government investment pool designed to make the managing of public funds safer and easier to access. The investment is backed by corporate bonds, U.S. Treasury and Agency bonds, mortgage backed securities and a money market fund.

At December 31, 2005, investments consisted of the following:

	<u>Maturity</u>	<u>Fair Market Value</u>
Mutual Fund Investments	N/A	<u>\$ 480,921</u>

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 3 - OTHER SPECIAL FUNDS***

The Board of Trustee's has internally restricted funds for future capital projects. These special fund balances as of December 31, 2005 and 2004 are as follows:

**Water Supply Protection Fund**

Pursuant to *Sec. 1.35-A M.R.S.A. Sec. 6113* of State of Maine law, a consumer-owned water utility may establish a water supply protection fund to which a sum may be credited annually from surplus funds. The balance of the fund as of December 31, 2005 and 2004 was \$480,921 and \$552,160. Please refer to *Note 8* for further discussion of this fund.

**System Development Fund**

In accordance with the Maine P.U.C. regulations, the District is authorized to impose a charge to customers who expand their water capacity. All funds collected must be segregated and maintained in a separate interest bearing account and the revenue dedicated as required by law. The District submits to the Maine P.U.C. a financial activity report annually. The balance of the fund as of December 31, 2005 and 2004 was \$989 and \$983, respectively.

***NOTE 4 - ACCOUNTS RECEIVABLE - TRADE***

The amount for accounts receivable is shown as net of the allowance for bad debts as follows at December 31,:

	<u>2005</u>	<u>2004</u>
Accounts Receivable	\$ 199,070	\$ 269,290
Less: Allowance for Bad Debts	<u>(12,477)</u>	<u>(19,326)</u>
	<u>\$ 186,593</u>	<u>\$ 249,964</u>

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 5 - UTILITY PLANT AND EQUIPMENT***

Utility plant consists of the following classifications at December 31,:

	Straight-Line Depreciation Rate	<u>2005</u>	<u>2004</u>
Organization	N/A	\$ 50,709	\$ 50,709
Land	N/A	1,975,542	1,887,839
Structures	2% - 3%	3,181,127	3,134,583
Impounding Dams and Reservoirs	2%	57,290	57,290
Intake and Suction Mains	1.5%	14,529	14,529
Wells	2%	114,210	114,210
Pumping Equipment	4%	1,316,963	1,249,463
Purification Equipment	2%	1,229,402	984,884
Tanks and Stand pipes	1.33% - 4%	2,236,413	2,236,413
Transmission and Distribution Mains	1%	23,319,091	22,187,554
Services	3%	4,132,174	4,026,664
Meters	4%	1,343,714	1,325,689
Fire Hydrants	1.5%	749,428	735,863
General Equipment	10%	<u>1,603,544</u>	<u>1,579,408</u>
		<u>\$ 41,324,136</u>	<u>\$ 39,585,098</u>

The District's depreciation expense for the years ended 2005 and 2004 was \$740,754 and \$710,876, respectively.



**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

**NOTE 6 - LONG-TERM DEBT**

Bonded indebtedness and land mortgage payable at December 31, including amounts due currently are summarized as follows:

**Bonds Payable**

<u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>2005</u>	<u>2004</u>
7.38% - 8.60%	10-87	October 2007	\$ 100,000	\$ 150,000
5.00% - 7.85%	7-88	November 2018	830,663	864,561
6.13% - 6.75%	5-91	October 2011	450,000	525,000
5.22% - 6.52%	10-94	November 2014	540,000	600,000
2.09% - 4.29%	10-03	November 2018	1,083,334	1,166,667
2.42%	10-04	October 2005	0	400,000
5.70% - 3.00%	10-05	November 2020	<u>1,000,000</u>	<u>0</u>
			4,003,997	3,706,228
<b>Mortgage Payable – Land</b>				
N/A	7-01	July 2007	<u>100,000</u>	<u>150,000</u>
			<u>\$ 4,103,997</u>	<u>\$ 3,856,228</u>
		Current Portion	\$ 418,724	\$ 352,231
		Long-term Portion	<u>3,685,273</u>	<u>3,503,997</u>
			<u>\$ 4,103,997</u>	<u>\$ 3,856,228</u>

Annual scheduled maturities of long-term debt are as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2006	\$ 418,724	\$ 220,850
2007	433,553	199,343
2008	333,791	177,034
2009	334,050	158,921
2010	334,399	140,527
2011 - 2015	1,393,544	534,140
2016 - 2020	<u>855,936</u>	<u>95,994</u>
	<u>\$ 4,103,997</u>	<u>\$ 1,526,809</u>

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 7 - DEFERRED CREDIT***

At December 31, 2005 and 2004 the deferred credits consisted of:

**Customer Advances for Construction**

The District receives advances for construction from, or on behalf of, customers. Unused advances are refunded to the customers once the projects are completed. Customers' advances aggregated to \$1,054,375 and \$1,035,184 in 2005 and 2004, respectively.

**Deferred Bond Interest**

Refunds received from bond refinancing are capitalized and amortized over the remaining life of the bond, decreasing interest expense in the current and subsequent years. The total reduction of interest expense for years ended 2005 and 2004 was \$19,596 and \$21,516, respectively. Deferred bond credit for the years ended 2005 and 2004 was \$104,656 and \$124,252, respectively.

***NOTE 8 - APPROPRIATIONS OF NET ASSETS***

The District has established appropriated retained earnings for various purposes. At December 31, 2005 and 2004 appropriated retained earnings were as follows:

**Funded Debt Retired Through Surplus**

The District's policy is to appropriate from net income, annually, an amount equal to the principal payment of the bonds. Appropriations at December 31, 2005 were \$302,231. The appropriated funded debt retired through surplus balance at December 31, 2005 and 2004 was \$12,141,101 and \$11,838,870, respectively.

**Water Supply Protection Reserve**

Pursuant to *Sec. 1.35-A M.R.S.A. Sec. 6113* of State of Maine law, a consumer-owned water utility may establish a water supply protection fund to which a sum may be credited annually from surplus funds. The annual credit may not exceed 5% of the prior year's total revenue. Interest earned in the fund must remain in the fund and be used solely for the purposes of the fund. For the year ended 2005, there was an adjusted net income of \$247,081 and a maximum allowed appropriation of \$219,618. The District has so far not opted to appropriate to this fund for year end 2005, but plans to review the funding later on in 2006. The interest income for the years ended 2005 and 2004 was \$14,661 and \$5,363, respectively. The cumulative balance of the reserve at December 31, 2005 and 2004 was \$480,921 and \$552,160, respectively.

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 8 - APPROPRIATIONS OF NET ASSETS (Continued)***

**Mortgage Payment Appropriation**

The District appropriates from net income annually, an amount equal to the principal payment of the mortgage payable. Appropriations at the year ended 2005 was \$50,000. The appropriated mortgage payment balance at December 31, 2005 and 2004 was \$250,000 and \$200,000, respectively.

***NOTE 9 - EMPLOYEE RETIREMENT PLAN***

Effective July 1, 1996, the District became a participant of the Maine State Retirement System's (MSRS) cost sharing, multiple employer consolidated retirement plan. Accordingly, due to the consolidation, details of the pension obligation pertaining to the District can no longer be presented. Additional information may be obtained from the MSRS.

Under the participating local district (PLD) consolidated retirement plan, participants contribute 6.5% of earnable compensation. The District's contribution to the plan is approximately 3% of earnable compensation. This amount is either increased or decreased by the amortization of the District's Initial Unpooled Unfunded Actuarial Liability (IUUAL) over the next 12 years from July 1, 2003. The District's net contributions for the years ended 2005 and 2004 were \$41,598 and \$38,906, respectively.

Employees participating are eligible for normal retirement upon attaining the age of sixty and five or more years of service or early retirement after completing twenty-five or more years of creditable service. Vested participants are entitled to a retirement benefit equal to a fraction of the average final compensation multiplied by the years of membership service (discounted for early retirement).

***NOTE 10 - INCOME TAX STATUS***

The District qualifies as a tax exempt organization under the provisions of the Internal Revenue code and is not subject to any State or Federal income taxes.

***NOTE 11 - 7% TEST***

Pursuant to Chapter 670 of the Maine P.U.C. regulations, a water utility must annually determine if, in of any three consecutive years, its collections have equaled or exceeded 7% of the utility's annual operating expenses. This test is calculated by multiplying 7% of the total utility operating expenses, which are composed of operation and maintenance expenses, depreciation and amortization, and taxes other than income taxes.

For years ended 2005 and 2004 the District's collections did not equal or exceed 7% of its annual operating expenses.

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005 and 2004**

***NOTE 12 - 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; and natural disasters for which the District carries commercial insurance. Based on the coverage provided by commercial insurance purchased, the District is not aware of any material actual or potential claim liabilities that should be recorded at December 31, 2005. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

**Litigation**

The District is subject to certain legal proceedings and claims which arise in the normal course of conducting its activities. In the opinion of management, the District has defensible positions and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the District.

***NOTE 13 - REVENUE FROM OPERATING LEASES***

The District leases various water tank sites to wireless cellular companies under long-term operating leases. The leases are primarily five-year terms with consecutive renewal terms. Rental increases are generally equal to the change in the CPI index during such year. Rental revenues are recognized as earned over the term of the leases. For years ended 2005 and 2004 total rental revenue was \$211,574 and \$183,413, respectively.

Pursuant to PUC regulations, the rental revenues will be treated as operating income.

***NOTE 14 - OPERATING LEASE COMMITMENT***

The District entered into a five-year agreement to license accounting software, equipment and services with an application service provider. Under the agreement, the District is obligated to pay minimum annual license fees as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 48,098
2007	48,098
2008	24,049

License fees for the years ended 2005 and 2004 were \$48,098 and \$48,098, respectively.

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
DECEMBER 31, 2005 and 2004**

**SUPPLEMENTARY INFORMATION**

KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
 SCHEDULES OF CHANGES IN NET ASSETS  
 YEAR ENDED DECEMBER 31, 2005 and 2004

	Appropriated				Unappropriated	Total
	Funded Debt Retired Through Surplus	Mortgage Payment	Water Supply Protection Fund and Restricted Reserves	Contributions in Aid of Construction		
<b>BALANCES - BEGINNING OF YEAR</b>	\$ 11,838,870	\$ 200,000	\$ 553,140	\$ 0	\$ 12,483,591	\$ 25,075,601
Net Income	0	0	14,661	0	443,057	457,718
Contributions in Aid for Construction	0	0	0	682,479	0	682,479
Transfer of Funds	0	0	(85,900)	0	85,900	0
Transfer of the Balance of Contribution in Aid	0	0	0	(682,479)	682,479	0
Current Year Loan Principal Payments	302,231	50,000	0	0	(352,231)	0
<b>BALANCES - END OF YEAR</b>	<u>\$ 12,141,101</u>	<u>\$ 250,000</u>	<u>\$ 481,901</u>	<u>\$ 0</u>	<u>\$ 13,342,796</u>	<u>\$ 26,215,798</u>

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
YEARS ENDED DECEMBER 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>SOURCE AND PUMPING OPERATIONS</b>		
Labor	\$ 97,783	\$ 106,924
Pensions and Benefits	63,574	69,523
Purchased Water	11,440	6,687
Purchased Power	129,231	115,603
Transportation Expense	1,850	1,702
Insurance - Vehicles	735	831
Materials and Supplies	749	1,029
Contractual Services	14,426	31,136
Insurance - Workers' Compensation	2,750	3,759
Total Source and Pumping Operations	<u>322,538</u>	<u>337,194</u>
<b>SOURCE AND PUMPING MAINTENANCE</b>		
Labor	125,657	141,185
Pensions and Benefits	81,696	91,800
Materials and Supplies	45,965	56,820
Contractual Services	27,843	47,176
Transportation Expense	2,377	2,247
Insurance - Vehicles	944	1,098
Insurance - Workers' Compensation	3,533	4,964
Total Source and Pumping Maintenance	<u>288,015</u>	<u>345,290</u>
<b>WATER TREATMENT EXPENSES</b>		
Labor	162,460	155,755
Pensions and Benefits	105,624	101,273
Purchased Power	10,593	1,977
Materials and Supplies	13,218	17,241
Chemicals	184,247	173,771
Contractual Services	23,294	14,578
Transportation Expense	3,073	2,479
Insurance - Vehicles	1,220	1,211
Insurance - Workers' Compensation	4,568	5,476
Total Water Treatment Expenses	<u>508,297</u>	<u>473,761</u>
<b>TRANSPORTATION AND DISTRIBUTION EXPENSES - OPERATIONS</b>		
Labor	375,616	373,193
Pensions and Benefits	244,208	242,654
Purchased Power	8,079	7,449
Materials and Supplies	11,367	12,279
Contractual Services	4,307	1,174
Transportation Expense	7,106	5,940
Insurance - Vehicles	2,822	2,901
Insurance - Workers' Compensation	10,562	13,121
Total Transportation and Distribution Expenses - Operations	<u>664,067</u>	<u>658,711</u>

**KENNEBUNK, KENNEBUNKPORT, AND WELLS WATER DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
YEARS ENDED DECEMBER 31, 2004**

	<u>2005</u>	<u>2004</u>
<b>TRANSPORTATION AND DISTRIBUTION EXPENSES - MAINTENANCE</b>		
Labor	\$ 218,040	\$ 210,032
Pensions and Benefits	141,759	136,565
Materials and Supplies	89,551	72,056
Contractual Services	73,563	40,715
Transportation Expense	4,125	3,343
Insurance - Vehicles	1,638	1,633
Insurance - Workers' Compensation	6,131	7,384
Total Transportation and Distribution Expenses - Maintenance	<u>534,807</u>	<u>471,728</u>
<b>CUSTOMER ACCOUNTS EXPENSES</b>		
Labor	134,128	126,605
Officers	30,425	30,467
Pensions and Benefits	106,985	102,130
Materials and Supplies	28,925	35,212
Contractual Services	57,177	72,670
Transportation Expense	2,537	2,015
Insurance - Vehicles	1,008	984
Insurance - Workers' Compensation	4,627	5,524
Total Customer Account Expenses	<u>365,812</u>	<u>375,607</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Labor	221,092	230,579
Officers	122,093	118,873
Pensions and Benefits	223,123	227,216
Purchased Power	5,022	4,233
Materials and Supplies	55,683	49,309
Contractual Services	135,525	85,847
Insurance - General Liability	53,208	47,097
Transportation Expense	4,182	3,670
Insurance - Vehicles	1,661	1,792
Insurance - Workers' Compensation	9,650	12,286
Miscellaneous Expense	18,362	15,034
Total Administrative and General Expenses	<u>849,601</u>	<u>795,936</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 3,533,137</u>	<u>\$ 3,458,227</u>



## 2005 OPERATIONAL REPORT

### PERSONNEL

#### Education:

The District's employees attended several educational meetings and seminars covering many subjects such as:

Basic Math	CPR
Freeze Ups	Taking Exams
Air Scouring	Leak Detection
Basic Electricity	Basic Chemistry
Conference #475	Mueller Products
Pressure Testing	Work Zone Safety
Safety Compliance	Management Skills
Developing Flushing	Stage 11 DBP Rules
Internet Fundamentals	Chlorine Disinfection
Trenching & Excavation	EJ Prescott Products
Source Water Protection	Distribution Protection
Water Quality Distribution	Organizational Structure
Moving Forward Together	Overhead Crane & Hoist
Chemical Handling & Safety	Hazard Communications
Electrofusion & Large Coupling	Essentials of Management
Changing Face of Water Operators	Dealing with Difficult People
Fundamentals of Water System Hydraulics	Public Utilities Commission, Dig Safe

### SERVICES

<u>New Installations</u>	<u>Renewals</u>	<u>Total Active Services</u>
47	59	10,417

### METERING

#### Meters:

Number in service at beginning of year	11,574
New installations	411
Number in service at end of year	11,985

Meters serving the seasonal customers are installed in the Spring and after removal during the Fall are tested and repaired as needed, then stored for the winter. Area plumbers set seasonal meters in a cooperative program along with District personnel which is not only beneficial to the District, but to the customer and the plumber as well. As a result of the cooperation received from the area plumbers, the success of the program has continued.

**ANALYSIS OF REVENUES - 2005**

	<u>Residential Metered</u>	<u>Commercial Metered</u>	<u>Industrial Metered</u>	<u>Public Fire Protection</u>	<u>Private Fire Protection</u>	<u>Misc.</u>	<u>Totals</u>
Kennebunk	\$1,060,860	\$269,870	\$51,612	\$241,704	\$32,048	\$17,638	\$1,673,732
Kennebunkport	416,064	145,210		98,496	6,937		666,707
Wells	754,244	384,863		116,640	28,832	18,747	1,303,326
Ogunquit	332,533	315,625		63,072	15,229	8,931	735,390
Biddeford	148,065	14,967		38,880	485	392	202,789
Arundel	22,406	28,763		8,640	784		60,593
York	26,234	18,219		5,184	1,455		51,092
Miscellaneous**						223,721	223,721
<b>Totals</b>	<u>\$2,760,406</u>	<u>\$1,177,517</u>	<u>\$51,612</u>	<u>\$572,616</u>	<u>\$85,770</u>	<u>\$269,429</u>	<u>\$4,917,350</u>

**\*\*Miscellaneous Operating Revenue**

Tank Rental Revenues	\$211,574
Misc. Water Sales	<u>12,147</u>
<b>Total Misc. Operating Revenue</b>	<b>\$223,721</b>

**MAINS****DISTRIBUTION MAINS IN SERVICE (FEET)**

	<u>SIZE</u>	<u>2004</u>	<u>ADDED</u>	<u>RETIRED</u>	<u>2005</u>
Deep	20"	62,337	5,785		65,122
Deep	16"	83,062	1,098		84,160
Deep	12"	138,172	3,579	362	141,389
Deep	10"	153,256	32	3,897	149,391
Deep	8"	296,749	6,011	30	302,730
Deep	6"	163,794	405	12	164,187
Deep	4'	19,015			19,015
Surface	4"	3,801			3,801
Deep	3"	6,897			6,897
Surface	3"	15,128			15,128
Deep	2½"	634			634
Surface	2½"	388			388
Deep	2"	61,212			61,212
Surface	2"	29,721			29,721
Deep	1½"	918			918
Surface	1½"	7,062			7,062
Deep	1¼"	3,225			3,225
Surface	1¼"	3,034			3,034
Deep	1"	10,257			10,257
Surface	1"	20,449			20,449
Deep	¾"	2,856			2,856
Surface	¾"	3,915			3,915
		<b>1,085,882</b>	<b>13,910</b>	<b>4,301</b>	<b>1,095,491</b>

**GATE VALVES INSTALLED**

<u>¾"</u>	<u>1"</u>	<u>1½"</u>	<u>2"</u>	<u>4"</u>	<u>6"</u>	<u>8"</u>	<u>10"</u>	<u>12"</u>	<u>16"</u>	<u>20"</u>
--	--	--	--	--	3	14	4	9	2	4

## 2005 MAINS INSTALLED

<u>TOWN</u>	<u>LOCATION</u>	<u>SIZE</u>	<u>MATERIAL</u>	<u>LENGTH</u>	<u>REMARKS</u>	
<b>Kennebunk</b>	Main Street	12"	D.I.	10'	Main Relay	
	Sycamore Lane	12"	D.I.	18'	Main Extension	
	Western Avenue	12"	P.V.C.	3004'		
	Western Avenue	10"	D.I.	14'	Main Relay	
<b>Kennebunkport</b>	Pier Road	6"	D.I.	12'	Main Relay	
		10"	D.I.	14'		
		16"	D.I.	1,098'		
	Dyke Road	12"	P.V.C.	195'	Main Extension	
<b>Wells</b>	Mile Road	12"	D.I.	21'	Main Relay	
		12"	P.E.	321'		
	Ocean Edge Blvd.	8"	P.V.C.	2,244'	Main Extension	
	Avandah Way	8"	D.I.	260'	Main Extension	
			8"	P.V.C.	1,080'	
	Sea Orchard Lane	8"	D.I.	18'	Main Extension	
		8"	P.V.C.	1,158'		
	Hampton Inn	8"	D.I.	85'	Main Extension	
<b>Ogunquit</b>	Route One	8"	D.I.	8'	System Improvement	
		10"	D.I.	4'		
		20"	D.I.	2,758'		
	Brookside Drive	12"	D.I.	10'	Main Relay	
	Ocean Street	8"	D.I.	10'	Main Relay	
	Riverbank Road	8"	D.I.	11'	Main Relay	
	Captain Thomas Road	8"	D.I.	9'	Main Relay	
	Mariner Overlook	6"	D.I.	393'	Main Extension	
		8"	D.I.	18'		
<b>Arundel</b>	Technology Drive	8"	D.I.	510'	Main Extension	
	Commerce Drive	8"	D.I.	600'	Main Extension	
<b>TOTAL</b>				<b>13,910'</b>		

## HYDRANTS

During 2005, 1 public and 23 private hydrants were installed and 5 private hydrants became public, making a total of 684 public and 200 private hydrants in the District's system.

### NEW INSTALLATIONS

<u>Town</u>	<u>No.</u>	<u>Ownership</u>	<u>Location</u>
Arundel	1	Public	Technology Drive
Arundel	1	Private	Commerce Drive
Kennebunk	3	Private	Sycamore Lane
Kennebunk	1	Private	Sea Garden Circle
Wells	3	Private	Ocean Edge Boulevard
Wells	1	Private	Avandah Way
Wells	1	Private	Sea Orchard Lane
Wells	2	Private	Hampton Inn
Wells	7	Private	Summer Village
Wells	2	Private	Beach Dreams
Wells	1	Private	Wells Junior High School
Ogunquit	1	Private	Black Boar Inn

### HYDRANT REPLACEMENTS

<u>Town</u>	<u>No.</u>	<u>Ownership</u>	<u>Location</u>
Kennebunk	1	Public	Western Avenue
Kennebunk	1	Public	Whipporwill Drive
Kennebunkport	1	Public	Pier Road
Kennebunkport	1	Public	Ocean Avenue
Kennebunkport	1	Public	Kings Highway
Ogunquit	3	Public	Route One
Ogunquit	1	Public	Bayview Avenue

### HYDRANTS TRANSFERRED FROM PRIVATE TO PUBLIC

<u>Town</u>	<u>No.</u>	<u>Ownership</u>	<u>Location</u>
Kennebunk	3	Public	Coventry Woods Drive
Kennebunk	2	Public	Madaket Lane

## MONTHLY PUMPING RECORDS

### Gallons Pumped

		<u>2004</u>	<u>2005</u>
January		58,443,900	52,574,900
February		54,446,600	50,053,100
March		54,658,840	53,831,700
April		62,567,240	61,686,500
May		85,244,130	77,007,200
June		119,610,970	104,870,390
July		149,942,900	150,808,200
August		142,614,900	159,217,740
September		108,392,400	114,944,630
October		80,972,000	74,775,700
November		54,869,900	53,465,500
December		54,354,200	52,948,400
Subtotal	(KKWWD)	1,026,117,980	1,006,183,960
	(Biddeford/Saco)	7,078,520	14,026,560
<b>TOTAL</b>		<b>1,033,196,500</b>	<b>1,020,210,520</b>

## MONTHLY SNOW AND RAINFALL

	<u>2004</u>		<u>2005</u>	
	Snow Inches	Rain Inches	Snow Inches	Rain Inches
January	3.4	.19	31.4	1.62
February	9.3	.96	24.9	2.45
March	10.1	1.69	34.9	2.82
April	---	7.67	0.5	7.95
May	---	5.53	---	8.10
June	---	2.34	---	2.98
July	---	3.43	---	1.76
August	---	8.24	---	2.23
September	---	4.84	---	2.49
October	---	2.72	---	14.00
November	---	4.1	1.2	6.22
December	13.7	4.21	16.8	4.44
<b>Totals</b>	<b>36.54</b>	<b>45.92</b>	<b>109.7</b>	<b>57.09</b>